American Home Food Products, Inc.
Form 10KSB
September 07, 2007

FORM 10-KSB

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED MAY 31, 2007.

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ________ TO ________.

AMERICAN HOME FOOD PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

New York	0-26112	41-1759882
(State of Jurisdiction)	(Commission File Number)	(IRS Employer ID No.)
42 Forest Lane	Bronxville, New York	10708
(Address of Principal Executive offices)		(Zip Code)

Registrant s telephone number, including area code 914-441-3591

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock $.001 par value	OTC Electronic Bulletin Board

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days. Yes x No

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. o.

Based on the closing sale price of $.20 on May 31, 2007, the aggregate market value of the voting stock held by nonaffiliates of the registrant was approximately $400,000. The Company had 4,541,455 shares of its $.001 par value common stock and no shares of its $.001 par value preferred stock issued and outstanding on May 31, 2007.

DOCUMENTS INCORPORATED BY REFERENCE

Location in Form 10-K	Incorporated Document
None	

AMERICAN HOME FOOD PRODUCTS, INC.

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PART I

Item 1. Description of Business

American Home Food Products, Inc. (hereinafter the Company) will be subject to numerous and substantial economic, operational and other risks, which should be carefully evaluated. For a more detailed discussion of the risk factors involved in the investment being offered in this offering, see the following **Risk Factors**. At its Annual Meeting of Shareholders on January 28, 2005, the Company announced a new strategy that it was contemplating to advance the Company from a royalty collecting business into one that engages in the manufacturing and marketing of private label and specialty food products. (See **Executive Summary**). In December 2006, the Company filed with the Securities and Exchange Commission a Form 8-K announcing that it had entered into a non-binding Letter of Intent to acquire 100% of the ownership interests in a privately-held specialty food company. As of May 31, 2007, the transaction was still under negotiation and sufficient funds had not been raised to complete the acquisition. As of that date, the closing of the transaction was considered to be not probable.

On August 14, 2007, all terms of a transaction were agreed upon and the requisite funds raised for the Company to acquire Artisanal Cheese, LLC. The purchase price was $4.5 million in cash and notes and the assumption of $700,000 in liabilities as part of the purchase consideration. The Company raised approximately $3.9 million dollars through a private placement of redeemable, convertible preferred stock. With this transaction, the Company sold its building material assets for approximately $1 million and recapitalized its existing debts primarily through a tax-free exchange of debt for equity and cash payments to satisfy other obligations. The Company s current president, Daniel W. Dowe, has agreed to serve as Chairman, Chief Executive Officer and President for an additional three years.

RISK FACTORS

<u>Historical losses</u>. The Company has recorded net losses in prior years, in addition a significant portion of the Company s assets are attributable to intangibles. Management will periodically review the recoverability of intangibles to determine if it has been impaired. Events that may cause an impairment would be the Company s future intentions regarding its operations and the operations forecasted undiscounted cash flows. Any reduction in the value of intangibles would be to the extent that the present value of the expected future cash flows are less than the carrying amount of intangibles. This analysis may result in a complete or partial write-off or acceleration of the amortization period. A write-down of part or all of the intangibles will negatively impact the Company s current operating results. **See Management s Discussion and Analysis of Financial Conditions and Results of Operations and Financial Statements and Notes.**

<u>Because the Company has no patent protection for its product formulae, its competitors could copy its products and market them under another name which could decrease the Company s revenues and hamper its ability to achieve profitabilit</u>y. The formulae used to produce the Company s products are not subject to patents, however the actual trade names for the products are all registered and in good standing. The Company believes that its products are purchased because of performance and trust and that the brand name provides the greater value to the products. Patent protection would not be warranted in the case of

the Company s products, and could be injurious through the public disclosure of the formulae.

If a trading market is not maintained, holders of the common stock may experience difficulty in reselling such Common Shares or may be unable to resell them at all. The Common Shares of the Company are presently quoted on the NASDAQ Over-The-Counter (OTC) Bulletin Board, a regulated quotation service that captures and displays real-time quotes and indications of interest in securities not listed on The NASDAQ Stock Market, or any U.S. securities exchange. The current trading ticker symbol for the Common Shares is AHFP . The Company may, but has not, entered into any agreements with market makers to make a market in the Company s Common Stock. In addition, any such market making activity would be subject to the limits imposed by the Securities Act, and the Securities Exchange Act of 1934, as amended, (Exchange Act) and it is possible that the market in the common stock can be discontinued at any time. Accordingly, if there is no active market available for the common shares, no liquidity or if the market is discontinued, holders of the common stock may have difficulty or may be unable to sell the shares which he or she may hold.

Because our stock is presently considered to be a penny stock , the applicability of Penny Stock Rules could make it difficult for investors to sell their shares in the future in the secondary trading market. Federal regulations under the Exchange Act regulate the trading of so-called penny stocks (the Penny Stock Rules), which are generally defined as any security not listed on a national securities exchange or NASDAQ, priced at less than $5.00 per share, and offered by an issuer with limited net tangible assets and revenues. In addition, equity securities listed on NASDAQ that are priced at less than $5.00 per share are deemed penny stocks for the limited purpose of Section 15(b)(6) of the Exchange Act. Therefore, during the time which the common stock is quoted on the NASDAQ OTC Bulletin Board at a price below $5.00 per share, trading of the common stock will be subject to the full range of the Penny Stock Rules. Under these rules, broker dealers must take certain steps prior to selling a penny stock, which steps include: (i) obtaining financial and investment information from the investor; (ii) obtaining a written suitability questionnaire and purchase agreement signed by the investor; and (iii) providing the investor a written identification of the shares being offered and in what quantity. If the Penny Stock Rules are not followed by the broker-dealer, the investor has no obligation to purchase the shares. Accordingly, the application of the comprehensive Penny Stock Rules may be more difficult for broker-dealers to sell the common stock, and purchasers of the shares of common stock offered hereby may have difficulty in selling their shares in the future in the secondary trading market.

Certain information included in this Form 10-KSB contain statements that are forward-looking, such as statements relating to future anticipated direction of the Company, plans for expansion, corporate acquisitions, anticipated sales growth and capital funding sources. Such forward-looking information involves risks and uncertainties that could significantly affect anticipated results in the future, and accordingly, such results may even materially differ from those expressed in any forward-looking statements made by or on behalf of the Company.

BUSINESS

a. General Business Development

The Company is a corporation formed under the laws of New York and as of May 31, 2007 had its principal place of business and executive offices located at 42 Forest Lane, Bronxville, New York 10708, telephone 914-441-3591.

Pursuant to a Licensing Agreement the Company currently operates as a licensing entity that collects monthly royalty payments from its Licensee that are derived from sales of building materials that bear the Company s trade names. The royalties are paid monthly by the Licensee based on sales of goods made one month from the payment date. For instance, the royalty for sales of goods in August will be paid on October 1st. The royalty agreement provides for a fixed licensing fee for each account. The Company is to provide marketing and sales support to the Licensee.

In addition, management believes that the Company s publicly-traded status and its net operating loss carry forward would be useful in the execution of the Company s business plan to develop a large scale business that concentrates on the manufacturing and marketing of private label food products. Following is an executive summary of the Company s business plan, which will illustrate the Company s current plan and the industry in which the Company seeks to penetrate.

EXECUTIVE SUMMARY

The Company and Its Industry

American Home Food Products, Inc. had taken proactive steps to acquire a company in the large-scale diversified private label food manufacturing and marketing business. The Company had pursued several operating businesses that could serve as growth platforms in each of the selected product categories, however for various reasons not attributable to the Company the transaction could not be brought to a close.

During this fiscal year and as part of its analysis of the larger food industry beyond private label food companies, the Company identified a new expansion opportunity in the specialty cheese category. The specialty cheese business is a $6 billion category measured in retail dollars in the United States and the Company believes the category lacks an identifiable cheese brand that stand for luxury, best-in-class status.

The Company s plan was to acquire the small but already popular Artisanal Cheese, LLC (Artisanal) and develop an expansion plan around its Artisanal Premium Cheese brand. Artisanal historically sold its products into the local Manhattan restaurant trade and through its website (www.artisanalcheese.com) and its printed catalogue. The Company believes that with additional personnel in its sales division and very limited advertisement the Artisanal brand could be expanded further in premium foodservice outlets and retail stores with additional sales growth coming from the website and catalogue through corporate gift programs.

Prior Business Development

In August 7, 1999, the Company acquired its existing assets from The Sherwin-Williams Company. On August 1, 2000, the Company acquired substantially all of the assets of the The Sta-Dri Company located in Odenton, Maryland (Sta-Dri). Sta-Dri manufactured a well-known line of waterproofing and building material products that have been in existence for over 40 years. Due to operating difficulties at its plant, the Company contracted out all its manufacturing to a larger private held business and currently collects a royalty on monthly sales of its product line.

b. Financial Information About Industry Segments

All assets, revenues and operating expenses are dedicated to one business segment -- the marketing of building materials. Accordingly, the Company accounts for its business operations within one industry, i.e. the building materials industry.

Based upon its current operations and its operating activity for the past three fiscal years, the Company believes that its financial information is adequately presented in its audited financial statements and is cross-referenced in this Form 10-KSB to the Company s balance sheet and statement of operations appearing on pages F-3 and F-4, respectively.

c. Current Business Operation

As of May 31, 2007, the Company was engaged in the business of marketing premium building product materials through the Licensing Agreement. The first line of products are pre-packaged concrete repair and floor resurfacing products that are marketed to contractors directly and also to distributors of building material products under the trade names Por-Rok and Dash Patch. The second line of products is masonry waterproofing products also marketed to contractors and distributors of building materials and paint products under the brand name Sta-Dri. The third line of products is a line of polypropylene concrete reinforcing fibers that are sold under the Fiberforce trade name. **(See Description of Products).**

As of May 31, 2007, the Company had its executive offices at 42 Forest Lane, Bronxville, New York 10708.

d. How the Company Markets Its Products

The Company markets all its products in conjunction with the sales and marketing staff of its Licensee. Most of these efforts involve direct contact with existing and new customers and periodic incentive based promotions to attract new sales.

e. Description of the Company s Products

The following is a list of the Company s products as of May 31, 2007:

POR-ROK PRODUCTS (A Line of Grouts and Patching Products) these products are shipped in various packaging sizes and sold to retail hardware stores and contractor outlets. The products are either cement- or gypsum-based and are used in various interior and exterior applications for anchoring equipment or other permanent fixtures, vertical and horizontal repairs of concrete and wood structures.

STA-DRI PRODUCTS (A Line of Masonry Waterproofing Products) these products are shipped in various packaging sizes and sold to retail hardware stores and contractor outlets. The products come in powder form (need to be mixed with water) or ready-mixed (similar to paint products) and are used in various application of waterproof masonry structures.

f. The Company s Competitors

The principal methods of competition in our industry are price, service and the reliability of the product as demonstrated by performance. Each product offered by the Company currently has been on the market for at least 10 years and in some cases over 50 years. Because the products have been used for so long, they have achieved a level of market acceptance. The Company s prices are competitive with other like products and it does not aim to be the lowest nor the highest price on the market, but to be competitive.

Brand	Major Competitors
Por-Rok Products	Conspec, Tamms, Master Builders, Quikcrete Sonneborn, Sika, W.R. Meadows, ChemMasters Rockite, Oldcastle, Mapei, DAP
Sta-Dri Products	Thoroseal, UGL

g. Seasonality

Most of the Company s products are used in the maintenance of existing structures and have interior and exterior applications. Even in winter months a significant portion of construction and building maintenance continues, especially on interior projects where the company s products are used most. Although the high points of the construction season tend to be the busier period for sales, the Company does experience stable sales in the winter months.

h. Customer Dependence

The Company is not dependent upon any one customer nor does it anticipate becoming dependent upon one customer in the future. Its marketing strategy is to diversify its sales through major distributors that are located in various geographical areas and to a large number of construction professionals, such as engineers, architects, contractors, construction managers and end-users all of whom are involved in separate construction projects. The Por-Rok, Sta-Dri and Fiberforce products are sold to various distributors and retailers none of which account for more than 5% of the respective line of product sales.

i. Raw Materials

The raw materials used in manufacturing products using the Company s trade names are readily available in the United States and Canada. The raw materials are purchased on an as needed basis and at market prices at the time of purchase. The Company does not anticipate that the prices and supplies of the raw materials will fluctuate substantially since the majority of the raw materials are commodity items such as sands and cement.

j. Intellectual Property Rights

The Company received a certificate of registration for the use of the trademark Novacrete from the Canadian Intellectual Property Office on June 15, 1997. The Certificate remains in effect until June 5, 2012 and can be renewed by the Company. On March 3, 1998, the Company received a Certificate of Trademark Registration No. 2,140,062 to use the trademark Novacrete in the United States. The term of the U.S. trademark registration is for ten years. With the Company s acquisitions of Por-Rok in August 1999 and Sta-Dri in August 2000, the Company acquired the registered trade names for all Por-Rok, Dash Patch and Sta-Dri products currently being produced.

The Company has not filed an application for a patent on its proprietary technology. The core technology that is used in each of the Company s products is not easily replicated. However, if patented the technology would ultimately become public information. The Company has developed internal controls to protect the confidentiality of its technology and does not believe that the lack of legal patent protection will impair its ability to effectively compete with other manufacturers of like products or cause the Company to incur unnecessary risk of loss of the technology. Even if the Company had patent protection over its technology, it still assumes the risk that a competitor may misappropriate the technology and then its only recourse would be to commence costly and time consuming litigation. The existence or absence of a patent poses no commercial disadvantage to marketing the Company s products.

Even if the Company were required to change its corporate name, this would not diminish our sales since our products are marketed under the brand names Por-Rok Sta-Dri and Fiberforce . These product names are protected by registered trademarks in the United States, Canada and the United Kingdom.

k. The Company s Working Capital Requirements To Operate Its Business

For the fiscal year ended May 31, 2007, the Company experienced substantially less fluctuations in its working capital requirements to finance its operations due to it having entered into the Licensing Agreement. The Company currently requires approximately $20,000 monthly to cover its fixed operating expenses before interest charges and it has no variable expenses.

l. No Backlog Orders

As of May 31, 2007, the Company did not have any backlog orders on account of its new business operation as a licensing company.

m. Government Contracts

The Company does not have any material contracts with the Government or any government agency and therefore does not have any exposure to these types of agreements.

n. Financial Information About Foreign and Domestic Operations and Export Sales.

The Company exports a small percentage of its annual sales to customers located outside of the United States. Whenever goods are sold outside of the United States the invoice is either paid in full prior to the shipment, or the goods are released upon confirmation of an irrevocable letter of credit.

o. The Company s Research and Development Activities

The Company currently markets products that have been widely accepted in the marketplace for building materials in both the commercial and consumer channels. The Company is not actively seeking to develop new innovative products, but to capitalize on sales of its existing products.

p. Environmental Compliance

The Company does not manufacture its products nor does it use raw materials in its products that are deemed to be subject to rules or regulations relating to the discharge of certain materials into the environment. With the conveyance of its real property to Dime on July 17, 2003, the Company no longer has any exposure to environmental claims on the property, although in its best judgment it does not believe there are any environmental liabilities at the property.

q. The Company s Future Operations

The Company s plan to combine its Licensee s sales and marketing staff with its own efforts to increase sales of products sold under the Company s trade names and consequently its monthly royalty payments. The Company also acquired Artisanal Cheese, LLC on August 14, 2007, a fully operating company which specializes in gourmet cheeses.

r. Number of Employees

As of May 31, 2007, the Company employed one (1) full-time employee.

Item 2. Description of Property

As of May 31, 2007, the Company s principal executive offices are located at 42 Forest Lane, Bronxville, New York 10708, telephone number 914-441-3591.

Item 3. Legal Proceedings

The former shareholders of the Sta-Dri company filed a lawsuit for unpaid royalty payments and received a judgment in the amount of $95,000.

Other trade creditors have commenced lawsuits against the Company to secure payment on unsecured claims, however none of these judgment can be satisfied against the Company assets due to there being a properly perfected security interest in place with a financial creditor that is willing to work with the company.

Item 4. Submission of Matters to a Vote of Security Holders

The last Annual Meeting of Shareholders was held on January 28, 2005 at which the Company received majority votes in favor of: changing the Company s name to American Home Food Products, undertaking a 1-for-7 reverse stock split and ratifying the election of its independent outside counsel. In light of the Company s plan to make an acquisition in 2007, it has not scheduled a meeting of shareholders and expects that as part of the acquisition or shortly thereafter it will schedule an annual meeting of shareholders.

PART II

Item 5. Market for Registrant s Common Equity and Related Stockholder Matters

The Company s common stock, $.001 par value, is traded on the Over-the-Counter (OTC) Bulletin Board operated by the National Association of Securities Dealers under the ticker symbol AHFP . The table below presents the high and low closing bid prices for each of the quarters of the fiscal years ending May 31, 2007 and May 31, 2006, respectively. The quotations reflect interdealer prices without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions. The Company s common stock became actively traded in July, 1995. Effective June 8, 2005, a 1-for-7 reverse split was undertaken, which increased the Company s stock price to $.15 per share with 3,606,455 shares of its $.001 par value common stock issued and outstanding. On May 31, 2007, the closing bid price was $.20. The Company has never paid a cash dividend and does not expect to change its dividend policy in the foreseeable future.

Quarterly Common Stock Bid Price Ranges

Quarter	High*	Low*	Last Day of Quarter
1st	$ .11	$ .11	August 31, 2006
2nd	$ .15	$ .10	November 30, 2006
3rd	$ .20	$ .10	February 28, 2007
4th	$ .51	$ .15	May 31, 2007

Quarter	High*	Low*	Last Day of Quarter
1st	$ .15	$ .15	August 31, 2005
2nd	$ .13	$ .13	November 30, 2005
3rd	$ .13	$ .13	February 28, 2006
4th	$ .12	$ .12	May 31, 2006

*post-split prices

The Company may, but has not, entered into any agreements with market makers to make a market in the Company s common stock. In addition, any market making activity would be subject to the limits imposed by the Securities Act, and the Securities Exchange Act of 1934, as amended. For example, federal regulations under the Exchange Act regulate the trading of so-called penny stocks (the Penny Stock Rules), which are generally defined as any security not listed on a national securities exchange or NASDAQ, priced at less than $5.00 per share, and offered by an issuer with limited net tangible assets and revenues. In addition, equity securities listed on NASDAQ that are priced at less than $5.00 per share are deemed penny stocks for the limited purpose of Section 15(b)(6) of the Exchange Act. Therefore, during the time which the common stock is quoted on the NASDAQ OTC Bulletin Board at a price below $5.00 per share, trading of the common stock will be subject to the full range of the Penny Stock Rules. Under these rules, broker dealers must take certain steps before selling a penny stock, which steps include: (i) obtaining financial and investment information from the investor; (ii) obtaining a written suitability questionnaire and purchase agreement signed by the investor; and (iii) providing the investor a written identification of the shares being offered and in what quantity. If the Penny Stock Rules are not followed by the broker-dealer, the investor has no obligation to purchase the shares. Given the application of the comprehensive Penny Stock Rules it may be more difficult for broker-dealers to sell the common stock.

Accordingly, no assurance can be given that an active market will always be available for the Common stock, or as to the liquidity of the trading market for the Common stock. If a trading market is not maintained, holders of the Common stock may experience difficulty in reselling them or may be unable to resell them at all. In addition, there is no assurance that the price of the Common stock in the market will be equal to or greater than the offering price when a particular offer of securities is made by or on behalf of a Selling Securityholder, whether or not the Company employs market makers to make a market in the Company s stock.

Item 6. Management s Discussion and Analysis of Financial Condition and Results of Operations
Results of Operations

Year ended May 31, 2007 (Fiscal 2007) as compared to May 31, 2006 (Fiscal 2006)

The royalties for the year ending May 31, 2007 were $245,660, while the royalties for the same period ended May 31, 2006, were $223,522. In both years the Company generated a gross margin of 100% which is attributable to the Company s conversion of its business from a manufacturing company into a licensing company. Since February 2003, the Company has maintained an exclusive licensing agreement with CGM, Inc., whereby CGM fulfills all orders for products sold under the trade names that the Company continues to own and thereafter pays the Company a cash royalty on sales (Licensing Agreement). All royalty payments are based on actual sales in the previous month and are paid on a monthly basis.

For the year ending May 31, 2007, the Company recorded a loss from operations of $178,669 and a net loss of $364,433, which included $185,764 of accrued interest and expenses for depreciation and amortization of $50,512 and stock issued for services of $45,750. Until the Company can either refinance its outstanding debt, or merge with another company which will include a refinancing of the debt, it will continue to accrue inordinate debt charges. On a monthly basis, the Company incurs approximately $30,000 in selling, general and administrative expenses expense. The monthly selling, general and administrative expenses are predominantly comprised of $20,000 in payroll expenses, $3,000 in amortization expense of the intangibles and $4,000 of professional fees.

As of May 31, 2007, the Company had $49,004 in current assets. The Company has intangibles of $389,647, which represents the book value of its trademarks, trade names and customer list, which collectively are the assets that generate the royalty income that the Company earns.

Year ended May 31, 2006 (Fiscal 2006) as compared to May 31, 2005 (Fiscal 2005)

The royalties for the year ending May 31, 2006 were $223,522, while the royalties for the same period ended May 31, 2005, were $209,258. The Company achieved a gross profit of 100% for the year ending May 31, 2006 due to the licensing nature of the Company s business.

For the year ending May 31, 2006, the Company generated a net loss of $306,621, which included $159,325 of accrued interest and expenses for depreciation and amortization of $50,512 and stock issued for services of $27,600. On a monthly basis, the Company incurs approximately $35,000 in selling, general and administrative expenses expense. The monthly selling, general and administrative expenses are predominantly comprised of $20,000 in payroll expenses, $3,000 in amortization expense of the intangibles and $4,000 of professional fees.

As of May 31, 2006, the Company had $17,452 in current assets representing the royalty receivable. The Company has intangibles of $440,159, which is attributable to the two acquisitions that the Company completed in 1999 and 2000.

Selected Financial Data

The following selected historical statement of operations for the three years ended May 31, 2007, 2006 and 2005 and balance sheet as of May 31, 2007 and 2006 have been derived from the financial statements of the Company that are included elsewhere in this Form 10-KSB and that have been audited by Sherb & Co. LLP (except as noted below) whose reports with respect to the financial statements are also included elsewhere in this Prospectus. This information should be read in conjunction with the financial statements and notes to the financial statements appearing elsewhere in this Form 10-KSB and Management s Discussion and Analysis of Financial Condition and Results of Operations .

	Years Ended May 31		
	2005	2006	2007
	(Unaudited)	(Unaudited)	(Unaudited)
STATEMENT OF OPERATIONS DATA:			
Net Sales	$ 209,258	$ 223,522	$ 245,660
Gross Profit	$ 209,258	$ 223,522	$ 245,660
Net Profit/(Loss)	$ (382,211)	$ (306,621)	$ (364,433)
Net Income/(Loss) Per Common Share	$ (.11)	$ (.08)	$ (.09)
BALANCE SHEET DATA:			
Working Capital Deficit	($ 3,295,053)	($ 3,523,561)	($ 3,689,373)
Intangibles, net	$ 490,671	$ 440,159	$ 389,647
Total Assets	$ 509,735	$ 457,611	$ 438,651
Long Term Debt	-0-	-0-	-0-
Stockholders Deficiency	($ 2,804,382)	($ 3,083,402)	($ 3,299,724)

Liquidity and Financial Resources

As of May 31, 2007, the Company had $3,738,377 in current liabilities, which includes loans (including interest) that are now due totaling $2,600,425, which were used to fund the Company s operations. These loans are principally to shareholders of the Company. It had accounts payable and accrued expenses of $592,345 and accrued taxes of $545,607.

Of the principal loans outstanding, $1,120,958 is held by one person that has properly perfected security interest against the Company s remaining assets, being all its intangible property.

In conjunction with our licensee (a direct recipient of increased sales), the Company has endeavored to increase revenues by obtaining a subscription to a construction product specifier s database to pursue leads of existing construction projects where our line of products have been specified or could otherwise be used; it has also made proposals to wholesalers of hardware products to cross-promote our respective product lines; and it consults with its licensee on the types of customers to pursue directly.

With the subsequent acquisition by the Company of Artisanal Cheese LLC and the sale of its building material assets, the Company has refinanced substantially all of its debt by either paying off such debt in cash or with cash and stock. Although the Company has been required to carry its intangible property at a net value of $389,647, the sales price obtained for these assets was much higher, and as such, creditors will be receiving cash and some additional equity so as to eliminate such debts.

Although the Company s operating cash flows fluctuate from being positive cash flows to negative cash flows from operations, it required additional financing from time to time to fund its debt carrying charges, costs associated with being a public company and efforts to seek and evaluate potential merger candidates. The Company s cash flows from its royalty revenue was positive and largely offset the required monthly payments on the debt carrying charges, costs of being a public company and its monthly costs of seeking and evaluating potential merger candidates. More than half of the Company s general and administrative costs recorded are salaries and benefits to the sole officer of the Company, hence the draw of such salaries would depend on cash flow after the other aforementioned costs.

The Company has no cash requirements or cash benefits from investing activities. Occasionally the Company obtains additional funds from financing activities by the sale of common stock and or increase in its debt financings.

Inflation and Changing Prices

The Company no longer manufactures its products and is no longer subject to risks associated with inflation or substantial price increase in the near future.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure on contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. We believe that our critical accounting policies are limited to those described below. For a detailed discussion on the application of these and other accounting policies see our note 2 to our financial statements.

Long-Lived Assets (including Tangible and Intangible Assets)

We acquired businesses in recent years, which resulted in tangible assets being recorded. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect our financial statements. We assess potential impairment to the intangible and tangible assets on a quarterly basis or when evidence that events or changes in circumstances indicate that the carrying amount of an assets may not be recovered. Our judgments regarding the existence of impairment indicators, if any, and future cash flows related to these assets are based on operational performance of our business, market conditions and other factors.

Accounting for Income Taxes

As part of the process of preparing our financial statements we are required to estimate our income taxes. Management judgment is required in determining our provision of our deferred tax asset. We recorded a valuation for the full deferred tax asset from our net operating losses carried forward due to the Company not demonstrating any consistent profitable operations. In the event that the actual results differ from these estimates or we adjust these estimates in future periods we may need to adjust such valuation recorded.

Going Concern

The financial statements of the Company have been prepared assuming that the Company will continue as a going concern. The Company has had negative working capital for each of the last two years ended May 31, 2007 and 2006, however the Company currently has little if any mandatory expenses associated with its operating business and, therefore, can continue to operate, while it seeks new acquisition candidates that will enable the Company to complete its recapitalization plan. Notwithstanding these future plans, which the Company can provide no assurances that they will happen, the current level of liabilities that accumulate through monthly accruals raise substantial doubt about the Company s ability to continue as a going concern. The financial statements of the Company do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Item 7. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Directors
American Home Food Products, Inc.
Bronxville, New York

We have audited the accompanying consolidated balance sheet of American Home Food Products, Inc. as of May 31, 2007, and the related consolidated statements of operations, shareholders deficiency, cash flows for each of the years then ended May 31, 2007 and 2006. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Home Food Products, Inc. as of May 31, 2007, and the results of its operations and its cash flows for each of the years then ended May 31, 2007 and 2006, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses from operations, including a net loss of approximately $.3 million for the year ended May 31, 2007, and has a working capital deficiency as of May 31, 2007. These factors raise substantial doubt the Company s ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Sherb & Co., LLP
Certified Public Accountants

New York, New York
September 5, 2007

AMERICAN HOME FOOD PRODUCTS, INC.
CONSOLIDATED BALANCE SHEET
May 31, 2007

ASSETS		
CURRENT ASSETS:		
Cash	$	18,159
Royalty/Licensee receivable		30,845
Total Current Assets		49,004
INTANGIBLES - at cost, net		389,647
	$	438,651
LIABILITIES AND SHAREHOLDERS DEFICIENCY		
CURRENT LIABILITIES:		
Current portion of long term debt	$	1,645,958
Accounts payable		483,280
Note payable		5,000
Loans payable - shareholder		214,940
Accrued expenses and other current liabilities		843,590
Accrued payroll taxes		545,607
Total Current Liabilities		3,738,375
COMMITMENTS AND CONTINGENCY		
SHAREHOLDERS DEFICIENCY:		
Preferred stock - $0.001 par value, 10,000,000 shares authorized, 0 shares issued and outstanding		
Common stock - $0.001 par value, 40,000,000 shares authorized		
4,541,455 shares issued and outstanding		4,541
Additional paid-in capital		8,254,816
Accumulated deficit		(11,559,083
Total shareholders deficiency		(3,299,724
	$	438,651

See notes to the consolidated financial statements.

AMERICAN HOME FOOD PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended May 31, 2007	2006
ROYALTY REVENUE	$ 245,660	$ 223,522
GROSS PROFIT	245,660	223,522
SELLING, GENERAL AND ADMINISTRATIVE	424,329	370,218
LOSS FROM OPERATIONS	(178,669)	(146,696)
OTHER INCOME (EXPENSES):		
Interest income (expenses)	(185,764)	(159,925)
OTHER EXPENSES, net	(185,764)	(159,925)
NET LOSS BEFORE INCOME TAXES	(364,433)	(306,621)
Income taxes		
NET LOSS	$ (364,433)	$ (306,621)
LOSS PER COMMON SHARE, basic and diluted	$ (0.09)	$ (0.08)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, basic and diluted	4,082,224	3,666,840

See notes to the consolidated financial statements.

AMERICAN HOME FOOD PRODUCTS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS DEFICIENCY

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
BALANCE, May 31, 2005		$	3,606,455	$ 3,606	$ 8,080,039	$ (10,888,027)	$ (2,804,382)
Issuance of common stock with promissory note			5,000	5	595		600
Issuance of common stock with settlement agreement			150,000	150	26,850		27,000
Net loss						(306,621)	(306,621)
BALANCE, May 31, 2006		$	3,761,455	$ 3,761	$ 8,107,484	$ (11,194,650)	$ (3,083,403)
Issuance of common stock with revised settlement agreement			100,000	100	13,300		13,400
Issuance of common stock - cash			350,000	350	51,150		51,500
Issuance of common stock services rendered			255,000	255	45,495		45,750
Issuance of common stock for acquisition			75,000	75	37,387		37,462
Net loss						(364,433)	(364,433)
BALANCE, May 31, 2007		$	4,541,455	$ 4,541	$ 8,254,816	$ (11,559,083)	$ (3,299,724)

See notes to the consolidated financial statements.

AMERICAN HOME FOOD PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended May 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (364,433)	$ (306,621)
Adjustments to reconcile net loss to net cash used in operating activities:		

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1),(2)	Option Awards ($)(1),(3)	Total ($)
D. Brady	42,000	45,195	-	87,195
R. Larson	34,000	45,195	-	79,195
G. Marcus	34,000	45,195	-	79,195

G. Martin	43,500	45,195	-	88,695
W. Millichap	31,000	45,195	-	76,195
I. Rabinovitch	30,000	45,195	-	75,195
T. Randlett	55,500	45,195	-	100,695
W. Smith, Jr.	31,000	45,195	-	76,195

(1) These dollar amounts reflect the compensation expenses recognized by the Company in 2008 for financial statement reporting purposes in accordance with SFAS No. 123(R) for all equity awards made to directors in or before 2008. Therefore, these amounts do not represent payments actually received by the directors. The assumptions used to calculate the value of the awards are set forth in Note 13 of the Notes to Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2008.

(2) On December 4, 2007, Essex granted each director awards under its 2007 Outperformance Plan. The aggregate fair market value on the grant date, under SFAS No. 123(R), of each of these awards was $145,215. The $145,215 value will be amortized straight line over the three-year vesting period, less an amount for forfeitures. These awards were outstanding as of December 31, 2008 and entitle each director to a 2.4% interest in the aggregate performance pool under the 2007 Outperformance Plan, which will be paid in the form of LTIP Units and will be determined after a three-year performance period ending on December 3, 2010.

(3) No options were granted to directors during 2008. As of December 31, 2008, each director had the following numbers of shares underlying stock options (vested and unvested) then outstanding: David W. Brady: 9,500 options; Robert E. Larson: 22,500 options; George M. Marcus: 2,500 options; Gary P. Martin: 20,000 options; William A. Millichap: 15,000 options; Issie N. Rabinovitch: 15,000 options; Thomas E. Randlett: 19,500 options; and Willard H. Smith, Jr.: 22,500 options.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Role and Procedures of the Compensation Committee. Our Board's Compensation Committee, composed of independent, non-employee directors, determines and approves the compensation arrangements for the named executive officers. The Compensation Committee includes the Company's Chairman, who has been the Chairman of the Company since its inception and is a significant stakeholder. The Committee has the authority to select, retain and terminate special counsel and other experts (including compensation consultants) as the Committee deems appropriate.

While the Compensation Committee determines Essex's overall compensation philosophies and sets the compensation for the Chief Executive Officer (the "CEO") and other executive officers, it looks to the CEO to make recommendations with respect to both overall compensation policies and specific compensation decisions. For the upcoming fiscal year, the CEO recommends to the Compensation Committee the levels of base salary, targeted annual bonus and long-term equity for the named executive officers other than himself, within the elements of compensation otherwise established by the Committee. The sum of such base salaries and targeted bonuses and long term equity compensation, if any, is included in the Essex annual business plan, which is approved by our Board. Also, at that time, the Committee reviews and approves goals for the upcoming year for specific executive officers. Such goals may include company-wide, business unit and individual goals.

At the end of a fiscal year, the Board reviews actual performance against such goals and, in consultation with the CEO and as discussed further below, sets the actual bonuses to be paid to the executive officers. The CEO also provides the Compensation Committee with his perspective on the performance of Essex's executive officers as well as a self-assessment of his own performance. Except for the CEO, the other named executive officers do not participate in compensation discussions regarding the executive officers. The Committee establishes the compensation package for the CEO in discussions where he is not present. Our Chief Operating Officer and Chief Financial Officer also attend certain of the Compensation Committee's meetings to provide perspective on the competitive landscape and the needs of the business and to discuss potentially new elements for the executive officer's compensation packages.

In 2006, a peer comparison of compensation of named officers was performed by SMG Compensation Consultants of 14 REITs, eight of which are reasonably similar to the Company in revenue size and market capitalization and seven of which are equity REITs that invest in apartments. In 2008 the peer comparison was updated by management based on publicly filed proxy materials for the following companies:

Alexandria Real Estate Equities (ARE)
AMB Property Corporation (AMB)
Apartment Investment & Management Company (AIV)
BRE Properties (BRE)
Camden Property Trust (CPT)
Choice Hotel International (CHH)
Home Properties (HME)
La Salle Hotel Properties (LHO)
Mid-America Apartment Communities (MAA)
Post Properties Inc. (PPS)
PS Business Parks Inc. (PSB)
Realty Income Corporation (O)
Sunstone Hotel Investors, Inc. (SHO)
United Dominion Realty Trust, Inc. (UDR)

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The Compensation Committee considered the peer group information in determining overall compensation levels in light of the Committee's view of appropriate, market-based compensation levels. However, the Committee did not utilize any specific or numeric percentile or other benchmark within the peer group companies for this purpose.

Objectives. The objectives of our compensation program for named executive officers are to:

Attract, retain, and motivate executive officers through the overall design and mix of cash, equity, and short and long-term compensation elements;

Reward individual performance by tying significant portions of short-term compensation in the form of salary and annual bonus opportunity to achievement of individual performance; and

Align the interests of executive officers with the interests of our stockholders by tying significant portions of short and long- term compensation, in the form of annual bonus and long-term equity based awards, increasing distributable cash flow to shareholders, and increasing the value of our common stock based on the acquisition, development, redevelopment and onsite property management of apartment communities.

Within these objectives, the Compensation Committee believes that the primary goal of our executive compensation program should be related to creating stockholder value. The Committee seeks to offer the named executive officers competitive compensation opportunities based upon their personal performance, the financial performance of Essex as compared to other REITs, and their contribution to that performance. The executive compensation program is designed to attract and retain executive talent that contributes to long-term success, to reward the achievement of our short-term and long-term strategic goals, to link executive officer compensation and stockholder interests through equity-based plans, and to recognize and reward individual contributions to corporate performance.

Key elements. The key elements of our current compensation program for the named executive officers are summarized in the table below:

Compensation element:	Why this element is included:	How the amount of this element is determined:	How this elements fits in the overall program:
Base salary	Customary element necessary to hire and retain executives.	Base salary and any changes in salary are based on views of individual retention or performance factors and market data at peer companies (but without specific benchmarking).	Short-term cash compensation that is fixed and paid during the year.
Annual bonus	Customary element appropriate to motivate executives and tie a significant compensation opportunity to a mix of individual and corporate performance.	Annual bonus is based primarily on discretionary and subjective review of individual and business performance factors.	Short-term cash compensation that is contingent on Compensation Committee discretion.
Equity incentive Essex Operating Partnership Units	Equity compensation tailored to our corporate structure that complements cash compensation and provides performance incentives based on stock appreciation for long-term retention of management.	Series Z and Z-1 incentive units were issued and sold to executive officers, including the named executive officers then employed, in 2001, 2004 and 2005. Units under our Outperformance Plan ("LTIP Units") were granted in 2007. LTIP and Z and Z-1 Units have performance conditions and only vest if certain shareholder returns are achieved. Unit awards are determined at a dollar amount that will motivate and retain executives.	Long-term compensation is primarily contingent on performance goals and an increase in the long-term value of our common stock into which the units are ultimately exchangeable. The sale of these incentive units is contractually prohibited and units cannot be converted into operating partnership units (or exchanged for our common shares) until certain conditions are met, designed to retain executives over the vesting period.
Deferred compensation plan	Supplemental element to assist in retaining executives.	Executive officers may defer up to 100% of their base salary and bonus.	A tax planning benefit for executives.
Severance plan	For hiring and retaining executives, this element provides a reasonable level of continued economic benefit if a change of control and related termination were to occur.	The element provides that in the event of a change of control and related termination within the 12 months thereafter, an executive receives two times his current annual salary and targeted bonus, continued insurance benefits and potential tax gross up payments.	A supplement to the base salary and annual bonus arrangements, which addresses possible change of control situations.

Perquisites	Customary element necessary to hire and retain executives.	Generally based on perquisites being offered by comparable companies.	A supplement to the base salary.

Base Salaries. None of our executive officers have an employment agreement. Base salaries are viewed as a customary element necessary to hire and retain executive officers. Base salary and any changes in base salary are based on views of individual retention and/or performance factors and market data at peer companies, without benchmarking. For 2008, the Compensation Committee established base salaries in light of these considerations as well as subjective assessments of individual performance, scope of responsibilities, expertise and experience, and Essex's financial performance and condition. The base salaries are reported in the "Salary Compensation Table" below.

Annual Bonuses. Each named executive officer is eligible to earn an annual cash bonus based on the achievement of the operating performance budget approved by our Board and the meeting of individual performance goals during the year. The performance goals used for determining an officer's annual bonus fall into one or more of the following categories, as determined by the Compensation Committee and by the CEO in his recommendations to the Compensation Committee:

individual performance;

corporate and business unit performance;

the functions performed by the executive officer; and

changes in the compensation peer group in which Essex competes for executive talent.

Although the Compensation Committee considers these factors, the Committee's analysis is generally discretionary and subjective rather than objective, and the weight given such factors may vary from individual to individual.

Each year a target bonus amount is established for each named executive officer, and the sum of all target bonuses are included in the Essex annual business plan which is approved by our Board. To the extent that Essex does not meet its annual business plan targets and its results are less than the plan targets, the annual target bonus amounts can be reduced to zero. In years that Essex exceeds its financial targets, the Compensation Committee has awarded the named executive officers annual bonuses that are as much as twice the individual's target bonus amount.

For 2008, the following specific goals were set for corporate performance:

Increase Funds from Operations ("FFO") per diluted share by approximately 10%; and

Rank in the top quartile of multifamily REITs with respect to 2008 FFO per share growth.

For 2008, FFO per diluted share was $6.14, which met the performance goal and represented an increase of 10.2% from the FFO per diluted share amount for 2007. For a discussion of the calculation of FFO for 2008 and 2007, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Funds from Operation (FFO)" in our Form 10-K for the fiscal year ended December 31, 2008. Essex also achieved the goal of ranking in the top quartile of multifamily REITs with respect to 2008 FFO per share growth.

Key specific factors considered by the Compensation Committee and the CEO in his recommendations to the Compensation Committee in determining bonuses for 2008 included:

exceeding the FFO per diluted share target and ranking in the top quartile of multifamily REITs with respect to 2008 FFO per share growth;

success in our ability to identify markets with strong long-term growth potential consistent with our strategy;

our success in acquiring or developing properties in markets targeted by our economic research;

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the implementation of our disposition program, including the reinvestment of funds generated from asset sales; and

our success in managing joint ventures and in identifying and securing attractive financing alternatives.

Based on these achievements as well as considerations of individual goals and performance and various subjective factors, the Compensation Committee approved bonuses for 2008 that, for the named executive officers, were $80,000 per executive officer higher than the targeted bonus amounts. The bonuses paid for 2008 are reported in the “Bonus” column of the Summary Compensation Table below.

For 2009, the following corporate performance goals have been set:

Achieve an FFO per diluted share amount of $5.80; and

Rank in the top quartile of multifamily REITs with respect to 2009 Core FFO results.

It should be noted that the foregoing are goals and should not in any way be considered to be a prediction, or guidance, by Essex as to its future results. The 2009 targeted bonus amounts for the named executive officers range from 100% to 125% of their annual base salary amounts. Actual bonuses will be based on various subjective factors as well as corporate performance goals, evaluation of the officer’s handling of his day-to-day responsibilities, and the officer’s achievement of his individual performance goals and, in some cases, business unit goals, which for 2009 included the following primary criteria:

Mr. Guericke, Chief Executive Officer: Oversee the investment functions of the Company, including acquisitions and development and continue process of identifying and building the succession to the executive management team;

Mr. Schall, Chief Operating Officer: Monitor performance of regional property managers vis-à-vis each of their budgeted business plans, identify officer to lead operations group and continue succession plan implementation;

Mr. Dance, Chief Financial Officer: Based on market conditions identify and propose capital raising transactions and identify opportunities to reduce overhead cost;

Mr. Eudy, Executive Vice President, Development: Initiation of new development projects with projected capitalization rates of an appropriate premium over acquisition capitalization rates. Complete existing development projects on time and on budget.

Mr. Zimmerman, Executive Vice President, Acquisitions: Continually evaluate markets to find the best property acquisitions at capitalization rates that exceed the cost of capital for such acquisitions and improve the growth rate of the portfolio. In conjunction with Asset Management evaluate assets to be sold to generate proceeds for accretive transactions.

Long-Term Equity Incentives. The Essex long-term equity incentive program is designed to provide an opportunity for management to share in the value creation to shareholders. The Compensation Committee approves the granting of new awards as well as determining the performance criterion for the annual increases in the conversion ratio (equivalent to vesting) for Series Z and Z-1 incentive unit awards.

Awards granted under the Essex long-term incentive program include restricted operating partnership units, referred to as “Z or Z-1 incentive units”, issued and sold to designated executive officers in 2001, 2004 and in 2005. In 2007 the Board established the 2007 Outperformance Plan and the Committee granted the named executive officers awards under that plan that are subject to achieving a minimum total shareholder return.

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As described more fully under the caption "Series Z and Series Z-1 incentive units," these incentive units are convertible into limited partnership units of the Essex operating partnership, which are exchangeable for shares of Essex common stock. The conversion ratio generally starts at zero upon issuance of the awards and may increase by 10% in each year, and up to 20% in certain circumstances in the year following their initial issuance, in which Essex meets the performance criteria set forth in the plan. The Compensation Committee may revise the criteria for increases in the conversion ratio to reflect different or additional parameters, objectives or performance measures if it determines that the funds from operations per share performance measure is no longer appropriate for establishing management objectives or that the target levels are no longer feasible in light of factors or circumstances outside of Essex's control (such as general economic conditions, legal/regulatory changes, war or similar events). To change such criteria, the Compensation Committee must further determine that the revised criteria are, as a whole, comparable or more effective for analyzing the performance of the Company and incentivizing the executives and that such amended or revised criteria shall not be more difficult to achieve than the funds from operations target measure set forth in the plan. The sale of these incentive units is contractually prohibited, and incentive units cannot be converted into operating partnership common units until certain conditions are met, or 15 years after the inception of the plan. Operating partnership common units are exchangeable for shares of Essex common stock.

For 2008, the conversion ratio of outstanding units increased by 10% effective on January 1, 2009. The 10% increase was based on Essex meeting the plan's stated performance criteria of growth in funds from operations per share in 2008 of 10% or more over 2007. Funds from operations increased approximately 10.2% in 2008 compared to 2007. For a discussion of funds from operations in 2007 and 2006, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Funds from Operations (FFO)" in our Form 10-K for the fiscal year ended December 31, 2008.

In December 2007, the Board adopted the 2007 Outperformance Plan. Under this Plan, award recipients share in a "performance pool" if the Company's total return to stockholders for the period from December 4, 2007 through December 3, 2010 exceeds a cumulative total return to stockholders of 30%. The size of the pool is 10% of the outperformance amount that exceeds the 30% benchmark, subject to an aggregate maximum pool of $25 million.

Each participant's award under the 2007 Outperformance Plan is designated as a specified percentage of the aggregate performance pool. Assuming the 30% benchmark is achieved, the pool will be allocated among the participants in accordance with the percentage specified in each participant's award agreement. Individual awards were made in December 2007 in the form of newly created LTIP Units, which are partnership units in the operating partnership that are exchangeable for common units in the operating partnership, on a one-for-one basis to the extent the LTIP Units become vested. Such common units are exchangeable for shares of Essex common stock on a one-for-one basis.

In the case of awards granted to officers, if the benchmark is achieved, the LTIP Units will vest in three substantially equal installments on December 4, 2010 and on the following two one-year anniversaries thereafter, based on the officer's continued employment through the applicable vesting date. The combination of the performance period and the subsequent vesting results in a total of five-years of service required for 100% vesting. The 2007 Outperformance Plan ties a large portion of an officer's compensation to the creation of stockholder value and continued employment with our company on a long-term basis, thereby creating a strong economic incentive for officers to remain at our Company. For more information regarding the 2007 Outperformance Plan, see the discussion under the caption, "2007 Outperformance Plan" below.

The Compensation Committee considered applicable tax and accounting principles in making these awards, and the number of units awarded were intended to provide equity-based awards to the named executive officers that are competitive with our peer group companies and to provide a meaningful incentive for the officers to continue with Essex for their entire career.

Nonqualified Deferred Compensation. Named executive officers are currently permitted to make elections to defer up to 100% of their base salaries and bonuses under the Essex Portfolio, L.P. Deferred Compensation Plan. Essex believes that providing the named executive officers and other eligible employees with nonqualified deferred compensation opportunities is a cost-effective supplemental benefit that enables named executive officers to defer income tax on deferred salary and bonus payments, even though Essex also defers the related deduction. Essex makes no matching contributions to the plan. Additional information concerning this deferred compensation plan is set forth in the Nonqualified Deferred Compensation table and related text below.

Retirement Benefit. Named executive officers are eligible to participate in the Essex tax-qualified 401(k) plan. Essex does not make any additional matching contributions to the officers' accounts. Essex does not maintain any defined benefit, pension, or supplemental or "excess" retirement plans for the named executive officers.

Severance and Other Benefits Upon Termination of Employment or Change of Control. Under the Essex Property Trust, Inc. Executive Severance Plan established in May 2001, and amended in 2008, each of our named executive officers would be entitled to benefits defined under the plan if, within the 12 months after a change of control of Essex (as defined in the section titled "Potential Payments Upon Termination or Change of Control"), the individual's employment is terminated by the employer without cause, or if the individual resigns for good reason, as defined in the plan.

The benefits in such event generally consist of:

severance payments of two times current annual base salary and two times the individual's target annual bonus;

continuation of health, dental and life insurance for up to 24 months;

the right to exercise all vested and unvested stock options or receive a payment cashing out the equity in options, depending on whether the acquiring company elects to assume the options;

a right to receive "tax gross up payments" sufficient to pay the excise taxes that may arise under Sections 280G, 409, and 4999 of the Internal Revenue Code of 1986, as amended (the "Code") concerning "excess parachute payments".

The Compensation Committee believes that these provisions provide a reasonable level of continued economic benefit to the named executive officer if a change of control and related termination event were to occur, are a reasonable balance to the at will nature (and lack of fixed terms) of employment for the officers, and provide a reasonable level of incentive for the covered individuals to remain with Essex prior to any proposal or contemplation of, and during any negotiations for, a change of control. The Committee also believes that the 12-month period following a change of control in which a terminating event must occur restriction, and the 2 years' cash benefits, together with accelerated vesting of options, is in line with or provides lesser benefits than the scope of change of control benefits offered by many companies the Committee considers to be comparable. The Executive Severance Plan was established in 2001. Generally, the existence of this plan, and the potential benefits to executive officers under it, does not affect the annual determination of an executive officer's base salary, cash bonus or long-term incentive unit grants.

The Compensation Committee did not grant stock options to named executive officers in 2008 and has determined that further stock option grants are not currently elements of compensation for named executive officers. Mr. Dance is the only named executive officer currently holding unvested stock options, which were granted to him when he became employed by Essex in 2005. Upon a change of control, pursuant to the terms of the applicable plan, the unvested options held by Mr. Dance will receive immediate vesting.

The Z and Z-1 incentive units do not receive "accelerated vesting" in the form of increased conversion rights or otherwise upon a change of control (although that is an event which would enable individual holders of units to convert their units at the then otherwise applicable conversion ratio and in turn exchange the resulting operating partnership units for shares of Essex common stock). The severance plan calls for cash benefits at twice the annual rate of current compensation. Named executive officers except for Mr. Dance do not currently hold any unvested stock options. Due to these and other factors, if a change of control were to occur based on current circumstances, the severance benefits should not result in any "excess parachute payment" or associated tax gross up under the severance plan. However, the computation of the excise tax on excess parachute payments is complex, and results could differ significantly under changed future circumstances.

The 2007 Outperformance Plan has a provision that permits accelerated vesting in a change of control if the prorated total shareholder return conditions are met.

Life insurance and perquisites. Named executive officers have the choice of an automobile allowances or a Company leased automobile, health and dental insurance and payment of life insurance premiums. The Committee believes that such perquisites are comparable to, or less than, what are provided by comparable companies.

Tax and Accounting Considerations. Section 162(m) of the internal revenue code of 1986, as amended, prohibits the Company from deducting compensation in excess of $1 million for certain executive officers unless certain performance, disclosure, and stockholder approval requirements are met. Option grants under the Essex 1994 and 2004 Stock Incentive Plans are intended to qualify as “performance-based” compensation not subject to the Section 162(m) deduction limitation. The Committee’s present intention is to qualify, to the extent reasonable, a substantial portion of the executive officers’ compensation for deductibility under applicable tax laws. However, the Committee reserves the right to design programs that incorporate a full range of performance criteria important to the company’s success, even where compensation payable under such programs may not be deductible.

Effective January 1, 2006, Essex adopted the provisions of SFAS No. 123 Revised (“SFAS No. 123(R)”), “Share-Based Payment,” a revision of SFAS No. 123 using the modified prospective approach. Effective January 1, 2004, Essex adopted the fair value method of accounting for its stock-based compensation plans using the retroactive restatement method as provided by SFAS No. 123. SFAS No. 123(R) requires companies to recognize in the income statement the grant-date fair value of stock options and other equity based compensation issued to employees. The average fair value of stock options granted for the years ended December 31, 2008, 2007 and 2006 was estimated on the date of grant using the Black-Scholes option pricing model.

Under the incentive program involving the issuance of Z and Series Z-1 incentive units of limited partnership interests in the Essex operating partnership, vesting in the units is based on performance criteria established in the plan. The estimated fair value of a unit is determined on the grant date and considers the company's current stock price, the unpaid dividends on unvested units and the discount factor for the 8 to 15 years of illiquidity. Compensation expense for the units is calculated by taking annual vesting increases multiplied by the estimated fair value as of the grant date less each unit’s $1.00 purchase price.

See Note 13 to Notes to Consolidated Financial Statements in our Form 10-K for the fiscal year ended December 31, 2008, filed with the SEC on February 27, 2009, for a discussion of the accounting for our stock based compensation plans.

Compensation Committee Report

This report is not deemed to be soliciting material, filed with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended {the “Exchange Act”) except to the extent that Essex specifically incorporates it by reference into a document filed with the SEC.

The Compensation Committee reviewed and discussed the above Compensation Discussion and Analysis (“CD&A”) with the Company’s management. Based on the review and discussions, the Compensation Committee recommended to the Company’s Board of Directors that the CD&A be included in this proxy statement.

Members of the Compensation Committee

Robert E. Larson
George M. Marcus
Gary Martin

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SUMMARY COMPENSATION TABLE

The following table summarizes compensation information for our named executive officers for our year ended December 31, 2008, which we refer to as "2008", for our year ended December 31, 2007, which we refer to as "2007" and for our year ended December 31, 2006, which we refer to as "2006".

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Option Awards ($) (2)	All Other Compensation ($) (3)	Total ($)
Keith R. Guericke	2008	350,000	480,000	277,312	-	16,438	1,123,750
Vice Chairman of the Board,	2007	350,000	500,000	200,918	-	15,340	1,066,258
Chief Executive Officer and President	2006	350,000	775,000	194,634	-	16,082	1,335,716
Michael J. Schall	2008	295,000	480,000	255,508	-	12,539	1,043,047
Director, Senior Executive Vice	2007	295,000	500,000	179,114	-	12,622	986,735
President and Chief Operating Officer	2006	295,000	650,000	172,830	-	14,204	1,132,034
Michael T. Dance	2008	225,000	380,000	165,178	14,252	11,245	795,675
Executive Vice President and	2007	225,000	350,000	88,784	14,252	10,555	688,591
Chief Financial Officer	2006	200,000	250,000	82,500	14,252	10,911	557,663
John D. Eudy	2008	300,000	380,000	228,227	-	13,060	921,287
Executive Vice President-	2007	300,000	400,000	151,833	-	13,518	865,531
Development	2006	300,000	300,000	146,549	-	14,042	785,591
Craig K. Zimmerman	2008	300,000	380,000	228,227	-	13,070	921,297
Executive Vice President-	2007	300,000	400,000	151,833	-	13,491	865,324
Acquisitions	2006	300,000	300,000	146,549	-	13,759	760,308

(1) These dollar amounts reflect the compensation expenses recognized by Essex in the year indicated for financial statement reporting purposes in accordance with SFAS No. 123(R) for stock awards in or before that year. Therefore, these amounts do not represent payments actually received by the officers.

- The assumptions used to calculate the value of the awards are set forth in Note 13 of the Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2008, and Note 14 in our Form 10-K for the years ended December 31, 2007 and 2006.

- These stock awards consist of (i), for 2008 and 2007, LTIP Units awarded under the Essex 2007 Outperformance Plan and (ii), for 2008, 2007, and 2006, Series Z and Series Z-1 incentive units. See "2007 Outperformance Plan" and "Series Z and Series Z-1 incentive units" below.

(2) These dollar amounts reflect the compensation expenses recognized by our company in the year indicated for financial statement reporting purposes in accordance with SFAS No. 123(R) for option awards made to the named executive officers in or before that year. Therefore, these amounts do not represent payments actually received by the officers. The assumptions used to calculate the value of the awards are set forth in Note 13 of the Consolidated Financial Statements in our Form 10-K for the years ended December 31, 2008, and Note 14 in our Form 10-K for the years ended December 31, 2007 and 2006.

(3) For 2008, these amounts include the named executive officers' respective perquisites limited to Company provided leased automobiles, and payments of life insurance premiums of ($328, $328, $276, $263 and $263), for Keith R. Guericke, Michael J. Schall, Michael T. Dance, John D. Eudy, and Craig K. Zimmerman, respectively.

GRANTS OF PLAN-BASED AWARDS

There were no awards granted to named executive officers during the year ended December 31, 2008.

2007 OUTPERFORMANCE PLAN

On December 4, 2007, our Board approved a long-term compensation program (the “2007 Outperformance Plan”) for certain members of senior management. The purpose of the 2007 Outperformance Plan is to further align the interests of our stockholders with those of management by encouraging our senior officers to “outperform” and to create stockholder value in excess of industry expectations using a “pay for performance” structure. Non-employee board members also participate in our 2007 Outperformance Plan in lieu of receiving, during the Plan’s performance period, their annual stock option grants.

Under the 2007 Outperformance Plan, award recipients share in a “performance pool” if our total return to stockholders, for the period from December 4, 2007 through December 3, 2010, exceeds 30% measured based on the closing price of the Company's common stock of $98.91 per share on December 4, 2007. The size of the pool will be 10% of the amount by which total returns exceeds the 30% benchmark, subject to an aggregate maximum amount of $25 million. The 30% benchmark will equal approximately $116.22 per share if the 2009 quarterly dividend rate of $1.03 per share stays constant through December 3, 2010. This maximum amount will be reduced by the amount of any forfeited awards. If the performance pool reaches the maximum aggregate amount during the period between June 4, 2010 and December 3, 2010 and maintains or exceeds that level for 30 consecutive days, the performance period will end early and the performance pool will be fixed on the last day of such 30-day period. However, even upon such event, the participants will nonetheless remain subject to the time-based vesting requirements.

Each participant’s award under the 2007 Outperformance Plan is a designated percentage of the aggregate performance pool. Assuming the 30% benchmark is achieved, the pool will be allocated among the participants in accordance with the percentage specified in each participant’s award agreement. Individual awards will be made in the form of newly created LTIP Units, which are partnership units of the Essex operating partnership that, once vested, are exchangeable for common units of the Essex operating partnership on a one-for-one basis. Such common units are exchangeable into shares of our common stock. Any such shares of common stock will be issued pursuant to our 2004 Stock Incentive Plan.

LTIP Units will be granted prior to the determination of the performance pool, but are subject to vesting based upon certain performance and time-based conditions. Unvested LTIP Units are not entitled to distributions until after the 30% performance benchmark has been achieved. Distributions on LTIP Units will be equal to the distribution amounts payable on each common unit of the Essex operating partnership.

In the case of awards granted to senior officers, if the performance benchmark is achieved the LTIP Units will vest, subject to the officer’s continued employment, in three substantially equal installments, the first on December 4, 2010 and the remaining two on the one-year anniversaries thereafter. In the case of awards granted to non-employee directors, such awards will vest in full on December 4, 2010 if the benchmark is achieved if the board member has continued to serve through such date.

In the event of a change of control of our company prior to the establishment of the performance pool, the performance period will automatically terminate as of a date immediately prior to such event and the cumulative stockholder return benchmark will be adjusted accordingly on a pro rata basis. The performance pool will be determined as described above if the adjusted benchmark has been achieved, and the awards will become fully vested at such time.

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SERIES Z AND SERIES Z-1 INCENTIVE UNITS

The Company has adopted an incentive program involving the issuance of Series Z incentive units and Series Z-1 incentive units of limited partnership interests in the operating partnership. This program is intended to further the Company's objective of long-term growth in funds from operations per share by providing long-term incentives to those key employees of the Company who will be largely responsible for the achievement of such long-term growth. The Series Z incentive units and Series Z-1 incentive units are a means to link compensation to targeted levels of growth in funds from operations per share.

The issuance of Series Z incentive units and Series Z-1 incentive units is administered by the Company's Compensation Committee. Participants in the program are senior management and key employees of the Company. The Compensation Committee has the authority to select participants and determine the awards to be made to each.

Up to 200,000 Series Z incentive units are authorized to be issued under the Series Z incentive units program. On June 28, 2001, the operating partnership issued all 200,000 Series Z incentive units to eleven senior executives of the Company in exchange for a capital commitment of $1.00 per Series Z Incentive Unit. No further Series Z incentive units may be issued.

Up to 400,000 Series Z-1 incentive units are authorized to be issued under the Series Z-1 Incentive Unit Program. In June 2004, the operating partnership issued 95,953 Series Z-1 incentive units to 14 senior executives of the Company in exchange for a capital commitment of $1.00 per Unit. In 2005, the operating partnership issued 116,999 Series Z-1 incentive units to sixteen senior executives of the Company for cash or a capital commitment of $1.00 per unit. In 2008, no Series Z-1 incentive units were issued.

Upon certain triggering events, the Series Z and Series Z-1 incentive units will automatically convert into common units of limited partnership interests in the operating partnership. Common units of the operating partnership are exchangeable on a one-for-one basis into shares of the Company's common stock. The incentive units' conversion ratio varies over time. Upon issuance, the conversion ratio is generally zero. On each January 1 following the issuance, the conversion ratio increases by up to 10%, and up to 20% in the first year following the initial issuance, if (i) the participating executive is still employed by the Company and (ii) the Company has met a specified "Funds from Operations" per share target, or such other target as the Compensation Committee deems appropriate for the previous year. The maximum conversion ratio is 100%. On February 27, 2009, with respect to incentive units held by current officers, the conversion ratio of the Series Z incentive units was 85% and the conversion ratio of the Series Z-1 incentive units ranged from 50% to 70%.

The Series Z and Series Z-1 incentive units automatically convert into common units of the operating partnership if either (i) the conversion ratio reaches the maximum level of 100%, (ii) none of the participating executives remain employed by the Company, (iii) the Company dissolves or is liquidated, or (iv) finally, on January 1, 2016 in the case of Series Z incentive units and June 2019 in the case of Series Z-1 incentive units. In certain change of control situations, the participating executives will also be given the option to convert their units at the then-effective conversion ratio. In addition, the operating partnership has the option to redeem Series Z and Series Z-1 incentive units held by any executive whose employment has been terminated for any reason and is obliged to redeem any such units upon the death of any holder. In such event, the operating partnership has the option of redeeming the units for common units of the operating partnership or shares of the Company's common stock based on the then-effective conversion ratio.

The Series Z and Series Z-1 incentive units are entitled to participate in regular quarterly distributions paid out by the operating partnership. As of February 27, 2009, with respect to incentive units held by current officers, each Series Z Incentive Unit was entitled to receive 85% of the distribution received by each common unit of the operating partnership and the Series Z-1 incentive units were entitled to receive a percentage ranging from 50% to 70% of such distribution. Over time the distribution percentages of the Series Z and Z-1 incentive units may increase, generally based on satisfaction of the same conditions as determine the increases in the conversion ratio.

EXECUTIVE SEVERANCE PLAN

We discuss our executive severance plan and related quantitative disclosure based on assumed triggering events below under the heading “Potential Payments Upon Termination or Change-Of-Control” below.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2008

The following table shows all outstanding equity awards held by the named executive officers at the end of 2008:

	Option Awards (1)				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Guericke	-	-	-	-	12,675 (2)	960,131 (3)
Guericke	-	-	-	-	(4)	1,885,000 (4)
Schall	-	-	-	-	11,470 (2)	868,853 (3)
Schall	-	-	-	-	(4)	1,885,000 (4)
Dance	3,932	2,168	72.70	2/22/2015	6,000 (2)	454,500 (3)
Dance	-	-	-	-	(4)	1,885,000 (4)
Eudy	-	-	-	-	9,701 (2)	734,851 (3)
Eudy	-	-	-	-	(4)	1,885,000 (4)
Zimmerman	-	-	-	-	9,701 (2)	734,851 (3)
Zimmerman	-	-	-	-	(4)	1,885,000 (4)

(1) These options become exercisable and vest as to 20% of the underlying shares on the 12 month anniversary of the vesting commencement date, and 1/60 of the shares each month thereafter. The option term is 10 years.

(2) Unvested units issued pursuant to the Series Z and Series Z-1 incentive unit programs described above.

(3) The value is based on the closing price of Essex common stock on the NYSE on December 31, 2008, of $76.75, multiplied by the number of units indicated in the adjacent column, less the $1.00 capital contribution required for each unit.

(4) Each named executive officer received awards in 2007 under the 2007 Outperformance Plan, which entitles the officer to 7.5% of the aggregate performance pool under the plan, that is based on the Essex's performance over a three year period ending December 4, 2010. Awards will then be issued in the form of LTIP Units, which will vest in three equal installments, beginning on December 4, 2010, and then on the 2 one-year anniversaries thereafter. The amounts set forth above assume that the maximum performance pool is attained. See “2007 Outperformance Plan.”

OPTION EXERCISES AND STOCK VESTED

The following table shows for 2008 the number of shares acquired upon exercises of options and the value realized upon exercise and also all stock awards vested and value realized upon vesting.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($) (1)	Number of Shares Acquired on Vesting (#) (2)	Value Realized on Vesting ($) (3)
Guericke	-	-	5,048	382,348
Schall	-	-	4,473	338,792
Dance	1,900	90,079	1,500	113,625
Eudy	-	-	3,770	285,585
Zimmerman	-	-	3,770	285,585

(1) Value realized on exercise is calculated based on the difference between the market price per share of Essex common stock less the exercise price per share on the date of exercise, multiplied by the number of securities exercised (whether or not any securities were sold).

(2) Stock awards consist of Series Z and Z-1 Units. The amounts reflect the 10% increase in the conversion ratio for 2008 performance, which increase was effective as of January 1, 2008.

(3) The value is based on the closing price of Essex common stock on the NYSE on December 31, 2008 of $76.75, multiplied by the number of units acquired on vesting, less the $1.00 per unit capital contribution.

NONQUALIFIED DEFERRED COMPENSATION

The named executive officers are currently eligible to participate in the Essex Portfolio, L.P. Deferred Compensation Plan, which is referred to in this proxy statement as the “prior deferred compensation plan,” and the Essex Portfolio, L.P. 2005 Deferred Compensation Plan, which is referred to in this proxy statement as the “2005 deferred compensation plan.” The 2005 deferred compensation plan, which was adopted on December 2, 2008, replaces the prior deferred compensation plan with respect to deferrals and contributions made after December 31, 2004 and is intended to complement the prior deferred compensation plan by continuing deferred compensation arrangements substantially similar to the prior deferred compensation plan that comply with Section 409A of the Internal Revenue Code. No new contributions may be made to the prior deferred compensation plan, which was frozen effective as of December 31, 2004. Under both deferred compensation plans, eligible employees, which include the named executive officers, may elect (or, in the case of the prior deferred compensation plan, were eligible to elect prior to December 31, 2004) in accordance with plan procedures to defer up to 100% of their base salary and up to 100% of their cash bonus (and other cash compensation) in any year, in each case, after taking into effect reductions due to income and payroll tax withholding and contributions to benefits plans. Essex does not currently make company matching contributions, although both plans allow the company to make a discretionary contribution. Deferral elections under the 2005 deferred compensation plan must generally be made by December 15th of the calendar year preceding the calendar year in which the compensation that is to be deferred is scheduled to be earned.

Distributions of the deferred accounts under the prior deferred compensation plan are generally made in a lump sum as soon as practicable after the earlier of the end of the participant’s active employment with Essex or a “change in control,” as defined in the plan, subject to a participant’s ability to elect a payout of accounts exceeding $250,000 in annual installments, over a period of 5, 10 or 15 years. If the participant so elected in a deferral election, distributions under the prior deferred compensation plan may instead be made on up to two future dates while the participant is actively employed. Any such “in-service” distributions are payable in a single lump sum as soon as practicable following the designated in-service distribution date, unless the participant elected to receive the distributions in up to 10 annual installments. Participants receiving payouts in the form of annual installments may, if permitted by the plan administrator, elect to receive the balance of their unpaid future annual installments in one lump sum payment, subject to a 10% reduction to the total amount deferred as of the originally scheduled “in-service” distribution date.

Distributions of the deferred accounts under the 2005 deferred compensation plan are made on the earliest of (1) the participant's "separation from service," as defined in the plan, (2) a "change in control," as defined in the plan or (3) a date specified by the participant at the time the deferral election was made. The distributions are payable in a lump sum, except that a participant may elect a payout of amounts exceeding $150,000 as of the distribution date over a period of 5, 10 or 15 annual installments. Distributions under the 2005 deferred compensation plan payable to a "key employee" (as defined in the plan) in connection with a separation from service will be delayed for six months (to the extent required to comply with Section 409A of the Internal Revenue Code). A participant may subsequently change the form or timing of payment under the 2005 deferred compensation plan, within specified limitations, provided the change is not given effect for at least 12 months, is elected at least 12 months before the originally scheduled distribution date and the new distribution date is no earlier than the five years after the originally elected distribution date. Under specified and limited circumstances, a participant may be permitted to receive a distribution upon an unforeseeable emergency.

Under the plans, the earnings in an officer's account are based on investment earnings (or losses) equal to the actual net investment earning or losses experienced by the investment selected by the participant. Accordingly, any earnings are based solely upon the investment allocations directed by the officer. Essex does not make these investment decisions or guarantee any particular rate of return or other benefit under the plan. Under the investment policies of the plans, and subject to administrative approval, investments may be directed by the officer in any securities generally available and traded on US public markets. However, the plan prohibits investments such as derivative securities, securities issued by Essex, tax-exempt securities, foreign securities not listed on the NYSE, securities determined by the administrator to be illiquid, securities purchased on margin, and a number of other categories intended to limit the permitted investments to securities regularly and publicly traded in the US market. The plans do not impose specific limitations on the frequency of investment selections or changes in investments.

Although each participant's account is wholly unfunded, the investments selected by the officer are purchased by Essex in and for its own account, which account is maintained by Essex with a brokerage firm, and the return on the deferral account is derived solely from these purchased investments directed by the officer. The plan administrator will not monitor a participant's investment instructions, but it may require the participant to liquidate an investment that is determined to be inconsistent with the plan's investment policy, other plan provisions, or the company's brokerage account agreement. The following tables provide information concerning compensation deferred under the prior deferred compensation plan and the 2005 deferred compensation plan by the named executive officers as of the end of 2008.

Name	Executive Contributions in 2008 ($) (1)	Registrant Contributions in 2008 ($)	Aggregate Earnings/(Losses) in 2008 ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance as of December 31, 2008 ($)
Guericke	250,000	-	(778,100)	-	1,113,342
Schall	-	-	(843,606)	-	1,664,343
Dance	-	-	-	-	-
Eudy	6,250	-	4,110	(1,769,891)	138,085
Zimmerman	-	-	(446,102)	-	863,017

(1) These amounts include for each individual the following amounts reported in the Summary Compensation Table identified above:

Name	Reported in "Salary"	Reported in Bonus

	Column for 2008 ($)	Column for 2008 ($)
Guericke	-	250,000
Schall	-	-
Dance	-	-
Eudy	6,250	-
Zimmerman	-	-

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

The Company maintains an executive severance plan, which was amended and restated effective December 31, 2008, that covers the President, the Chief Financial Officer, any Executive Vice President, any Senior Vice President, certain First Vice Presidents, and any Vice President with ten or more years of service with the Company, which includes, among others, Messrs. Guericke, Schall, Dance, Eudy, and Zimmerman. Under this plan, if there is a change of control of the Company (as defined below), all stock options granted to officers covered by the plan shall become fully exercisable and be valid and outstanding for the remainder of their original terms, regardless of any subsequent termination of such officer's employment, except in the event of a merger in which outstanding options are to be terminated without being assumed by the acquiring company, the officers will receive payment equal to the value of the cancelled stock options.

In addition, the plan provides that if within the 12 months following a change of control of Essex, Essex terminates without "cause" any officer covered by the plan or the officer terminates his or her employment for "good reason," (as these terms are defined in the plan), Essex will pay the officer an amount equal to twice such officer's current annual base salary, twice such officer's targeted annual bonus, and pay for up to 24 months' of health, dental and life insurance premium benefits. The severance amounts are payable in one lump sum within 31 days following the termination date, except that payments to officer who are "specified employees" at the time of payment will be subject to a 6-month delay. "Good reason" includes a number of circumstances including a substantial adverse change in the officer's authority, duty or power, a reduction in annual base salary that does not affect management generally, certain relocations, or failure to pay amounts owed to the officer. The officer is also entitled to receive "tax gross up payments" sufficient to cover any excise taxes and income taxes on the imputed income resulting from the gross-up payment that may arise under Sections 280G and 4999 of the Code concerning "excess parachute payments" in connection with payments and benefits payable under the severance plan.

A "change of control" under the executive severance plan is generally defined as: (a) the acquisition by any person or entity, together with all of their respective affiliates or associates, of securities representing 30 percent or more of the combined voting power of Essex's then outstanding securities having the right to vote, (b) the persons who, as of July 1, 2000 constituted Essex Board of Directors (or the incumbent directors) cease to constitute a majority of such directors, provided that a person becoming a director subsequent to July 1, 2000 shall be considered an incumbent director if the person's election was approved by a vote of a majority of the incumbent directors, or (c) the consummation of any consolidation or merger of Essex where the stockholders of Essex, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own shares representing in the aggregate 50 percent or more of the voting shares of the corporation issuing cash or securities in the consolidation or merger.

In certain change of control situations, executives holding Series Z and Series Z-1 Units will have the option to convert such units at the then-effective conversion ratio into shares of operating partnership units. However, a change of control is not a triggering event for any increase in the conversion rate or any other form of accelerated vesting. The footnotes to the table "Security Ownership of Certain Beneficial Owners" set forth the number of Essex common shares that named executive officers are entitled to upon conversion of vested, non-forfeitable incentive units as of February 27, 2009, or that will become vested and non-forfeitable within 60 days of such date. The last column of the "Outstanding Equity Awards at December 31, 2008" table states the market value of unvested incentive units as of December 31, 2008, which may become vested in the future if the criteria are met.

In connection with the 2007 Outperformance Plan upon a change of control of the Company prior to the establishment of the performance pool, the performance period will automatically terminate as of a date immediately prior to such event and the cumulative stockholder return benchmark will be adjusted on a pro rata basis. If the adjusted benchmark is achieved, the performance pool will be determined and the related awards will become fully vested at such time. If a change of control had occurred as of December 31, 2008, based on the Essex share price on that date, the adjusted benchmark would not have been achieved and, consequently, there would have been no performance pool and no vested awards. The table below illustrates hypothetical payments under the executive severance plan as if a change of control had occurred on December 31, 2008 and a defined termination had occurred within the 12 months thereafter:

Name	Payment for 2X Annual Salary/Bonus ($)	24 months of benefits ($)	Assumed Realized Value of Accelerated Options ($)	Assumed Cost of Tax Gross Up (2)	Total (3) ($)
Guericke	1,500,000	18,000	-	-	1,518,000
Schall	1,390,000	18,000	-	-	1,408,000
Dance	1,050,000	18,000	16,000(1)	-	1,084,000
Eudy	1,200,000	18,000	-	-	1,218,000
Zimmerman	1,200,000	18,000	-	-	1,218,000

(1) Assuming a change of control of Essex on December 31, 2008, in which the price realized per share of our common stock is assumed to be the closing market price of our stock as of that date, $76.75, and on unvested options covering 3,932 shares of common stock as of December 31, 2008, with an exercise price of $72.70.

(2) See "Compensation Discussion and Analysis - Severance and Other Benefits Upon Termination of Employment or Change of Control" for a description of the tax gross up provisions under the plan.

(3) The total does not include: (i) available balances under the nonqualified deferred compensation plan table preceding this table, (ii) any amounts due for accrued but unpaid wages under applicable law or under generally available benefit plans such as our 401(k) plan, at the time of any employment termination, (iii) the proceeds of insurance policies paid by insurance companies in the event of death or disability, or (iv) the value of Series Z and Z-1 incentive units, or partnership units or shares of Essex common stock which may be realized in connection with the conversion of the incentive units, at the time of a change of control or other termination of employment (which value is excluded here because unvested incentive units do not earn any increase in the conversion rate or "accelerated vesting" as a result of a change of control or termination of employment, and are in the nature of vested restricted stock to the extent convertible, with a restriction on disposition during the period of employment until specified time elapses or other events occur).

EQUITY COMPENSATION PLANS

The following table summarizes share and exercise price information about our equity compensation plans as of December 31, 2008.

Plan Category	Number of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants And Rights (#)	Weighted Average Exercise Price For Outstanding Options, Warrants And Rights ($)	Securities Remaining Available for Future Issuance Under Plans (#)
Equity compensation plans approved by security holders:			
Stock Incentive Plans	593,443(1)	80.63(2)	635,525
Equity compensation plans not approved by security holders:			
Series Z incentive units (3)	200,000	N/A	-
Series Z-1 incentive units (3)	212,952	N/A	187,048
Total	1,006,395	-	822,573

(1) Includes an estimated 200,000 shares of Essex common stock, to be issued potentially pursuant to the exchange of awards under the 2007 Outperformance Plan.

(2) This weighted average price amount applies only to options granted under the Company’s 1994 and 2004 plans.

(3) Includes convertible Series Z and Series Z-1 incentive units, as described above.

REPORT OF THE AUDIT COMMITTEE

This report is not deemed to be soliciting material, filed with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that Essex specifically incorporates it by reference into a document filed with the SEC.

The Audit Committee of the Board of Directors consists of Messrs. Brady, Martin and Randlett. Mr. Randlett serves as Chairman of the Committee. The Board of Directors has determined that each of the members of the Audit Committee meets the independence and experience requirements of the rules and regulations of the New York Stock Exchange and the Securities and Exchange Commission, as currently applicable to the Company.

The Audit Committee operates under a written charter approved by the Board of Directors. Stockholders may access this charter at the Company's Internet website at www.essexpropertytrust.com.

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing financial reports and other financial information provided by the Company to any governmental body or the public, the Company's systems of internal control regarding finance, accounting, legal compliance and ethics that management and the Board of Directors have established, and the Company's auditing, accounting and financial reporting processes generally. The Audit Committee annually approves the appointment of an independent registered public accounting firm to audit the consolidated financial statements and internal control over financial reporting of the Company and meets with such personnel of the Company to review the scope and the results of the annual audits, the amount of audit fees, the Company's internal control over financial reporting, the Company's consolidated financial statements and schedule contained in the Company's Annual Report included in the Form 10-K and other related matters.

The Audit Committee has reviewed and discussed with management the consolidated financial statements and effectiveness of internal control over financial reporting for fiscal year 2008 audited by KPMG LLP, the Company's independent registered public accounting firm. The Audit Committee has discussed with KPMG LLP various matters related to the financial statements, including those matters required to be discussed by SAS 114. The Audit Committee has also received the written disclosures and the letter from KPMG LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the communications of KPMG LLP with the audit committee concerning independence, and has discussed with KPMG LLP its independence. Based upon such review and discussions, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008, for filing with the Securities and Exchange Commission.

The Audit Committee also has recommended the approval, subject to stockholder ratification, the selection of KPMG LLP as the Company's independent registered public accounting firm for the year ending December 31, 2009.

Members of the Audit Committee
David W. Brady
Gary P. Martin
Thomas E. Randlett, Chairman

CERTAIN RELATIONSHIPS AND RELATED PERSONS TRANSACTIONS

Policies and Procedures with Respect to Related Person Transactions

Essex does not currently have written, formal policies and procedures for the review, approval or ratification of transactions with related persons, as defined by Item 404 of Regulation S-K. Under that definition, transactions with related persons are transactions in which Essex was or is a participant and the amount involved exceeds $120,000 and in which any related person had or will have a direct or indirect material interest. Related persons include any executives, officers, directors, director nominees, beneficial owners of more than 5% of Essex's voting securities, immediate family members of any of the foregoing persons, and any firm, corporation or other entity in which any of the foregoing persons is employed and in which such person has 10% or greater beneficial ownership interest.

Essex's general policy regarding such related party transactions is that they will be reviewed by the Board of Directors and, after such review, the members of the Board of Directors who do not have any interest in the transaction will vote as to whether to authorize and/or approve the transaction. In determining whether to approve or authorize a particular related party transaction, the Board of Directors applies the same business judgment standard of whether the transaction is in the best interest of the Company that it applies in approving other transactions. The Board does not, however, pre-approve real estate brokerage commissions paid to the Marcus & Millichap Real Estate Investment Brokerage Company ("M&M REIBC"). M&M REIBC is a well established real estate brokerage company, which has provided brokerage services to Essex over many years at rates that are similar to what it charges its other clients. Mr. Millichap, a director of the Company until May 2009, is the Chairman of M&M REIBC. Mr. Marcus, the Chairman of Essex, is the Chairman of The Marcus & Millichap Company ("TMMC), which is the parent company of M&M REIBC.

Essex believes that its general policies and procedures regarding related party transactions are evidenced by the disclosures in Essex's current and prior proxy statements under the caption "Certain Relationships and Related Party Transactions." Essex may in the future adopt written policies and procedures regarding related party transactions.

Marcus & Millichap Real Estate Investment Brokerage Company

M&M REIBC is a commercial real estate brokerage firm that is a subsidiary of TMMC. Mr. Millichap, a director of the Company, is the Chairman of M&M REIBC. Mr. Marcus, the Chairman of the Company, is the Chairman of TMMC. During the year ended December 31, 2008, the Company paid $0.2 million in brokerage commissions to M&M REIBC with respect to purchases and sales of real estate.

Investment in Mountain Vista Apartments, LLC

On May 1, 2000, the Company originated an 11.5% subordinated $9.5 million loan to Mountain Vista Apartments, LLC ("Mountain Vista"), which loan related to the acquisition and redevelopment of an apartment community, Waterstone at Fremont apartments, owned by Mountain Vista. Mountain Vista is controlled by TMMC. The Chairman of TMMC is George Marcus, who is also the Chairman of the Company. In addition, William Millichap, a director of the Company, is also the Chairman of M&M REIBC, an affiliate of TMMC. After the initial loan, the Company made additional loan advances, as was anticipated, related to the redevelopment. The loans were subsequently converted to a preferred interest ownership in Mountain Vista that had similar economic features as the loans. In November 2001, Mountain Vista loaned the Company approximately $6.8 million related to the refinance of its apartment community, which was recorded as a reduction in the balance of the Company's investment in Mountain Vista since the substance of the transaction was a distribution from an equity method investee. The investment in Mountain Vista was approved by the disinterested directors of the Company's board of directors. During March 2007, Mountain Vista was recapitalized with the inclusion of a new joint venture partner, and as part of this transaction the Company received $7.7 million in net distributions from the joint venture. The Company accounted for this transaction as a partial sale of the Company’s investment and recorded a gain of $2.0 million. As of December 31, 2007, the Company’s carrying value of its remaining investment in the Mountain Vista was $1.2 million. During January 2008, the Company collected $7.5 million in connection with the return of its remaining interest in the Mountain Vista and recognized income of $6.3 million from its preferred interest.

Agreement between Mr. Marcus and the Company

George Marcus, the Company's Chairman, is also involved in other real estate businesses. Mr. Marcus has entered into a written agreement with the Company pursuant to which Mr. Marcus has agreed (1) that he will not divert any multifamily property acquisition and/or development opportunities, which involve properties in the Company's geographic areas and with more than one hundred rental units, that are presented to him in his capacity as Chairman of the Company to any of his affiliated companies, (2) that he will not divulge any information regarding property acquisition and/or development opportunities that may be received by him in his capacity as Chairman of the Company to any of his affiliated companies and (3) that he will absent himself from any and all discussions by the Company's Board of Directors regarding any proposed acquisition and/or development of a multifamily property where it appears that there may be an actual conflict of interest with any of his affiliated companies. This agreement was approved by the independent directors (other than Mr. Marcus) of the Company.

* * *

PROPOSAL NO. 2
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP served as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2008 and has been appointed by the Audit Committee and the Board to continue as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009. A representative of KPMG LLP is expected to be present at the Annual Meeting. The representative will have an opportunity to make a statement if he or she so desires and will be able to respond to appropriate questions.

Stockholder ratification of the selection of KPMG LLP as our independent registered public accounting firm is not required by our Bylaws or otherwise. However, the Board is submitting the selection of KPMG LLP to our stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee and the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee and the Board in their discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of our stockholders.

Unless marked to the contrary, proxies received will be voted FOR ratification of KPMG LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2009.

FEES PAID TO KPMG LLP

Audit and Non-Audit Fees

The following table presents fees billed for professional audit services rendered by KPMG LLP for the audit of the Company's annual financial statements for the years ended December 31, 2008 and 2007 and fees billed for other services rendered by KPMG LLP during those periods:

	2008	2007
Audit Fees (1)	$ 1,026,800	$ 1,000,043
Audit-Related Fees (2)	120,400	114,000
Tax Fees (3)	--	28,990
All Other Fees (4)	--	--
Total	$ 1,147,200	$ 1,143,033

(1) Audit Fees consist of fees billed for professional services rendered for the audit of the Company's consolidated annual financial statements, the audit of internal controls and the related management assessment of internal controls, reviews of the interim consolidated financial statements included in quarterly reports, and services that are normally provided by KPMG LLP in connection with statutory and regulatory filings or engagements.

(2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees." Included in these fees are $120,400 and $114,000 for audit fees paid by Essex Apartment Value Fund, L.P. and Essex Apartment Value Fund II, L.P. (collectively, "Fund I and II"), for 2008 and 2007, respectively.

(3) Tax Fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning for both federal and state income taxes incurred in 2007.

(4) All Other Fees consist of fees for products and services other than the services reported above. There were no fees in this category incurred in 2008 or 2007.

The Audit Committee did consider whether services other than audit and audit-related services provided by KPMG LLP are compatible with maintaining the independence of KPMG LLP and concluded that provision of such other services is compatible with maintaining the independence of KPMG LLP.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by the independent registered public accounting firm.

Under the policy, pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. For each proposed service, the independent registered accounting firm may be required to provide detailed back-up documentation at the time of approval. The status of any pre-approved service is reported at subsequent audit committee meetings.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT
THE STOCKHOLDERS VOTE FOR RATIFICATION OF THE
APPOINTMENT OF KPMG LLP AS THE COMPANY'S
INDEPENDENT AUDITORS FOR THE YEAR ENDING DECEMBER 31, 2009

* * *

CODE OF ETHICS

The Board of Directors has adopted a Code of Ethics applicable to all directors, officers, and employees of the Company as required by applicable securities laws, rules of the Securities and Exchange Commission, and the listing standards of the New York Stock Exchange. A copy of the Code of Ethics is posted on the Company’s Internet website at www.essexpropertytrust.com. The Company will post on its website any amendments to, or waivers from, any provision of its Code of Ethics. A copy of the Code of Ethics will be provided to any Stockholder upon written request to Jordan E. Ritter, Corporate Secretary, Essex Property Trust, Inc., 925 East Meadow Drive, Palo Alto, California 94303.

OTHER MATTERS

Deadline for Receipt of Stockholder Proposals

Requirements for Stockholder Proposals to be Brought Before an Annual Meeting. For stockholder proposals to be considered properly brought before an annual meeting by a Stockholder, the Stockholder must have given timely notice thereof in writing to Jordan E. Ritter, the Secretary of the Company. To be timely for the Company’s 2010 Annual Meeting of Stockholders, a Stockholder’s notice must be received by the Secretary at the principal executive offices of the Company, no earlier then November 1, 2009 and no later then December 1, 2009. A Stockholder’s notice shall set forth (i) as to each person whom the Stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person’s written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the Stockholder proposes to bring before the meeting, a description of the business desired to be brought before the meeting, the reasons for proposing such business at the meeting and any material interest in such business of such Stockholder or any stockholder associated person (as defined below), including any anticipated benefit to the Stockholder or stockholder associated person; (iii) as to the Stockholder giving the notice, any proposed nominee and any stockholder associated person, (a) the class, series and number of shares of stock of the Company that each of them or any of their affiliates own, the date the shares were acquired and the investment intent of such acquisition and any short interest in Company shares by any such person, (b) the nominee holder for, and number of, Company shares owned beneficially but not of record by such person, (c) whether during the last six months such person has engaged in any hedging, derivative or other transaction with respect to Company shares or any shares of any entity listed in the peer group in the stock performance graph in the Company's most recent annual report, and (d) any substantial interest of such person in the Company, other than an interest arising from the ownership of Company shares; (iv) as to the Stockholder giving the notice, any stockholder associated person and any proposed nominee, (a) the person's name and address, (b) the person's investment strategy or objective and a copy of the prospectus, offering memorandum or similar document provided to investors in such person; and (v) the name and address of any stockholder supporting the proposed nominee or the proposed business. A "stockholder associated person" of any Stockholder means (i) any person acting in concert with such Stockholder, (ii) any beneficial owner of Company shares owned of record or beneficially by such Stockholder, and (iii) any person that controls, is controlled by, or is under common control with such Stockholder.

The foregoing is a summary of the applicable provisions of the Company's bylaws and is qualified by reference to the Company's bylaws, which were filed as Exhibit 3.1 to the Company's current report on Form 8-K, filed September 22, 2008.

Requirements for Stockholder Proposals to be Considered for Inclusion in the Company's Proxy Materials. Stockholder proposals submitted pursuant to Rule 14a-8 under the Exchange Act and intended to be presented at the Company's 2010 Annual Meeting of Stockholders must be received by the Company not later then December 1, 2009 in order to be considered for inclusion in the Company's proxy materials for that meeting.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons who own more than 10% of the Company's common stock (collectively, "Reporting Persons") to file with the SEC and the New York Stock Exchange initial reports of ownership and changes in ownership of the Company's common stock. Reporting Persons are required by SEC regulations to furnish the Company with copies of all Section 16(a) reports they file. To the Company's knowledge, based solely on its review of the copies of such reports received, the Company believes that for the fiscal year ending December 31, 2008, all Reporting Persons complied with all Section 16(a) filing requirements applicable to them, except that Robert E. Larson filed one late Form 4 during the year ending December 31, 2008, reporting an option exercise and sale of the underlying shares.

Other Matters

The Board is not aware of any other matter to be presented to the Annual Meeting. If any other business is properly brought before the Annual Meeting, the persons named in the enclosed proxy will act thereon according to their best judgment.

It is important that the proxies be returned promptly and that your shares be represented. Stockholders are urged to mark, date, execute and promptly return the accompanying proxy card in the enclosed envelope.

FORM 10-K ANNUAL REPORT

UPON WRITTEN REQUEST TO NICOLE CHRISTIAN, INVESTOR RELATIONS SPECIALIST, ESSEX PROPERTY TRUST, INC., 925 EAST MEADOW DRIVE, PALO ALTO, CALIFORNIA 94303, THE COMPANY WILL PROVIDE WITHOUT CHARGE TO EACH PERSON SOLICITED A COPY OF THE ANNUAL REPORT ON FORM 10-K, INCLUDING FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES FILED THEREWITH. A COPY OF THE ANNUAL REPORT ON FORM 10-K IS ALSO AVAILABLE, FREE OF CHARGE, ON OUR WEBSITE, WHICH IS HTTP://WWW.ESSEXPROPERTYTRUST.COM.

By Order of the Board of Directors,

/s/ Keith R. Guericke

Keith R. Guericke
Vice Chairman of the Board,
Chief Executive Officer and President
March 31, 2009
Palo Alto, California

C/O COMPUTERSHARE
655 MONTGOMERY STREET
SUITE 830
SAN FRANCISCO, CA 94111

VOTE BY INTERNET -www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when vou access the web site and follow the instructions to obtain your records and to create an electron c voting instruction form.

ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS
If you would like to reduce the costs incurred by Essex Property Trust Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-maiI or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

VOTE BY PHONE -1 -800-690-6903
Use any touch-tone telephone to transmit your voting instructions up unti 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Essex Property Trust, Inc., c/o Broadridge. 51 Mercedes Way, Edgewood, NY 11717.

VOTE BY ATTENDING THE MEETING
The annual meeting will be held at the address below. Directions can be found at www.essexapartmenthomes.com

Tuesday. May 5, 2009 at 1:00 p.m. PDT
The Grand Apartments
100 Grand Avenue

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: M11290

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

ESSEX PROPERTY TRUST INC	For All	Withhold All	For All Except	To withold authority to vote for any individual nominee(s), mark "For All Except' and write the number(s) of the nominee(s) on the line below.
Election of Directors	o	o	o	

1. Election of the following three Class III directors of the Company to serve until the 2012 annual meeting of stockholders and until their successors

   1 - George M. Marcus
   2 - Gary P. Martin
   3 - Michael J. Schall

Issues

	For	Against	Abstain
The Board of Directors recommends a vote FOR the following proposal.			
2. Ratification of the appointment of KPMG LLP as the independent registered public accounting firm for the Company for the year ending December 31, 2009.	o	o	o

3. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

   Shares represented by this proxy will be voted as directed by the stockholder. If no such directions are indicated, the Proxyholders will have authority to vote FOR the election of all directors, and FOR proposal 2. In their discretion, the Proxyholders are authorized to vote upon such other business as may properly come before the Annual Meeting.

Authorized Signatures - Sign Here - This Section must be completed for your instructions to be executed

PLEASE COMPLETE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED REPLY ENVELOPE.
Please sign exactly as your name appears herein. Joint owner should each sign. When signing as attorney, executor, administrator or guardian, please give full title as such.

Date Date

Signature [PLEASE SIGN WITHIN BOX]	Signature (Joint Owners)

Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting:
The Notice and Proxy Statement, Annual Report and Form 10-K are available at www.praxyvote.com.

M11291

Proxy - Essex Property Trust

925 EAST MEADOW DRIVE, PALO ALTO, CALIFORNIA 94303

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING ON MAY 5, 2009

Keith M. Guericke and Michael J. Schall (the "Proxyholders"), or any of them, each with the power of substitution, are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present at the Annual Meeting of Stockholders of Essex Property Trust, Inc. to be held on Tuesday, May 5, 2009 at 1:00 p.m. Pacific Time at The Grand Apartments, 100 Grand Avenue. Oakland, CA 94612 and any adjournments or postponements thereof.

SEE REVERSE SIDE: If you wish to vote in accordance with the Board of Directors' recommendations, just sign and date on the reverse side. You need not mark any boxes.

CONTINUED AND TO BE SIGNED ON REVERSE SIDE.