CUTERA INC
Form 4
June 03, 2015

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
SANTILLI RONALD J

(Last) (First) (Middle)

C/O CUTERA, INC., 3240 BAYSHORE BLVD

(Street)

BRISBANE, CA 94005

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CUTERA INC [CUTR]

3. Date of Earliest Transaction (Month/Day/Year)
06/01/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP & CFO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/01/2015		S		4,257 (1)	D	$ 14.9	50,188	D	
Common Stock	06/01/2015		M		15,406	A	$ 8.66	65,594	D	
Common Stock	06/01/2015		S		15,406	D	$ 15.0003 (2)	50,188	D	
Common Stock	06/02/2015		M		4,192	A	$ 8.66	54,380	D	
Common Stock	06/02/2015		S		4,192	D	$ 15 (3)	50,188	D	

Common Stock	06/03/2015		M	7,897	A	$ 8.66	58,085	D
Common Stock	06/03/2015		S	7,897	D	$ 15.0028 (4)	50,188	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option (Right to Buy)	$ 8.66	06/01/2015		M			15,406	06/01/2010 (5)	06/08/2016	Common Stock	55,0
Employee Stock Option (Right to Buy)	$ 8.66	06/02/2015		M			4,192	06/01/2010 (5)	06/08/2016	Common Stock	55,0
Employee Stock Option (Right to Buy)	$ 8.66	06/03/2015		M			7,897	06/01/2010 (5)	06/08/2016	Common Stock	55,0

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
			EVP & CFO	

SANTILLI RONALD J
C/O CUTERA, INC.
3240 BAYSHORE BLVD
BRISBANE, CA 94005

Signatures

/s/ Ronald J. Santilli	06/03/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Represents the total number of shares withheld by the Company to settle the reporting person's minimum tax liability on the vesting of Restricted Stock Units (RSUs).

(2) Stock sold pursuant to a 10b5-1 trading plan. Stock prices ranged from 15.00 to $15.01, with $15.0003 being the average. The reporting person undertakes to provide to Cutera, Inc., any security holder of Cutera, Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in this footnote.

(3) Stock sold pursuant to an employee stock option that was subject to a 10b5-1 trading plan.

(4) Stock sold pursuant to a 10b5-1 trading plan. Stock prices ranged from 15.00 to $15.01, with $15.0028 being the average. The reporting person undertakes to provide to Cutera, Inc., any security holder of Cutera, Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in this footnote.

(5) Options vest according to the following schedule: 1/3rd on 06/1/2010 and 1/36th vested monthly thereafter.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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4.4
%

351,848

96.3
%

1,075

96.3
%

1,020

Austin, TX

1

390

0.8
%

60,761

96.5
%

1,305

96.2
%

1,265

Total/Average Same Communities

129

36,452

70.4
%

5,522,798

95.8
%

$
1,402

95.7
%

$
1,323

Non Matures, Commercial Properties & Other

16

5,375

25.1
%

1,973,187

Total Real Estate Held for Investment

145

41,827

95.5
%

7,495,985

Real Estate Under Development (c)

—

—

4.5
%

355,465

Explanation of Responses:

Total Real Estate Owned

145

41,827

100.0
%

7,851,450

Total Accumulated Depreciation

(1,842,520
)

Total Real Estate Owned, Net of Accumulated Depreciation

$
6,008,930

(a) Total Income per Occupied Home represents total monthly revenues divided by the product of occupancy and the number of mature apartment homes.

(b) The same community population for the nine months ended September 30, 2012 includes 33,823 homes.

(c) The Company is currently developing six wholly-owned communities with 1,921 apartment homes, none of which have been completed.

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We report in two segments: Same Communities and Non-Mature/Other Communities. Our Same Communities segment includes those communities acquired, developed, and stabilized prior to July 1, 2011 and held as of September 30, 2012. These communities were owned and had stabilized occupancy and operating expenses as of the beginning of the prior year, there is no plan to conduct substantial redevelopment activities, and the community is not held for disposition within the current year. A community is considered to have stabilized occupancy once it achieves 90% occupancy for at least three consecutive months. Our Non-Mature/Other Communities segment includes those communities that were acquired or developed in 2011 or 2012, sold properties, redevelopment properties, joint venture properties, and the non-apartment components of mixed use properties.

Liquidity and Capital Resources

Liquidity is the ability to meet present and future financial obligations either through operating cash flows, the sale of properties, and the issuance of debt and equity. Both the coordination of asset and liability maturities and effective capital management are important to the maintenance of liquidity. Our primary source of liquidity is our cash flow from operations as determined by rental rates, occupancy levels, and operating expenses related to our portfolio of apartment homes and borrowings under credit agreements. We routinely use our unsecured credit facility to temporarily fund certain investing and financing activities prior to arranging for longer-term financing or the issuance of equity or debt securities. During the past several years, proceeds from the sale of real estate have been used for both investing and financing activities as we repositioned our portfolio.

We expect to meet our short-term liquidity requirements generally through net cash provided by operations and borrowings under credit agreements. We expect to meet certain long-term liquidity requirements such as scheduled debt maturities, the repayment of financing on development activities, and potential property acquisitions, through secured and unsecured borrowings, the issuance of debt or equity securities, and the disposition of properties. We believe that our net cash provided by operations and borrowings under credit agreements will continue to be adequate to meet both operating requirements and the payment of dividends by the Company in accordance with REIT requirements. Likewise, the budgeted expenditures for improvements and renovations of certain properties are expected to be funded from property operations, borrowings under credit agreements, the issuance of debt or equity securities, and dispositions of properties.

We have a shelf registration statement filed with the Securities and Exchange Commission, or “SEC” which provides for the issuance of an indeterminate amount of common stock, preferred stock, guarantees of debt securities, warrants, subscription rights, purchase contracts and units to facilitate future financing activities in the public capital markets. Access to capital markets is dependent on market conditions at the time of issuance.

On January 10, 2012, the Company issued $400 million aggregate principal amount of 4.625% Medium Term Notes due January 2022. Interest is payable semiannually beginning in July 2012. The notes were priced at 99.100% of the principal amount plus accrued interest from January 10, 2012 to yield 4.739% to maturity. The notes are fully and unconditionally guaranteed by the Operating Partnership.

In March 2011, the Company entered into an equity distribution agreement under which the Company could offer and sell up to 20 million shares of its common stock over time to or through its sales agents. In September 2011, the Company entered into a new equity distribution agreement in connection with filing a new registration statement on Form S-3. The new equity distribution agreement replaced the March 2011 agreement, and no material changes were made to the equity distribution agreement. During the three months ended March 31, 2012, we sold all of the remaining 8,569,969 shares of common stock through this program for aggregate gross proceeds of approximately $220.2 million at a weighted average price per share of $25.69. Aggregate net proceeds from such sales, after deducting related expenses, including commissions paid to the sales agents of approximately $4.4 million, were approximately $215.8 million, and were used to fund development and redevelopment activities, for working capital and for general corporate purposes.

On April 4, 2012, the Company entered into an equity distribution agreement, under which the Company could offer and sell up to 20 million shares of its common stock, from time to time, to or through its sales agents. During the nine months ended September 30, 2012, we sold 71,000 shares of common stock through this program for aggregate gross proceeds of approximately $1.9 million at weighted average price per share of $26.53. Aggregate net proceeds from such sales, after deducting related expenses, including commissions paid to the sales agents of approximately $38,000, were approximately $1.8 million, and were used to fund development and redevelopment activities, for working capital and for general corporate purposes.

On May 31, 2012, the Company completed the redemption of all outstanding shares of its 6.75% Series G Cumulative Redeemable Preferred Stock. A total of 3,264,362 shares of the Series G Preferred Stock was redeemed at a redemption price of $25 per share in cash, plus accrued and unpaid dividends to the redemption date for a total cost of $82.1 million.

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On June 4, 2012, the Company closed a public offering of 19,000,000 shares of its common stock, including 2,850,000 shares sold as a result of the underwriters' exercise of their overallotment option in full at the closing, at a price of $25.70 per share, for gross proceeds of approximately $561.5 million and net proceeds of approximately $538.8 million after underwriting discounts and commissions and estimated offering expenses. Proceeds from the sale of shares through this offering were used to repay approximately $363.9 million of the Company's 3.3% (weighted average interest rate) secured debt with various maturities from 2012 - 2014, to redeem all of its outstanding Series G Preferred Stock, to repay a portion of indebtedness outstanding under its unsecured credit facility, and the balance for working capital and general corporate purposes.

On June 21, 2012, the Company purchased mezzanine debt securing a mortgage on a newly constructed, class A community in West Los Angeles. The $26.5 million loan was purchased at a discount of 6.99% and bears a coupon rate of 7.00%. Interest payments are due monthly and the note is due June 2022.

On August 15, 2012, the Company issued a $24.5 million unsecured note receivable with one of its unconsolidated joint ventures, which bears an interest rate of one month LIBOR plus 2.75% per annum. Interest payments are due monthly. The note is due October 2014, and may be extended for one year.

Future Capital Needs

Future development and redevelopment expenditures may be funded through unsecured or secured credit facilities, proceeds from the issuance of equity or debt securities, the sale of properties and, to a lesser extent, from cash flows provided by operating activities. Acquisition activity in strategic markets may be funded through joint ventures, by the reinvestment of proceeds from the sale of properties, through the issuance of equity or debt securities, the issuance of operating partnership units and the assumption or placement of secured and/or unsecured debt.

As of September 30, 2012, we had approximately $9.7 million of secured debt maturing during the remainder of 2012, which was subsequently paid in October 2012. We have no other secured and no unsecured debt maturing during the remainder of 2012. We anticipate repaying that debt with cash flow from our operations, debt and equity offerings, and proceeds from sold properties.

Critical Accounting Policies and Estimates

Our critical accounting policies are those having the most impact on the reporting of our financial condition and results and those requiring significant judgments and estimates. These policies include those related to (1) capital expenditures, (2) impairment of long-lived assets, (3) real estate investment properties, and (4) revenue recognition. Our other critical accounting policies are described in more detail in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in UDR's current Report on Form 8-K, filed with the SEC on May 2, 2012. There have been no significant changes in our critical accounting policies from those reported in our Form 8-K filed with the SEC on May 2, 2012. With respect to these critical accounting policies, we believe that the application of judgments and assessments is consistently applied and produces financial information that fairly depicts the results of operations for all periods presented.

Statements of Cash Flow

The following discussion explains the changes in net cash provided by operating activities, net cash used in investing activities, and net cash provided by financing activities that are presented in our Consolidated Statements of Cash Flows.

Operating Activities

For the nine months ended September 30, 2012, our net cash flow provided by operating activities was $245.4 million compared to $182.9 million for the comparable period in 2011. The increase in cash flow from operating activities is primarily due to an increase in property net operating income from our apartment community portfolio and changes in operating assets and operating liabilities.

Investing Activities

For the nine months ended September 30, 2012, net cash used in investing activities was $59.3 million compared to $1.1 billion for the comparable period in 2011. The decrease in net cash used for investing activities was due to changes in the level of investment activities, which reflect our strategy as it relates to our investments in joint ventures, dispositions, capital expenditures, and development activities, all of which are discussed in further detail throughout this Report.

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Acquisitions and Dispositions

During the nine months ended September 30, 2012, the Company acquired the remaining 80% ownership interests in two apartment communities (633 homes) for $11.7 million from its Texas joint venture partner.

During the nine months ended September 30, 2012, the Company sold 21 communities with 6,507 apartment homes. The Company had no communities that met the criteria to be classified as held for sale and included in discontinued operations at September 30, 2012. During the nine months ended September 30, 2011, the Company sold nine communities with 2,157 apartment homes, which included six communities (1,418 homes) sold in conjunction with an asset exchange.

Our long-term strategic plan is to continue achieving greater operating efficiencies by investing in fewer, more concentrated markets. As a result, we have been seeking to expand our interests in communities located in Boston, California, Metropolitan Washington D.C., New York, and Washington state markets over the past years. Prospectively, we plan to continue to channel new investments into those markets we believe will provide the best investment returns. Markets will be targeted based upon defined criteria including above average job growth, low single family home ownership affordability and limited new supply for multifamily housing, which are three key drivers to strong rental growth.

Capital Expenditures

In conformity with GAAP, we capitalize those expenditures that materially enhance the value of an existing asset or substantially extend the useful life of an existing asset. Expenditures necessary to maintain an existing property in ordinary operating condition are expensed as incurred.

Total capital expenditures, which in aggregate include recurring capital expenditures and major renovations, of $109.6 million or $2,449 per stabilized home was spent on all of our communities, excluding development and commercial properties, for the nine months ended September 30, 2012 as compared to $59.4 million or $1,236 per home for the comparable period in prior year.

Total recurring capital expenditures of $43.0 million or $961 per stabilized home was spent for the nine months ended September 30, 2012 as compared to $35.8 million or $746 per stabilized home for the comparable period in the prior year. A significant portion of this increase was attributable to an increase of 106.3% or $5.3 million in revenue enhancing capital expenditures, such as kitchen and bath remodels, on our existing operating portfolio. The remainder of the increase in total recurring capital expenditures includes expenditures related to exterior/interior upgrades, turnover related expenditures for floor coverings and appliances, other recurring capital expenditures such as exterior paint, roofs, siding, parking lots, and asset preservation capital expenditures. Major renovations of $66.6 million or $1,487 per home was spent for the nine months ended September 30, 2012 as compared to $23.6 million or $491 per home for the comparable period in prior year. Major renovations for the nine months ended September 30, 2012 were primarily attributable to our redevelopment of five wholly-owned communities (2,585 homes) with a budget of $279.0 million of which we have $65.3 million of costs incurred at September 30, 2012.

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The following table outlines capital expenditures and repair and maintenance costs for all of our communities, excluding real estate under development, and commercial properties, for the nine months ended September 30, 2012 and 2011:

	Nine Months Ended September 30, (dollars in thousands)			Per Home Nine Months Ended September 30,		
	2012	2011	% Change	2012	2011	% Change
Revenue enhancing improvements	$10,286	$4,987	106.3 %	$230	$104	121.2 %
Turnover capital expenditures	11,040	9,315	18.5 %	247	194	27.3 %
Asset preservation expenditures	21,696	21,519	0.8 %	484	448	8.0 %
Total recurring capital expenditures	43,022	35,821	20.1 %	$961	746	28.8 %
Major renovations	66,578	23,562	182.6 %	1,487	491	202.9 %
Total capital expenditures	$109,600	$59,383	84.6 %	$2,449	$1,236	98.1 %
Repair and maintenance expense	$27,937	$28,411	(1.7)%	$624	$592	5.4 %
Average stabilized home count	44,762	48,028				

We will continue to selectively add revenue enhancing improvements which we believe will provide a return on investment substantially in excess of our cost of capital. We will continue to evaluate our existing portfolio for redevelopment opportunities, and have identified candidates located in key markets. Our objective in redeveloping a community is twofold: we aim to meaningfully grow rental rates while also achieving cap rate compression through asset quality improvement. Recurring capital expenditures during 2012 are projected to be approximately $1,200 per home.

Development

At September 30, 2012, our development pipeline for wholly-owned communities totaled 1,921 homes with a budget of $651.8 million in which we have a carrying value of $355.5 million. The estimated completion date for these communities will be through the second quarter of 2014.

Consolidated Joint Ventures

In 2011, the Company invested in a joint venture with an unaffiliated third party to acquire and redevelop an existing commercial property into a 173 apartment home community in Orange County, California. At closing, the Company contributed $9.0 million, UDR owned a 90% controlling interest in the investment. Under the terms of the operating agreement, our partner was required to achieve certain criteria as it relates to the entitlement process. If the criteria was met on or before 730 days after the site plan application was deemed complete by the city, the Company was obligated to contribute an additional $3.0 million to the joint venture for distribution to our partner. At the acquisition date, the Company accrued and capitalized $3.0 million related to the contingent consideration, which represented the difference between fair value of the property of $9.8 million on the formation date and the estimated fair value of the underlying property upon completion of the entitlement process of $12.8 million. The Company estimated the fair value based on Level 3 inputs utilized in a third party valuation.

In September 2012, the Company paid the unaffiliated third party with which the Company invested in the joint venture a total of $4.1 million for its 10% non-controlling interest and settlement of the contingent consideration.

Unconsolidated Joint Ventures

The Company recognizes earnings or losses from our investments in unconsolidated joint ventures consisting of our proportionate share of the net earnings or loss of the joint ventures. In addition, we may earn fees for providing management services to the unconsolidated joint ventures. As of September 30, 2012, UDR had investments in the following unconsolidated joint ventures which are accounted for under the equity method of accounting.
In 2010, the Company acquired The Hanover Company’s (“Hanover”) partnership interests in the Hanover/MetLife

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Master Limited Partnership ("UDR/MetLife I") at a cost of $100.8 million. UDR/MetLife I currently owns a portfolio of 19 operating communities containing 3,930 apartment homes and 10 land parcels with the potential to develop approximately 2,000 additional apartment homes. Under the terms of UDR/MetLife I, UDR acts as the general partner with significant participating rights held by our partner, and earns fees for property management, asset management, and financing transactions.

UDR has a weighted average ownership interest of 12.6% in the operating communities and 4.0% in the land parcels. Our initial investment of $100.8 million consisted of $71.8 million in cash, which included associated transaction costs, and a $30 million payable (includes present value discount of $1 million) to Hanover. UDR agreed to pay the $30 million balance to Hanover in two interest free installments in the amounts of $20 million (paid in 2011) and $10 million on the first and second anniversaries of the closing, respectively. The $30 million payable was recorded at its present value of $29 million using an effective interest rate of 2.67%. At September 30, 2012 and December 31, 2011, the net carrying value of the payable was $9.9 million and $9.8 million, respectively. Interest expense of $66,000 and $198,000 and $197,000 and $588,000 was recorded during the three and nine months ended September 30, 2012 and 2011, respectively. At September 30, 2012 and December 31, 2011, the Company's investment was $100.8 million and $133.8 million, respectively.

UDR's inital cost of its equity investment of $100.8 million differed from the proportionate share in the underlying net assets of UDR/MetLife I of $111.4 million. The difference of $10.6 million was attributable to certain assets and adjustments that were allocated to UDR's proportionate share in UDR/MetLife I's buildings of $8.4 million, land of $3.9 million, and $(1.6) million of lease intangible assets. With the exception of land, the difference related to buildings is accreted and recorded as a component of loss from unconsolidated entities over 45 years and the difference related to lease intangible assets was amortized and recorded as a component of loss from unconsolidated entities over 11 months with the offset to the Company's carrying value of its equity investment. During the three and nine months ended September 30, 2012, the Company recorded $25,000 and $113,000 of net accretion, respectively. During the three and nine months ended September 30, 2011, the Company recorded $396,000 and $1.2 million net of amortization, respectively.

On January 12, 2012, the Company formed a new real estate joint venture, UDR/MetLife II, with MetLife wherein each party owns a 50% interest in a $1.3 billion portfolio of 12 operating communities containing 2,528 apartment homes. The 12 communities in the joint venture include seven from UDR/MetLife I while the remaining five operating communities were newly acquired by UDR/MetLife II. The newly acquired communities, collectively known as Columbus Square, are recently developed, high-rise apartment buildings located on the Upper West Side of Manhattan and were purchased for $637.5 million. The Company serves as the general partner with significant participating rights held by our partner. The Company earns property management, asset management and financing fees. Our initial investment was $327.1 million, which consisted of $293.5 million of cash paid and $33.6 million of our equity in the seven communities transferred from UDR/MetLife I. (Of the $293.5 million of cash paid for its investment, the Company paid $80.4 million of purchase deposits for the acquisition of Columbus Square in 2011.) Our investment at September 30, 2012 was $301.2 million.

In January 2012, the Company formed a joint venture with an unaffiliated third party to acquire land for future development in San Francisco, California. At September 30, 2012, UDR owned a non-controlling interest of 92.5% in the joint venture. Our initial investment was $37.3 million, and our investment at September 30, 2012 was $40.1 million.

In May 2012, the Company formed a joint venture with an unaffiliated third party to acquire land for future development in Boston, Massachusetts. At closing and at September 30, 2012, UDR owned a non-controlling interest of 98.0% in the joint venture. Our initial investment was $26.0 million, and our investment at September 30, 2012 was $28.4 million.

In September 2012, the Company formed a joint venture with an unaffiliated third party to acquire land for future development in Santa Monica, California. At September 30, 2012, UDR owned a non-controlling interest of 95% in the joint venture. Our initial investment was $10.3 million and our investment at September 30, 2012 was $10.3 million.

The Company is a partner in a joint venture with an unaffiliated third party to develop a 240-home community in Stoughton, Massachusetts. At September 30, 2012 and December 31, 2011, UDR owned a non-controlling interest of 95% in the joint venture. Our initial investment was $10.0 million. Our investment at September 30, 2012 and December 31, 2011 was $16.2 million and $17.2 million, respectively. During the three months ended September 30, 2012, the Company loaned the joint venture $24.5 million to repay a secured loan with an unaffiliated third party. The loan with the Company has terms similar to the original loan. (See Note 2, Significant Accounting Policies for further discussion on terms of the related party note.)

The Company is a partner in a joint venture with an unaffiliated third party to develop a 264-home community in San Diego, California. At September 30, 2012 and December 31, 2011, UDR owned a non-controlling interest of 95% in the joint venture. Our initial investment was $9.9 million. Our investment at September 30, 2012 and December 31, 2011 was $27.3 million and $12.1 million, respectively.

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The Company is a partner with an unaffiliated third party in a joint venture to develop a 256-home community in College Park, Maryland. At September 30, 2012 and December 31, 2011, UDR owned a non-controlling interest of 95% in the joint venture. Our initial investment was $7.1 million. Our investment at September 30, 2012 and December 31, 2011 was $19.9 million and $8.6 million , respectively.

UDR is a partner with an unaffiliated third party, which formed a joint venture for the investment of up to $450 million in multifamily properties located in key, high barrier to entry markets. The partners will contribute equity of $180 million of which the Company's maximum equity will be 30% or $54 million when fully invested. The joint venture owns and operates three communities (660 homes) in Metropolitan Washington D.C. At September 30, 2012 and December 31, 2011, the Company owned a 30% interest in the joint venture. Our investment at September 30, 2012 and December 31, 2011 was $31.0 million and $34.1 million, respectively.

UDR is a partner with an unaffiliated third party which owns and operates apartment communities located in Texas. UDR initially contributed cash and a property equal to 20% of the fair value of ten properties (3,992 homes). The unaffiliated member contributed cash equal to 80% of the fair value of the properties, which amount was then used to purchase the nine operating properties from UDR. During nine months ended September 30, 2012, the Company acquired the remaining 80% ownership interests in two apartment communities (633 homes) for $11.7 million from its Texas joint venture partner. Our initial investment was $20.4 million. Our investment at September 30, 2012 and December 31, 2011 was $4.0 million and $7.1 million, respectively.

For additional information regarding these joint ventures, see Note 5, Joint Ventures, in the Consolidated Financial Statements of UDR, Inc. included in this Report.

Financing Activities

For the nine months ended September 30, 2012, our net cash (used in)/provided by by financing activities was $(116.3) million compared to $907.9 million for the comparable period of 2011.

The following significant financing activities occurred during the nine months ended September 30, 2012:

- repaid $484.1 million of secured debt. The $484.1 million of secured debt includes $157.2 million of construction loans, repayment of $211.8 million of credit facilities and $115.1 million of mortgage payments;

- repaid $521.0 million of unsecured debt, which includes $100 million of 5.00% Medium Term Notes due January 2012, and net payments of $421.0 million were applied toward borrowings under the Company's $900 million revolving credit facility;

- issued $400 million in 4.625% Medium Term Notes due January 2022 with a discount of $3.6 million;

- in March 2011, the Company entered into an equity distribution agreement under which the Company could offer and sell up to 20 million shares of its common stock over time to or through its sales agents. In September 2011, the Company entered into a new equity distribution agreement in connection with filing a new registration statement on Form S-3. The new equity distribution agreement replaced the March 2011 agreement, and no material changes were made to the equity distribution agreement. During the three months ended March 31, 2012, the Company sold all of the remaining 8,569,969 shares of common stock through this program for aggregate gross proceeds of approximately $220.2 million at a weighted average price per share of $25.69. Aggregate net proceeds from such sales, after deducting related expenses, including commissions paid to the sales agents of approximately $4.4 million, were approximately $215.8 million;

- in April 2012, the Company entered into an equity distribution agreement, under which the Company could offer and sell up to 20 million shares of its common stock, from time to time, to or through its sales agents. During the nine months ended September 30, 2012, the Company sold 71,000 shares of common stock through this program for aggregate gross proceeds of approximately $1.9 million at weighted average price per share of $26.53. Aggregate net proceeds from such sales, after deducting related expenses, including commissions paid to the sales agents of approximately $38,000, were approximately $1.8 million;

- in May 2012, the Company completed the redemption of all outstanding shares of its 6.75% Series G Cumulative Redeemable Preferred Stock. A total of 3,264,362 shares of the Series G Preferred Stock was redeemed at a redemption price of $25 per share in cash, plus accrued and unpaid dividends to the redemption date for a total cost of $82.1 million; and

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- in June 2012, the Company closed a public offering of 19,000,000 shares of its common stock, including 2,850,000 shares sold as a result of the underwriters' exercise of their overallotment option in full at the closing, at a price of $25.70 per share, for gross proceeds of approximately $561.5 million and net proceeds of approximately $538.8 million after underwriting discounts and commissions and estimated offering expenses.

Credit Facilities

As of September 30, 2012, we have secured credit facilities with Fannie Mae with an aggregate commitment of $932.1 million with $843.3 million outstanding. The Fannie Mae credit facilities are for an initial term of 10 years and bear interest at floating and fixed rates. We have $631.8 million of the funded balance fixed at a weighted average interest rate of 5.12% and the remaining balance on these facilities is currently at a weighted average variable rate of 2.08%.

As of September 30, 2012, we have a $900 million unsecured revolving credit facility that matures in October 2015. The credit facility has a one-year extension option, and contains an accordion feature that allows us to increase the facility to $1.35 billion. Based on the Company's current credit ratings, the credit facility carries an interest rate equal to LIBOR plus a spread of 122.5 basis points and a facility fee of 22.5 basis points. As of September 30, 2012, we had no outstanding borrowings under the credit facility, leaving $900 million of unused capacity (excluding $4.1 million of letters of credit at September 30, 2012).

The Fannie Mae credit facilities and the bank unsecured revolving credit facility are subject to customary financial covenants and limitations.

Derivative Instruments

As part of UDR's overall interest rate risk management strategy, we use derivatives as a means to fix the interest rates of variable rate debt obligations or to hedge anticipated financing transactions. UDR's derivative transactions used for interest rate risk management include interest rate swaps with indexes that relate to the pricing of specific financial instruments of UDR. We believe that we have appropriately controlled our interest rate risk through the use of derivative instruments to minimize any unintended effect on consolidated earnings. Derivative contracts did not have a material impact on the results of operations during the three and nine months ended September 30, 2012 (see Note 11, Derivatives and Hedging Activity in the Consolidated Financial Statements of UDR, Inc. included in this Report).

Funds from Operations

Funds from operations, or FFO, is defined as net income (computed in accordance with GAAP), excluding impairment write-downs of depreciable real estate or of investments in non-consolidated investees that are driven by measurable decreases in the fair value of depreciable real estate held by the investee, gains (or losses) from sales of depreciable property, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. We compute FFO for all periods presented in accordance with the recommendations set forth by the National Association of Real Estate Investment Trust's ("NAREIT") April 1, 2002 White Paper. We consider FFO in evaluating property acquisitions and our operating performance, and believe that FFO should be considered along with, but not as an alternative to, net income and cash flow as a measure of our activities in accordance with generally accepted accounting principles. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Thus, NAREIT created FFO as a supplemental measure of REIT operating performance and defines FFO as net income (computed in accordance with accounting principles generally accepted in the United States), excluding gains (or losses) from sales of depreciable property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. In the three months ended March 31, 2012, UDR has chosen to exclude from the calculation of FFO a one-time taxable benefit of $22.9 million from a subsidiary, and in the three months ended June 30, 2012, UDR has chosen to exclude a tax provision of $6.6 million associated with a gain on the sale of properties from the same subsidiary. The benefit has been excluded from FFO due to its nonrecurring nature (reversal of a deferred tax valuation allowance). The use of FFO, combined with the required presentations, has been fundamentally beneficial, improving the understanding of operating results of REITs among the investing public and making comparisons of REIT operating results more meaningful. We generally consider FFO to be a useful measure for reviewing our comparative operating and financial performance (although FFO should be reviewed in conjunction with net income which remains the primary measure of performance) because by excluding gains or losses related to sales of previously depreciated operating real

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estate assets and excluding real estate asset depreciation and amortization, FFO can help one compare the operating performance of a Company's real estate between periods or as compared to different companies. We believe that FFO is the best measure of economic profitability for real estate investment trusts.

The following table outlines our FFO calculation and reconciliation to GAAP for the three and nine months ended September 30, 2012 and 2011 (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income/(loss) attributable to UDR, Inc.	$(9,031)	$(13,251)	$224,477	$(26,475)
Distributions to preferred stockholders	(931)	(2,308)	(5,079)	(7,003)
Real estate depreciation and amortization, including discontinued operations	88,223	96,554	266,944	271,830
Non-controlling interest	(645)	(535)	8,781	(1,058)
Real estate depreciation and amortization on unconsolidated joint ventures	6,852	2,956	22,634	8,648
Net gain on the sale of depreciable property in discontinued operations, excluding RE^3	1,133	(11,364)	(243,649)	(55,172)
Tax benefit of taxable REIT subsidiary	—	—	(22,876)	—
Premium on preferred stock repurchases, net	—	—	(2,791)	(175)
Funds from operations ("FFO") — basic	$85,601	$72,052	$248,441	$190,595
Distribution to preferred stockholders — Series E (Convertible)	931	931	2,793	2,793
Funds from operations — diluted	$86,532	$72,983	$251,234	$193,388
FFO per common share — basic	$0.33	$0.32	$1.02	$0.94
FFO per common share — diluted	$0.33	$0.32	$1.01	$0.93
Weighted average number of common shares and OP Units outstanding — basic	259,231	222,051	244,587	202,711
Weighted average number of common shares, OP Units, and common stock equivalents outstanding — diluted	263,631	227,243	248,983	207,854

In the computation of diluted FFO, OP Units, unvested restricted stock, stock options, and the shares of Series E Cumulative Convertible Preferred Stock are dilutive; therefore, they are included in the diluted share count.

RE^3 is our subsidiary whose activities include development and land entitlement. RE^3 tax benefits and gain on sales, net of taxes, is defined as net sales proceeds less a tax provision and the gross investment basis of the asset before accumulated depreciation. To determine whether gains from RE^3 will be included in FFO, the Company considers whether the operating asset has been a short term investment. We consider FFO with RE^3 recurring tax benefits and gain on sales, net of taxes and any related valuation allowance release, to be a meaningful supplemental measure of performance because the short-term use of funds produce a profit that differs from the traditional long-term investment in real estate for REITs.

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The following table is our reconciliation of FFO share information to weighted average common shares outstanding, basic and diluted, reflected on the Consolidated Statements of Operations for the three and nine months ended September 30, 2012 and 2011 (shares in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Weighted average number of common shares and OP units outstanding basic	259,231	222,051	244,587	202,711
Weighted average number of OP units outstanding	(9,406)	(8,235)	(9,414)	(6,988)
Weighted average number of common shares outstanding - basic per the Consolidated Statements of Operations	249,825	213,816	235,173	195,723
Weighted average number of common shares, OP units, and common stock equivalents outstanding — diluted	263,631	227,243	248,983	207,854
Weighted average number of OP units outstanding	(9,406)	(8,235)	(9,414)	(6,988)
Weighted average incremental shares from assumed conversion of stock options	(1,242)	(1,347)	(1,238)	(1,310)
Weighted average incremental shares from unvested restricted stock	(122)	(809)	(122)	(797)
Weighted average number of Series E preferred shares outstanding	(3,036)	(3,036)	(3,036)	(3,036)
Weighted average number of common shares outstanding — diluted per the Consolidated Statements of Operations	249,825	213,816	235,173	195,723

FFO also does not represent cash generated from operating activities in accordance with GAAP, and therefore should not be considered an alternative to net cash flows from operating activities, as determined by generally accepted accounting principles, as a measure of liquidity. Additionally, it is not necessarily indicative of cash availability to fund cash needs. A presentation of cash flow metrics based on GAAP is as follows (dollars in thousands):

	Nine Months Ended September 30,	
	2012	2011
Net cash provided by operating activities	$245,416	$182,921
Net cash used in investing activities	(59,259)	(1,086,784)
Net cash (used in)/provided by financing activities	(116,283)	907,859

Results of Operations

The following discussion includes the results of both continuing and discontinued operations for the periods presented.

Net Income/(Loss) Attributable to Common Stockholders

Net loss attributable to common stockholders was $(10.0) million ($(0.04) per diluted share) for the three months ended September 30, 2012 as compared to a net loss of $(15.6) million ($(0.07) per diluted share) for the comparable period in the prior year. The decrease in net loss attributable to common stockholders for the three months ended September 30, 2012 resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

- a decrease in interest expense resulting from the early extinguishment of debt during the six months ended June 30, 2012; and
- a decrease in depreciation expense due to dispositions of nine operating communities in the fourth quarter of 2011 and 21 operating communities in 2012.

These were partially offset by:

- a decrease in net gains on the sale of depreciable property primarily related to the disposition of two communities during the three months ended September 30, 2011; and

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• a decrease in our net operating income primarily due to the Company’s dispositions in 2011 and 2012.

Net income attributable to common stockholders was $216.6 million ($0.92 per diluted share) for the nine months ended September 30, 2012 as compared to a net loss of $(33.7) million ($(0.17) per diluted share) for the comparable period in the prior year. The increase in net income attributable to common stockholders for the nine months ended September 30, 2012 resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

- an increase in net gains on the sale of depreciable property primarily related to the disposition of 21 communities during the nine months ended September 30, 2012;
- an increase in income tax benefit of our taxable REIT subsidiary resulting from the reversal of a net deferred tax asset valuation allowance during the nine months ended September 30, 2012; and
- an increase in our net operating income primarily due to the Company’s acquisition of eight operating communities in the second and third quarters of 2011.

Apartment Community Operations

Our net income results primarily from net operating income ("NOI") generated from the operation of our apartment communities. The Company defines NOI as rental income less direct property rental expenses. Rental income represents gross market rent less adjustments for concessions, vacancy loss and bad debt. Rental expenses include real estate taxes, insurance, personnel, utilities, repairs and maintenance, administrative and marketing. Excluded from NOI is property management expense which is calculated as 2.75% of property revenue to cover the regional supervision and accounting costs related to consolidated property operations, and land rent.

The following table summarizes the operating performance of our total apartment portfolio (which includes discontinued operations) and excludes commercial operating income and expense for each of the periods presented (dollars in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	2012	2011	% Change
Property rental income	$176,770	$187,137	(5.5)%	$548,918	$529,774	3.6%
Property operating expense (a)	(58,458)	(63,730)	(8.3)%	(180,149)	(180,422)	—%
Property net operating income	$118,312	$123,407	(4.1)%	$368,769	$349,352	5.6%

(a) Excludes depreciation, amortization, and property management expenses.

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The following table is our reconciliation of property NOI to net (loss)/income attributable to UDR as reflected, for both continuing and discontinued operations, for the periods presented (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Property net operating income	$118,312	$123,407	$368,769	$349,352
Other net operating income	3,982	4,106	10,550	7,028
Non-property income	4,555	5,229	11,461	12,618
Real estate depreciation and amortization	(88,223)	(96,554)	(266,944)	(271,830)
Interest expense	(31,845)	(40,079)	(108,132)	(118,640)
General and administrative and property management	(15,020)	(17,098)	(48,588)	(50,051)
Other depreciation and amortization	(1,078)	(983)	(3,013)	(3,012)
Other operating expenses	(1,467)	(1,539)	(4,284)	(4,628)
Loss from unconsolidated entities	(719)	(1,580)	(5,822)	(4,260)
Tax benefit/(expense) of taxable REIT subsidiary	2,960	(59)	27,863	(173)
Redeemable non-controlling interests in OP	687	581	(8,644)	1,192
Non-controlling interests	(42)	(46)	(137)	(134)
Net gain on sale of properties	(1,133)	11,364	251,398	56,063
Net (loss)/income attributable to UDR, Inc.	$(9,031)	$(13,251)	$224,477	$(26,475)

Same Store Communities

Three Months Ended September 30, 2012 vs. Three Months Ended September 30, 2011

Our same store community properties (those acquired, developed, and stabilized prior to July 1, 2011 and held on September 30, 2012) consisted of 36,452 apartment homes and provided 84% of our total NOI for the three months ended September 30, 2012.

NOI for our same store community properties increased 6.4% or $5.9 million for the three months ended September 30, 2012 compared to the same period in 2011. The increase in property NOI was attributable to a 5.5% or $7.6 million increase in property rental income and a 3.6% or $1.7 million increase in operating expenses. The increase in revenues was primarily driven by a 4.7% or $6.4 million increase in rental rates and a 4.9% or $575,000 increase in reimbursement and fee income. Physical occupancy increased 0.1% to 95.8% and total monthly income per occupied home increased 5.3% to $1,402.

The increase in operating expenses was primarily driven by a 9.0% or $1.2 million increase in real estate tax and 13.4% or $398,000 increase in administrative and marketing costs, which was partially offset by an 18.7% or $445,000 decrease in insurance expense.

As a result of the percentage changes in property rental income and property operating expenses, the operating margin (property net operating income divided by property rental income) increased to 67.4% for the three months ended September 30, 2012 as compared to 66.8% for the comparable period in 2011.

Non-Mature/Other Communities

The remaining $19.3 million or 16% of our total NOI during the three months ended September 30, 2012 was generated from our “non-mature communities.” UDR’s non-mature communities consist of communities that do not meet the criteria to be included in same communities, which includes communities developed or acquired, redevelopment properties, sold properties and non-apartment components of mixed use properties. For the three months ended September 30, 2012, we recognized NOI from our communities acquired in 2011 and 2012 of $7.4 million and our redeveloped properties of $10.3 million. During the three months ended September 30, 2012, a $1.9 million benefit to NOI was recognized to reflect the establishment of a receivable from former residents previously written off at move out.

Nine Months Ended September 30, 2012 vs. Nine Months Ended September 30, 2011

Our same store community properties (those acquired, developed, and stabilized prior to January 1, 2011 and held on September 30, 2012) consisted of 33,823 apartment homes and provided 71% of our total NOI for the nine months ended September 30, 2012.

NOI for our same store community properties increased 6.8% or $16.5 million for the nine months ended September 30, 2012 compared to the same period in 2011. The increase in property NOI was attributable to a 5.3% or $19.4 million increase in property rental income and a 2.4% or $3.0 increase in operating expenses. The increase in property rental income was primarily driven by a 4.7% or $16.6 million increase in rental rates and a 8.5% or $2.6 million increase in reimbursement and fee income. Physical occupancy remained consistent at 95.7% and total monthly income per occupied home increased 5.3% to $1,323.

The increase in operating expenses was primarily driven by a 8.7% or $3.2 million increase in real estate tax and a 5.8% or $1.1 million increase in repairs and maintenance, which was partially offset by a 2.3% or $475,000 decrease in utility expense, and a 4.5% or $1.4 million decrease in personnel costs.

As a result of the percentage changes in property rental income and property operating expenses, the operating margin (property net operating income divided by property rental income) increased to 67.6% for the nine months ended September 30, 2012 as compared to 66.6% for the comparable period in 2011.

Non-Mature/Other Communities

The remaining $108.4 million or 29% of our total NOI during the nine months ended September 30, 2012 was generated from our “non-mature communities.” UDR’s non-mature communities consist of communities that do not meet the criteria to be included in same communities, which includes communities developed or acquired, redevelopment properties, sold properties, and non-apartment components of mixed use properties. For the nine months ended September 30, 2012, we recognized NOI from our communities acquired in 2011 and 2012 of $44.5 million, redeveloped properties of $35.3 million, our sold communities of $19.7 million, and developments of $5.6 million. During the nine months ended September 30, 2012, a $1.9 million benefit to NOI was recognized to reflect the establishment of a receivable from former residents previously written off at move out.

Other Income

During the three and nine months ended September 30, 2012 and 2011, other income from continuing operations includes fees earned from the Company’s joint ventures of $3.3 million and $9.0 million and $2.5 million and $6.4 million, respectively. During the nine months ended September 30, 2011, other income also includes a gain of $3.1 million from the sale of marketable securities for $3.5 million.

Real Estate Depreciation and Amortization

For the three months ended September 30, 2012, real estate depreciation and amortization attributable to both continuing and discontinued operations decreased 8.6% or $8.3 million as compared to the comparable period in 2011. During the nine months ended September 30, 2012, real estate and amortization attributable to both continuing and discontinued operations decreased 1.8% or $4.9 million as compared to the comparable periods in 2011. The decrease in depreciation and amortization for the three and nine months ended September 30, 2012 is primarily from the disposition of assets and ceasing depreciation on assets classified as held for sale. As part of the Company's acquisition activity in 2011 a portion of the purchase price was attributable to the fair value of intangible assets which were typically amortized over a period of less than one year. The decrease in depreciation and amortization expense was also attributable to amortization expense related to in place leases acquired in 2011.

Interest Expense

For the three months ended September 30, 2012, interest expense attributable to both continuing and discontinued operations decreased 20.5% or $8.2 million as compared to the comparable period in 2011. For the nine months ended September 30, 2012, interest expense attributable to both continuing and discontinued operations decreased 8.9% or $10.5 million. The decreases in interest expense were primarily due to early debt extinguishment during the six months ended June 30, 2012, and the write off of $4.0 million of deferred financing costs related to the prepayment of debt in 2011.

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Explanation of Responses:

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Tax Benefit of Taxable REIT Subsidiary

UDR elected for RE^3 to be treated as a taxable REIT subsidiary. Income taxes for RE^3 are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rate is recognized in earnings in the period of the enactment date.

Prior to 2012, RE^3 had a history of losses and, as a result, had historically recognized a valuation allowance for net deferred tax assets. Each quarter, the Company evaluates the need to retain all or a portion of the valuation allowance on its net deferred tax assets. During the three months ended March 31, 2012, the Company determined that it is more likely than not that the deferred tax assets, including any remaining net operating losses, will be realized. In making this determination, the Company analyzed, among other things, its recent history of earnings, forecasts of future earnings from the sale of depreciable property, and its cumulative earnings for the last twelve quarters. For the nine months ended September 30, 2012, the Company recognized an income tax benefit of taxable REIT subsidiary of $27.9 million, net, which primarily resulted from the reversal of a net deferred tax asset valuation allowance of $22.9 million.

General and administrative

For the three months ended September 30, 2012, general and administrative expense decreased 15.5% or $1.8 million from the comparable period in 2011. The change was primarily due to a decrease in stock-based compensation expense of $1.7 million, which was primarily due to the second quarter of 2012 vesting of restricted shares granted under the Company’s 2010-2012 Long Term Incentive (“LTI”) Program. These shares vested as a result of the Company meeting certain performance criteria outlined under the LTI Program. The decrease in general and administrative expense during the three months ended September 30, 2012 from the comparable period in 2011 was also attributable to a decrease in acquisition-related costs of $697,000 due to minimal acquisition activity in 2012. General and administrative expenses decreased 6.0% or $2.1 million for the nine months ended September 30, 2012 as compared to the comparable period in 2011. The decrease in general and administrative expense during the nine months ended September 30, 2012 was primarily due to a decrease of $3.0 million in acquisition-related costs related to the Company's acquisition of eight operating communities during the nine months ended September 30, 2011.

Inflation

We believe that the direct effects of inflation on our operations have been immaterial. While the impact of inflation primarily impacts our results through wage pressures, utilities and material costs, the majority of our leases are for a term of fourteen months or less, which generally enables us to compensate for any inflationary effects by increasing rents on our apartment homes. Although an extreme escalation in energy and food costs could have a negative impact on our residents and their ability to absorb rent increases, we do not believe this has had a material impact on our results for the three months ended September 30, 2012.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that are material.

UNITED DOMINION REALTY, L.P.:

Business Overview

United Dominion Realty, L.P. (the “Operating Partnership” or “UDR, L.P.”), is a Delaware limited partnership formed in February 2004 and organized pursuant to the provisions of the Delaware Revised Uniform Limited Partnership Act (as amended from time to time, or any successor to such statute, the “Act”). The Operating Partnership is the successor-in-interest to United Dominion Realty, L.P., a limited partnership formed under the laws of Virginia, which commenced operations on November 4, 1995. Our sole general partner is UDR, Inc., a Maryland corporation (“UDR” or the “General Partner”), which conducts a substantial amount of its business and holds a substantial amount of its assets through the Operating Partnership. At September 30, 2012, the Operating Partnership’s real estate portfolio included 73 communities located in nine, with a total of 21,992 apartment homes.

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As of September 30, 2012, UDR owned 110,883 units of our general limited partnership interests and 174,767,502 units of our limited partnership interests (the "OP Units"), or approximately 94.9% of our outstanding OP Units. By virtue of its ownership of our OP Units and being our sole general partner, UDR has the ability to control all of the day-to-day operations of the Operating Partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this Report to the Operating Partnership or "we," "us" or "our" refer to UDR, L.P. together with its consolidated subsidiaries. We refer to our General Partner together with its consolidated subsidiaries (including us) and the General Partner's consolidated joint ventures as "UDR" or the "General Partner."

UDR operates as a self-administered real estate investment trust, or REIT. UDR focuses on owning, acquiring, renovating, developing, and managing apartment communities nationwide. The General Partner was formed in 1972 as a Virginia corporation and changed its state of incorporation from Virginia to Maryland in September 2003. At September 30, 2012, the General Partner's consolidated real estate portfolio included 145 communities located in 10 states and the District of Columbia with a total of 41,827 apartment homes. In addition, the General Partner has an ownership interest in 43 communities with 10,717 completed apartment homes through unconsolidated joint ventures.

The following table summarizes our market information by major geographic markets as of September 30, 2012.

	As of September 30, 2012					Three Months Ended September 30, 2012 (a)			Nine Months Ended September 30, 2012 (a)		
Same Communities	Number of Apartment Communities	Number of Apartment Homes	Percentage of Total Carrying Value		Total Carrying Value (in thousands)	Average Physical Occupancy		Total Income per Occupied Home	Average Physical Occupancy		Total Income per Occupied Home (b)
Western Region											
Orange County, CA	8	2,935	12.3	%	$512,312	94.6	%	$1,579	94.7	%	$1,573
San Francisco, CA	7	1,777	10.7	%	446,073	96.4	%	2,373	96.4	%	2,357
Monterey Peninsula, CA	7	1,565	3.8	%	156,528	94.7	%	1,133	93.9	%	1,103
Los Angeles, CA	3	463	3.0	%	125,942	94.8	%	1,841	95.0	%	1,824
San Diego, CA	2	366	1.4	%	56,378	95.3	%	1,428	94.8	%	1,409
Seattle, WA	5	932	5.0	%	209,563	95.8	%	1,385	96.0	%	1,354
Inland Empire, CA	1	414	1.7	%	69,868	94.1	%	1,548	94.5	%	1,544
Sacramento, CA	2	914	1.7	%	69,689	93.2	%	885	92.6	%	888
Portland, OR	3	716	1.7	%	71,161	95.4	%	1,044	94.7	%	1,037
Mid-Atlantic Region											
Metropolitan DC	7	2,378	13.3	%	553,082	96.2	%	1,858	96.4	%	1,832
New York, NY	1	493	6.4	%	264,360	98.4	%	3,314	—		—
Boston, MA	2	833	4.2	%	174,277	96.2	%	1,680	—		—
Baltimore, MD	5	994	3.6	%	148,069	96.6	%	1,403	96.2	%	1,386
Southeastern Region											
Tampa, FL	3	1,154	2.7	%	113,094	96.4	%	1,096	96.0	%	1,078
Nashville, TN	6	1,612	3.1	%	130,181	97.0	%	936	97.0	%	914

Other Florida	1	636	1.9	%	78,737	94.6	%	1,243	94.5	%	1,246
Southwestern Region											
Dallas, TX	2	1,348	4.5	%	185,356	95.8	%	1,305	95.7	%	1,275
Total/Average Same Communities	65	19,530	81.0	%	3,364,670	95.6	%	$1,521	95.4	%	$1,430
Non Matures, Commercial Properties & Other	8	2,462	19.0	%	794,047						
Total Real Estate Held for Investment	73	21,992	100.0	%	4,158,717						
Total Accumulated Depreciation					(1,052,150)						
Total Real Estate Owned, Net of Accumulated Depreciation					$3,106,567						

(a) Total Income per Occupied Home represents total monthly revenues divided by the product of occupancy and the

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number of mature apartment homes.

(b) The same community population for the nine months ended September 30, 2012 includes 17,880 apartment homes.

We report in two segments: Same Communities and Non-Mature/Other Communities. Our Same Communities segment includes those communities acquired, developed, and stabilized prior to July 1, 2011, and held as of September 30, 2012. These communities were owned and had stabilized occupancy and operating expenses as of the beginning of the prior year, there is no plan to conduct substantial redevelopment activities, and the community is not held for disposition within the current year. A community is considered to have stabilized occupancy once it achieves 90% occupancy for at least three consecutive months. Our Non-Mature/Other Communities segment includes those communities that were acquired or developed in 2011 or 2012, sold properties, redevelopment properties, joint venture properties, and the non-apartment components of mixed use properties.

Liquidity and Capital Resources

Liquidity is the ability to meet present and future financial obligations either through operating cash flows, the sale of properties, and the issuance of debt. Both the coordination of asset and liability maturities and effective capital management are important to the maintenance of liquidity. The Operating Partnership’s primary source of liquidity is cash flow from operations as determined by rental rates, occupancy levels, and operating expenses related to our portfolio of apartment homes and borrowings allocated to us under the General Partner’s credit agreements. The General Partner will routinely use its unsecured credit facility to temporarily fund certain investing and financing activities prior to arranging for longer-term financing or the issuance of equity or debt securities. During the past several years, proceeds from the sale of real estate have been used for both investing and financing activities as we repositioned our portfolio.

We expect to meet our short-term liquidity requirements generally through net cash provided by operations and borrowings allocated to us under the General Partner’s credit agreements. We expect to meet certain long-term liquidity requirements such as scheduled debt maturities and potential property acquisitions through borrowings and the disposition of properties. We believe that our net cash provided by operations and borrowings will continue to be adequate to meet both operating requirements and the payment of distributions. Likewise, the budgeted expenditures for improvements and renovations of certain properties are expected to be funded from property operations, and borrowings allocated to us under the General Partner’s credit agreements the Operating Partnership is a party to.

Future Capital Needs

Future capital expenditures are expected to be funded with proceeds from the issuance of secured debt, the sale of properties, the borrowings allocated to us under our General Partner’s credit agreements, and to a lesser extent, from cash flows provided by operating activities. Acquisition activity in strategic markets is expected to be largely financed by the reinvestment of proceeds from the sale of properties, the issuance of OP units and the assumption or placement of secured debt.

During the remainder of 2012, the Operating Partnership has approximately $1.5 million of secured debt maturing, inclusive of principal amortization. We anticipate that we will repay that debt with operating cash flows, proceeds from borrowings allocated to us under our General Partner’s credit agreements, or by exercising extension rights on such secured debt, as applicable. The repayment of debt will be recorded as an offset to the “Receivable due from General Partner”.

Critical Accounting Policies and Estimates

Our critical accounting policies are those having the most impact on the reporting of our financial condition and results and those requiring significant judgments and estimates. These policies include those related to (1) capital expenditures, (2) impairment of long-lived assets, (3) real estate investment properties, and (4) revenue recognition. Our other critical accounting policies are described in more detail in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in UDR’s current Report on Form 8-K, filed with the SEC on May 2, 2012. There have been no significant changes in our critical accounting policies from those reported in UDR's Form 8-K filed with the SEC on May 2, 2012. With respect to these critical accounting policies, we believe that the application of judgments and assessments is consistently applied and produces financial information that fairly depicts the results of operations for all periods presented.

Statements of Cash Flows for the Nine Months Ended September 30, 2012

The following discussion explains the changes in net cash provided by operating activities, net cash provided by/(used in) investing activities, and (used in)/provided by financing activities that are presented in our Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011.

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Operating Activities

For the nine months ended September 30, 2012, net cash flow provided by operating activities was $154.4 million compared to $127.5 million for the comparable period in 2011. The increase in net cash flow from operating activities was primarily due to an increase in property net operating income from our apartment community portfolio and changes in operating assets and operating liabilities.

Investing Activities

For the nine months ended September 30, 2012, net cash provided by/(used in) investing activities was $34.4 million compared to $(347.5) million for the comparable period in 2011. Changes in the level of investment activities from period to period reflect our strategy as it relates to acquisitions, dispositions and capital expenditures.

Acquisitions and Dispositions

The Operating Partnership did not have any acquisitions during the three and nine months ended September 30, 2012. During the three and nine months ended September 30, 2011, the Operating Partnership acquired one community with 507 apartment homes and four communities with 1,833 apartment homes, respectively.

During the three months ended September 30, 2012 and 2011, the Operating Partnership did not dispose of any communities. During the nine months ended September 30, 2012, the Operating Partnership sold four communities with 1,314 apartment homes. During the nine months ended September 30, 2011, the Operating Partnership sold four communities with 984 apartment homes in conjunction with an asset exchange.

The Operating Partnership's long-term strategic plan is to achieve greater operating efficiencies by investing in fewer, more concentrated markets. As a result, we have been seeking to expand our interests in communities located in Boston, California, Metropolitan Washington D.C., New York, and the Washington state markets over the past years. Prospectively, we plan to continue to channel new investments into those markets we believe will continue to provide the best investment returns. Markets will be targeted based upon defined criteria including above average job growth, low single-family home affordability and limited, new supply for multifamily housing, which are three key drivers to strong rental growth.

Financing Activities

For the nine months ended September 30, 2012, our net cash (used in)/provided by financing activities was $(187.6) million compared to $223.1 million for the comparable period of 2011. The change in cash used in financing activities was primarily due to an increase in payments on secured debt and a decrease in advances from the General Partner, partially offset by proceeds from the issuance of secured debt.

Credit Facilities

As of September 30, 2012, the General Partner had secured credit facilities with Fannie Mae with an aggregate commitment of $932.1 million with $843.3 million outstanding. The Fannie Mae credit facilities are for an initial term of 10 years and bear interest at floating and fixed rates. At September 30, 2012, $631.8 million of the funded balance was fixed at a weighted average interest rate of 5.12% and the remaining balance on these facilities was at a weighted average variable rate of 2.08%. At September 30, 2012, $507.9 million of these credit facilities are allocated to the Operating Partnership based on the ownership of the assets securing the debt.

The Operating Partnership is a guarantor on the General Partner's $250 million term loan due January 2016, $100 million term loan due January 2016, $300 million of medium-term notes due June 2018, and $400 million of medium-term notes due January 2022. At September 30, 2012 and December 31, 2011, the Operating Partnership guaranteed the General Partner's unsecured credit facility, with an aggregate borrowing capacity of $900 million. There were no borrowings outstanding on the unsecured credit facility at September 30, 2012 and $421.0 million outstanding at December 31, 2011.

The credit facilities are subject to customary financial covenants and limitations.

Interest Rate Risk

We are exposed to interest rate risk associated with variable rate notes payable and maturing debt that has to be refinanced. We do not hold financial instruments for trading or other speculative purposes, but rather issue these financial instruments to finance our portfolio of real estate assets. Interest rate sensitivity is the relationship between changes in market interest rates and the fair value of market rate sensitive assets and liabilities. Our earnings are affected as changes in short-term

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interest rates impact our cost of variable rate debt and maturing fixed rate debt. We had $201.6 million in variable rate debt that is not subject to interest rate swap contracts as of September 30, 2012. If market interest rates for variable rate debt increased by 100 basis points, our interest expense would increase by $2.0 million based on the balance at September 30, 2012.

These amounts are determined by considering the impact of hypothetical interest rates on our borrowing cost. These analyses do not consider the effects of the adjusted level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, management would likely take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no change in our financial structure.

Results of Operations for the Three and Nine Months Ended September 30, 2012

The following discussion explains the changes in results of operations that are presented in our Consolidated Statements of Operations for the three months ended September 30, 2012 and 2011, and includes the results of both continuing and discontinued operations for the periods presented.

Net Income/(Loss) Attributable to OP Unitholders

Net income/(loss) attributable to OP unitholders was $85,000 ($0.00 per OP unit) for the three months ended September 30, 2012 as compared to $(6.6) million ($(0.04) per OP unit) for the comparable period in the prior year. The increase in net income attributable to OP unit holders resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

- an increase in net operating income primarily due to four community acquisitions in 2011; and
- a decrease in interest expense due to early extinguishment of secured debt during the six months ended June 30, 2012.

Net income/(loss) attributable to OP unitholders was $44.3 million ($0.24 per OP unit) for the nine months ended September 30, 2012 as compared to $(1.2) million ($(0.01) per OP unit) for the comparable period in the prior year. The increase in net income attributable to OP unit holders resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

- an increase in disposition gains for the nine months ended September 30, 2012 as compared to the comparable period in the prior year. The Operating Partnership recognized gains of $51.1 million and $16.1 million during the nine months ended September 30, 2012 and 2011, respectively, on the sale of four apartment home communities in each of these periods;
- an increase in net operating income primarily due to the acquisition of four communities in 2011; and
- a decrease in interest expense due to early extinguishment of secured debt during the six months ended June 30, 2012.

These were partially offset by an increase in depreciation expense due to community acquisitions in 2011.

Apartment Community Operations

Our net income results primarily from net operating income ("NOI") generated from the operation of our apartment communities. The Operating Partnership defines NOI as rental income less direct property rental expenses. Rental income represents gross market rent less adjustments for concessions, vacancy loss and bad debt. Rental expenses include real estate taxes, insurance, personnel, utilities, repairs and maintenance, administrative and marketing. Excluded from NOI is property management expense which is calculated as 2.75% of property revenue.

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The following table summarizes the operating performance of our total portfolio (which includes discontinued operations) for the three and nine months ended September 30, 2012 and 2011 (dollars in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	2012	2011	% Change
Property rental income	$100,235	$99,833	0.4 %	$300,911	$285,795	5.3 %
Property operating expense (a)	(30,408)	(31,059)	(2.1)%	(90,396)	(91,585)	(1.3)%
Property net operating income	$69,827	$68,774	1.5 %	$210,515	$194,210	8.4 %

(a) Excludes depreciation, amortization, and property management expenses.

The following table is our reconciliation of property NOI to net income/(loss) attributable to OP unit holders as reflected, for both continuing and discontinued operations, for the three and nine months ended September 30, 2012 and 2011 (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Property net operating income	$69,827	$68,774	$210,515	$194,210
Real estate depreciation and amortization	(51,012)	(51,906)	(149,422)	(143,289)
Interest	(9,847)	(13,948)	(35,708)	(39,742)
General and administrative and property management	(7,391)	(8,139)	(27,856)	(24,127)
Other operating expenses	(1,321)	(1,398)	(3,944)	(4,203)
Net (loss)/gain on sale of real estate	(132)	17	51,050	16,055
Non-controlling interests	(39)	(32)	(304)	(91)
Net income/(loss) attributable to OP unitholders	$85	$(6,632)	$44,331	$(1,187)

Same Store Communities

Three Months Ended September 30, 2012 vs. Three Months Ended September 30, 2011

Our same store communities (those acquired, developed, and stabilized prior to July 1, 2011 and held on September 30, 2012) consisted of 19,530 apartment homes and provided 84% of our total NOI for the three months ended September 30, 2012.

NOI for our same store community properties increased 5.9% or $3.3 million for the three months ended September 30, 2012 compared to the same period in 2011. The increase in property NOI was primarily attributable to a 5.4% or $4.4 million increase in total revenue, which was partially offset by a 4.4% or $1.1 million increase in operating expenses. The increase in revenues was primarily driven by a 5.0% or $3.9 million increase in rental rates and a 6.0% or $368,000 increase in fee and reimbursement income. Physical occupancy increased 0.1% to 95.6% and total income per occupied home increased $77 to $1,521 for the three months ended September 30, 2012 compared to the same period in 2011.

The increase in property operating expenses was primarily driven by a 8.4% increase of $648,000 in real estate tax, a 5.5% or $232,000 increase in repair and maintenance costs, and a 3.5% or $220,000 increase in personnel costs, which was partially offset by a 22.3% or $291,000 decrease in insurance costs.

As a result of the percentage changes in property rental income, the operating margin (property net operating income divided by property rental income) was 68.7% for the three months ended September 30, 2012 as compared to 68.4% for the comparable period in 2011.

Nine Months Ended September 30, 2012 vs. Nine Months Ended September 30, 2011

Our same store communities (those acquired, developed, and stabilized prior to January 1, 2011 and held on September 30, 2012) consisted of 17,880 apartment homes and provided 71% of our total NOI for the nine months ended September 30, 2012.

NOI for our same store community properties increased 6.5% or $9.1 million for the nine months ended September 30,

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2012 compared to the same period in 2011. The increase in property NOI was primarily attributable to a 5.4% or $11.3 million increase in total revenue, which was partially offset by a 3.2% or $2.2 million increase in operating expenses. The increase in revenues was primarily driven by a 5.3% or $10.7 million increase in rental rates and a 9.7% or $1.5 million increase in fee and reimbursement income, which was partially offset by a 9.5% or $791,000 increase in vacancy loss. Physical occupancy decreased 0.2% to 95.4% and total income per occupied home increased $76 to $1,430 for the nine months ended September 30, 2012 compared to the same period in 2011.

The increase in property operating expenses was primarily driven by a 7.9% increase of $1.7 million in real estate tax and a 8.0% or $844,000 increase in repair and maintenance costs, which was partially offset by a 3.2% or $535,000 decrease in personnel costs.

As a result of the percentage changes in property rental income, the operating margin (property net operating income divided by property rental income) was 68.5% for the nine months ended September 30, 2012 as compared to 67.8% for the comparable period in 2011.

Non-Mature/Other Communities

Three Months Ended September 30, 2012

The remaining $11.2 million or 16% of our total NOI during the three months ended September 30, 2012, was generated from communities that we classify as “non-mature communities.” The Operating Partnership’s non-mature communities consist of communities that do not meet the criteria to be included in same store communities, which includes communities developed or acquired, redevelopment properties, sold properties, and non-apartment components of mixed use properties. For the three months ended September 30, 2012, we recognized NOI from our acquired communities of $3.7 million and NOI from our redevelopment properties of $4.8 million. During the three months ended September 30, 2012, a $996,000 benefit to NOI was recognized to reflect the establishment of a receivable from former residents previously written off at move out.

Nine Months Ended September 30, 2012

The remaining $60.2 million or 29% of our total NOI during the nine months ended September 30, 2012, was generated from communities that we classify as “non-mature communities.” The Operating Partnership’s non-mature communities consist of communities that do not meet the criteria to be included in same store communities, which includes communities developed or acquired, redevelopment properties, sold properties, and non-apartment components of mixed use properties. For the nine months ended September 30, 2012, we recognized NOI from our acquired communities of $29.3 million, NOI from our redevelopment properties of $19.3 million and NOI from our sold communities of $4.5 million. During the nine months ended September 30, 2012, a $996,000 benefit to NOI was recognized to reflect the establishment of a receivable from former residents previously written off at move out.

Real Estate Depreciation and Amortization

For the three months ended September 30, 2012 and 2011, real estate depreciation and amortization from continuing and discontinued operations decreased by 1.7% or $894,000 as compared to the comparable period in 2011. The decrease in depreciation and amortization for the three months ended September 30, 2012 is primarily the result of acquisitions in 2011 and dispositions in 2011 and 2012. For the nine months ended September 30, 2012, real estate depreciation and amortization from continuing and discontinued operations increased by 4.3% or $6.1 million as compared to the comparable period in 2011. The increase in depreciation and amortization for the nine months ended September 30, 2012 is due to the acquisition of four apartment home communities in 2011. As part of the Operating Partnership’s acquisition activity, a portion of the purchase price is attributable to the fair value of intangible assets which are typically amortized over a period of less than one year.

Income from Discontinued Operations

For the three and nine months ended September 30, 2012 and 2011, we recognized (loss)/income from discontinued operations for financial reporting purposes of $(132,000) and $54.2 million and $1.8 million and $21.6 million, respectively. The change in income from discontinued operations primarily relates to the recognition of net (loss)/gain from the sale of property of $(132,000) and $51.1 million and $17,000 and $16.1 million during the three and nine months ended September 30, 2012 and 2011, respectively.

Inflation

We believe that the direct effects of inflation on our operations have been immaterial. While the impact of inflation primarily impacts our results through wage pressures, utilities and material costs, substantially all of our leases are for a term of

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one year or less, which generally enables us to compensate for any inflationary effects by increasing rents on our apartment homes. Although an extreme escalation in energy and food costs could have a negative impact on our residents and their ability to absorb rent increases, we do not believe this has had a material impact on our results for the three and nine months ended September 30, 2012 and 2011.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that are material.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company and the Operating Partnership are exposed to interest rate changes associated with our unsecured credit facility and other variable rate debt as well as refinancing risk on our fixed rate debt. The Company's and the Operating Partnership's involvement with derivative financial instruments is limited and we do not expect to use them for trading or other speculative purposes. The Company and the Operating Partnership use derivative instruments solely to manage their exposure to interest rates.

See our Annual Report on Form 10-K for the year ended December 31, 2011 under the heading "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for a more complete discussion of our interest rate sensitive assets and liabilities. As of September 30, 2012, our market risk has not changed materially from the amounts reported in our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 4. CONTROLS AND PROCEDURES

The disclosure controls and procedures of the Company and the Operating Partnership are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. As a result, our disclosure controls and procedures are designed to provide reasonable assurance that such disclosure controls and procedures will meet their objectives.

As of September 30, 2012, we carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and Principal Financial Officer of the Company, of the effectiveness of the design and operation of the disclosure controls and procedures of the Company and the Operating Partnership. Based on this evaluation, the Chief Executive Officer and Principal Financial Officer of the Company concluded that the disclosure controls and procedures of the Company and the Operating Partnership are effective at the reasonable assurance level described above.

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PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS
The Company is a party to various claims and routine litigation arising in the ordinary course of business. We do not believe that the results of any such claims and litigation, individually or in the aggregate, will have a material adverse effect on our business, financial position or results of operations.

Item 1A. RISK FACTORS
There are many factors that affect the business and the results of operations of the Company and the Operating Partnership, some of which are beyond the control of the Company and the Operating Partnership. The following is a description of important factors that may cause the actual results of operations of the Company and the Operating Partnership in future periods to differ materially from those currently expected or discussed in forward-looking statements set forth in this Report relating to our financial results, operations and business prospects. Forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Report, and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based, except to the extent otherwise required by law.
Risks Related to Our Real Estate Investments and Our Operations
Unfavorable Apartment Market and Economic Conditions Could Adversely Affect Occupancy Levels, Rental Revenues and the Value of Our Real Estate Assets. Unfavorable market conditions in the areas in which we operate and unfavorable economic conditions generally may significantly affect our occupancy levels, our rental rates and collections, the value of the properties and our ability to strategically acquire or dispose of apartment communities on economically favorable terms. Our ability to lease our properties at favorable rates is adversely affected by the increase in supply in the multifamily market and is dependent upon the overall level in the economy, which is adversely affected by, among other things, job losses and unemployment levels, recession, personal debt levels, the downturn in the housing market, stock market volatility and uncertainty about the future. Some of our major expenses, including mortgage payments and real estate taxes, generally do not decline when related rents decline. We would expect that declines in our occupancy levels, rental revenues and/or the values of our apartment communities would cause us to have less cash available to pay our indebtedness and to distribute to UDR's stockholders, which could adversely affect our financial condition and the market value of our securities. Factors that may affect our occupancy levels, our rental revenues, and/or the value of our properties include the following, among others:

- downturns in the national, regional and local economic conditions, particularly increases in unemployment;
- declines in mortgage interest rates, making alternative housing more affordable;
- government or builder incentives which enable first time homebuyers to put little or no money down, making alternative housing options more attractive;
- local real estate market conditions, including oversupply of, or reduced demand for, apartment homes;
- declines in the financial condition of our tenants, which may make it more difficult for us to collect rents from some tenants;
- changes in market rental rates;
- our ability to renew leases or re-lease space on favorable terms;

- the timing and costs associated with property improvements, repairs or renovations;
- declines in household formation; and
- rent control or stabilization laws, or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs.

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Continued Economic Weakness Following the Economic Recession that the U.S. Economy Recently Experienced May Materially and Adversely Affect our Financial Condition and Results of Operations. The U.S. economy continues to experience weakness following a severe recession, which has resulted in increased unemployment, decreased consumer spending and a decline in residential and commercial property values. Although it is not clear whether the U.S. economy has fully emerged from the recession, high levels of unemployment have continued to persist. If the economic recovery slows or stalls, we may experience adverse effects on our occupancy levels, our rental revenues and the value of our properties, any of which could adversely affect our cash flow, financial condition and results of operations.

Substantial International, National and Local Government Spending and Increasing Deficits May Adversely Impact Our Business, Financial Condition and Results of Operations. The values of, and the cash flows from, the properties we own are affected by developments in global, national and local economies. As a result of the recent recession and the significant government interventions, federal, state and local governments have incurred record deficits and assumed or guaranteed liabilities of private financial institutions or other private entities. These increased budget deficits and the weakened financial condition of federal, state and local governments may lead to reduced governmental spending, tax increases, public sector job losses, increased interest rates, currency devaluations or other adverse economic events, which may directly or indirectly adversely affect our business, financial condition and results of operations.

Risk of Inflation/Deflation. Substantial inflationary or deflationary pressures could have a negative effect on rental rates and property operating expenses. Neither inflation nor deflation has materially impacted our operations in the recent past. The general risk of inflation is that our debt interest and general and administrative expenses increase at a rate higher than our rental rates. The predominant effects of deflation include high unemployment and credit contraction. Restricted lending practices could impact our ability to obtain financing or refinancing for our properties. High unemployment may have a negative effect on our occupancy levels and our rental revenues.

We Are Subject to Certain Risks Associated with Selling Apartment Communities, Which Could Limit Our Operational and Financial Flexibility. We periodically dispose of apartment communities that no longer meet our strategic objectives, but adverse market conditions may make it difficult to sell apartment communities like the ones we own. We cannot predict whether we will be able to sell any property for the price or on the terms we set, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. These conditions may limit our ability to dispose of properties and to change our portfolio promptly in order to meet our strategic objectives, which may in turn have a material adverse effect on our financial condition and the market value of our securities. We are also subject to the following risks in connection with sales of our apartment communities:

- a significant portion of the proceeds from our overall property sales may be held by intermediaries in order for some sales to qualify as like-kind exchanges under Section 1031 of the Internal Revenue Code of 1986, as amended, or the "Code," so that any related capital gain can be deferred for federal income tax purposes. As a result, we may not have immediate access to all of the cash proceeds generated from our property sales; and

- federal tax laws limit our ability to profit on the sale of communities that we have owned for less than two years, and this limitation may prevent us from selling communities when market conditions are favorable.

Competition Could Limit Our Ability to Lease Apartment Homes or Increase or Maintain Rents. Our apartment communities compete with numerous housing alternatives in attracting residents, including other apartment communities, condominiums and single-family rental homes, as well as owner occupied single-and multi-family homes. Competitive housing in a particular area could adversely affect our ability to lease apartment homes and increase or maintain rents.

We May Not Realize the Anticipated Benefits of Past or Future Acquisitions, and the Failure to Integrate Acquired Communities and New Personnel Successfully Could Create Inefficiencies. We have selectively acquired in the past, and if presented with attractive opportunities we intend to selectively acquire in the future, apartment communities that meet our investment criteria. Our acquisition activities and their success are subject to the following risks:

- we may be unable to obtain financing for acquisitions on favorable terms or at all;

- even if we are able to finance the acquisition, cash flow from the acquisition may be insufficient to meet our required principal and interest payments on the acquisition;

- even if we enter into an acquisition agreement for an apartment community, we may be unable to complete the

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acquisition after incurring certain acquisition-related costs;

- we may incur significant costs and divert management attention in connection with the evaluation and negotiation of potential acquisitions, including potential acquisitions that we are subsequently unable to complete;

- when we acquire an apartment community, we may invest additional amounts in it with the intention of increasing profitability, and these additional investments may not produce the anticipated improvements in profitability; and

- we may be unable to quickly and efficiently integrate acquired apartment communities and new personnel into our existing operations, and the failure to successfully integrate such apartment communities or personnel will result in inefficiencies that could adversely affect our expected return on our investments and our overall profitability.

In the past, other real estate investors, including insurance companies, pension and investment funds, developer partnerships, investment companies and other public and private apartment REITs, have competed with us to acquire existing properties and to develop new properties, and such competition in the future may make it more difficult for us to pursue attractive investment opportunities on favorable terms, which could adversely affect growth.
Development and Construction Risks Could Impact Our Profitability. In the past we have selectively pursued the development and construction of apartment communities, and we intend to do so in the future as appropriate opportunities arise. Development activities have been, and in the future may be, conducted through wholly owned affiliated companies or through joint ventures with unaffiliated parties. Our development and construction activities are subject to the following risks:

- we may be unable to obtain construction financing for development activities under favorable terms, including but not limited to interest rates, maturity dates and/or loan to value ratios, or at all which could cause us to delay or even abandon potential developments;

- we may be unable to obtain, or face delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, which could result in increased development costs, could delay initial occupancy dates for all or a portion of a development community, and could require us to abandon our activities entirely with respect to a project for which we are unable to obtain permits or authorizations;

- yields may be less than anticipated as a result of delays in completing projects, costs that exceed budget and/or higher than expected concessions for lease up and lower rents than pro forma;

- if we are unable to find joint venture partners to help fund the development of a community or otherwise obtain acceptable financing for the developments, our development capacity may be limited;

- we may abandon development opportunities that we have already begun to explore, and we may fail to recover expenses already incurred in connection with exploring such opportunities;

- we may be unable to complete construction and lease-up of a community on schedule, or incur development or construction costs that exceed our original estimates, and we may be unable to charge rents that would compensate for any increase in such costs;

- occupancy rates and rents at a newly developed community may fluctuate depending on a number of factors, including market and economic conditions, preventing us from meeting our profitability goals for that community; and

- when we sell to third parties communities or properties that we developed or renovated, we may be subject to warranty or construction defect claims that are uninsured or exceed the limits of our insurance.

In some cases in the past, the costs of upgrading acquired communities exceeded our original estimates. We may experience similar cost increases in the future. Our inability to charge rents that will be sufficient to offset the effects of any increases in these costs may impair our profitability.

Bankruptcy of Developers in Our Development Joint Ventures Could Impose Delays and Costs on Us With Respect to the Development of Our Communities and May Adversely Affect Our Financial Condition and Results of Operations.

The bankruptcy of one of the developers in any of our development joint ventures could materially and adversely affect the relevant property or properties. If the relevant joint venture through which we have invested in a property has incurred recourse obligations, the discharge in bankruptcy of the developer may require us to honor a completion guarantee and therefore might

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result in our ultimate liability for a greater portion of those obligations than we would otherwise bear.
Property Ownership Through Joint Ventures May Limit Our Ability to Act Exclusively in Our Interest. We have in the past and may in the future develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. If we use such a structure, we could become engaged in a dispute with one or more of our joint venture partners that might affect our ability to operate a jointly-owned property. Moreover, joint venture partners may have business, economic or other objectives that are inconsistent with our objectives, including objectives that relate to the appropriate timing and terms of any sale or refinancing of a property. In some instances, joint venture partners may have competing interests in our markets that could create conflicts of interest.
We Could Incur Significant Insurance Costs and Some Potential Losses May Not Be Adequately Covered by Insurance. We have a comprehensive insurance program covering our property and operating activities. We believe the policy specifications and insured limits of these policies are adequate and appropriate. There are, however, certain types of extraordinary losses which may not be adequately covered under our insurance program. In addition, we will sustain losses due to insurance deductibles, self-insured retention, uninsured claims or casualties, or losses in excess of applicable coverage.
If an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Material losses in excess of insurance proceeds may occur in the future. If one or more of our significant properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could adversely affect our cash flow and ability to make distributions to UDR's stockholders.
As a result of our substantial real estate holdings, the cost of insuring our apartment communities is a significant component of expense. Insurance premiums are subject to significant increases and fluctuations, which can be widely outside of our control. We insure our properties with insurance companies that we believe have a good rating at the time our policies are put into effect. The financial condition of one or more of our insurance companies that we hold policies with may be negatively impacted resulting in their inability to pay on future insurance claims. Their inability to pay future claims may have a negative impact on our financial results. In addition, the failure of one or more insurance companies may increase the costs to renew our insurance policies or increase the cost of insuring additional properties and recently developed or redeveloped properties.
Failure to Succeed in New Markets May Limit Our Growth. We have acquired in the past, and we may acquire in the future if appropriate opportunities arise, apartment communities that are outside of our existing markets. Entering into new markets may expose us to a variety of risks, and we may not be able to operate successfully in new markets. These risks include, among others:

- inability to accurately evaluate local apartment market conditions and local economies;
- inability to hire and retain key personnel;
- lack of familiarity with local governmental and permitting procedures; and
- inability to achieve budgeted financial results.

Potential Liability for Environmental Contamination Could Result in Substantial Costs. Under various federal, state and local environmental laws, as a current or former owner or operator of real estate, we could be required to investigate and remediate the effects of contamination of currently or formerly owned real estate by hazardous or toxic substances, often regardless of our knowledge of or responsibility for the contamination and solely by virtue of our current or former ownership or operation of the real estate. In addition, we could be held liable to a governmental authority or to third parties for property damage and for investigation and clean-up costs incurred in connection with the contamination. These costs could be substantial, and in many cases environmental laws create liens in favor of governmental authorities to secure their payment. The presence of such substances or a failure to properly remediate any resulting contamination could materially and adversely affect our ability to borrow against, sell or rent an affected property.

In addition, our properties are subject to various federal, state and local environmental, health and safety laws, including laws governing the management of wastes and underground and aboveground storage tanks. Noncompliance with these environmental, health and safety laws could subject us to liability. Changes in laws could increase the potential costs of compliance with environmental laws, health and safety laws or increase liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations.

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As the owner or operator of real property, we may also incur liability based on various building conditions. For example, buildings and other structures on properties that we currently own or operate or those we acquire or operate in the future contain, may contain, or may have contained, asbestos-containing material, or ACM. Environmental, health and safety laws require that ACM be properly managed and maintained and may impose fines or penalties on owners, operators or employers for non-compliance with those requirements.

These requirements include special precautions, such as removal, abatement or air monitoring, if ACM would be disturbed during maintenance, renovation or demolition of a building, potentially resulting in substantial costs. In addition, we may be subject to liability for personal injury or property damage sustained as a result of exposure to ACM or releases of ACM into the environment.

We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to our shareholders, or that such costs or liabilities will not have a material adverse effect on our financial condition and results of operations.

Our Properties May Contain or Develop Harmful Mold or Suffer from Other Indoor Air Quality Issues, Which Could Lead to Liability for Adverse Health Effects or Property Damage or Cost for Remediation. When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants or to increase ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants or others if property damage or personal injury occurs.

Compliance or Failure to Comply with the Americans with Disabilities Act of 1990 or Other Safety Regulations and Requirements Could Result in Substantial Costs. The Americans with Disabilities Act generally requires that public buildings, including our properties, be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. From time to time claims may be asserted against us with respect to some of our properties under this Act. If, under the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations.

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

Real Estate Tax and Other Laws. Generally we do not directly pass through costs resulting from compliance with or changes in real estate tax laws to residential property tenants. We also do not generally pass through increases in income, service or other taxes, to tenants under leases. These costs may adversely affect net operating income and the ability to make distributions to stockholders. Similarly, compliance with or changes in (i) laws increasing the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions or (ii) rent control or rent stabilization laws or other laws regulating housing, such as the Americans with Disabilities Act and the Fair Housing Amendments Act of 1988, may result in significant unanticipated expenditures, which would adversely affect funds from operations and the ability to make distributions to stockholders.

Risk of Damage from Catastrophic Weather Events. Certain of our communities are located in the general vicinity of active earthquake faults, mudslides and fires, and others where there are hurricanes, tornadoes or risks of other inclement weather. The adverse weather events could cause damage or losses that may be greater than insured levels. In the event of a loss in excess of insured limits, we could lose our capital invested in the affected community, as well as anticipated future revenue from that community. We would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. Any such loss could materially and adversely affect our business and our financial condition and results of operations.

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Actual or Threatened Terrorist Attacks May Have an Adverse Effect on Our Business and Operating Results and Could Decrease the Value of Our Assets.   Actual or threatened terrorist attacks and other acts of violence or war could have a material adverse effect on our business and operating results. Attacks that directly impact one or more of our apartment communities could significantly affect our ability to operate those communities and thereby impair our ability to achieve our expected results. Further, our insurance coverage may not cover all losses caused by a terrorist attack. In addition, the adverse effects that such violent acts and threats of future attacks could have on the U.S. economy could similarly have a material adverse effect on our business and results of operations.

We May Experience a Decline in the Fair Value of Our Assets and Be Forced to Recognize Impairment Charges, Which Could Materially and Adversely Impact Our Financial Condition, Liquidity and Results of Operations and the Market Price of UDR’s Common Stock.   A decline in the fair value of our assets may require us to recognize an impairment against such assets under GAAP if we were to determine that, with respect to any assets in unrealized loss positions, we do not have the ability and intent to hold such assets to maturity or for a period of time sufficient to allow for recovery to the amortized cost of such assets. If such a determination were to be made, we would recognize unrealized losses through earnings and write down the amortized cost of such assets to a new cost basis, based on the fair value of such assets on the date they are considered to be impaired. Such impairment charges reflect non-cash losses at the time of recognition; subsequent disposition or sale of such assets could further affect our future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale. If we are required to recognize asset impairment charges in the future, these charges could materially and adversely affect our financial condition, liquidity, results of operations and the per share trading price of UDR’s common stock.

Any Material Weaknesses Identified in Our Internal Control Over Financial Reporting Could Have an Adverse Effect on UDR’s Stock Price.   Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal control over financial reporting. If we identify one or more material weaknesses in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which in turn could have an adverse effect on UDR’s stock price.

Our Business and Operations Would Suffer in the Event of System Failures. Despite system redundancy, the implementation of security measures and the existence of a disaster recovery plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war, and telecommunication failures. We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information and to manage or support a variety of our business processes, including financial transactions and keeping of records, which may include personal identifying information of tenants and lease data. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmitting and storing confidential tenant information, such as individually identifiable information relating to financial accounts. Although we take steps to protect the security of the data maintained in our information systems, it is possible that our security measures will not be able to prevent the systems’ improper functioning, or the improper disclosure of personally identifiable information, such as in the event of cyber attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could materially and adversely affect us.

Our Success Depends on Our Senior Management. Our success depends upon the retention of our senior management, whose continued service is not guaranteed. We may not be able to find qualified replacements for the individuals who make up our senior management if their services should no longer be available to us. The loss of services of one or more members of our senior management team could have a material adverse effect on our business, financial condition and results of operations.

We May be Adversely Affected by New Laws and Regulations. The United States Administration and Congress have enacted, or called for consideration of, proposals relating to a variety of issues, including with respect to health care, financial regulation reform, climate control, executive compensation and others. We believe that these and other potential proposals could have varying degrees of impact on us ranging from minimal to material. At this time, we are unable to predict with certainty what level of impact specific proposals could have on us.

Certain rulemaking and administrative efforts that may have an impact on us focus principally on the areas perceived as contributing to the global financial crisis and the recent economic downturn. These initiatives have created a degree of uncertainty regarding the basic rules governing the real estate industry and many other businesses that is unprecedented in the United States at least since the wave of lawmaking and regulatory reform that followed in the wake of the Great Depression. The federal legislative response in this area culminated in the enactment on July 21, 2010 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). Many of the provisions of the Dodd-Frank Act have extended

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implementation periods and delayed effective dates and will require extensive rulemaking by regulatory authorities; thus, the impact on us may not be known for an extended period of time. The Dodd-Frank Act, including future rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals that are proposed or pending in the United States Congress, may limit our revenues, impose fees or taxes on us, and/or intensify the regulatory framework in which we operate in ways that are not currently identifiable.

Changing laws, regulations and standards relating to corporate governance and public disclosure in particular, including certain provisions of the Dodd-Frank Act and the rules and regulations promulgated thereunder, have created uncertainty for public companies like ours and could significantly increase the costs and risks associated with accessing the U.S. public markets. Because we are committed to maintaining high standards of internal control over financial reporting, corporate governance and public disclosure, our management team will need to devote significant time and financial resources to comply with these evolving standards for public companies. We intend to continue to invest appropriate resources to comply with both existing and evolving standards, and this investment has resulted and will likely continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

The Adoption of Derivatives Legislation by Congress Could Have an Adverse Impact on our Ability to Hedge Risks Associated with our Business. The Dodd-Frank Act regulates derivative transactions, which include certain instruments used in our risk management activities. The Dodd-Frank Act contemplates that most swaps will be required to be cleared through a registered clearing facility and traded on a designated exchange or swap execution facility. There are some exceptions to these requirements for entities that use swaps to hedge or mitigate commercial risk. While we may ultimately be eligible for such exceptions, the scope of these exceptions is currently uncertain, pending further definition through rulemaking proceedings. Although the Dodd-Frank Act includes significant new provisions regarding the regulation of derivatives, the impact of those requirements will not be known definitively until regulations have been adopted and fully implemented by both the SEC and the Commodities Futures Trading Commission, and market participants establish registered clearing facilities under those regulations. The new legislation and any new regulations could increase the operational and transactional cost of derivatives contracts and affect the number and/or creditworthiness of available hedge counterparties to us.

Changes in the System for Establishing U.S. Accounting Standards May Materially and Adversely Affect Our Reported Results of Operations. Accounting for public companies in the United States has historically been conducted in accordance with generally accepted accounting principles as in effect in the United States (“GAAP”). GAAP is established by the Financial Accounting Standards Board (the “FASB”), an independent body whose standards are recognized by the SEC as authoritative for publicly held companies. The International Accounting Standards Board (the “IASB”) is a London-based independent board established in 2001 and charged with the development of International Financial Reporting Standards (“IFRS”). IFRS generally reflects accounting practices that prevail in Europe and in developed nations around the world.

IFRS differs in material respects from GAAP. Among other things, IFRS has historically relied more on “fair value” models of accounting for assets and liabilities than GAAP. “Fair value” models are based on periodic revaluation of assets and liabilities, often resulting in fluctuations in such values as compared to GAAP, which relies more frequently on historical cost as the basis for asset and liability valuation.

We are monitoring the SEC’s activity with respect to the proposed adoption of IFRS by United States public companies. It is unclear at this time how the SEC will propose that GAAP and IFRS be harmonized if the proposed change is adopted. In addition, switching to a new method of accounting and adopting IFRS will be a complex undertaking. We may need to develop new systems and controls based on the principles of IFRS. Since these are new endeavors, and the precise requirements of the pronouncements ultimately to be adopted are not now known, the magnitude of costs associated with this conversion are uncertain.

We are currently evaluating the impact of the adoption of IFRS on our financial position and results of operations. Such evaluation cannot be completed, however, without more clarity regarding the specific IFRS standards that will be adopted. Until there is more certainty with respect to the IFRS standards to be adopted, prospective investors should consider that our conversion to IFRS could have a material adverse impact on our reported results of operations.

Risks Related to Our Indebtedness and Financings

Insufficient Cash Flow Could Affect Our Debt Financing and Create Refinancing Risk. We are subject to the risks normally associated with debt financing, including the risk that our operating income and cash flow will be insufficient to make required payments of principal and interest, or could restrict our borrowing capacity under our line of credit due to debt covenant restraints. Sufficient cash flow may not be available to make all required principal payments and still satisfy UDR’s distribution requirements to maintain its status as a REIT for federal income tax purposes. In addition, the full limits of our line

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of credit may not be available to us if our operating performance falls outside the constraints of our debt covenants. We are also likely to need to refinance substantially all of our outstanding debt as it matures. We may not be able to refinance existing debt, or the terms of any refinancing may not be as favorable as the terms of the existing debt, which could create pressures to sell assets or to issue additional equity when we would otherwise not choose to do so. In addition, our failure to comply with our debt covenants could result in a requirement to repay our indebtedness prior to its maturity, which could have an adverse effect on our cash flow, increase our financing costs and impact our ability to make distributions to UDR's stockholders.

Failure to Generate Sufficient Revenue Could Impair Debt Service Payments and Distributions to Stockholders. If our apartment communities do not generate sufficient net rental income to meet rental expenses, our ability to make required payments of interest and principal on our debt securities and to pay distributions to UDR's stockholders will be adversely affected. The following factors, among others, may affect the net rental income generated by our apartment communities:

- the national and local economies;
- local real estate market conditions, such as an oversupply of apartment homes;
- tenants' perceptions of the safety, convenience, and attractiveness of our communities and the neighborhoods where they are located;
- our ability to provide adequate management, maintenance and insurance;
- rental expenses, including real estate taxes and utilities;
- competition from other apartment communities;
- changes in interest rates and the availability of financing;
- changes in governmental regulations and the related costs of compliance; and
- changes in tax and housing laws, including the enactment of rent control laws or other laws regulating multi-family housing.

Expenses associated with our investment in an apartment community, such as debt service, real estate taxes, insurance and maintenance costs, are generally not reduced when circumstances cause a reduction in rental income from that community. If a community is mortgaged to secure payment of debt and we are unable to make the mortgage payments, we could sustain a loss as a result of foreclosure on the community or the exercise of other remedies by the mortgage holder.

Our Debt Level May Be Increased. Our current debt policy does not contain any limitations on the level of debt that we may incur, although our ability to incur debt is limited by covenants in our bank and other credit agreements. We manage our debt to be in compliance with these debt covenants, but subject to compliance with these covenants, we may increase the amount of our debt at any time without a concurrent improvement in our ability to service the additional debt.

Financing May Not Be Available and Could Be Dilutive. Our ability to execute our business strategy depends on our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including common and preferred equity. We and other companies in the real estate industry have experienced limited availability of financing from time to time. If we issue additional equity securities to finance developments and acquisitions instead of incurring debt, the interests of our existing stockholders could be diluted.

Failure To Maintain Our Current Credit Ratings Could Adversely Affect Our Cost of Funds, Related Margins, Liquidity, and Access to Capital Markets.   Moody's and Standard & Poor's, the major debt rating agencies, routinely evaluate our debt and have given us ratings on our senior unsecured debt. These ratings are based on a number of factors, which included their assessment of our financial strength, liquidity, capital structure, asset quality, and sustainability of cash flow and earnings. Due to changes in market conditions, we may not be able to maintain our current credit ratings, which could adversely affect our cost of funds and related margins, liquidity, and access to capital markets.

Disruptions in Financial Markets May Adversely Impact Availability and Cost of Credit and Have Other Adverse Effects on Us and the Market Price of UDR's Stock.   Our ability to make scheduled payments or to refinance debt obligations will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions and to financial, business and other factors beyond our control. During the past few years, the United States stock and credit markets have experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing. The downgrade of the U.S. credit rating by Standard & Poor's and the European debt crisis have contributed to the instability in global credit markets. Continued uncertainty in the stock and credit markets may negatively impact our ability to access additional financing for acquisitions, development of our properties and other purposes at reasonable terms, which may negatively affect our business. Additionally, due to this uncertainty, we may be unable to refinance our existing indebtedness or the terms of any refinancing may not be as favorable as the terms of our existing indebtedness. If we are not successful in refinancing this debt when it becomes due, we may be forced to dispose of properties on disadvantageous terms, which might adversely affect our ability to service other debt and to meet our other obligations. A prolonged downturn in the financial markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. These events also may make it more difficult or costly for us to raise capital through the issuance of UDR's common or preferred stock. The disruptions in the financial markets have had and may continue to have a material adverse effect on the market value of UDR's common shares and other adverse effects on us and our business.

Prospective buyers of our properties may also experience difficulty in obtaining debt financing which might make it more difficult for us to sell properties at acceptable pricing levels. Tightening of credit in financial markets and high unemployment rates may also adversely affect the ability of tenants to meet their lease obligations and for us to continue increasing rents on a prospective basis. Disruptions in the credit and financial markets may also have other adverse effects on us and the overall economy.

A Change in U.S. Government Policy Regarding Fannie Mae or Freddie Mac Could Have a Material Adverse Impact on Our Business.   Fannie Mae and Freddie Mac are a major source of financing for secured multifamily rental real estate. We and other multifamily companies depend heavily on Fannie Mae and Freddie Mac to finance growth by purchasing or guaranteeing apartment loans. In September 2008, the U.S. government assumed control of Fannie Mae and Freddie Mac and placed both companies into a government conservatorship under the Federal Housing Finance Agency. The Administration has proposed potential options for the future of mortgage finance in the U.S. that could involve the phase out of Fannie Mae and Freddie Mac. While we believe Fannie Mae and Freddie Mac will continue to provide liquidity to our sector, should they discontinue doing so, have their mandates changed or reduced or be disbanded or reorganized by the government, it would significantly reduce our access to debt capital and adversely affect our ability to finance or refinance existing indebtedness at competitive rates and it may adversely affect our ability to sell assets. Uncertainty in the future activity and involvement of Fannie Mae and Freddie Mac as a source of financing could negatively impact our ability to make acquisitions and make it more difficult or not possible for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing.

The Soundness of Financial Institutions Could Adversely Affect Us. We have relationships with many financial institutions, including lenders under our credit facilities, and, from time to time, we execute transactions with counterparties in the financial services industry. As a result, defaults by, or even rumors or questions about, financial institutions or the financial services industry generally, could result in losses or defaults by these institutions. In the event that the volatility of the financial markets adversely affects these financial institutions or counterparties, we or other parties to the transactions with us may be unable to complete transactions as intended, which could adversely affect our business and results of operations.

Changing Interest Rates Could Increase Interest Costs and Adversely Affect Our Cash Flow and the Market Price of Our Securities.   We currently have, and expect to incur in the future, interest-bearing debt at rates that vary with market interest rates. As of September 30, 2012, UDR had approximately $378.5 million of variable rate indebtedness outstanding, which constitutes approximately11% of total outstanding indebtedness as of such date. As of September 30, 2012, the Operating Partnership had approximately $201.6 million of variable rate indebtedness outstanding, which constitutes approximately 21% of total outstanding indebtedness to third parties as of such date. An increase in interest rates would increase our interest expenses and increase the costs of refinancing existing indebtedness and of issuing new debt. Accordingly, higher interest rates could adversely affect cash flow and our ability to service our debt and to make distributions to security holders. The effect of prolonged interest rate increases could negatively impact our ability to make acquisitions and develop properties. In addition, an increase in market interest rates may lead our security holders to demand a higher annual yield, which could adversely affect the market price of UDR’s common and preferred stock and debt securities.

Interest Rate Hedging Contracts May Be Ineffective and May Result in Material Charges. From time to time when we anticipate issuing debt securities, we may seek to limit our exposure to fluctuations in interest rates during the period prior to the pricing of the securities by entering into interest rate hedging contracts. We may do this to increase the predictability of our financing costs. Also, from time to time we may rely on interest rate hedging contracts to limit our exposure under variable rate debt to unfavorable changes in market interest rates. If the terms of new debt securities are not within the parameters of, or

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market interest rates fall below that which we incur under a particular interest rate hedging contract, the contract is ineffective. Furthermore, the settlement of interest rate hedging contracts has involved and may in the future involve material charges. In addition, our use of interest rate hedging arrangements may expose us to additional risks, including a risk that a counterparty to a hedging arrangement may fail to honor its obligations. Developing an effective interest rate risk strategy is complex and no strategy can completely insulate us from risks associated with interest rate fluctuations. There can be no assurance that our hedging activities will have desired beneficial impact on our results of operations or financial condition. Termination of these hedging agreements typically involves costs, such as transaction fees or breakage costs.

Risks Related to Tax Laws

We Would Incur Adverse Tax Consequences if UDR Failed to Qualify as a REIT. UDR has elected to be taxed as a REIT under the Code. Our qualification as a REIT requires us to satisfy numerous requirements, some on an annual and quarterly basis, established under highly technical and complex Code provisions for which there are only limited judicial or administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. We intend that our current organization and method of operation enable us to continue to qualify as a REIT, but we may not so qualify or we may not be able to remain so qualified in the future. In addition, U.S. federal income tax laws governing REITs and other corporations and the administrative interpretations of those laws may be amended at any time, potentially with retroactive effect. Future legislation, new regulations, administrative interpretations or court decisions could adversely affect our ability to qualify as a REIT or adversely affect UDR's stockholders.

If we fail to qualify as a REIT in any taxable year, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates, and would not be allowed to deduct dividends paid to UDR's stockholders in computing our taxable income. Also, unless the Internal Revenue Service granted us relief under certain statutory provisions, we could not re-elect REIT status until the fifth calendar year after the year in which we first failed to qualify as a REIT. The additional tax liability from the failure to qualify as a REIT would reduce or eliminate the amount of cash available for investment or distribution to UDR's stockholders. This would likely have a significant adverse effect on the value of our securities and our ability to raise additional capital. In addition, we would no longer be required to make distributions to UDR's stockholders. Even if we continue to qualify as a REIT, we will continue to be subject to certain federal, state and local taxes on our income and property.

Dividends Paid By REITs Generally Do Not Qualify for Reduced Tax Rates. In general, the maximum U.S. federal income tax rate for dividends paid to individual U.S. shareholders is 15% (through 2012). Unlike dividends received from a corporation that is not a REIT, our distributions to individual shareholders generally are not eligible for the reduced rates.

UDR May Conduct a Portion of Our Business Through Taxable REIT Subsidiaries, Which are Subject to Certain Tax Risks. We have established several taxable REIT subsidiaries. Despite UDR's qualification as a REIT, its taxable REIT subsidiaries must pay income tax on their taxable income. In addition, we must comply with various tests to continue to qualify as a REIT for federal income tax purposes, and our income from and investments in our taxable REIT subsidiaries generally do not constitute permissible income and investments for these tests. While we will attempt to ensure that our dealings with our taxable REIT subsidiaries will not adversely affect our REIT qualification, we cannot provide assurance that we will successfully achieve that result. Furthermore, we may be subject to a 100% penalty tax, we may jeopardize our ability to retain future gains on real property sales, or our taxable REIT subsidiaries may be denied deductions, to the extent our dealings with our taxable REIT subsidiaries are not deemed to be arm's length in nature or are otherwise not respected.

REIT Distribution Requirements Limit Our Available Cash. As a REIT, UDR is subject to annual distribution requirements, which limit the amount of cash we retain for other business purposes, including amounts to fund our growth. We generally must distribute annually at least 90% of our net REIT taxable income, excluding any net capital gain, in order for our distributed earnings not to be subject to corporate income tax. We intend to make distributions to UDR's stockholders to comply with the requirements of the Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Code.

Certain Property Transfers May Generate Prohibited Transaction Income, Resulting in a Penalty Tax on Gain Attributable to the Transaction. From time to time, we may transfer or otherwise dispose of some of our properties. Under the Code, any gain resulting from transfers of properties that we hold as inventory or primarily for sale to customers in the ordinary course of business would be treated as income from a prohibited transaction and subject to a 100% penalty tax. Since we acquire properties for investment purposes, we do not believe that our occasional transfers or disposals of property are prohibited transactions. However, whether property is held for investment purposes is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service may contend that certain transfers or disposals of properties by us are prohibited transactions. If the Internal Revenue Service were to argue successfully that a

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transfer or disposition of property constituted a prohibited transaction, then we would be required to pay a 100% penalty tax on any gain allocable to us from the prohibited transaction and we may jeopardize our ability to retain future gains on real property sales. In addition, income from a prohibited transaction might adversely affect UDR’s ability to satisfy the income tests for qualification as a REIT for federal income tax purposes.

We Could Face Possible State and Local Tax Audits and Adverse Changes in State and Local Tax Laws. As discussed in the risk factors above, because UDR is organized and qualifies as a REIT it is generally not subject to federal income taxes, but it is subject to certain state and local taxes. From time to time, changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. A shortfall in tax revenues for states and municipalities in which we own apartment communities may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional state and local taxes. These increased tax costs could adversely affect our financial condition and the amount of cash available for the payment of distributions to UDR’s stockholders. In the normal course of business, entities through which we own real estate may also become subject to tax audits. If such entities become subject to state or local tax audits, the ultimate result of such audits could have an adverse effect on our financial condition.

The Operating Partnership Intends to Qualify as a Partnership, But Cannot Guarantee That It Will Qualify. The Operating Partnership intends to qualify as a partnership for federal income tax purposes at any such time that the Operating Partnership admits additional limited partners other than UDR. If classified as a partnership, the Operating Partnership generally will not be a taxable entity and will not incur federal income tax liability. However, the Operating Partnership would be treated as a corporation for federal income tax purposes if it were a “publicly traded partnership,” unless at least 90% of the Operating Partnership’s income was qualifying income as defined in the Code. A “publicly traded partnership” is a partnership whose partnership interests are traded on an established securities market or are readily tradable on a secondary market (or the substantial equivalent thereof). Although the Operating Partnership’s partnership units are not traded on an established securities market, because of the redemption right, the Operating Partnership’s units held by limited partners could be viewed as readily tradable on a secondary market (or the substantial equivalent thereof), and the Operating Partnership may not qualify for one of the “safe harbors” under the applicable tax regulations. Qualifying income for the 90% test generally includes passive income, such as real property rents, dividends and interest. The income requirements applicable to REITs and the definition of qualifying income for purposes of this 90% test are similar in most respects. The Operating Partnership may not meet this qualifying income test. If the Operating Partnership were to be taxed as a corporation, it would incur substantial tax liabilities, and UDR would then fail to qualify as a REIT for tax purposes, unless it qualified for relief under certain statutory savings provisions, and our ability to raise additional capital would be impaired.

Qualifying as a REIT Involves Highly Technical and Complex Provisions of the Code. Our qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Moreover, new legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. Our ability to satisfy the REIT income and asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination and for which we will not obtain independent appraisals, and upon our ability to successfully manage the composition of our income and assets on an ongoing basis. In addition, our ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

Risks Related to Our Organization and Ownership of UDR’s Stock

Changes in Market Conditions and Volatility of Stock Prices Could Adversely Affect the Market Price of UDR’s Common Stock. The stock markets, including the New York Stock Exchange (“NYSE”), on which we list UDR’s common stock, have experienced significant price and volume fluctuations. As a result, the market price of UDR’s common stock could be similarly volatile, and investors in UDR’s common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. In addition to the risks listed in this “Risk Factors” section, a number of factors could negatively affect the price per share of UDR’s common stock, including:

- general market and economic conditions;

- actual or anticipated variations in UDR’s quarterly operating results or dividends or UDR’s payment of dividends in shares of UDR’s stock;

- changes in our funds from operations or earnings estimates;

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- difficulties or inability to access capital or extend or refinance existing debt;
- decreasing (or uncertainty in) real estate valuations;
- changes in market valuations of similar companies;
- publication of research reports about us or the real estate industry;
- the general reputation of real estate investment trusts and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate companies);
- general stock and bond market conditions, including changes in interest rates on fixed income securities, that may lead prospective purchasers of UDR's stock to demand a higher annual yield from future dividends;
- a change in analyst ratings;
- additions or departures of key management personnel;
- adverse market reaction to any additional debt we incur in the future;
- speculation in the press or investment community;
- terrorist activity which may adversely affect the markets in which UDR's securities trade, possibly increasing market volatility and causing the further erosion of business and consumer confidence and spending;
- failure to qualify as a REIT;
- strategic decisions by us or by our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- failure to satisfy listing requirements of the NYSE;
- governmental regulatory action and changes in tax laws; and
- the issuance of additional shares of UDR's common stock, or the perception that such sales might occur, including under UDR's at-the-market equity distribution program.

Many of the factors listed above are beyond our control. These factors may cause the market price of shares of UDR's common stock to decline, regardless of our financial condition, results of operations, business or our prospects.
We May Change the Dividend Policy for UDR's Common Stock in the Future. The decision to declare and pay dividends on UDR's common stock, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our board of directors and will depend on our earnings, funds from operations, liquidity, financial condition, capital requirements, contractual prohibitions or other limitations under our indebtedness, the annual distribution requirements under the REIT provisions of the Code, state law and such other factors as our board of directors considers relevant. Any change in our dividend policy could have a material adverse effect on the market price of UDR's common stock.
Maryland Law May Limit the Ability of a Third Party to Acquire Control of Us, Which May Not be in UDR's Stockholders' Best Interests. Maryland business statutes may limit the ability of a third party to acquire control of us.

As a Maryland corporation, we are subject to various Maryland laws which may have the effect of discouraging offers to acquire our Company and of increasing the difficulty of consummating any such offers, even if our acquisition would be in UDR's stockholders' best interests. The Maryland General Corporation Law restricts mergers and other business combination transactions between us and any person who acquires beneficial ownership of shares of UDR's stock representing 10% or more of the voting power without our board of directors' prior approval. Any such business combination transaction could not be completed until five years after the person acquired such voting power, and generally only with the approval of stockholders representing 80% of all votes entitled to be cast and 66 2/3 % of the votes entitled to be cast, excluding the interested stockholder, or upon payment of a fair price. Maryland law also provides generally that a person who acquires shares of our equity stock that represents 10% (and certain higher levels) of the voting power in electing directors will have no voting rights

unless approved by a vote of two-thirds of the shares eligible to vote.
Limitations on Share Ownership and Limitations on the Ability of UDR’s Stockholders to Effect a Change in Control of Our Company Restricts the Transferability of UDR’s Stock and May Prevent Takeovers That are Beneficial to UDR’s Stockholders. One of the requirements for maintenance of our qualification as a REIT for U.S. federal income tax purposes is that no more than 50% in value of our outstanding capital stock may be owned by five or fewer individuals, including entities specified in the Code, during the last half of any taxable year. Our charter contains ownership and transfer restrictions relating to UDR’s stock primarily to assist us in complying with this and other REIT ownership requirements; however, the restrictions may have the effect of preventing a change of control, which does not threaten REIT status. These restrictions include a provision that generally limits ownership by any person of more than 9.9% of the value of our outstanding equity stock, unless our board of directors exempts the person from such ownership limitation, provided that any such exemption shall not allow the person to exceed 13% of the value of our outstanding equity stock. Absent such an exemption from our board of directors, the transfer of UDR’s stock to any person in excess of the applicable ownership limit, or any transfer of shares of such stock in violation of the ownership requirements of the Code for REITs, will be considered null and void, and the intended transferee of such stock will acquire no rights in such shares. These provisions of our charter may have the effect of delaying, deferring or preventing someone from taking control of us, even though a change of control might involve a premium price for UDR’s stockholders or might otherwise be in UDR’s stockholders’ best interests.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
Unregistered Sales of Equity Securities
From time to time the Company issues shares of the Company’s common stock in exchange for operating partnership units (“OP Units”) tendered to the Operating Partnership, for redemption in accordance with the provisions of the Operating Partnership’s limited partnership agreement. The holders of limited partnership OP Units have the right to require the Operating Partnership to redeem all or a portion of their limited partnership OP units in exchange for a cash payment based on the market value of our common stock at the time of redemption. However, the Operating Partnership’s obligation to pay the cash amount is subject to the prior right of the Company to acquire such OP Units in exchange for either the Cash Amount or the number of shares of the Company’s common stock equal to the number of OP Units being redeemed.
On August 23, 2012, the Company filed a registration statement for up to 1,802,239 shares of common stock in an offering valued at approximately $44.9 million. This registration statement relates to up to 1,802,239 shares of our common stock that the Company may issue to certain holders of OP Units, in the Operating Partnership, to the extent that:

• the OP Unit holders tender their OP Units for redemption in accordance with the terms of the partnership agreement of the Operating Partnership; and

• the Company elects, in its sole discretion, to issue to the OP Unit holders the shares of common stock covered by the registration statement upon such redemption.

In lieu of issuing common shares to the OP Unit holders, cash may be paid for any OP Units that are tendered for redemption. The registration of the offer and sale of up to 1,802,239 shares of our common stock pursuant to the registration statement does not necessarily mean that the OP Unit holders will tender their OP Units for redemption, or that those OP Units will be redeemed in exchange for shares of UDR common stock. The OP Units that could potentially be redeemed in exchange for up to 1,802,239 shares of UDR common stock were originally issued as part of the consideration paid in our acquisition of 95 Wall in New York, New York. The Company will not receive any cash proceeds from the issuance of our common stock to OP Unit holders who tender their OP Units for redemption.

On July 16, 2012 and August 27, 2012, we issued 10,957 and 1,998, respectively, shares of our common stock upon redemption of OP Units. Because these shares of common stock were issued to accredited investors in transactions not involving a public offering, the transaction is exempt from registration under the Securities Act of 1933 in accordance with Section 4(2) of the Securities Act. We did not issue any other shares of our common stock upon redemption of OP Units during the three months ended September 30, 2012.

Repurchase of Equity Securities

In February 2006, UDR’s Board of Directors authorized a 10 million share repurchase program. In January 2008, our Board of Directors authorized a new 15 million share repurchase program. Under the two share repurchase programs, UDR may repurchase shares of our common stock in open market purchases, block purchases, privately negotiated transactions or

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otherwise. As reflected in the table below, no shares of common stock were repurchased under these programs during the quarter ended September 30, 2012.

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
Beginning Balance	9,967,490	$22.00	9,967,490	15,032,510
July 1, 2012 through July 31, 2012	—	—	—	15,032,510
August 1, 2012 through August 31, 2012	—	—	—	15,032,510
September 1, 2012 through September 30, 2012	—	—	—	15,032,510
Balance as of September 30, 2012	9,967,490	$22.00	9,967,490	15,032,510

(1) This number reflects the amount of shares that were available for purchase under our 10,000,000 share repurchase program authorized in February 2006 and our 15,000,000 share repurchase program authorized in January 2008.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

There is no other information required to be disclosed in a report on Form 8-K during the quarter ended September 30, 2012, that was not previously disclosed in a Form 8-K.

Item 6. EXHIBITS

The exhibits filed or furnished with this Report are set forth in the Exhibit Index.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each of the registrants has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	UDR, Inc. (registrant)
Date: October 31, 2012	/s/ Mark A. Schumacher Mark A. Schumacher Chief Accounting Officer and Senior Vice President
	United Dominion Realty, L.P. (registrant)
	By: UDR, Inc., its general partner
Date: October 31, 2012	/s/ Mark A. Schumacher Mark A. Schumacher Chief Accounting Officer and Senior Vice President

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Restatement of UDR, Inc. (incorporated by reference to Exhibit 3.09 to UDR, Inc.'s Current Report on Form 8-K dated July 27, 2005 and filed with the SEC on August 1, 2005).
3.2	Articles of Amendment to the Articles of Restatement of UDR, Inc. dated and filed with the State Department of Assessments and Taxation of the State of Maryland on March 14, 2007 (incorporated by reference to Exhibit 3.2 to UDR, Inc.'s Current Report on Form 8-K dated March 14, 2007 and filed with the SEC on March 15, 2007).
3.3	Articles Supplementary relating to UDR, Inc.'s 6.75% Series G Cumulative Redeemable Preferred Stock dated and filed with the State Department of Assessments and Taxation of the State of Maryland on May 30, 2007 (incorporated by reference to Exhibit 3.4 to UDR, Inc.'s Form 8-A Registration Statement dated and filed with the SEC on May 30, 2007).
3.4	Articles of Amendment to the Articles of Restatement of UDR, Inc. dated and filed with the State Department of Assessments and Taxation of the State of Maryland on August 30, 2011 (incorporated by reference to Exhibit 3.1 to UDR, Inc.'s Current Report on Form 8-K dated and filed with the SEC on September 1, 2011.
3.5	Certificate of Limited Partnership of United Dominion Realty, L.P. dated February 19, 2004 (incorporated by reference to Exhibit 3.4 to United Dominion Realty, L.P.'s Post-Effective Amendment No. 1 to Registration Statement on Form S-3 dated and filed with the SEC on October 15, 2010).
3.6	Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of February 23, 2004 (incorporated by reference to Exhibit 10.23 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003).
3.7	First Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated June 24, 2005 (incorporated by reference to Exhibit 10.06 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005).
3.8	Second Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated February 23, 2006 (incorporated by reference to Exhibit 10.6 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006).
3.9	Third Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated February 2, 2007 (incorporated by reference to Exhibit 99.1 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).
3.10	Fourth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated December 27, 2007 (incorporated by reference to Exhibit 10.25 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007).
3.11	Fifth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated March 7, 2008 (incorporated by reference to Exhibit 10.53 to UDR,

	Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008).
3.12	Sixth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. (incorporated by reference to Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated December 9, 2008 and filed with the SEC on December 10, 2008).

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Exhibit No.	Description
3.13	Seventh Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P., dated as of March 13, 2009 (incorporated by reference to Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated March 18, 2009 and filed with the SEC on March 19, 2009).
3.14	Eighth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P., dated as of November 17, 2010 (incorporated by reference to Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated November 18, 2010 and filed with the SEC on November 18, 2010).
3.15	Amended and Restated Bylaws of UDR, Inc. (as amended through May 12, 2011) (incorporated by reference to Exhibit 3.1 to UDR, Inc.'s Current Report on Form 8-K filed with the SEC on May 13, 2011).
10.1	Consulting Agreement, dated July 1, 2012.
12.1	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends of UDR, Inc.
12.2	Computation of Ratio of Earnings to Fixed Charges of United Dominion Realty, L.P.
31.1	Rule 13a-14(a) Certification of the Chief Executive Officer of UDR, Inc.
31.2	Rule 13a-14(a) Certification of the Principal Financial Officer of UDR, Inc.
31.3	Rule 13a-14(a) Certification of the Chief Executive Officer of UDR Inc., general partner of United Dominion Realty, L.P.
31.4	Rule 13a-14(a) Certification of the Principal Financial Officer of UDR Inc., general partner of United Dominion Realty, L.P.
32.1	Section 1350 Certification of the Chief Executive Officer of UDR, Inc.
32.2	Section 1350 Certification of the Principal Financial Officer of UDR, Inc.
32.3	Section 1350 Certification of the Chief Executive Officer of UDR Inc., general partner of United Dominion Realty, L.P.
32.4	Section 1350 Certification of the Principal Financial Officer of UDR Inc., general partner of United Dominion Realty, L.P.

Explanation of Responses:

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Exhibit No.	Description
101	XBRL (Extensible Business Reporting Language). The following materials from this Quarterly Report on Form 10-Q for the period ended September 30, 2012, formatted in XBRL: (i) consolidated balance sheets of UDR, Inc., (ii) consolidated statements of operations of UDR, Inc., (iii) consolidated statements of comprehensive income/(loss) of UDR, Inc., (iv) consolidated statements of cash flows of UDR, Inc., (v) consolidated statements of changes in equity, (vi) notes to consolidated financial statements of UDR, Inc, (vii) consolidated balance sheets of United Dominion Realty, L.P., (viii) consolidated statements of operations of United Dominion Realty, L.P., (ix) consolidated statements of comprehensive income/(loss) of United Dominion Realty, LP; (x) consolidated statements of capital of United Dominion Realty, L.P., (xi) consolidated statements of cash flows of United Dominion Realty, L.P., (xi) notes to consolidated financial statements of United Dominion Realty, L.P.

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Exhibit 10.1

July 1, 2012

David L. Messenger

Re: Consulting Agreement

Dear Dave:

As we have discussed, we are interested in retaining your services to assist UDR, Inc. (the “Company”) with accounting and finance activities.
This Consulting Agreement (“Agreement”) sets forth the terms of our agreement concerning your engagement with the Company.
1.Services. You will report to Warren L. Troupe, Senior Executive Vice President, and perform the following services (collectively the “Services”):

(a)Oversee the accounting and finance activities as designated by Warren L. Troupe. Such activities will include, but not be limited to:

(i) accounting matters;

(ii) modeling; and

(iii) tax.

(b)Such other matters as may be requested by Warren L. Troupe during the Term.

2.Term and Termination. The term of this Agreement shall commence on July 1, 2012 (the “Effective Date”) and continue until June 30, 2013 (the “Term”). This Agreement may be terminated with or without cause by you or the Company at any time upon written notice and without liability or continuing obligation to you or the Company (except for any compensation earned and expenses incurred by you to the date of termination.)

3.Fees and Expenses. In connection with the Services and during the Term, the Company will pay the following compensation:

(a)Fees. The Company will pay you a monthly fee of $6,250.

(b)Expenses. In addition to any fees payable to you, the Company will promptly reimburse you, from time to time upon request, for all reasonably documented travel and other expenses incurred in performing the Services.

4. Schedule. You will perform the Services under this Agreement from either your home or an office to be provided to you by the Company at the Company's office at Shea Center Drive. You shall be available to perform the Services

at the office or at such other places and times as mutually agreed with Warren L. Troupe.

5. Consultation. In performing services under this Agreement, you will consult and coordinate with Warren L. Troupe, and/or such other person(s) as may be assigned by Warren L. Troupe.

6. Independent Contractor Status.

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(a)Your status shall at all times be that of an independent contractor. Under no circumstances shall you be considered an employee of the Company.

(b)You shall be solely responsible for determining the means, manner and methods by which you will perform your obligations under this Agreement.

(c)The Company will provide no training to you.

(d)The Company shall not provide or reimburse you for any tools, equipment or other materials, nor shall the Company provide or reimburse you for any labor costs.

(e)The Company shall have no control or supervision over your working hours or work schedule.

(f)The Company will not provide unemployment insurance or workers' compensation insurance for you. You are not entitled to unemployment insurance benefits or workers' compensation benefits under this Agreement and/or any other benefits customarily provided to employees.

(g)You are obligated to pay federal and state income taxes on any monies paid pursuant to this Agreement. The Company will not withhold from your compensation any amounts of taxes of any kind. You agree to indemnify the Company for any claims, costs, losses, fees, penalties, interest or damages suffered or incurred by the Company due to your failure to pay taxes as required by this Section.

7. Confidentiality. You shall keep as confidential all non-public information received from the Company in conjunction with this Agreement, except: (i) as requested by the Company or its legal counsel; (ii) as required by legal proceedings or (iii) as reasonably required in the performance of this Agreement. All obligations as to non-disclosure shall cease as to any part of such information to the extent that such information is or becomes public other than as a result of a breach of this provision.

8. Conflicts. You are not currently aware of any relationship that would create a conflict of interest with the Company in providing the Services. During the Term, you will not provide services to any other real estate company which services may conflict with the Company's business.

9. Indemnification. The Company shall indemnify you and hold you harmless from and against all damages, liabilities, costs, expenses, claims and/or judgments, including, without limitation, reasonable attorneys' fees and disbursements (collectively the “Claims”) arising out of or resulting from the consulting services you provide under this Agreement; provided, however, the Company's indemnification obligation under this Section 9, shall not apply to any Claims that result from or arise out of your gross negligence or willful misconduct.

10. General. Your services are not exclusive to the Company and you may perform the same or similar services for others, as well as engage in other business activities. This Agreement sets forth the entire agreement between the parties and no promise, representation or inducement, except as herein set forth, has been made by either party to this Agreement. No provision or term of this Agreement may be amended, modified, changed, altered, or waived except by written document executed by the parties hereto. In the event that any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable because it is invalid or in conflict with any law of any relevant jurisdiction, the validity of the remaining provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Agreement did not contain the particular provision(s) held to be unenforceable and the unenforceable provision(s) shall be replaced by mutually acceptable provision(s) which, being valid, legal and enforceable, come closest to the intention of the parties underlying the invalid or unenforceable provision. This Agreement, and the obligations set forth herein, shall be binding on any and all successors and permitted assigns of the parties, including, without limitation, any corporation or other entity with or into which you or the Company is merged or consolidated, provided that neither party shall be permitted to assign this Agreement, in whole or in part, to any third party without the prior written consent of the other party. This Agreement shall be

interpreted and enforced in accordance with the laws of the State of Colorado applicable to contracts made and to be performed entirely therein, without regard to the conflict of laws provisions thereof. This clause shall survive any termination of this Agreement. Any notice or communication required or permitted under this Agreement shall be in writing and shall be deemed received (a) on the date personally delivered, (b) the next day after sending if sent by facsimile (with electronic confirmation of submission), Federal Express or any other next-day carrier service, or (c) the third day after mailing via first-class mail, return receipt requested, to a party at the address specified in this Agreement or such other address as designated from time to time.

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11. Counterparts; Facsimile. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same Agreement. The parties agree that signatures to this Agreement may be transmitted by facsimile and such signatures shall be deemed to be originals for all purposes.

We look forward to working with you on this matter. Please confirm that the foregoing is in accordance with your understanding of our agreement by signing and returning to me a copy of this Agreement.

Sincerely,

UDR, Inc.

/s/ Warren L. Troupe

Warren L. Troupe

Senior Executive Vice President

Accepted and agreed to as of the Effective Date:

/s/ David L. Messenger

David L. Messenger

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EXHIBIT 12.1

UDR, Inc.
Computation of Ratio Earnings to Combined Fixed Charges and Preferred Stock Dividends
(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Loss from continuing operations	$(8,543)	$(30,026)	$(29,925)	$(97,003)
Add (from continuing operations):				
Interest on indebtedness	31,845	39,968	108,132	116,785
Portion of rents representative of the interest factor	510	522	1,534	1,519
	$23,812	$10,464	$79,741	$21,301
Fixed charges and preferred stock dividends (from continuing operations):				
Interest on indebtedness	$31,845	$39,968	$108,132	$116,785
Capitalized interest	7,616	3,397	17,604	9,489
Portion of rents representative of the interest factor	510	522	1,534	1,519
Fixed charges	$39,971	$43,887	$127,270	$127,793
Add:				
Preferred stock dividends	$931	$2,308	$5,079	$7,003
Premium on preferred stock	—	—	2,791	175
Combined fixed charges and preferred stock dividends	$40,902	$46,195	$135,140	$134,971
Ratio of earnings to fixed charges	—	—	—	—
Ratio of earnings to combined fixed charges and preferred stock	—	—	—	—

For the three months ended September 30, 2012, the ratio of earnings to fixed charges and the ratio of combined fixed charges and preferred stock dividends was deficient of 1:1 ratio by $16.2 million and $17.1 million, respectively.
For the nine months ended September 30, 2012, the ratio of earnings to fixed charges and the ratio of combined fixed charges and preferred stock dividends was deficient of 1:1 ratio by $47.5 million and $55.4 million, respectively.
For the three months ended September 30, 2011, the ratio of earnings to fixed charges and the ratio of combined fixed charges and preferred stock dividends was deficient of 1:1 ratio by $33.4 million and $35.7 million, respectively.
For the nine months ended September 30, 2011, the ratio of earnings to fixed charges and the ratio of combined fixed charges and preferred stock dividends was deficient of 1:1 ratio by $106.5 million and $113.7 million, respectively.

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EXHIBIT 12.2

United Dominion Realty, L.P.
Computation of Ratio Earnings to Fixed Charges
(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Income/(loss) from continuing operations	$256	$(8,390)	$(9,527)	$(22,649)
Add from continuing operations:				
Interest on indebtedness	9,847	13,948	35,708	38,927
Portion of rents representative of the interest factor	416	403	1,242	1,198
	$10,519	$5,961	$27,423	$17,476
Fixed charges from continuing operations:				
Interest on indebtedness	$9,847	$13,948	$35,708	$38,927
Capitalized interest	1,151	445	2,470	1,356
Portion of rents representative of the interest factor	416	403	1,242	1,198
Fixed charges	$11,414	$14,796	$39,420	$41,481
Ratio of earnings to fixed charges	—	—	—	—

For the three months ended September 30, 2012 and 2011, the ratio of earnings to fixed charges was deficient of achieving a 1:1 ratio by $895,000 and $8.8 million, respectively.
For the nine months ended September 30, 2012 and 2011, the ratio of earnings to fixed charges was deficient of achieving a 1:1 ratio by $12.0 million and $24.0 million, respectively.

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EXHIBIT 31.1

CERTIFICATION

I, Thomas W. Toomey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of UDR, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2012

/s/ Thomas W. Toomey

Thomas W. Toomey
Chief Executive Officer and President

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EXHIBIT 31.2

CERTIFICATION

I, Warren L. Troupe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of UDR, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2012

/s/ Warren L. Troupe

Warren L. Troupe
Senior Executive Vice President

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EXHIBIT 31.3

CERTIFICATION

I, Thomas W. Toomey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Dominion Realty, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2012

/s/ Thomas W. Toomey

Thomas W. Toomey
Chief Executive Officer and President of UDR, Inc.,
general partner of United Dominion Realty, L.P.

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EXHIBIT 31.4

CERTIFICATION

I, Warren L. Troupe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Dominion Realty, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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Date: October 31, 2012

/s/ Warren L. Troupe

Warren L. Troupe
Senior Executive Vice President of UDR, Inc.,
general partner of United Dominion Realty, L.P.

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EXHIBIT 32.1

CERTIFICATION

In connection with the periodic report of UDR, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2012, as filed with the Securities and Exchange Commission (the “Report”), I, Thomas W. Toomey, Chief Executive Officer and President of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: October 31, 2012

/s/ Thomas W. Toomey

Thomas W. Toomey
Chief Executive Officer and President

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EXHIBIT 32.2

CERTIFICATION

In connection with the periodic report of UDR, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2012, as filed with the Securities and Exchange Commission (the “Report”), I, Warren L. Troupe, Senior Executive Vice President of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: October 31, 2012

/s/ Warren L. Troupe

Warren L. Troupe
Senior Executive Vice President

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EXHIBIT 32.3

CERTIFICATION

In connection with the periodic report of United Dominion Realty, L.P. (the "Operating Partnership") on Form 10-Q for the quarter ended September 30, 2012, as filed with the Securities and Exchange Commission (the "Report"), I, Thomas W. Toomey, Chief Executive Officer and President of UDR, Inc., the general partner of the Operating Partnership, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership at the dates and for the periods indicated.

Date: October 31, 2012

/s/ Thomas W. Toomey

Thomas W. Toomey
Chief Executive Officer and President of UDR, Inc.,
general partner of United Dominion Realty, L.P.

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EXHIBIT 32.4

CERTIFICATION

In connection with the periodic report of United Dominion Realty, L.P. (the “Operating Partnership”) on Form 10-Q for the quarter ended September 30, 2012, as filed with the Securities and Exchange Commission (the “Report”), I, Warren L. Troupe, Senior Executive Vice President of UDR, Inc., the general partner of the Operating Partnership, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership at the dates and for the periods indicated.

Date: October 31, 2012

/s/ Warren L. Troupe

Warren L. Troupe
Senior Executive Vice President of UDR, Inc.,
general partner of United Dominion Realty, L.P.