

UDR, Inc.  
Form 10-Q  
August 03, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
FORM 10-Q**

**þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2010  
OR**

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-10524  
UDR, Inc.**

**(Exact name of registrant as specified in its charter)**

**Maryland  
(State or other jurisdiction of  
incorporation of organization)**

**54-0857512  
(I.R.S. Employer  
Identification No.)**

**1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado 80129  
(Address of principal executive offices) (zip code)  
(720) 283-6120**

**(Registrant's telephone number, including area code)**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting  
company ☐

(Do not check if a smaller  
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the issuer's common stock, \$0.01 par value, outstanding as of July 30, 2010, was 163,386,174.



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**UDR, Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share data)

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
	(unaudited)	(audited)
<b>ASSETS</b>		
Real estate owned:		
Real estate held for investment	\$ 6,251,365	\$ 5,995,290
Less: accumulated depreciation	(1,488,706)	(1,350,067)
Real estate held for investment, net	4,762,659	4,645,223
Real estate under development (net of accumulated depreciation of \$758 and \$1,226)	153,208	318,531
Total real estate owned, net of accumulated depreciation	4,915,867	4,963,754
Cash and cash equivalents	8,074	5,985
Marketable securities	37,878	37,650
Restricted cash	9,744	8,879
Deferred financing costs, net	25,508	26,601
Notes receivable	7,800	7,800
Investment in unconsolidated joint ventures	17,477	14,126
Other assets	57,021	67,822
Total assets	\$ 5,079,369	\$ 5,132,617
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Secured debt	\$ 1,957,406	\$ 1,989,434
Unsecured debt	1,454,252	1,437,155
Real estate taxes payable	15,215	16,976
Accrued interest payable	20,002	19,146
Security deposits and prepaid rent	24,920	31,798
Distributions payable	32,291	30,857
Deferred gains on the sale of depreciable property	28,836	28,826
Accounts payable, accrued expenses, and other liabilities	59,585	80,685
Total liabilities	3,592,507	3,634,877
Redeemable non-controlling interests in operating partnership	113,752	98,758
Stockholders' equity		
Preferred stock, no par value; 50,000,000 shares authorized	46,571	46,571

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2,803,812 shares of 8.00% Series E Cumulative Convertible issued and outstanding (2,803,812 shares at December 31, 2009)		
3,405,562 shares of 6.75% Series G Cumulative Redeemable issued and outstanding (3,432,962 shares at December 31, 2009)	<b>85,139</b>	85,824
Common stock, \$0.01 par value; 250,000,000 shares authorized 163,040,383 shares issued and outstanding (155,465,482 shares at December 31, 2009)	<b>1,630</b>	1,555
Additional paid-in capital	<b>2,061,811</b>	1,948,669
Distributions in excess of net income	<b>(822,057)</b>	(687,180)
Accumulated other comprehensive (loss)/income, net	<b>(3,605)</b>	2
 Total UDR, Inc. stockholders' equity	 <b>1,369,489</b>	 1,395,441
Non-controlling interest	<b>3,621</b>	3,541
 Total equity	 <b>1,373,110</b>	 1,398,982
 Total liabilities and stockholders' equity	 <b>\$ 5,079,369</b>	 \$ 5,132,617

See accompanying notes to consolidated financial statements

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**UDR, Inc.**  
**Consolidated Statements of Operations**  
(In thousands, except per share data)  
(Unaudited)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>REVENUES</b>				
Rental income	\$ 153,921	\$ 151,844	\$ 305,550	\$ 302,459
Non-property income:				
Other income	2,056	3,958	5,376	8,982
Total Revenues	155,977	155,802	310,926	311,441
<b>EXPENSES</b>				
Rental expenses:				
Real estate taxes and insurance	19,115	18,843	38,716	38,863
Personnel	14,086	12,782	27,619	25,415
Utilities	7,951	7,350	16,661	15,717
Repair and maintenance	8,516	7,899	16,428	15,108
Administrative and marketing	3,999	3,584	7,849	6,917
Property management	4,233	4,176	8,403	8,318
Other operating expenses	1,457	2,010	2,942	3,664
Real estate depreciation and amortization	73,726	69,067	145,933	138,052
Interest				
Expense incurred	35,987	35,376	71,886	71,885
Net loss/(gain) on debt extinguishment	1,030	(2,736)	1,030	(9,849)
Amortization of convertible debt premium	928	1,053	1,895	2,349
Storm related expenses	721		721	
General and administrative	9,491	8,905	19,066	18,602
Other depreciation and amortization	1,308	1,478	2,531	2,872
Total Expenses	182,548	169,787	361,680	337,913
Loss from operations	(26,571)	(13,985)	(50,754)	(26,472)
Loss from unconsolidated entities	(1,185)	(728)	(1,922)	(1,445)
Tax expense for taxable REIT subsidiary	(81)		(146)	(51)
Loss from continuing operations	(27,837)	(14,713)	(52,822)	(27,968)
Income from discontinued operations	197	2,053	156	1,885
Consolidated net loss	(27,640)	(12,660)	(52,666)	(26,083)
Net loss attributable to non-controlling interests	1,019	602	1,989	1,396
Net loss attributable to UDR, Inc.	(26,621)	(12,058)	(50,677)	(24,687)
Distributions to preferred stockholders Series E (Convertible)	(931)	(931)	(1,862)	(1,862)
Distributions to preferred stockholders Series G	(1,441)	(1,869)	(2,889)	(3,738)
Discount on preferred stock repurchases, net	25		25	



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Net loss attributable to common stockholders	\$ (28,968)	\$ (14,858)	\$ (55,403)	\$ (30,287)
Earnings per weighted average common share basic:				
Loss from continuing operations attributable to common stockholders	\$ (0.18)	\$ (0.11)	\$ (0.35)	\$ (0.22)
Income from discontinued operations	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.01
Net loss attributable to common stockholders	\$ (0.18)	\$ (0.10)	\$ (0.35)	\$ (0.21)
Earnings per weighted average common share diluted:				
Loss from continuing operations attributable to common stockholders	\$ (0.18)	\$ (0.11)	\$ (0.35)	\$ (0.22)
Income from discontinued operations	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.01
Net loss attributable to common stockholders	\$ (0.18)	\$ (0.10)	\$ (0.35)	\$ (0.21)
Common distributions declared per share	\$ 0.180	\$ 0.305	\$ 0.360	\$ 0.485
Weighted average number of common shares outstanding basic	160,886	149,444	158,522	146,807
Weighted average number of common shares outstanding diluted	160,886	149,444	158,522	146,807

See accompanying notes to consolidated financial statements

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**UDR, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands, except for share data)

	Six Months Ended June 30 , 2010 (unaudited)	2009 (unaudited)
<b>Operating Activities</b>		
Consolidated net loss	\$ (52,666)	\$ (26,083)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	148,464	140,924
Net gain on the sale of depreciable property	(156)	(1,885)
Loss/(gain) on debt extinguishment	1,030	(9,849)
Write off of bad debt	1,208	1,826
Write off of note receivable and other assets		952
Loss from unconsolidated entities	1,922	1,445
Amortization of deferred financing costs and other	3,939	3,407
Amortization of deferred compensation	6,008	4,196
Amortization of convertible debt discount	1,895	2,349
Changes in income tax accrual	(292)	1,127
Changes in operating assets and liabilities:		
Decrease in operating assets	2,973	8,849
Decrease in operating liabilities	(12,546)	(3,264)
Net cash provided by operating activities	101,779	123,994
<b>Investing Activities</b>		
Proceeds from note receivable		200,000
Payments related to the buyout of joint venture partner	(16,141)	
Development of real estate assets	(61,771)	(97,761)
Capital expenditures and other major improvements real estate assets, net of escrow reimbursement	(36,432)	(36,724)
Capital expenditures non-real estate assets	(2,645)	(6,645)
Investment in unconsolidated joint ventures	(5,681)	(17,341)
Distributions received from unconsolidated joint venture	479	
Purchase of marketable securities		(30,939)
Purchase deposits on pending real estate acquisitions		(500)
Net cash (used in)/provided by investing activities	(122,191)	10,090
<b>Financing Activities</b>		
Payments on secured debt	(83,845)	(22,806)
Proceeds from the issuance of secured debt	51,880	289,625
Proceeds from the issuance of unsecured debt	149,190	
Payments on unsecured debt	(79,488)	(364,233)
Net (repayment)/proceeds of revolving bank debt	(55,400)	61,100
Payment of financing costs	(2,491)	(3,792)
Issuance of common and restricted stock, net	4,376	(1,253)
Proceeds from the issuance of common shares through public offering, net	103,444	

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Payments on the repurchase of Series G preferred stock, net	(637)	
Distributions paid to non-controlling interests	(2,685)	(4,159)
Distributions paid to preferred stockholders	(4,751)	(5,600)
Distributions paid to common stockholders	(57,092)	(89,925)
Repurchase of common stock		(798)
Net cash provided by/(used in) financing activities	22,501	(141,841)
Net increase/(decrease) in cash and cash equivalents	2,089	(7,757)
Cash and cash equivalents, beginning of period	5,985	12,740
Cash and cash equivalents, end of period	\$ 8,074	\$ 4,983

**Supplemental Information:**

Interest paid during the year, net of amounts capitalized	\$ 78,991	\$ 81,550
Non-cash transactions:		
Conversion of operating partnership non-controlling interests to common stock (39,638 in 2010 and 1,096,105 shares in 2009)	551	17,259
Payment of Special Dividend through the issuance of 11,358,042 shares of common stock		132,787
Issuance of restricted stock awards	16	1
Retirement of fully depreciated assets	7,183	

See accompanying notes to consolidated financial statements

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**UDR, Inc.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE**  
**INCOME/(LOSS)**  
(In thousands, except per share data)  
(Unaudited)

	Preferred Stock		Common Stock		Paid-in	Distributions in Excess of Net	Other Comprehensive Income/(Loss)	Non-controlling Interest	Total
	Shares	Amount	Shares	Amount	Capital	Income	Income/(Loss)		
<b>Balance, December 31, 2009</b>	<b>6,236,774</b>	<b>\$ 132,395</b>	<b>155,465,482</b>	<b>\$ 1,555</b>	<b>\$ 1,948,669</b>	<b>\$ (687,180)</b>	<b>\$ 2</b>	<b>\$ 3,541</b>	<b>\$ 1,398,982</b>
Comprehensive income (loss)									
Net loss						(50,677)			(50,677)
Change in equity attributable to non-controlling interest								80	80
Other comprehensive income (loss)									
Change in fair value of marketable securities							(904)		(904)
Unrealized gain on derivative financial instruments							(2,838)		(2,838)
Allocation to redeemable non-controlling interests							135		135
Comprehensive income (loss)						(50,677)	(3,607)	80	(54,204)
Issuance of common and restricted shares			1,629,910	16	9,183				9,199
Issuance of common shares through public offering	(27,400)	(685)	5,905,353	59	103,385	25			103,444
					23				(637)

Repurchase of 27,400 shares of 6.75% Series G Cumulative Redeemable Shares			
Adjustment for conversion of non-controlling interests of unitholders in operating partnerships	39,638	551	551
Common stock distributions declared (\$0.36 per share)		(58,637)	(58,637)
Preferred stock distributions declared-Series E (\$0.6644 per share)		(1,862)	(1,862)
Preferred stock distributions declared-Series G (\$0.84375 per share)		(2,889)	(2,889)
Adjustment to reflect redeemable non-controlling redemption value		(20,837)	(20,837)