

UDR, Inc.
Form 8-K
September 22, 2008

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 7, 2008

UDR, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other Jurisdiction of
Incorporation)

1-10524

(Commission File Number)

54-0857512

(IRS Employer Identification No.)

**1745 Shea Center Drive,
Suite 200, Highlands Ranch,
Colorado**

(Address of Principal Executive Offices)

80129

(Zip Code)

Registrant's telephone number, including area code: **(720) 283-6120**

Not Applicable

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 8.01. OTHER EVENTS

On July 7, 2008, UDR, Inc. (UDR or the Company), through its wholly-owned subsidiary United Dominion Realty, L.P., purchased a multi-family apartment community referred to as One Island Square located in Mercer Island, Washington, which comprises 235 homes and on-site retail space for approximately \$112.2 million. Through September 12, 2008, the Company has acquired, from unaffiliated third parties, 13 operating and/or development communities with 4,558 homes for approximately \$976.3 million.

On June 11, 2008, the Company filed a Form 8-K regarding the acquisition of four multi-family apartment communities, Edgewater Apartments, Delancy Apartments, Circle Towers and Legacy Village I, II, III and IV that were acquired between March 28, 2008 and March 31, 2008 with 2,083 homes for approximately \$456.9 million, which included the assumption of \$71.0 million of debt.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

The following financial statements are being filed in connection with the acquisition of certain communities as described in Item 8.01 as required by Sections 210.3-14 and 210.11-01 of Regulation S-X due to the Company having acquired multi-family apartment communities that in the aggregate exceed 10% of UDR's total consolidated assets as of December 31, 2007.

(a) Financial Statements of Real Estate Properties Acquired

| | |
|--|---|
| One Island Square | |
| Report of Independent Registered Public Accounting Firm | 3 |
| Statement of Revenues and Certain Expenses for the year ended December 31, 2007 and for the period ended June 30, 2008 (unaudited) | 4 |
| Notes to Statement of Revenues and Certain Expenses | 5 |

(b) Unaudited Pro Forma Financial Information

| | |
|---|----|
| Pro Forma Consolidated Balance Sheet as of June 30, 2008 (unaudited) | 8 |
| Pro Forma Consolidated Statement of Operations for the year ended December 31, 2007 (unaudited) | 9 |
| Pro Forma Consolidated Statement of Operations for the six months ended June 30, 2008 (unaudited) | 10 |
| Notes to Pro Forma Consolidated Financial Statements (unaudited) | 11 |

(c) Exhibits

| | |
|---|--|
| 23.1 Consent of Independent Registered Public Accounting Firm | |
|---|--|

SIGNATURES

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

UDR, Inc.

September 22, 2008

By: /s/ David L. Messenger
David L. Messenger
*Senior Vice President and
Chief Financial Officer*

Report of Independent Registered Public Accounting Firm

The Board of Directors

UDR, Inc.

We have audited the accompanying statement of revenues and certain expenses of One Island Square (the Community) for the year ended December 31, 2007. This financial statement is the responsibility of the Community's management. Our responsibility is to express an opinion on the financial statement based upon our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. We were not engaged to perform an audit of the Community's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Community's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and for inclusion in a Current Report on Form 8-K of UDR, Inc., as described in Note 1. The presentation is not intended to be a complete presentation of the Community's revenues and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of One Island Square for the year ended December 31, 2007, on the basis of accounting described in Note 1.

Ehrhardt Keefe Steiner & Hottman, PC

September 19, 2008

One Island Square
Statement of Revenues and Certain Expenses

| | For the period ended | |
|--|---------------------------------|-------------------|
| | June 30, 2008 (unaudited) | December 31, 2007 |
| Revenues: | | |
| Rental revenues | \$ 2,769,272 | \$ 4,988,126 |
| Other property revenues | 255,727 | 425,107 |
| Total revenues | 3,024,999 | 5,413,233 |
| Rental expenses: | | |
| Personnel | 198,841 | 385,217 |
| Utilities | 202,986 | 357,187 |
| Repairs and maintenance | 122,235 | 248,819 |
| Administrative and marketing | 79,037 | 208,900 |
| Property management | 104,456 | 166,057 |
| Real estate taxes and insurance | 261,053 | 466,635 |
| Total rental expenses | 968,608 | 1,832,815 |
| Revenues in excess of certain expenses | \$ 2,056,391 | \$ 3,580,418 |

See accompanying notes to Statement of Revenues and Certain Expenses.

One Island Square
Note to Statement of Revenues and Certain Expenses
December 31, 2007

1. Basis of Presentation

On April 15, 2008, United Dominion Realty, L.P., a wholly owned subsidiary of UDR, Inc., entered into an agreement to purchase One Island Square (the Community), a residential apartment community with retail space subject to a master lease agreement located in Mercer Island, Washington, from One Island Square, LLC (Seller).

The statement of revenues and certain expenses relates to the operations of the Community and were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, including Rule 3-14 of Regulation S-X. Accordingly, the accompanying statement of revenues and certain expenses has been prepared using the accrual method of accounting, and certain expenses such as depreciation, amortization, income taxes, mortgage interest expense, and entity expenses are not reflected in the statement of revenues and certain expenses, as required by Rule 3-14 of Regulation S-X of the Securities and Exchange Commission. Consequently, the statement of revenues and certain expenses for the period presented is not representative of the actual operations for the period presented, as certain revenues and expenses which may not be in the proposed future operations of the Community have been excluded in accordance with Rule 3-14 of Regulation S-X.

2. Summary of Significant Accounting Policies

Revenue Recognition

Rental income is recognized for the full term of each lease on a straight-line basis.

Repairs and Maintenance

Repairs and maintenance costs are expensed as incurred, while significant improvements, renovations, and replacements are capitalized.

Advertising Costs

All advertising costs are expensed as incurred and reported on the statement of revenues and certain expenses within the line item Administrative and marketing. For the year ended December 31, 2007, advertising expenses were \$92,646, which included \$7,250 in rental bonuses.

Uses of Estimates

The preparation of the statement of revenues and certain expenses in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interim Information (unaudited)

In the opinion of management, the unaudited information for the six months ended June 30, 2008, included herein, contains all of the adjustments necessary, which are of a normal recurring nature, to present fairly the revenues and certain expenses for the six months ended June 30, 2008. Results of interim periods are not necessarily indicative of results to be expected for the year. Management is not aware of any material factors that would cause the information included herein to not be indicative of future operating results, except for certain rental revenues related to an executed master lease agreement and property management fees.

3. Related-Party Transactions

An affiliate of the Seller performed the property management function and charged total management fees of 2.5% of gross residential revenues for their service for 2007. Related party management fees in the amount of \$91,509 were charged to the Community during 2007.

UDR, INC.
PRO FORMA FINANCIAL INFORMATION
(unaudited)

The accompanying unaudited pro forma consolidated balance sheet presents the historical financial information of UDR as of June 30, 2008, as adjusted for the One Island Square asset acquisition for approximately \$112.2 million, of which nearly the entire purchase price was paid from 1031 proceeds as if the transaction had occurred on June 30, 2008. The historical acquisitions of Edgewater Apartments, Delancey Apartments, Circle Towers and Legacy Village I, II, III and IV (Previously Acquired Communities) for approximately \$456.9 million, of which \$71.0 million was financed with debt, with the balance paid for by utilizing 1031 proceeds, occurred prior to June 30, 2008, and as such, there are no pro forma adjustments deemed necessary to the pro forma consolidated balance sheet for the Previously Acquired Communities.

The accompanying unaudited pro forma consolidated statements of operations for the year ended December 31, 2007 and the six months ended June 30, 2008 (unaudited) combines the historical operations of UDR with the historical operations of the properties described above, as if the acquisitions had occurred on January 1, 2007.

The unaudited pro forma consolidated financial statements have been prepared by UDR's management based upon the historical financial statements of UDR and the historical financial information of the communities acquired. Certain pro forma adjustments were made to the historical financial statements as described in the accompanying notes to pro forma consolidated financial statements. These pro forma financial statements may not be indicative of the results that actually would have occurred if the acquisition had occurred on the dates indicated. The pro forma financial statements and notes thereto should be read in conjunction with the historical financial statements included in UDR's previous filings with the Securities and Exchange Commission.

UDR, INC.
PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2008
(In thousands)
(unaudited)

| | UDR (Historical) | Pro Forma Adjustments | Pro Forma |
|---|---------------------|--------------------------|--------------|
| ASSETS | | | |
| Real estate owned: | | | |
| Real estate held for investment | \$ 4,977,957 | \$ 112,330(a) | \$ 5,090,287 |
| Less: accumulated depreciation | (935,369) | | (935,369) |
| | 4,042,588 | 112,330 | 4,154,918 |
| Real estate under development | 327,564 | | 327,564 |
| Real estate held for disposition | 45,019 | | 45,019 |
| Total real estate owned, net of accumulated depreciation | 4,415,171 | 112,330 | 4,527,501 |
| Cash and cash equivalents | 1,412 | 459(b) | 1,871 |
| Restricted cash | 8,515 | | 8,515 |
| Deferred financing costs, net | 32,308 | | 32,308 |
| Notes receivable | 224,776 | | 224,776 |
| Investment in unconsolidated joint ventures | 48,177 | | 48,177 |
| Funds held in 1031 escrow | 231,795 | (110,500)(c) | 121,295 |
| Other assets | 71,812 | (2,000)(c) | 69,812 |
| Other assets real estate held for disposition | 2,180 | | 2,180 |
| Total assets | \$ 5,036,146 | \$ 289 | \$ 5,036,435 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | |
| Secured debt | \$ 1,206,817 | \$ | \$ 1,206,817 |
| Unsecured debt | 2,012,727 | | 2,012,727 |
| Real estate taxes payable | 16,246 | | 16,246 |
| Accrued interest payable | 23,736 | | 23,736 |
| Security deposits and prepaid rent | 28,270 | 289(b) | 28,559 |
| Distributions payable | 47,548 | | 47,548 |
| Deferred gains on the sale of depreciable property | 28,814 | | 28,814 |
| Accounts payable, accrued expenses, and other liabilities | 36,928 | | 36,928 |
| Other liabilities real estate held for disposition | 2,147 | | 2,147 |
| Total liabilities | 3,403,233 | \$ 289 | \$ 3,403,522 |
| Minority interests | 103,656 | | 103,656 |

Stockholders' equity

| | | | |
|---|--------------|--------|--------------|
| Preferred stock - Series E Cumulative Convertible | 46,571 | | 46,571 |
| Preferred stock - Series G Cumulative Redeemable | 135,000 | | 135,000 |
| Common stock | 1,283 | | 1,283 |
| Additional paid-in capital | 1,494,239 | | 1,494,239 |
| Distributions in excess of net income | (148,608) | | (148,608) |
| Accumulated other comprehensive income, net | 772 | | 772 |
| | | | |
| Total stockholders' equity | 1,529,257 | | 1,529,257 |
| | | | |
| Total liabilities and stockholders' equity | \$ 5,036,146 | \$ 289 | \$ 5,036,435 |

See accompanying notes to pro forma consolidated financial statements.

UDR, INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007
(In thousands, except per share data)
(unaudited)

| | Historical | | | |
|---|-------------------|---------------------------------|----------------------------------|-----------------------------------|
| | UDR | Acquired Communities | Pro Forma Adjustments | Pro Forma Consolidated |
| Revenues | | | | |
| Rental income | \$ 497,474 | \$ 30,054(d) | \$ (123)(e) | \$ 527,405 |
| Non-property income: | | | | |
| Other Income | 2,720 | | | 2,720 |
| Total revenues | 500,194 | 30,054 | (123) | 530,125 |
| Expenses | | | | |
| Rental expenses: | | | | |
| Real estate taxes and insurance | 57,875 | 3,726(d) | 2,684(g) | 64,285 |
| Personnel | 42,462 | 3,112(d) | | 45,574 |
| Utilities | 25,765 | 2,401(d) | | 28,166 |
| Repair and maintenance | 27,041 | 1,537(d) | | 28,578 |
| Administrative and marketing | 12,894 | 1,307(d) | | 14,201 |
| Property management | 20,317 | 964(d) | (137)(h) | 21,144 |
| Other operating expenses | 1,442 | | | 1,442 |
| Real estate depreciation and amortization | 191,342 | | 27,914(i) | 219,256 |
| Interest, net | 174,677 | | 4,636(j) | 179,313 |
| General and administrative | 39,566 | | (827)(h) | 38,739 |
| Severance costs and other restructuring charges | 4,333 | | | 4,333 |
| Other depreciation and amortization | 3,076 | | | 3,076 |
| | 600,790 | 13,047 | 34,270 | 648,107 |
| Loss before minority interests and discontinued operations | (100,596) | 17,007 | (34,393) | (117,982) |
| Minority interests of outside partnerships | (151) | | | (151) |
| Minority interests of unitholders in operating partnerships | 167 | | 946(k) | 1,113 |
| Net gain on the sale of depreciable property to a joint venture | 113,799 | | | 113,799 |
| Income/(loss) before discontinued operations, net of minority interests | 13,219 | 17,007 | (33,447) | (3,221) |
| Income from discontinued operations, net of minority interests | 208,130 | | | 208,130 |
| Net income | 221,349 | 17,007 | (33,447) | 204,909 |

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| | | | | |
|---|------------|-----------|-------------|------------|
| Distributions to preferred stockholders Series B | (4,819) | | | (4,819) |
| Distributions to preferred stockholders Series E (Convertible) | (3,726) | | | (3,726) |
| Distributions to preferred stockholders Series G | (5,366) | | | (5,366) |
| Premium on preferred stock repurchase | (2,261) | | | (2,261) |
| Net income available to common stockholders | \$ 205,177 | \$ 17,007 | \$ (33,447) | \$ 188,737 |
| Earnings per weighted average common share basic and diluted: | | | | |
| Loss from continuing operations available to common stockholders, net of minority interests | \$ (0.02) | | | \$ (0.14) |
| Income from discontinued operations, net of minority interests | \$ 1.55 | | | \$ 1.55 |
| Net income available to common stockholders | \$ 1.53 | | | \$ 1.41 |
| Weighted average number of common shares outstanding basic | 134,016 | | | 134,016 |
| Weighted average number of common shares outstanding diluted | 134,016 | | | 134,016 |

See accompanying notes to pro forma consolidated financial statements.

UDR, INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(In thousands, except per share data)
(unaudited)

| | Historical | | | |
|---|-------------------|---------------------------------|----------------------------------|-----------------------------------|
| | UDR | Acquired Communities | Pro Forma Adjustments | Pro Forma Consolidated |
| Revenues | | | | |
| Rental income | \$ 264,399 | \$ 10,605(d) | \$ 22(e) | \$ 275,026 |
| Non-property income: | | | | |
| Other Income | 14,842 | | (1,672)(f) | 13,170 |
| Total revenues | 279,241 | 10,605 | (1,650) | 288,196 |
| Expenses | | | | |
| Rental expenses: | | | | |
| Real estate taxes and insurance | 29,284 | 993(d) | 715(g) | 30,992 |
| Personnel | 23,532 | 954(d) | | 24,486 |
| Utilities | 13,684 | 745(d) | | 14,429 |
| Repair and maintenance | 14,059 | 572(d) | | 14,631 |
| Administrative and marketing | 6,517 | 283(d) | | 6,800 |
| Property management | 7,271 | 326(d) | (35)(h) | 7,562 |
| Other operating expenses | 2,024 | 18(d) | | 2,042 |
| Real estate depreciation and amortization | 114,942 | | 7,823(i) | 122,765 |
| Interest, net | 72,497 | | 1,159(j) | 73,656 |
| General and administrative | 19,700 | | (291)(h) | 19,409 |
| Other depreciation and amortization | 1,873 | | | 1,873 |
| | 305,383 | 3,891 | 9,371 | 318,645 |
| Loss before minority interests and discontinued operations | (26,142) | 6,714 | (11,021) | (30,449) |
| Minority interests of outside partnerships | (97) | | | (97) |
| Minority interests of unitholders in operating partnerships | 1,594 | | 273(k) | 1,867 |
| (Loss)/income before discontinued operations, net of minority interests | (24,645) | 6,714 | (10,748) | (28,679) |
| Income from discontinued operations, net of minority interests | 750,769 | | | 750,769 |
| Net income | 726,124 | 6,714 | (10,748) | 722,090 |
| Distributions to preferred stockholders Series E (Convertible) | (1,862) | | | (1,862) |
| Distributions to preferred stockholders Series G | (4,556) | | | (4,556) |

| | | | | |
|---|------------|----------|-------------|------------|
| Net income available to common stockholders | \$ 719,706 | \$ 6,714 | \$ (10,748) | \$ 715,672 |
| Earnings per weighted average common share basic and diluted: | | | | |
| Loss from continuing operations available to common stockholders, net of minority interests | \$ (0.24) | | | \$ (0.28) |
| Income from discontinued operations, net of minority interests | \$ 5.80 | | | \$ 5.80 |
| Net income available to common stockholders | \$ 5.56 | | | \$ 5.52 |
| Weighted average number of common shares outstanding basic | | | | |
| | 129,550 | | | 129,550 |
| Weighted average number of common shares outstanding diluted | | | | |
| | 129,550 | | | 129,550 |

See accompanying notes to pro forma consolidated financial statements.

UDR, INC.
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(a) Represents an estimate of the purchase price allocated to real estate and in-place lease associated with One Island Square, inclusive of transaction costs. The values are as follows (in thousands)

| Market | Real Estate | Intangible asset for in-place lease value | Pro Forma Adjustment |
|-------------|-------------|--|-------------------------|
| Seattle, WA | \$ 111,831 | \$ 499 | \$ 112,330 |

(b) Reflects proceeds refunded to UDR and obligations assumed as part of the One Island Square acquisition.

(c) Represents funding, 1031 funds and deposit proceeds utilized to acquire One Island Square.

(d) Represents the pro forma historical

revenue and
certain expenses
for properties
subject to audit.
The values are
as follows (in
thousands)

| For the year ended 12/31/07 | Previously Acquired Communities | Current Filing One Island Square | Acquired Communities Totals |
|---------------------------------|--|---|--|
| Rental income | \$ 24,641 | \$ 5,413 | \$ 30,054 |
| Real estate taxes and insurance | 3,259 | 467 | 3,726 |
| Personnel | 2,727 | 385 | 3,112 |
| Utilities | 2,044 | 357 | 2,401 |
| Repairs and maintenance | 1,288 | 249 | 1,537 |
| Administrative and marketing | 1,098 | 209 | 1,307 |
| Property management | 798 | 166 | 964 |
| | \$ 13,427 | \$ 3,580 | \$ 17,007 |

| For the six months ended 6/30/08 | Previously Acquired Communities | Current Filing One Island Square | Acquired Communities Totals |
|----------------------------------|--|---|-----------------------------------|
| Rental income | \$ 7,580 | \$ 3,025 | \$ 10,605 |
| Real estate taxes and insurance | 732 | 261 | 993 |
| Personnel | 755 | 199 | 954 |
| Utilities | 542 | 203 | 745 |
| Repairs and maintenance | 450 | 122 | 572 |
| Administrative and marketing | 204 | 79 | 283 |
| Property management | 221 | 105 | 326 |
| | 18 | | 18 |
| | \$ 4,658 | \$ 2,056 | \$ 6,714 |

(e) Represents the pro forma adjustment to reflect the rental revenue and ancillary revenue generated by UDR under the master lease agreement for the retail space of One Island Square, which is offset by the historical revenue generated for this space. The master lease agreement is for a period of five years commencing upon acquisition of the community by UDR with monthly lease revenue of \$102,525 plus

fees for parking
and
reimbursement
for common
area charges.

(f) Represents the
pro forma
adjustment to
reflect the
interest income
recorded by
UDR in our
historical
results.

(g) Reflects
differences
between
historical real
estate taxes and
estimated real
estate taxes that
would have
been recorded
by UDR due to
revaluation of
the communities
by the local
taxing authority.
Also reflects
differences
between
historical
insurance and
estimated
insurance
expense that
would have
been recorded
by UDR based
on UDR's
insurance rates
applied on a per
unit basis.

(h) Reflects
difference
between
historical
property

management fee
and the
estimated
property
management fee
that would have
been recorded
by UDR based
on UDR's
standard
management
fee.

- (i) Reflects
difference
between
historical real
estate
depreciation and
amortization
and the
estimated
depreciation and
amortization
that would have
been recorded
by UDR based
on the
depreciable
basis of the
acquired
communities
and furniture
and fixtures,
assuming asset
lives ranging
from five to
thirty-five years
as well as the
amortization of
the identifiable
intangible
values recorded
with an
estimated
11 month useful
life.

- (j) Reflects
difference
between

historical interest expense and estimated interest expense that would have been recorded for the assumed debt, including the impact of amortizing the fair market adjustment on fixed rate debt over the term of the related debt instrument.

- (k) Reflects difference between historical minority interest and what would have been recorded by the Company as a result of the reported earnings for the acquired communities.

Exhibit Index

| Exhibit Number | Description |
|---------------------------|--|
| 23.1 | Consent of Independent Registered Public Accounting Firm |