

Section 1: 10-K (10-K)

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

Form 10-K

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

For the fiscal year ended December 31, 2016
OR

**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.)
Commission file number 333-156002-01 (United Dominion Realty, L.P.)

UDR, Inc. United Dominion Realty, L.P.

(Exact name of registrant as specified in its charter)

Maryland (UDR, Inc.)

54-0857512

Delaware (United Dominion Realty, L.P.)

54-1776887

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

*(I.R.S. Employer
Identification No.)*

1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado 80129

(Address of principal executive offices) (zip code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value (UDR, Inc.)	New York Stock Exchange
	Securities registered pursuant to Section 12(g) of the Act: None
	<i>(Title of Class)</i>

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

UDR, Inc.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
United Dominion Realty, L.P.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

UDR, Inc.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
United Dominion Realty, L.P.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

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.

UDR, Inc.

Yes

No

United Dominion Realty, L.P.

Yes

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

UDR, Inc.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
United Dominion Realty, L.P.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

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

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

UDR, Inc.:

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(Do not check if a smaller reporting company)			

United Dominion Realty, L.P.:

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(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).

UDR, Inc.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
United Dominion Realty, L.P.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

The aggregate market value of the shares of common stock of UDR, Inc. held by non-affiliates on June 30, 2016 was approximately \$3.3 billion. This calculation excludes shares of common stock held by the registrant's officers and directors and each person known by the registrant to beneficially own more than 5% of the registrant's outstanding shares, as such persons may be deemed to be affiliates. This determination of affiliate status should not be deemed conclusive for any other purpose. As of February 17, 2017, there were 267,370,704 shares of UDR, Inc.'s common stock outstanding.

There is no public trading market for the partnership units of United Dominion Realty, L.P. As a result, an aggregate market value of the partnership units of United Dominion Realty, L.P. cannot be determined.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated by reference from UDR, Inc.'s definitive proxy statement for the 2017 Annual Meeting of Stockholders.

This Annual Report on Form 10-K includes financial statements required under Rule 3-09 of Regulation S-X for UDR Lighthouse DownREIT L.P.

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EXPLANATORY NOTE

This Report combines the annual reports on Form 10-K for the fiscal year ended December 31, 2016 of UDR, Inc., a Maryland corporation, and United Dominion Realty, L.P., a Delaware limited partnership, of which UDR, Inc. is the parent company and sole general partner. Unless the context otherwise requires, all references in this Report to “we,” “us,” “our,” the “Company,” “UDR” or “UDR, Inc.” refer collectively to UDR, Inc., together with its consolidated subsidiaries and joint ventures, including United Dominion Realty, L.P. and UDR Lighthouse DownREIT L.P. (the “DownREIT Partnership”), both Delaware limited partnerships of which UDR is the sole general partner. Unless the context otherwise requires, the references in this Report to the “Operating Partnership” or the “OP” refer to United Dominion Realty, L.P., together with its consolidated subsidiaries. “Common stock” refers to the common stock of UDR and “stockholders” means the holders of shares of UDR’s common stock and preferred stock. The limited partnership interests of the Operating Partnership and the DownREIT Partnership are referred to as “OP Units” and “DownREIT Units” respectively, and the holders of the OP Units and DownREIT Units are referred to as “unitholders.” This combined Form 10-K is being filed separately by UDR and the Operating Partnership.

There are a number of differences between the Company and the Operating Partnership, which are reflected in our disclosure in this Report. UDR is a real estate investment trust (“REIT”), whose most significant asset is its ownership interest in the Operating Partnership. UDR also conducts business through other subsidiaries, including its taxable REIT subsidiary (“TRS”). UDR acts as the sole general partner of the Operating Partnership, holds interests in subsidiaries and joint ventures, owns and operates properties, issues securities from time to time and guarantees debt of certain of our subsidiaries. The Operating Partnership conducts the operations of a substantial portion of the business and is structured as a partnership with no publicly traded equity securities. The Operating Partnership has guaranteed certain outstanding debt of UDR.

As of December 31, 2016, UDR owned 110,883 units (100%) of the general partnership interests of the Operating Partnership and 174,119,201 units (or approximately 95.1%) of the limited partnership interests of the Operating Partnership. UDR conducts a substantial amount of its business and holds a substantial amount of its assets through the Operating Partnership, and, by virtue of its ownership of the OP Units and being the Operating Partnership’s sole general partner, UDR has the ability to control all of the day-to-day operations of the Operating Partnership. Separate financial statements and accompanying notes, as well as separate discussions under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchasers of Equity Securities” and “Control and Procedures” are provided for each of UDR and the Operating Partnership. In addition, certain disclosures in “Business” are separated by entity to the extent that the discussion relates to UDR’s business outside of the Operating Partnership.

PART I

Forward-Looking Statements

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements include, without limitation, statements concerning property acquisitions and dispositions, development activity and capital expenditures, capital raising activities, rent growth, occupancy, and rental expense growth. Words such as “expects,” “anticipates,” “intends,” “plans,” “likely,” “will,” “believes,” “seeks,” “estimates,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Such factors include, among other things, unfavorable changes in the apartment market, changing economic conditions, the impact of inflation/deflation on rental rates and property operating expenses, expectations concerning availability of capital and the stability of the capital markets, the impact of competition and competitive pricing, acquisitions, developments and redevelopments not achieving anticipated results, delays in completing developments, redevelopments and lease-ups on schedule, expectations on job growth, home affordability and demand/supply ratio for multifamily housing, expectations concerning development and redevelopment activities, expectations on occupancy levels and rental rates, expectations concerning the joint ventures with third parties, expectations that automation will help grow net operating income, and expectations on annualized net operating income.

The following factors, among others, could cause our future results to differ materially from those expressed in the forward-looking statements:

- general economic conditions;
- unfavorable changes in the apartment market and economic conditions that could adversely affect occupancy levels and rental rates;
- the failure of acquisitions to achieve anticipated results;
- possible difficulty in selling apartment communities;
- competitive factors that may limit our ability to lease apartment homes or increase or maintain rents;
- insufficient cash flow that could affect our debt financing and create refinancing risk;
- failure to generate sufficient revenue, which could impair our debt service payments and distributions to stockholders;
- development and construction risks that may impact our profitability;
- potential damage from natural disasters, including hurricanes and other weather-related events, which could result in substantial costs to us;
- risks from extraordinary losses for which we may not have insurance or adequate reserves;
- uninsured losses due to insurance deductibles, self-insurance retention, uninsured claims or casualties, or losses in excess of applicable coverage;
- delays in completing developments and lease-ups on schedule;
- our failure to succeed in new markets;
- changing interest rates, which could increase interest costs and affect the market price of our securities;
- potential liability for environmental contamination, which could result in substantial costs to us;

- the imposition of federal taxes if we fail to qualify as a REIT under the Code in any taxable year;
- our internal controls over financial reporting may not be considered effective which could result in a loss of investor confidence in our financial reports, and in turn have an adverse effect on our stock price; and
- changes in real estate laws, tax laws and other laws affecting our business.

A discussion of these and other factors affecting our business and prospects is set forth in Part I, Item 1A. *Risk Factors*. We encourage investors to review these risk factors.

Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore such statements included in this Report may not prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved.

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.

Item 1. BUSINESS

General

UDR is a self-administered real estate investment trust, or REIT, that owns, operates, acquires, renovates, develops, redevelops, disposes of and manages multifamily apartment communities generally located in high barrier-to-entry markets throughout the United States. The high barrier-to-entry markets are characterized by limited land for new construction, difficult and lengthy entitlement processes, low single-family home affordability and strong employment growth potential. At December 31, 2016, our consolidated real estate portfolio included 127 communities located in 18 markets, with a total of 39,454 completed apartment homes, which are held directly or through our subsidiaries, including the Operating Partnership and the DownREIT Partnership, and consolidated joint ventures. In addition, we have an ownership interest in 27 communities containing 6,849 apartment homes through unconsolidated joint ventures or partnerships. As of December 31, 2016, the Company was developing two wholly-owned communities with 1,101 apartment homes, none of which have been completed, and four unconsolidated joint venture communities with 1,069 apartment homes, 99 of which have been completed.

At December 31, 2016, the Operating Partnership's consolidated real estate portfolio included 54 communities located in 14 markets, with a total of 16,698 completed apartment homes. The Operating Partnership owns, operates, acquires, renovates, develops, redevelops, and manages multifamily apartment communities generally located in high barrier-to-entry markets located throughout the United States. During the year ended December 31, 2016, revenues of the Operating Partnership represented approximately 43% of our total rental revenues.

UDR has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, which we refer to in this Report as the "Code." To continue to qualify as a REIT, we must continue to meet certain tests which, among other things, generally require that our assets consist primarily of real estate assets, our income be derived primarily from real estate assets, and that we distribute at least 90% of our REIT taxable income (other than our net capital gains) to our stockholders annually. As a REIT, we generally will not be subject to U.S. federal income taxes at the corporate level on our net income to the extent we distribute such net income to our stockholders annually. In 2016, we declared total distributions of \$1.18 per common share and paid dividends of \$1.1625 per common share.

	Dividends Declared in 2016	Dividends Paid in 2016
First Quarter	\$ 0.2950	\$ 0.2775
Second Quarter	0.2950	0.2950
Third Quarter	0.2950	0.2950
Fourth Quarter	0.2950	0.2950
Total	<u>\$ 1.1800</u>	<u>\$ 1.1625</u>

UDR was formed in 1972 as a Virginia corporation. In June 2003, we changed our state of incorporation from Virginia to Maryland. 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 in 1995. The Operating Partnership was redomiciled in 2004 as a Delaware limited partnership. Our corporate offices are located at 1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado and our telephone number is (720) 283-6120. Our website is www.udr.com. The information contained on our website, including any information referred to in this Report as being available on our website, is not a part of or incorporated into this Report.

As of February 17, 2017, we had 1,550 full-time associates and 37 part-time associates, all of whom were employed by UDR.

Reporting Segments

We report in two segments: *Same-Store Communities* and *Non-Mature Communities/Other*.

Our *Same-Store Communities* segment includes those communities acquired, developed, and stabilized prior to January 1, 2015, and held as of December 31, 2016. 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 classified as held for disposition at year end. A community is considered to have stabilized occupancy once it achieves 90% occupancy for at least three consecutive months.

Our *Non-Mature Communities/Other* segment represents those communities that do not meet the criteria to be included in *Same-Store Communities*, including, but not limited to, recently acquired, developed and redeveloped communities, and the non-apartment components of mixed use properties. For additional information regarding our operating segments, see Note 16, *Reportable Segments*, in the Notes to the UDR Consolidated Financial Statements included in this Report and Note 11, *Reportable Segments*, in the Notes to the Operating Partnership's Consolidated Financial Statements included in this Report.

Business Objectives

Our principal business objective is to maximize the economic returns of our apartment communities to provide our stockholders with the greatest possible total return and value. To achieve this objective, we intend to continue to pursue the following goals and strategies:

- own and operate apartments in high barrier-to-entry markets, which are characterized by limited land for new construction, difficult and lengthy entitlement processes, low single-family home affordability and strong employment growth potential, thus enhancing stability and predictability of returns to our stockholders;
- manage real estate cycles by taking an opportunistic approach to buying, selling, renovating, redeveloping, and developing apartment communities;
- empower site associates to manage our communities efficiently and effectively;
- measure and reward associates based on specific performance targets; and
- manage our capital structure to help enhance predictability of liquidity, earnings and dividends.

2016 Highlights

- In July 2016, the Company marked its 44th year as a REIT and, in October 2016, paid its 176th consecutive quarterly dividend. The Company's annualized declared 2016 dividend of \$1.18 represented a 6.3% increase over the previous year.
- We achieved Same-Store revenue growth of 5.7% and Same-Store net operating income ("NOI") growth of 6.5%.
- We completed two developments held by unconsolidated joint ventures in San Francisco, CA and Los Angeles, CA with a total of 637 apartment homes.
- We completed four developments held by the West Coast Development Joint Venture located in Seattle, WA, Los Angeles, CA and Anaheim, CA with a total of 1,147 apartment homes.
- We completed three redevelopment projects in Bellevue, WA, Newport Beach, CA and San Francisco, CA.
- As of December 31, 2016, we were developing two wholly-owned communities and four communities held by unconsolidated joint ventures and redeveloping three wholly-owned communities.
- We acquired a community in Redmond, WA with 177 apartment homes, increased our ownership from 50% to 100% in two operating communities located in Bellevue, WA with a total of 331 apartment homes and increased our ownership interest in two parcels of land located in Dublin, CA and Los Angeles, CA for a total of approximately \$207.3 million, including the assumption of an incremental \$37.9 million of secured debt. A portion of these acquisitions was funded with tax-deferred like-kind exchanges under Section 1031 of the Internal Revenue Code of 1986 ("Section 1031 exchanges").
- We recognized gains on the sale of real estate of \$210.9 million from the sale of seven communities in Baltimore, MD and one community in Dallas, TX with a total of 1,782 apartment homes, a retail center in Bellevue, WA and two parcels of land in Santa Monica, CA. A portion of the sale proceeds was designated for tax-deferred Section 1031 exchanges for certain acquisitions in 2016.
- In March 2016, we issued 5,000,000 shares of common stock through a public offering for net proceeds of approximately \$173.2 million.
- In August 2016, we issued \$300 million of 2.95%, 10-year senior unsecured medium-term notes.

Refer to Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, for further information on the Company's and the Operating Partnership's activities in 2016.

Our Strategies and Vision

Our vision is to be the innovative multifamily public REIT of choice. Our strategic priorities are:

1. Strengthen the Quality of Our Diversified Portfolio
2. Flexible/Strong Balance Sheet
3. Increase Cash Flow to Support Dividend Growth through Operating Excellence
4. A Great Place to Work and Live

Quality of Our Diversified Portfolio

We are focused on increasing our presence in markets with favorable job formation, high propensity to rent, low single-family home affordability, and a favorable demand/supply ratio for multifamily housing. Portfolio investment decisions consider internal analyses and third-party research.

Acquisitions and Dispositions

When evaluating potential acquisitions, we consider:

- whether it is located in a high barrier-to-entry market;
- population growth, cost of alternative housing, overall potential for economic growth and the tax and regulatory environment of the community in which the property is located;
- geographic location, including proximity to jobs, entertainment, transportation, and our existing communities which can deliver significant economies of scale;
- construction quality, condition and design of the property;
- current and projected cash flow of the property and the ability to increase cash flow;
- the ability of the property's projected cash flows to exceed our cost of capital;
- potential for capital appreciation of the property;
- ability to increase the value and profitability of the property through operations and redevelopment;
- terms of resident leases, including the potential for rent increases;
- occupancy and demand by residents for properties of a similar type in the vicinity;
- prospects for liquidity through sale, financing, or refinancing of the property; and
- competition from existing multifamily communities and the potential for the construction of new multifamily properties in the area.

We regularly monitor our assets to increase the quality and performance of our portfolio. Factors we consider in deciding whether to dispose of a property include:

- current market price for an asset compared to projected economics for that asset;
- potential increases in new construction in the market area;
- areas with low job growth prospects;
- markets where we do not intend to establish a long-term concentration; and
- operating efficiencies.

The following table summarizes our apartment community acquisitions and dispositions and our consolidated year-end ownership position for the past five years (*dollars in thousands*):

	2016	2015	2014	2013	2012
Homes acquired	508	3,246	358	—	633
Homes disposed	1,782	2,735	2,500	914	6,507
Homes owned at December 31,	39,454	40,728	39,851	41,250	41,571
Total real estate owned, at cost	\$9,615,753	\$9,190,276	\$8,383,259	\$8,207,977	\$8,055,828

The following table summarizes our apartment community acquisitions and dispositions and our year-end ownership position of the Operating Partnership for the past five years (*dollars in thousands*):

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Homes acquired	—	421	—	—	—
Homes disposed	276	4,256 (a)	264	914	1,314
Homes owned at December 31,	16,698	16,974	20,814	20,746	21,660
Total real estate owned, at cost	\$ 3,674,704	\$ 3,630,905	\$ 4,238,770	\$ 4,188,480	\$ 4,182,920

(a) Includes 3,107 homes deconsolidated in 2015 upon contribution of communities by the Operating Partnership to the DownREIT Partnership.

Development Activities

Our objective in developing a community is to create value while improving the quality of our portfolio. Demographic trends, economic drivers, and how multifamily fundamentals/valuations have trended over the long-term govern our review process on where to allocate development capital. At December 31, 2016, our development pipeline included two wholly-owned communities located in Huntington Beach, California and Boston, Massachusetts with 1,101 homes and a budget of \$708.5 million, in which we have a carrying value of \$342.3 million.

Redevelopment Activities

Our objective in redeveloping a community is twofold: we aim to meaningfully grow rental rates while also producing a higher yielding and more valuable asset through asset quality improvement. During 2016, we continued to redevelop properties in primary markets where we concluded there was an opportunity to add value. At December 31, 2016, the Company was redeveloping 425 apartment homes, 351 of which have been completed, at three wholly-owned communities located in San Francisco, California, Austin, Texas, and Dallas, Texas. During the year ended December 31, 2016, we incurred \$21.3 million in major renovations, which include major structural changes and/or architectural revisions to existing buildings.

Joint Venture and Partnership Activities

We have entered into, and may continue in the future to enter into, joint ventures (including limited liability companies or partnerships) through which we would own an indirect economic interest of less than 100% of the community or communities owned directly by such joint ventures. Our decision to either hold an apartment community in fee simple or have an indirect interest in the community through a joint venture is based on a variety of factors and considerations, including: (i) the economic and tax terms required by the seller of land or a community; (ii) our desire to diversify our portfolio of communities by market, submarket and product type; (iii) our desire at times to preserve our capital resources to maintain liquidity or balance sheet strength; and (iv) our projections, in some circumstances, that we will achieve higher returns on our invested capital or reduce our risk if a joint venture vehicle is used. Each joint venture agreement is individually negotiated, and our ability to operate and/or dispose of a community in our sole discretion may be limited to varying degrees depending on the terms of the joint venture agreement.

Balance Sheet Management

We maintain a capital structure that we believe allows us to proactively source potential investment opportunities in the marketplace. We have structured our debt maturity schedule to be able to opportunistically access both secured and unsecured debt markets when appropriate.

Financing Activities

As part of our plan to finance our activities, we utilize proceeds from debt and equity offerings and refinancings to extend maturities, pay down existing debt, fund development and redevelopment activities, and acquire apartment communities.

Operational Excellence, Cash Flow and Dividend Growth

Investment in new technologies continues to drive operating efficiencies in our business and help us to better meet the changing needs of our residents. Our residents have the ability to conduct business with us 24 hours a day, 7 days a week and complete online leasing applications and renewals throughout our portfolio using our web-based resident internet portal.

As a result of transforming our operations through technology, residents' satisfaction improved, and our operating teams have become more efficient. Web-based technologies have also resulted in declining marketing and advertising costs, improved cash management, and better pricing management of our available apartment homes.

Operating Partnership Strategies and Vision

The Operating Partnership's long-term strategic plan is to achieve greater operating efficiencies by investing in fewer, more concentrated markets and enhance resident and associate service through technology. As a result, the Operating Partnership has sought to expand its interests in communities located in New York, New York; San Francisco Bay Area, California; Boston, Massachusetts; and Metropolitan D.C. 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, household income, low single-family home affordability and limited new supply for multifamily housing, which are key drivers to strong rental growth.

Competitive Conditions

Competition for new residents is generally intense across all of our markets. Some competing communities offer features that our communities do not have. Competing communities can use rental concessions or lower rents to obtain temporary competitive advantages. Also, some competing communities are larger or newer than our communities. The competitive position of each community is different depending upon many factors, including sub-market supply and demand. In addition, other real estate investors compete with us to acquire existing properties, redevelop existing properties, and to develop new properties. These competitors include insurance companies, pension and investment funds, public and private real estate companies, investment companies and other public and private apartment REITs, some of which may have greater resources, or lower capital costs, than we do.

We believe that, in general, we are well-positioned to compete effectively for residents and investments. We believe our competitive advantages include:

- a fully integrated organization with property management, development, redevelopment, acquisition, marketing, sales and financing expertise;
- scalable operating and support systems, which include automated systems to meet the changing electronic needs of our residents and to effectively focus on our Internet marketing efforts;
- access to sources of capital;
- geographic diversification with a presence in 18 markets across the country; and
- significant presence in many of our major markets that allows us to be a local operating expert.

Moving forward, we will continue to optimize lease management, improve expense control, increase resident retention efforts and align employee incentive plans with our bottom line performance. We believe this plan of operation, coupled with the portfolio's strengths in targeting renters across a geographically diverse platform, should position us for continued operational upside.

Communities

At December 31, 2016, our consolidated real estate portfolio included 127 communities with a total of 39,454 completed apartment homes, which included the Operating Partnership's consolidated real estate portfolio of 54 communities with a total of 16,698 completed apartment homes. The overall quality of our portfolio enables us to raise rents and to attract residents with higher levels of disposable income who are more likely to absorb such rents.

At December 31, 2016, the Company was developing two wholly-owned communities with 1,101 apartment homes, none of which have been completed. The communities being developed are not part of the Operating Partnership's real estate portfolio.

At December 31, 2016, the Company was redeveloping 425 apartment homes, 351 of which have been completed, at three wholly-owned communities. One of these communities under redevelopment is held by the Operating Partnership.

Same-Store Community Comparison

We believe that one pertinent quantitative measurement of the performance of our portfolio is tracking the results of our *Same-Store Communities*' NOI, which is total rental revenue, less rental and other operating expenses excluding property

management. Our *Same-Store Community* population is comprised of operating communities which we own and have stabilized occupancy, revenues and expenses as of the beginning of the prior year.

For the year ended December 31, 2016, our Same-Store NOI increased by \$31.4 million compared to the prior year. Our *Same-Store Community* properties provided 76.9% of our total NOI for the year ended December 31, 2016. The increase in NOI for the 31,930 Same-Store apartment homes, or 80.9% of our portfolio, was driven by an increase in rental rates and fee and reimbursement income, partially offset by an increase in real estate taxes.

For the year ended December 31, 2016, the Operating Partnership's Same-Store NOI increased by \$15.8 million compared to the prior year. The Operating Partnership's *Same-Store Community* properties provided 79.9% of its total NOI for the year ended December 31, 2016. The increase in NOI for the 14,001 Same-Store apartment homes, or 83.8% of the Operating Partnership's portfolio, was driven by an increase in rental rates and a decrease in operating expenses.

Revenue growth in 2017 may be impacted by adverse developments affecting the general economy, reduced occupancy rates, increased rental concessions, new supply, increased bad debt and other factors which may adversely impact our ability to increase rents.

Tax Matters

UDR has elected to be taxed as a REIT under the Code. To continue to qualify as a REIT, UDR must continue to meet certain tests that, among other things, generally require that our assets consist primarily of real estate assets, our income be derived primarily from real estate assets, and that we distribute at least 90% of our REIT taxable income (other than net capital gains) to our stockholders annually. Provided we maintain our qualification as a REIT, we generally will not be subject to U.S. federal income taxes at the corporate level on our net income to the extent such net income is distributed to our stockholders annually. 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.

We may utilize our taxable REIT subsidiary ("TRS") to engage in activities that REITs may be prohibited from performing, including the provision of management and other services to third parties and the conduct of certain nonqualifying real estate transactions. Our TRS generally is taxable as a regular corporation, and therefore, subject to federal, state and local income taxes.

The Operating Partnership intends to qualify as a partnership for federal income tax purposes. As a partnership, the Operating Partnership generally is not a taxable entity and does not incur federal income tax liability. However, any state or local revenue, excise or franchise taxes that result from the operating activities of the Operating Partnership are incurred at the entity level.

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, property taxes, utilities and material costs, the majority of our apartment leases have terms of 12 months or less, which generally enables us to compensate for any inflationary effects by increasing rents on our apartment homes. Although an escalation in 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 year ended December 31, 2016.

Environmental Matters

Various environmental laws govern certain aspects of the ongoing operation of our communities. Such environmental laws include those regulating the existence of asbestos-containing materials in buildings, management of surfaces with lead-based paint (and notices to residents about the lead-based paint), use of active underground petroleum storage tanks, and waste-management activities. The failure to comply with such requirements could subject us to a government enforcement action and/or claims for damages by a private party.

To date, compliance with federal, state and local environmental protection regulations has not had a material effect on our capital expenditures, earnings or competitive position. We have a property management plan for hazardous materials. As part of the plan, Phase I environmental site investigations and reports have been completed for each property we acquire. In addition, all proposed acquisitions are inspected prior to acquisition. The inspections are conducted by qualified environmental consultants, and we review the issued report prior to the purchase or development of any property. Nevertheless, it is possible that the environmental assessments will not reveal all environmental liabilities, or that some material environmental liabilities exist of which we are unaware. In some cases, we have abandoned otherwise economically attractive acquisitions because the costs of removal or control of hazardous materials have been prohibitive or we have been unwilling to accept the potential risks

involved. We do not believe we will be required to engage in any large-scale abatement at any of our properties. We believe that through professional environmental inspections and testing for asbestos, lead paint and other hazardous materials, coupled with a relatively conservative posture toward accepting known environmental risk, we can minimize our exposure to potential liability associated with environmental hazards.

Federal legislation requires owners and landlords of residential housing constructed prior to 1978 to disclose to potential residents or purchasers of the communities any known lead paint hazards and imposes treble damages for failure to provide such notification. In addition, lead based paint in any of the communities may result in lead poisoning in children residing in that community if chips or particles of such lead based paint are ingested, and we may be held liable under state laws for any such injuries caused by ingestion of lead based paint by children living at the communities.

We are unaware of any environmental hazards at any of our properties that individually or in the aggregate may have a material adverse impact on our operations or financial position. We have not been notified by any governmental authority, and we are not otherwise aware, of any material non-compliance, liability, or claim relating to environmental liabilities in connection with any of our properties. We do not believe that the cost of continued compliance with applicable environmental laws and regulations will have a material adverse effect on us or our financial condition or results of operations. Future environmental laws, regulations, or ordinances, however, may require additional remediation of existing conditions that are not currently actionable. Also, if more stringent requirements are imposed on us in the future, the costs of compliance could have a material adverse effect on our results of operations and our financial condition.

Insurance

We carry comprehensive general liability coverage on our communities, with limits of liability customary within the multi family apartment industry to insure against liability claims and related defense costs. We are also insured, with limits of liability customary within the multi family apartment industry, against the risk of direct physical damage in amounts necessary to reimburse us on a replacement cost basis for costs incurred to repair or rebuild each property, including loss of rental income during the reconstruction period.

Available Information

Both UDR and the Operating Partnership file electronically with the Securities and Exchange Commission their respective annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. You may obtain a free copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and amendments to those reports on the day of filing with the SEC on our website at www.udr.com, or by sending an e-mail message to ir@udr.com.

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 and other rental markets 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, a downturn in the housing market, stock market volatility and uncertainty about the future. Some of our major expenses 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 global, national, regional and local economic conditions, particularly increases in unemployment;
- declines in mortgage interest rates, making alternative housing more affordable;
- government or builder incentives with respect to home ownership, 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.

We May Be Unable to Renew Leases or Relet Apartment Units as Leases Expire, or the Terms of Renewals or New Leases May Be Less Favorable Than Current Leases. When our residents decide to leave our apartments, whether because they decide not to renew their leases or they leave prior to their lease expiration date, we may not be able to relet their apartment units. Even if the residents do renew or we can relet the apartment units, the terms of renewal or reletting may be less favorable than current lease terms. Furthermore, because the majority of our apartment leases have terms of 12 months or less, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms. If we are unable to promptly renew the leases or relet the apartment units, or if the rental rates upon renewal or reletting are significantly lower than expected rates, then our results of operations and financial condition may be adversely affected. If residents do not experience increases in their income, we may be unable to increase rent and/or delinquencies may increase.

We Face Certain Risks Related to Our Retail and Commercial Space. Certain of our properties include retail or commercial space that we lease to third parties. The long term nature of our retail and commercial leases (generally five to ten years with market based renewal options) and the characteristics of many of our tenants (generally small and/or local businesses) may subject us to certain risks. The longer term leases could result in below market lease rates over time if we do not accurately judge the potential increases in market rental rates. We may not be able to lease new space for rents that are consistent with our projections or for market rates. Also, when leases for our retail or commercial space expire, the space may not be relet or the terms of reletting, including the cost of allowances and concessions to tenants, may be less favorable than the prior lease terms. Our properties compete with other properties with retail or commercial space. The presence of competitive alternatives may affect our ability to lease space and the level of rents we can obtain. If our retail or commercial tenants experience financial distress or bankruptcy, they may fail to comply with their contractual obligations, seek concessions in order to continue operations or cease their operations, which could adversely impact our results of operations and financial condition.

Risk of Inflation/Deflation. Substantial inflationary or deflationary pressures could have a negative effect on rental rates and property operating expenses. The general risk of inflation is that interest on our debt and general and administrative expenses increase at a rate faster than increases in our rental rates, which could adversely affect our results of operations, cash flow and ability to make distributions to UDR's stockholders.

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, among others:

- 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, which could materially adversely affect our results of operations and financial condition.

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, among others:

- 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 debt used to finance the acquisition;
- even if we enter into an acquisition agreement for an apartment community, we may not complete the acquisition for a variety of reasons 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;
- the expected occupancy rates and rental rates may differ from actual results; 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.

Competition Could Adversely Affect Our Ability to Acquire Properties. 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 our ability to grow or acquire properties profitably or with attractive returns.

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, among others:

- 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 expected;
- 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 or Defaults of Our Counterparties Could Adversely Affect Our Performance. We have relationships with and, from time to time, we execute transactions with or receive services from many counterparties, such as general contractors engaged in connection with our development activities. As a result, bankruptcies or defaults by these counterparties could result in services not being provided, projects not being completed on time, or on budget, or at all, or volatility in the financial markets and economic weakness could affect the counterparties' ability to complete transactions with us as intended, both of which could result in disruptions to our operations that may adversely affect our business and results of operations.

Property Ownership Through Partnerships and Joint Ventures May Limit Our Ability to Act Exclusively in Our Interest. We have in the past and may in the future develop and/or acquire properties in partnerships and joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. We currently have 16 active joint ventures and partnerships, including our participating loan investment and preferred equity investment, with a total equity investment of \$827.0 million. We could become engaged in a dispute with one or more of our partners which might affect our ability to operate a jointly-owned property. Moreover, our 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, our partners may have competing interests in our markets that could create conflicts of interest. Also, our partners might refuse to make capital contributions when due and we may be responsible to our partners for indemnifiable losses. In general, we and our partners may each have the right to trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partners' interest, at a time when we otherwise would not have initiated such a transaction and may result in the valuation of our interest in the partnership or joint venture (if we are the seller) or of the other partner's interest in the partnership or joint venture (if we are the buyer) at levels which may not be representative of the valuation that would result from an arm's length marketing process.

We are also subject to risk in cases where an institutional owner is our partner, including (i) a deadlock if we and our partner are unable to agree upon certain major and other decisions, (ii) the limitation of our ability to liquidate our position in the partnership or joint venture without the consent of the other partner, and (iii) the requirement to provide guarantees in favor of lenders with respect to the indebtedness of the joint venture.

We may not be permitted to dispose of certain properties or pay down the indebtedness associated with those properties when we might otherwise desire to do so without incurring additional costs. In connection with certain property acquisitions, we have agreed with the sellers that we will not dispose of the acquired properties or reduce the mortgage indebtedness on such properties for significant periods of time unless we pay certain of the resulting tax costs of the sellers, and we may enter into similar agreements in connection with future property acquisitions. These agreements could result in us retaining properties that we would otherwise sell or not paying down or refinancing indebtedness that we would otherwise pay down or refinance. However, subject to certain conditions, we retain the right to substitute other property or debt to meet these obligations to the sellers.

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 with limits of liability customary within the multifamily industry. 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 occurs, 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.

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 are generally 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, which could result 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.

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 stockholders, 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, which could adversely affect our results of operations and cash flow. 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 the Americans with Disabilities 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.

Compliance with or Changes in Real Estate Tax and Other Laws and Regulations Could Adversely Affect Our Funds from Operations and Our Ability to Make Distributions to Stockholders. We are subject to federal, state and local laws, regulations and ordinances at locations where we operate and to the rules and regulations of various local authorities regarding a wide variety of matters that could affect, directly or indirectly, our operations. 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 and regulations 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 our funds from operations and the ability to make distributions to stockholders.

Risk of Damage from Catastrophic Weather and Natural Events and Potential Climate Change. Certain of our communities are located in areas that may experience catastrophic weather and other natural events from time to time, including mudslides, fires, hurricanes, tornadoes, snow or ice storms, or other severe inclement weather. These adverse weather and natural 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, financial condition and results of operations.

To the extent that we experience any significant changes in the climate in areas where our communities are located, we may experience extreme weather conditions and prolonged changes in precipitation and temperature, all of which could result in physical damage to, and/or a decrease in demand for, our communities located in these areas. Should the impact of such climate change be material in nature, or occur for lengthy periods of time, our financial condition and results of operations may be adversely affected.

Risk of Earthquake Damage. Some of our communities are located in the general vicinity of active earthquake faults. We cannot assure you that an earthquake would not cause damage or losses 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 may 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, financial condition and results of operations. Insurance coverage for earthquakes can be costly due to limited industry capacity. As a result, we may experience shortages in desired coverage levels if market conditions are such that insurance is not available or the cost of insurance makes it, in management's view, economically impractical.

Risk of Accidental Death Due to Fire, Natural Disasters or Other Hazards. The accidental death of persons living in our communities due to fire, natural disasters or other hazards could have a material adverse effect on our business and results of operations. Our insurance coverage may not cover all losses associated with such events, and we may experience difficulty marketing communities where such any such events have occurred, which could have a material adverse effect on our business and results of operations.

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.

Mezzanine Loan Assets Involve Greater Risks of Loss than Senior Loans Secured by Income-producing Properties. We may acquire mezzanine loans, which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. Mezzanine loans may involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property, because the loan may become unsecured as a result of foreclosure by the senior lender and because it is in second position and there may not be adequate equity in the property. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some of or all our

initial expenditure. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal.

Risk Related to Preferred Equity Investments. In the future we may make preferred equity investments in corporations, limited partnerships, limited liability companies or other entities that have been formed for the purpose of acquiring, developing or managing real property. With preferred equity investments, our interest in a particular entity will be less than a majority of the outstanding voting interests of that entity. Generally, we will not have the ability to control the daily operations of the entity, and we will not have the ability to select or remove a majority of the members of the board of directors, managers, general partner or partners or similar governing body of the entity or otherwise control its operations. Although we would seek to maintain sufficient influence over the entity to achieve our objectives, the owner of the majority of the voting interests may have interests that differ from ours and may be in a position to take actions without our consent or that are inconsistent with our interests. Further, if the owner of the majority of the voting interests were to fail to invest capital in the entity, we may have to invest additional capital to protect our investment. The owner of the majority of the voting interests may fail to develop or operate the real property in the manner intended and as a result the entity may not be able to redeem our investment or pay the return expected to us in a timely manner if at all. In addition, we may not be able to dispose of our investment in the entity in a timely manner or at the price at which we would want to divest. In the event that such an entity fails to meet expectations or becomes insolvent, we may lose our entire investment in the entity.

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 generally accepted accounting principles as in effect in the United States ("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 or Breaches in Data Security. Despite system redundancy, the implementation of security measures and the existence of a disaster recovery plan for our internal information technology systems, our systems and systems maintained by third party vendors 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 and networks and systems maintained and controlled by third party vendors, 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, and generally require third party vendors to take steps, to protect the security of the data maintained in our and their information systems, it is possible that our or their 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 or third party vendors' information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could materially and adversely affect us.

Social Media Presents Risks. The use of social media could cause us to suffer brand damage or unintended information disclosure. Negative posts or communications about us on a social networking website could damage our reputation. Further, employees or others may disclose non-public information regarding us or our business or otherwise make negative comments regarding us on social networking or other websites, which could adversely affect our business and results of operations. As social media evolves we will be presented with new and risks and challenges.

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.

Changes in U.S. Accounting Standards May Materially and Adversely Affect Our Reported Results of Operations. Accounting for public companies in the United States is in accordance with GAAP, which 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. Uncertainties posed by various initiatives of accounting standard-setting by the FASB and the SEC, which create and interpret applicable accounting standards for U.S. companies, may change the financial accounting and reporting standards or their interpretation and application of these standards that govern the preparation of our financial statements. These changes could have a material impact on our reported financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in potentially material restatements of prior period financial statements.

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 of credit may not be available to us and we may not be able to access the commercial paper market 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 financial condition, 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 multifamily 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.

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, including commercial paper, at rates that vary with market interest rates. As of December 31, 2016, UDR had approximately \$432.0 million of variable rate indebtedness outstanding, which constitutes approximately 12.7% of total outstanding indebtedness as of such date. As of December 31, 2016, the Operating Partnership had approximately \$190.6 million of variable rate indebtedness outstanding, which constitutes approximately 43.8% of total outstanding indebtedness to third parties as of such date. In addition, borrowings under our commercial paper program bear interest at variable rates. An increase in interest rates would increase our interest expenses and increase the costs of refinancing existing indebtedness and of issuing new debt, including commercial paper. 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.

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, construction loans and other forms of secured debt, commercial paper and other forms of 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, including due to regulatory changes directly or indirectly affecting financing markets, for example the changes in terms on construction loans brought about by the Basel III capital requirements and the associated "High Volatility Commercial Real Estate" designation, which has adversely impacted the availability of loans, including construction loans and the interest rate thereon. Restricted lending practices could impact our ability to obtain financing or refinancing for our properties. 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 routinely evaluate our debt and have given us ratings on our senior unsecured debt, commercial paper program and preferred stock. 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 these factors and 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, including our ability to access the commercial paper market.

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 on, or to refinance, our 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 global financial crisis and the economic recession that followed it, the United States stock and credit markets experienced significant price volatility, dislocations and liquidity disruptions, which caused market prices of many stocks to fluctuate substantially and the spreads on debt financings to widen considerably. Those circumstances materially impacted liquidity in the financial markets at times, making terms for certain financings less attractive, and in some cases resulted in the unavailability of financing, such as the commercial paper market. Any future disruptions or uncertainty in the stock and credit markets may negatively impact our ability to refinance existing indebtedness and access additional financing for acquisitions, development of our properties and other purposes at reasonable terms or at all, which may negatively affect our business and the market price of UDR's common stock. If we are not successful in refinancing our existing indebtedness 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.

A Change in U.S. Government Policy or Support Regarding Fannie Mae or Freddie Mac Could Have a Material Adverse Impact on Our Business. While in recent years we have decreased our borrowing from Fannie Mae and Freddie Mac, Fannie Mae and Freddie Mac are a major source of financing to participants in the multifamily housing market including potential purchasers of our properties. Potential options for the future of agency mortgage financing in the U.S. have been suggested, including options that could involve a reduction in the amount of financing Fannie Mae and Freddie Mac are able to

provide, limitations on the loans that the agencies may make, which may not include loans secured by properties like our properties, or 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, or if there is reduced government support for multifamily housing generally, it may adversely affect interest rates, capital availability, development of multifamily communities and the value of multifamily residential real estate and, as a result, may adversely affect our business and results of operations.

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.

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 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 the 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.

Certain of our subsidiaries have also elected to be taxed as REITs under the Code, and are therefore subject to the same risks in the event that any such subsidiary fails to qualify as a REIT in any taxable year.

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. stockholders is 20%. Unlike dividends received from a corporation that is not a REIT, our distributions to individual stockholders 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 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.

Changes to the U.S. Federal Income Tax Laws, including the Enactment of Certain Proposed Tax Reform Measures, Could Have an Adverse Impact on Our Business and Financial Results. Changes to the U.S. federal income tax laws are proposed regularly. Legislative and regulatory changes may be more likely in the 115th Congress because the Presidency and such Congress will be controlled by the same political party and significant reform of the Code has been described publicly as a legislative priority. Additionally, the REIT rules are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department, which may result in revisions to regulations and interpretations in addition to statutory changes. If enacted, certain such changes could have an adverse impact on our business and financial results. For example, certain proposals set forth in President Trump's administration and House Republican tax plans could reduce the relative competitive advantage of operating as a REIT unless accompanied by responsive changes to the REIT rules. These proposals include: the lowering of income tax rates on individuals and corporations, which could ease the burden of double taxation on corporate dividends and make the single level of taxation on REIT distributions relatively less attractive; allowing the expensing of capital expenditures, which could result in the bunching of taxable income and required distributions for REITs; and further limiting or eliminating the deductibility of interest expense, which could disrupt the real estate market and could increase the amount of REIT taxable income that must be distributed as dividends to shareholders.

We cannot predict whether, when or to what extent new U.S. federal tax laws, regulations, interpretations or rulings will be issued, nor is the long-term impact of proposed tax reforms on the real estate investment industry or REITs clear. Prospective investors are urged to consult their tax advisors regarding the effect of potential changes to the U.S. federal tax laws on an investment in our shares.

We May Be Adversely Affected by Changes in State and Local Tax Laws and May Become Subject to Tax Audits from Time to Time. 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, we or our affiliates (including entities through which we own real estate) may also become subject to federal, state or local tax audits. If we (or such entities) become subject to federal, state or local tax audits, the ultimate result of such audits could have an adverse effect on our financial condition.

The Operating Partnership and the DownREIT Partnership Intend to Qualify as Partnerships, But Cannot Guarantee That They Will Qualify. The Operating Partnership and the DownREIT Partnership intend to qualify as partnerships for federal income tax purposes, and intend to take that position for all income tax reporting purposes. If classified as partnerships, the Operating Partnership and the DownREIT Partnership generally will not be taxable entities and will not incur federal income tax liability. However, the Operating Partnership and the DownREIT Partnership would be treated as corporations for federal income tax purposes if they were “publicly traded partnerships,” unless at least 90% of their 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 neither the Operating Partnership’s nor the DownREIT Partnership’s partnership units are traded on an established securities market, because of the redemption rights of their limited partners, the Operating Partnership’s and DownREIT 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 and the DownREIT 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 and the DownREIT Partnership may not meet this qualifying income test. If the Operating Partnership or the DownREIT Partnership were to be taxed as a corporation, they 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;
- 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 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

At December 31, 2016, our consolidated apartment portfolio included 127 communities located in 18 markets, with a total of 39,454 completed apartment homes.

The tables below set forth a summary of real estate portfolio by geographic market of the Company and of the Operating Partnership at December 31, 2016.

SUMMARY OF REAL ESTATE PORTFOLIO BY GEOGRAPHIC MARKET AT DECEMBER 31, 2016

UDR, INC.

	Number of Apartment Communities	Number of Apartment Homes	Percentage of Carrying Value	Gross Amount (in thousands)	Encumbrances (in thousands)	Cost per Home	Average Physical Occupancy	Average Home Size (in square feet)
WEST REGION								
Orange County, CA	12	4,814	12.1%	\$ 1,159,595	\$ 177,005	\$ 240,880	95.4%	837
San Francisco, CA	11	2,751	8.8%	850,605	65,495	309,198	95.8%	830
Seattle, WA	14	2,593	9.1%	876,934	79,577	338,193	95.9%	902
Los Angeles, CA	4	1,225	4.6%	446,465	110,778	364,461	95.3%	967
Monterey Peninsula, CA	7	1,565	1.8%	169,005	—	107,990	96.7%	728
Other Southern California	3	756	1.3%	124,891	55,263	165,200	95.8%	934
Portland, OR	2	476	0.5%	47,559	—	99,914	97.1%	903
MID-ATLANTIC REGION								
Metropolitan D.C.	22	8,402	22.3%	2,142,013	272,919	254,941	96.4%	908
Richmond, VA	4	1,358	1.5%	143,773	33,850	105,871	96.6%	1,018
Baltimore, MD	3	720	1.6%	149,249	—	207,290	96.9%	993
NORTHEAST REGION								
New York, NY	4	1,945	13.6%	1,301,167	—	668,980	97.3%	742
Boston, MA	5	1,548	5.8%	560,593	78,350	362,140	96.3%	1,042
SOUTHEAST REGION								
Orlando, FL	9	2,500	2.3%	216,647	—	86,659	96.8%	946
Nashville, TN	8	2,260	2.1%	201,468	64,971	89,144	97.6%	933
Tampa, FL	7	2,287	2.6%	245,242	12,450	107,233	96.7%	982
Other Florida	1	636	0.8%	83,404	39,787	131,140	96.4%	1,130
SOUTHWEST REGION								
Dallas, TX	7	2,345	2.7%	263,352	107,734	112,304	96.6%	862
Austin, TX	4	1,273	1.6%	158,009	36,299	124,123	94.6%	913
Total Operating Communities	127	39,454	95.1%	9,139,971	1,134,478	\$ 231,661	96.3%	900
Real Estate Under Development (a)	—	—	3.6%	342,282	—			
Land Held for Disposition	—	—	0.7%	72,429	—			
Other	—	—	0.6%	59,447	—			
Total Real	127	39,454	100.0%	\$ 9,615,753	\$ 1,134,478			

(a) As of December 31, 2016, the Company was developing two wholly-owned communities with 1,101 apartment homes, none of which have been completed.

SUMMARY OF REAL ESTATE PORTFOLIO BY GEOGRAPHIC MARKET AT DECEMBER 31, 2016

UNITED DOMINION REALTY, L.P.

	Number of Apartment Communities	Number of Apartment Homes	Percentage of Carrying Value	Gross Amount (in thousands)	Encumbrances (in thousands)	Cost per Home	Average Physical Occupancy	Average Home Size (in square feet)
WEST REGION								
Orange County, CA	7	3,499	21.1%	\$ 776,770	\$ 177,005	\$ 221,998	95.2%	806
San Francisco, CA	9	2,185	16.0%	588,883	65,493	269,512	96.7%	817
Seattle, WA	5	932	6.0%	219,445	—	235,456	96.6%	874
Los Angeles, CA	2	344	3.0%	110,435	43,078	321,029	95.6%	976
Monterey Peninsula, CA	7	1,565	4.6%	169,006	—	107,990	96.7%	728
Other Southern California	2	516	2.5%	92,297	55,262	178,876	95.5%	951
Portland, OR	2	476	1.3%	47,559	—	99,914	97.1%	903
MID-ATLANTIC REGION								
Metropolitan D.C.	6	2,068	15.1%	554,630	31,374	268,196	96.5%	898
Baltimore, MD	2	540	2.8%	102,303	—	189,450	96.7%	968
NORTHEAST REGION								
New York, NY	2	996	16.5%	605,682	—	608,113	97.3%	690
Boston, MA	1	387	1.9%	69,808	—	180,382	96.7%	1,069
SOUTHEAST REGION								
Nashville, TN	6	1,612	3.8%	141,452	23,550	87,749	97.6%	925
Tampa, FL	2	942	2.8%	103,872	—	110,269	96.9%	1,043
Other Florida	1	636	2.3%	83,405	39,787	131,140	96.4%	1,130
Total Operating Communities	54	16,698	99.7%	3,665,547	435,549	\$ 219,205	96.3%	868
Real Estate Under Development	—	—	—%	—	—			
Land	—	—	—%	—	—			
Other	—	—	0.3%	9,157	—			
Total Real Estate Owned	54	16,698	100.0%	\$ 3,674,704	\$ 435,549			

Item 3. LEGAL PROCEEDINGS

We are subject to various legal proceedings and claims arising in the ordinary course of business. We cannot determine the ultimate liability with respect to such legal proceedings and claims at this time. We believe that such liability, to the extent not provided for through insurance or otherwise, will not have a material adverse effect on our financial condition, results of operations or cash flow.

Item 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

UDR, Inc.:

Common Stock

UDR, Inc.'s common stock has been listed on the New York Stock Exchange ("NYSE") under the symbol "UDR" since May 7, 1990. The following tables set forth the quarterly high and low sale prices per common share reported on the NYSE for each quarter of the last two fiscal years. Distribution information for common stock reflects distributions declared per share for each calendar quarter and paid at the end of the following month.

	2016			2015		
	High	Low	Distributions Declared	High	Low	Distributions Declared
Quarter ended March 31,	\$ 38.53	\$ 33.15	\$ 0.2950	\$ 35.22	\$ 31.31	\$ 0.2775
Quarter ended June 30,	\$ 38.56	\$ 33.42	\$ 0.2950	\$ 34.17	\$ 31.62	\$ 0.2775
Quarter ended September 30,	\$ 37.63	\$ 34.20	\$ 0.2950	\$ 35.67	\$ 31.14	\$ 0.2775
Quarter ended December 31,	\$ 36.48	\$ 33.11	\$ 0.2950	\$ 37.89	\$ 33.77	\$ 0.2775

On February 17, 2017, the closing sale price of our common stock was \$35.59 per share on the NYSE, and there were 3,982 holders of record of the 267,370,704 outstanding shares of our common stock.

We have determined that, for federal income tax purposes, approximately 61% of the distributions for 2016 represented ordinary income, 27% represented long-term capital gain, and 12% represented unrecaptured section 1250 gain.

UDR pays regular quarterly distributions to holders of its common stock. Future distributions will be at the discretion of our Board of Directors and will depend on our actual funds from operations, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Code, and other factors.

Series E Preferred Stock

The Series E Cumulative Convertible Preferred Stock ("Series E") has no stated par value and a liquidation preference of \$16.61 per share. Subject to certain adjustments and conditions, each share of the Series E is convertible at any time and from time to time at the holder's option into 1.083 shares of our common stock. The holders of the Series E are entitled to vote on an as-converted basis as a single class in combination with the holders of common stock at any meeting of our stockholders for the election of directors or for any other purpose on which the holders of common stock are entitled to vote. The Series E has no stated maturity and is not subject to any sinking fund or any mandatory redemption. In connection with a special dividend (declared on November 5, 2008), the Company reserved for issuance upon conversion of the Series E additional shares of common stock to which a holder of the Series E would have received if the holder had converted the Series E immediately prior to the record date for this special dividend.

Distributions declared on the Series E for the years ended December 31, 2016 and 2015 were \$1.33 per share or \$0.3322 per quarter. The Series E is not listed on any exchange. At December 31, 2016, a total of 2,796,903 shares of the Series E were outstanding.

Series F Preferred Stock

We are authorized to issue up to 20,000,000 shares of our Series F Preferred Stock ("Series F"). The Series F may be purchased by holders of our Operating Partnership Units, or OP Units, described below under "Operating Partnership Units," at a purchase price of \$0.0001 per share. OP unitholders are entitled to subscribe for and purchase one share of the Series F for each OP Unit held. In connection with the acquisition of properties from Home OP and the formation of the DownREIT Partnership in October 2015, we issued 13,988,313 Series F shares at \$0.0001 per share to former limited partners of the Home OP, which had the right to subscribe for one share of Series F for each DownREIT Unit issued in connection with the acquisitions.

As of December 31, 2016, a total of 16,196,889 shares of the Series F were outstanding. Holders of the Series F are entitled to one vote for each share of the Series F they hold, voting together with the holders of our common stock, on each

matter submitted to a vote of security holders at a meeting of our stockholders. The Series F does not entitle its holders to any other rights, privileges or preferences.

Distribution Reinvestment and Stock Purchase Plan

We have a Distribution Reinvestment and Stock Purchase Plan under which holders of our common stock may elect to automatically reinvest their distributions and make additional cash payments to acquire additional shares of our common stock. Stockholders who do not participate in the plan continue to receive distributions as and when declared. As of February 17, 2017, there were approximately 2,159 participants in the plan.

United Dominion Realty, L.P.:

Operating Partnership Units

There is no established public trading market for United Dominion Realty, L.P.'s Operating Partnership Units. From time to time we issue shares of our common stock in exchange for OP Units tendered to the Operating Partnership for redemption in accordance with the provisions of the Operating Partnership's limited partnership agreement. At December 31, 2016, there were 183,278,698 OP Units outstanding in the Operating Partnership, of which 174,230,084 OP Units or 95.1% were owned by UDR and affiliated entities and 9,048,614 OP Units or 4.9% were owned by non-affiliated limited partners. Under the terms of the Operating Partnership's limited partnership agreement, the holders of OP Units have the right to require the Operating Partnership to redeem all or a portion of the OP Units held by the holder 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 our common stock equal to the number of OP Units being redeemed.

During 2016, we issued a total of 4,685 shares of common stock upon redemption of OP Units.

Purchases of Equity Securities

In February 2006, UDR's Board of Directors authorized a 10 million share repurchase program. In January 2008, UDR's 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 otherwise. As reflected in the table below, no shares of common stock were repurchased under these programs during the quarter ended December 31, 2016.

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 (a)
Beginning Balance	9,967,490	\$ 22.00	9,967,490	15,032,510
October 1, 2016 through October 31, 2016	—	—	—	15,032,510
November 1, 2016 through November 30, 2016	—	—	—	15,032,510
December 1, 2016 through December 31, 2016	—	—	—	15,032,510
Balance as of December 31, 2016	9,967,490	\$ 22.00	9,967,490	15,032,510

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

During the three months ended December 31, 2016, certain of our employees surrendered shares of common stock owned by them to satisfy their statutory minimum federal and state tax obligations associated with the vesting of restricted shares of common

stock issued under our 1999 Long-Term Incentive Plan (the “LTIP”). The following table summarizes all of these repurchases during the three months ended December 31, 2016.

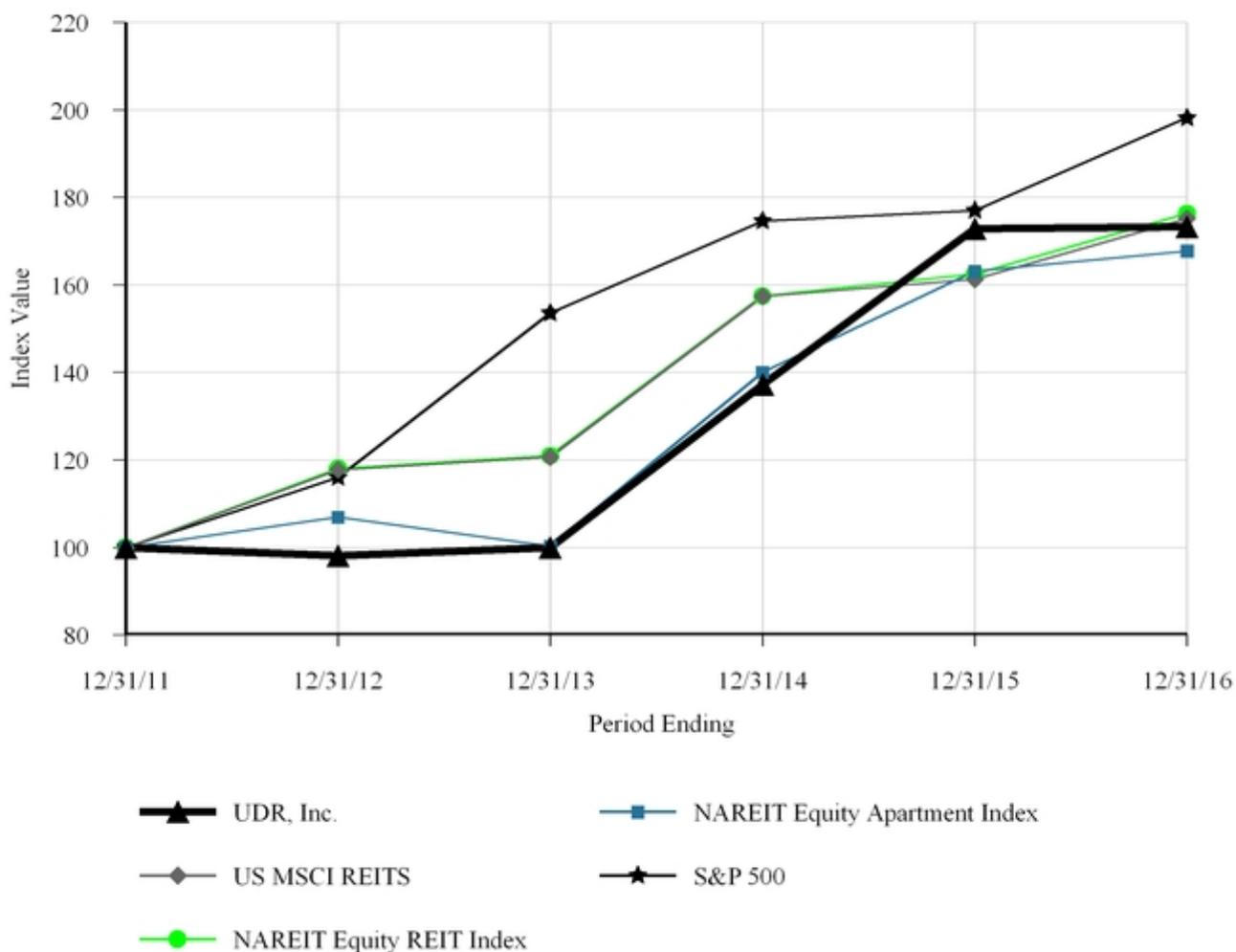
Period	Total Number of Shares Purchased	Average Price Paid per Share(a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2016 through October 31, 2016	—	\$ —	N/A	N/A
November 1, 2016 through November 30, 2016	—	—	N/A	N/A
December 1, 2016 through December 31, 2016	60,372	36.48	N/A	N/A
Total	60,372	\$ 36.48		

- (a) The price paid per share is based on the closing price of our common stock as of the date of the determination of the statutory minimum for federal and state tax obligations.

Comparison of Five-year Cumulative Total Returns

The following graph compares the five-year cumulative total returns for UDR common stock with the comparable cumulative return of the NAREIT Equity REIT Index, Standard & Poor's 500 Stock Index, the NAREIT Equity Apartment Index and the MSCI US REIT Index. The graph assumes that \$100 was invested on December 31, 2011, in each of our common stock and the indices presented. Historical stock price performance is not necessarily indicative of future stock price performance. The comparison assumes that all dividends are reinvested.

Total Return Performance



Index	Period Ending					
	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
UDR, Inc.	100.00	98.07	100.00	137.18	172.80	173.26
NAREIT Equity Apartment Index	100.00	106.93	100.31	140.06	163.10	167.76
US MSCI REITS	100.00	117.77	120.68	157.34	161.30	175.17
S&P 500	100.00	116.00	153.57	174.60	177.01	198.18
NAREIT Equity REIT Index	100.00	118.06	120.97	157.43	162.46	176.30

The performance graph and the related chart and text, are being furnished solely to accompany this Annual Report on Form 10-K pursuant to Item 201(e) of Regulation S-K, and are not being filed for purposes of Section 18 of the Securities Exchange Act of

1934, as amended, and are not to be incorporated by reference into any filing of ours, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Item 6. SELECTED FINANCIAL DATA

The following tables set forth selected consolidated financial and other information of UDR, Inc. and of the Operating Partnership as of and for each of the years in the five-year period ended December 31, 2016. The table should be read in conjunction with each of UDR, Inc.'s and the Operating Partnership's respective consolidated financial statements and the notes thereto, and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this Report.

UDR, Inc.					
Year Ended December 31,					
(In thousands, except per share data					
and apartment homes owned)					
	2016	2015	2014	2013	2012
OPERATING DATA:					
Rental income	\$ 948,461	\$ 871,928	\$ 805,002	\$ 746,484	\$ 704,701
Income/(loss) from continuing operations	109,529	105,482	16,260	2,340	(46,305)
Income/(loss) from discontinued operations, net of tax	—	—	10	43,942	266,608
Net income/(loss)	320,380	357,159	159,842	46,282	220,303
Distributions to preferred stockholders	3,717	3,722	3,724	3,724	6,010
Net income/(loss) attributable to common stockholders	289,001	336,661	150,610	41,088	203,376
Common stock distributions declared	315,102	289,500	263,503	235,721	215,654
Income/(loss) per weighted average common share — basic:					
Income/(loss) from continuing operations attributable to common stockholders	\$ 1.09	\$ 1.30	\$ 0.60	\$ (0.01)	\$ (0.22)
Income/(loss) from discontinued operations attributable to common stockholders	—	—	—	0.17	1.07
Net income/(loss) attributable to common stockholders	<u>\$ 1.09</u>	<u>\$ 1.30</u>	<u>\$ 0.60</u>	<u>\$ 0.16</u>	<u>\$ 0.85</u>
Income/(loss) per weighted average common share — diluted:					
Income/(loss) from continuing operations attributable to common stockholders	\$ 1.08	\$ 1.29	\$ 0.59	\$ (0.01)	\$ (0.22)
Income/(loss) from discontinued operations attributable to common stockholders	—	—	—	0.17	1.07
Net income/(loss) attributable to common stockholders	<u>\$ 1.08</u>	<u>\$ 1.29</u>	<u>\$ 0.59</u>	<u>\$ 0.16</u>	<u>\$ 0.85</u>
Weighted average number of Common Shares outstanding — basic	265,386	258,669	251,528	249,969	238,851
Weighted average number of Common Shares outstanding — diluted	267,311	263,752	253,445	249,969	238,851
Weighted average number of Common Shares outstanding, OP Units/DownREIT Units and Common Stock equivalents outstanding — diluted	295,469	276,699	265,728	263,926	252,659
Common stock distributions declared - per share	\$ 1.18	\$ 1.11	\$ 1.04	\$ 0.94	\$ 0.88
Balance Sheet Data:					
Real estate owned, at cost (a)	\$ 9,615,753	\$ 9,190,276	\$ 8,383,259	\$ 8,207,977	\$ 8,055,828
Accumulated depreciation (a)	2,923,625	2,646,874	2,434,772	2,208,794	1,924,682
Total real estate owned, net of accumulated depreciation (a)	6,692,128	6,543,402	5,948,487	5,999,183	6,131,146

Total assets	7,679,584	7,663,844	6,828,728	6,787,342	6,839,637
Secured debt, net (a)	1,130,858	1,376,945	1,354,321	1,432,186	1,420,028
Unsecured debt, net	2,270,620	2,193,850	2,210,978	2,071,137	1,969,839
Total debt, net	3,401,478	3,570,795	3,565,299	3,503,323	3,389,867
Total stockholders' equity	\$ 3,093,110	\$ 2,899,755	\$ 2,735,097	\$ 2,811,648	\$ 2,992,916
Number of Common Shares outstanding	267,259	261,845	255,115	250,750	250,139

UDR, Inc.
Year Ended December 31,
(In thousands, except per share data
and apartment homes owned)

	2016	2015	2014	2013	2012
OPERATING DATA (continued):					
Other Data (a)					
Total consolidated apartment homes owned (at end of year)	39,454	40,728	39,851	41,250	41,571
Weighted average number of consolidated apartment homes owned during the year	40,543	39,501	40,644	41,392	42,747
Cash Flow Data:					
Cash provided by/(used in) operating activities (c)	\$ 536,929	\$ 458,627	\$ 397,303	\$ 344,373	\$ 327,187
Cash provided by/(used in) investing activities (c)	(112,277)	(265,461)	(298,603)	(127,680)	(211,582)
Cash provided by/(used in) financing activities	(429,282)	(201,648)	(113,725)	(198,559)	(115,993)
Funds from Operations (b):					
Funds from operations attributable to common stockholders and unitholders — basic	\$ 527,096	\$ 455,565	\$ 411,702	\$ 376,778	\$ 350,628
Funds from operations attributable to common stockholders and unitholders — diluted	530,813	459,287	415,426	380,502	354,532

(a) Includes amounts classified as Held for Disposition, where applicable.

(b) Funds from operations (“FFO”) is defined as net income attributable to common stockholders (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 noncontrolling interests, unconsolidated partnerships and joint ventures. This definition conforms with the National Association of Real Estate Investment Trust’s (“NAREIT”) definition issued in April 2002. 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 a REIT’s operating performance. In the computation of FFO, diluted, if OP Units, DownREIT Units, unvested restricted stock, stock options, and the shares of Series E Cumulative Convertible Preferred Stock are dilutive, they are included in the diluted share count.

Activities of our taxable REIT subsidiaries (“TRS”) include development and land entitlement. From time to time, we develop and subsequently sell a TRS property which results in a short-term use of funds that produces a profit that differs from the traditional long-term investment in real estate for REITs. We believe that the inclusion of these TRS gains in FFO is consistent with the standards established by NAREIT as the short-term investment is incidental to our main business. TRS gains on sales, net of taxes, are defined as net sales proceeds less a tax provision and the gross investment basis of the asset before accumulated depreciation.

We consider FFO a useful metric for investors as we use 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 GAAP. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of funds available to fund our cash needs.

See “Funds from Operations” in Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations for a reconciliation of FFO and Net income/(loss) attributable to common stockholders.

- (c) The Company elected to early adopt Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments* in 2016. See Note 2, *Significant Accounting Policies*, in the Notes to the UDR, Inc. Consolidated Financial Statements included in this Report for a complete description of the ASU and its impact.

Upon adopting the ASU, the Company elected to classify distributions received from equity method investees using the cumulative earnings approach. As a result, the following retrospective changes were made to the above table:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash provided by/(used in) operating activities - as previously reported	\$ 431,615	\$ 392,360	\$ 339,902	\$ 327,187
Return on investment in unconsolidated joint ventures	<u>27,012</u>	<u>4,943</u>	<u>4,471</u>	<u>—</u>
Cash provided by/(used in) operating activities - as reported above	<u>\$ 458,627</u>	<u>\$ 397,303</u>	<u>\$ 344,373</u>	<u>\$ 327,187</u>
Cash provided by/(used in) investing activities - as previously reported	\$(238,449)	\$(293,660)	\$(123,209)	\$(211,582)
Return on investment in unconsolidated joint ventures	<u>(27,012)</u>	<u>(4,943)</u>	<u>(4,471)</u>	<u>—</u>
Cash provided by/(used in) investing activities - as reported above	<u>\$(265,461)</u>	<u>\$(298,603)</u>	<u>\$(127,680)</u>	<u>\$(211,582)</u>

United Dominion Realty, L.P.
Year Ended December 31,
(In thousands, except per OP unit data
and apartment homes owned)

	2016	2015	2014	2013	2012
OPERATING DATA:					
Rental income	\$ 404,415	\$ 440,408	\$ 422,634	\$ 401,853	\$ 384,946
Income/(loss) from continuing operations	46,082	56,940	33,544	32,766	(13,309)
Income/(loss) from discontinued operations	—	—	—	45,176	57,643
Net income/(loss)	79,262	215,063	97,179	77,942	44,334
Net income/(loss) attributable to OP unitholders	77,818	213,301	96,227	73,376	43,982
Income/(loss) per weighted average OP Unit - basic and diluted:					
Income/(loss) from continuing operations attributable to OP unitholder	\$ 0.42	\$ 1.16	\$ 0.53	\$ 0.16	\$ (0.07)
Income/(loss) from discontinued operations attributable to OP unitholder	—	—	—	0.24	0.31
Net income/(loss) attributable to OP unitholders	\$ 0.42	\$ 1.16	\$ 0.53	\$ 0.40	\$ 0.24
Weighted average number of OP Units outstanding — basic and diluted	183,279	183,279	183,279	184,196	184,281
Balance Sheet Data:					
Real estate owned, at cost (a)	\$ 3,674,704	\$ 3,630,950	\$ 4,238,770	\$ 4,188,480	\$ 4,182,920
Accumulated depreciation (a)	1,408,815	1,281,258	1,403,303	1,241,574	1,097,133
Total real estate owned, net of accumulated depreciation (a)	2,265,889	2,349,647	2,835,467	2,946,906	3,085,787
Total assets	2,415,535	2,554,808	2,873,809	2,987,393	3,130,182
Secured debt, net (a)	433,974	475,964	927,484	929,017	961,167
Total liabilities	797,036	833,478	1,139,758	1,184,296	1,211,426
Total partners' capital	1,578,202	1,713,412	1,703,001	1,795,934	1,917,299
Advances to/(from) the General Partner	\$ (19,659)	\$ 11,270	\$ (13,624)	\$ 9,916	\$ 11,056
Number of OP units outstanding	183,279	183,279	183,279	183,279	184,281
Other Data:					
Total consolidated apartment homes owned (at end of year) (a)	16,698	16,974	20,814	20,746	21,660
Cash Flow Data:					
Cash provided by/(used in) operating activities	\$ 228,682	\$ 226,765	\$ 208,032	\$ 208,346	\$ 201,095
Cash provided by/(used in) investing activities	(9,546)	23,583	(46,650)	(63,954)	4,273
Cash provided by/(used in) financing activities	(221,483)	(247,747)	(162,777)	(145,299)	(203,268)

(a) Includes amounts classified as Held for Disposition, where applicable.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements include, without limitation, statements concerning property acquisitions and dispositions, development activity and capital expenditures, capital raising activities, rent growth, occupancy, and rental expense growth. Words such as “expects,” “anticipates,” “intends,” “plans,” “likely,” “will,” “believes,” “seeks,” “estimates,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Such factors include, among other things, unfavorable changes in the apartment market, changing economic conditions, the impact of inflation/deflation on rental rates and property operating expenses, expectations concerning availability of capital and the stability of the capital markets, the impact of competition and competitive pricing, acquisitions, developments and redevelopments not achieving anticipated results, delays in completing developments, redevelopments and lease-ups on schedule, expectations on job growth, home affordability and demand/supply ratio for multifamily housing, expectations concerning development and redevelopment activities, expectations on occupancy levels and rental rates, expectations concerning the joint ventures with third parties, expectations that automation will help grow net operating income, and expectations on annualized net operating income.

The following factors, among others, could cause our future results to differ materially from those expressed in the forward-looking statements:

- general economic conditions;
- unfavorable changes in the apartment market and economic conditions that could adversely affect occupancy levels and rental rates;
- the failure of acquisitions to achieve anticipated results;
- possible difficulty in selling apartment communities;
- competitive factors that may limit our ability to lease apartment homes or increase or maintain rents;
- insufficient cash flow that could affect our debt financing and create refinancing risk;
- failure to generate sufficient revenue, which could impair our debt service payments and distributions to stockholders;
- development and construction risks that may impact our profitability;
- potential damage from natural disasters, including hurricanes and other weather-related events, which could result in substantial costs to us;
- risks from extraordinary losses for which we may not have insurance or adequate reserves;
- uninsured losses due to insurance deductibles, self-insurance retention, uninsured claims or casualties, or losses in excess of applicable coverage;
- delays in completing developments and lease-ups on schedule;
- our failure to succeed in new markets;
- changing interest rates, which could increase interest costs and affect the market price of our securities;
- potential liability for environmental contamination, which could result in substantial costs to us;
- the imposition of federal taxes if we fail to qualify as a REIT under the Code in any taxable year;

- our internal controls over financial reporting may not be considered effective which could result in a loss of investor confidence in our financial reports, and in turn have an adverse effect on our stock price; and
- changes in real estate laws, tax laws and other laws affecting our business.

A discussion of these and other factors affecting our business and prospects is set forth in Part I, Item 1A. *Risk Factors*. We encourage investors to review these risk factors.

Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore such statements included in this Report may not prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved.

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.

The following discussion should be read in conjunction with the consolidated financial statements appearing elsewhere herein and is based primarily on the consolidated financial statements and the accompanying notes for the years ended December 31, 2016, 2015 and 2014 of each of UDR, Inc. and United Domination Realty, L.P.

UDR, Inc.:

Business Overview

We are a self-administered real estate investment trust, or REIT, that owns, acquires, renovates, develops, and manages apartment communities. We were formed in 1972 as a Virginia corporation. In June 2003, we changed our state of incorporation from Virginia to Maryland. Our subsidiaries include the Operating Partnership and the DownREIT Partnership. Unless the context otherwise requires, all references in this Report to “we,” “us,” “our,” “the Company,” or “UDR” refer collectively to UDR, Inc., its subsidiaries and its consolidated joint ventures.

At December 31, 2016, our consolidated real estate portfolio included 127 communities in 10 states plus the District of Columbia totaling 39,454 apartment homes, and our total real estate portfolio, inclusive of our unconsolidated communities, included an additional 27 communities with 6,849 apartment homes.

At December 31, 2016, the Company was developing two wholly-owned communities with 1,101 apartment homes, none of which have been completed, and four unconsolidated joint venture communities with 1,069 apartment homes, 99 of which have been completed. In addition, the Company was redeveloping 425 apartment homes, 351 of which have been completed, at three wholly-owned communities with 888 apartment homes.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles (“GAAP”) requires management to use judgment in the application of accounting policies, including making estimates and assumptions. A critical accounting policy is one that is both important to our financial condition and results of operations as well as involves some degree of uncertainty. Estimates are prepared based on management’s assessment after considering all evidence available. Changes in estimates could affect our financial position or results of operations. Below is a discussion of the accounting policies that we consider critical to understanding our financial condition or results of operations where there is uncertainty or where significant judgment is required. A discussion of our significant accounting policies, including further discussion of the accounting policies described below, can be found in Note 2, *Significant Accounting Policies*, to the Notes to the UDR Consolidated Financial Statements included in this Report.

Cost Capitalization

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.

In addition to construction costs, we capitalize costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. As each home in a capital project is completed and becomes available for lease-up, the Company ceases capitalization on the related portion. The costs capitalized are reported on the Consolidated Balance Sheets as *Total Real Estate Owned, Net of Accumulated Depreciation*. Amounts capitalized during the years ended December 31, 2016, 2015, and 2014 were \$24.4 million, \$22.4 million, and \$29.2 million, respectively.

Investment in Unconsolidated Entities

We may enter into various joint venture agreements and/or partnerships with unrelated third parties to hold or develop real estate assets. We must determine for each of these ventures whether to consolidate the entity or account for our investment under the equity method of accounting. We determine whether to consolidate a joint venture or partnership based on our rights and obligations under the venture agreement, applying the applicable accounting guidance. The application of the rules in evaluating the accounting treatment for each joint venture or partnership is complex and requires substantial management judgment. We evaluate our accounting for investments on a regular basis including when a significant change in the design of an entity occurs. Throughout our financial statements, and in this Management's Discussion and Analysis of Financial Condition and Results of Operations, we use the term "joint venture" or "partnership" when referring to investments in entities in which we do not have a 100% ownership interest.

We continually evaluate our investments in unconsolidated joint ventures when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. These factors include, but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, and the relationships with the other joint venture partners and its lenders. The amount of loss recognized is the excess of the investment's carrying amount over its estimated fair value. If we believe that the decline in fair value is temporary, no impairment is recorded. The aforementioned factors are taken as a whole by management in determining the valuation of our investment property. Should the actual results differ from management's judgment, the valuation could be negatively affected and may result in a negative impact to our Consolidated Financial Statements.

Impairment of Long-Lived Assets

We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by the future operation and disposition of those assets are less than the net book value of those assets. Our cash flow estimates are based upon historical results adjusted to reflect our best estimate of future market and operating conditions and our estimated holding periods. The net book value of impaired assets is reduced to fair market value. Our estimates of fair market value represent our best estimate based primarily upon unobservable inputs (defined as Level 3 inputs in the fair value hierarchy) related to rental rates, operating costs, growth rates, discount rates, capitalization rates, industry trends and reference to market rates and transactions.

Real Estate Investment Properties

We purchase real estate investment properties from time to time and record the fair value to various components, such as land, buildings, and intangibles related to in-place leases, based on the fair value of each component. In making estimates of fair values for purposes of allocating purchase price, we utilize various sources, including independent appraisals, our own analysis of recently acquired and existing comparable properties in our portfolio and other market data. The fair value of buildings is determined as if the buildings were vacant upon acquisition and subsequently leased at market rental rates. As such, the determination of fair value considers the present value of all cash flows expected to be generated from the property including an initial lease-up period. We determine the fair value of in-place leases by assessing the net effective rent and remaining term of the lease relative to market terms for similar leases at acquisition. In addition, we consider the cost of acquiring similar leases, the foregone rents associated with the lease-up period, and the carrying costs associated with the lease-up period. The fair value of in-place leases is recorded and amortized as amortization expense over the remaining average contractual lease period.

REIT Status

We are a Maryland corporation that has elected to be treated for federal income tax purposes as a REIT. A REIT is a legal entity that holds interests in real estate and is required by the Code to meet a number of organizational and operational requirements, including a requirement that a REIT must distribute at least 90% of our REIT taxable income (other than our net capital gain) to our stockholders. If we were to fail to qualify as a REIT in any taxable year, we will be subject to federal and state income taxes at the regular corporate rates and may not be able to qualify as a REIT for four years. Based on the net earnings reported for the year ended December 31, 2016 in our Consolidated Statements of Operations, we would have incurred federal and state GAAP income taxes if we had failed to qualify as a REIT.

Summary of Real Estate Portfolio by Geographic Market

The following table summarizes our market information by major geographic markets as of and for the year ended December 31, 2016.

Same-Store Communities	Number of Apartment Communities	As of December 31, 2016			Year Ended December 31, 2016		
		Number of Apartment Homes	Percentage of Total Carrying Value	Total Carrying Value (in thousands)	Average Physical Occupancy	Monthly Income per Occupied Home (a)	Net Operating Income (in thousands)
West Region							
Orange County, CA	10	3,194	8.5%	\$ 824,724	96.0%	\$ 2,231	\$ 63,485
San Francisco, CA	9	2,230	6.6%	635,831	96.3%	3,313	64,331
Seattle, WA	9	1,852	5.2%	504,425	96.7%	2,023	31,248
Los Angeles, CA	4	1,225	4.6%	446,466	95.3%	2,629	26,541
Monterey Peninsula, CA	7	1,565	1.8%	169,006	96.7%	1,512	20,405
Other Southern California	3	756	1.3%	124,888	95.8%	1,737	11,018
Portland, OR	2	476	0.5%	47,560	97.1%	1,476	6,112
Mid-Atlantic Region							
Metropolitan D.C.	15	4,824	11.5%	1,109,620	97.0%	1,958	74,635
Richmond, VA	4	1,358	1.5%	143,773	96.6%	1,270	14,640
Baltimore, MD	3	720	1.6%	149,249	96.9%	1,690	10,100
Northeast Region							
New York, NY	4	1,945	13.5%	1,299,996	97.3%	4,249	68,177
Boston, MA	4	1,179	3.5%	334,992	96.5%	2,476	24,906
Southeast Region							
Orlando, FL	9	2,500	2.3%	216,647	96.8%	1,188	23,999
Nashville, TN	8	2,260	2.1%	201,468	97.6%	1,197	22,712
Tampa, FL	7	2,287	2.6%	245,242	96.7%	1,290	22,599
Other Florida	1	636	0.9%	83,404	96.4%	1,483	7,049
Southwest Region							
Dallas, TX	6	2,040	2.0%	194,486	96.9%	1,158	17,522
Austin, TX	3	883	0.9%	88,774	96.8%	1,347	8,078
Total/Average Same-Store Communities	108	31,930	70.9%	6,820,551	96.7%	\$ 1,958	517,557
Non-Mature, Commercial Properties & Other	19	7,524	25.5%	2,451,296			155,974
Total Real Estate Held for Investment	127	39,454	96.4%	9,271,847			673,531
Real Estate Under Development (b)	—	—	3.6%	342,282			(436)
Real Estate Held for Disposition (c)	—	—	—%	1,624			(10)
Total Real Estate Owned	127	39,454	100.0%	9,615,753			\$ 673,085
Total Accumulated				(2,923,625)			

Depreciation
Total Real Estate Owned,
Net of Accumulated
Depreciation

\$ 6,692,128

(a) Monthly Income per Occupied Home represents total monthly revenues divided by the average physical number of occupied apartment homes in our Same-Store portfolio.

(b) As of December 31, 2016, the Company was developing two wholly-owned communities with 1,101 apartment homes, none of which have been completed.

(c) The Company had one parcel of land located in Richmond, VA that met the criteria to be classified as held for disposition at December 31, 2016.

We report in two segments: *Same-Store Communities* and *Non-Mature Communities/Other*.

Our *Same-Store Communities* segment represents those communities acquired, developed, and stabilized prior to January 1, 2015 and held as of December 31, 2016. 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 communities are not classified as held for disposition at year end. A community is considered to have stabilized occupancy once it achieves 90% occupancy for at least three consecutive months.

Our *Non-Mature Communities/Other* segment represents those communities that do not meet the criteria to be included in *Same-Store Communities*, including, but not limited to, recently acquired, developed and redeveloped communities, 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, sales of properties, borrowings under our credit agreements, and/or the issuance of debt and/or equity securities. 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 our credit agreements. We routinely use our unsecured revolving 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 property operations and borrowings under our 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/or the disposition of properties. We believe that our net cash provided by property 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/or dispositions of properties.

We have a shelf registration statement filed with the Securities and Exchange Commission, or "SEC," which provides for the issuance of common stock, preferred stock, depositary shares, debt securities, 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 August 23, 2016, the Company issued \$300 million of 2.95% senior unsecured medium-term notes due September 1, 2026. Interest is payable semi-annually beginning on March 1, 2017. The Company used the net proceeds to prepay secured debt due in May 2017, pay down a portion of the borrowings outstanding on its \$1.1 billion unsecured credit facility and for general corporate purposes. The notes are fully and unconditionally guaranteed by the Operating Partnership.

On March 4, 2016, the Company sold 5,000,000 shares of its common stock for aggregate gross proceeds of approximately \$173.7 million at a price per share of \$34.73. Aggregate net proceeds from the sale, after deducting the underwriting discount and offering-related expenses, were approximately \$173.2 million, which were used for working capital and general corporate purposes.

In April 2012, the Company entered into an equity distribution agreement, which was amended in July 2014, under which the Company may offer and sell up to 20 million shares of its common stock, from time to time, to or through its sales agents. During the year ended December 31, 2016, the Company did not sell any shares of common stock through this program. As of December 31, 2016, we had 13.1 million shares of common stock available for future issuance under the April 2012 program.

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, sales of properties, joint ventures, and, to a lesser extent, from cash flows provided by property operations. 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.

During 2017, we have approximately \$51.0 million of secured debt maturing, inclusive of principal amortization, and no unsecured debt maturing. We anticipate repaying the debt with cash flow from our operations, proceeds from debt or equity offerings, proceeds from the dispositions of properties, or from borrowings under our credit agreements.

Statements of Cash Flow

The following discussion explains the changes in *Net cash provided by/(used in) operating activities*, *Net cash provided by/(used in) investing activities*, and *Net cash provided by/(used in) financing activities* that are presented in our Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015, and 2014.

We elected to early adopt Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments* in 2016. See Note 2, *Significant Accounting Policies*, in the Notes to the UDR, Inc. Consolidated Financial Statements included in this Report for a complete description of the ASU and its impact.

Upon adopting the ASU, we elected to classify distributions received from equity method investees using the cumulative earnings approach. As a result, the following retrospective changes were made:

	<u>2015</u>	<u>2014</u>
Net cash provided by/(used in) operating activities - as previously reported	\$ 431,615	\$ 392,360
Return on investment in unconsolidated joint ventures	27,012	4,943
Net cash provided by/(used in) operating activities - as reported herein	<u>\$ 458,627</u>	<u>\$ 397,303</u>
Net cash provided by/(used in) investing activities - as previously reported	\$ (238,449)	\$ (293,660)
Return on investment in unconsolidated joint ventures	(27,012)	(4,943)
Net cash provided by/(used in) investing activities - as reported herein	<u>\$ (265,461)</u>	<u>\$ (298,603)</u>

Operating Activities

For the year ended December 31, 2016, *Net cash provided by/(used in) operating activities* was \$536.9 million compared to \$458.6 million for 2015. The increase in cash flow from operating activities was primarily due to improved net operating income, primarily driven by revenue growth at communities, and an increase in cash from return on investment in unconsolidated joint ventures, partially offset by changes in operating assets and liabilities.

For the year ended December 31, 2015, *Net cash provided by/(used in) operating activities* was \$458.6 million compared to \$397.3 million for 2014. The increase in cash flow from operating activities was primarily due to improved net operating income, primarily driven by revenue growth at communities, and an increase in cash from return on investment in unconsolidated joint ventures.

Investing Activities

For the year ended December 31, 2016, *Net cash provided by/(used in) investing activities* was \$(112.3) million compared to \$(265.5) million for 2015. The decrease in cash used in investing activities was primarily related to decreased acquisitions of real estate, a decrease in cash used for investments in unconsolidated joint ventures, an increase in distributions received from unconsolidated joint ventures and decreased capital expenditures and major renovations, partially offset by increased spend on consolidated development projects and a decrease in proceeds received from the sale of real estate assets.

For the year ended December 31, 2015, *Net cash provided by/(used in) investing activities* was \$(265.5) million compared to \$(298.6) million for 2014. The decrease in cash used in investing activities is primarily related to decreased spend

on consolidated development projects, partially offset by increased acquisitions of real estate, increased capital expenditures and major renovations, decreased distributions received from unconsolidated joint ventures and issuances of notes receivable.

Acquisitions

In November 2016, the Company acquired an operating community in Redmond, Washington with 177 apartment homes for approximately \$70.5 million, which was funded with tax-deferred Section 1031 exchanges.

In October 2016, the Company increased its ownership from 50% to 100% in two operating communities located in Bellevue, Washington with a total of 331 apartment homes for approximately \$70.3 million in cash, which was funded with tax-deferred Section 1031 exchanges, and the assumption of an incremental \$37.9 million of secured debt with a weighted average interest rate of 3.67%. As a result, the Company consolidated the operating communities. The Company had previously accounted for its 50% ownership interest as an unconsolidated joint venture. We accounted for the consolidation as a business combination resulting in a gain on consolidation of approximately \$36.4 million.

In August 2016, the Company increased its ownership interest from 5% to 100% in a parcel of land in Dublin, California for a purchase price of approximately \$8.5 million. As a result, the Company consolidated the parcel of land. UDR had previously accounted for its 5% interest in the parcel of land as an unconsolidated joint venture. We accounted for the consolidation as an asset acquisition resulting in no gain or loss upon consolidation and increased our real estate owned by \$8.9 million.

In June 2016, the Company increased its ownership interest from 50% to 100% in a parcel of land in Los Angeles, California for a purchase price of approximately \$20.1 million. As a result, the Company consolidated the parcel of land. UDR had previously accounted for its 50% interest in the parcel of land as an unconsolidated joint venture. We accounted for the consolidation as an asset acquisition resulting in no gain or loss upon consolidation and increased our real estate owned by \$31.1 million. Subsequent to the acquisition, the Company entered into a triple-net operating ground lease for the parcel of land at market terms with a third-party developer. The lessee plans to construct a multi-family community on the parcel of land. The ground lease provides the ground lessee with options to buy the fee interest in the parcel of land. The lease term is 49 years plus two 25-year extension options, does not transfer ownership to the lessee, and does not include a bargain purchase option.

In October 2015, the Company completed the acquisition of six Washington, D.C. area properties from Home Properties, L.P., a New York limited partnership ("Home OP"), for \$900.6 million, which was comprised of \$564.8 million of DownREIT Units in the newly formed DownREIT Partnership issued at \$35 per unit (a total of 16.1 million units), the assumption of \$89.3 million of debt, \$221.0 million of reverse Section 1031 exchanges, and \$25.5 million of cash. In addition, the Company issued approximately 14.0 million shares of its Series F Preferred Stock to former limited partners of Home OP, which had the right to subscribe for one share of Series F Preferred Stock for each DownREIT Unit issued in connection with the acquisitions.

Of the six properties acquired from Home OP, four were acquired through the DownREIT Partnership, one was acquired by the Company through a reverse Section 1031 exchange and one was acquired by the Operating Partnership through a reverse Section 1031 exchange.

In February 2015, the Company acquired an office building in Highlands Ranch, Colorado, for consideration of approximately \$24.0 million, which was comprised of assumed debt. The Company's corporate offices, as well as other leased office space, are located in the acquired office building. The building consists of approximately 120,000 square feet. All existing leases were assumed by the Company at the time of the acquisition.

In 2014, the Company acquired a fully-entitled land parcel for future development located in Huntington Beach, California for \$77.8 million, two communities located in Seattle, Washington and Kirkland, Washington with a total of 358 apartment homes for \$45.5 million and \$75.2 million, respectively, and a land parcel for future development located in Boston, Massachusetts for \$32.2 million. The four acquisitions during the year ended December 31, 2014 were accomplished through tax-deferred Section 1031 exchanges.

Dispositions

In November 2016, the Company sold seven operating communities with a total of 1,402 apartment homes in Baltimore, Maryland and an operating community with 380 apartment homes in Dallas, Texas for gross proceeds of \$284.6 million, resulting in net proceeds of \$280.5 million and a gain, net of tax, of \$200.5 million. A portion of the proceeds was designated for tax-deferred Section 1031 exchanges.

In May 2016, the Company sold a retail center in Bellevue, Washington for gross proceeds of \$45.4 million, resulting in net proceeds of \$44.1 million and a gain, net of tax, of \$7.3 million. A portion of the proceeds was designated for tax-deferred Section 1031 exchanges.

In March 2016, the Company sold its 95% ownership interest in two parcels of land in Santa Monica, California for gross proceeds of \$24.0 million, resulting in net proceeds of \$22.0 million and a gain, net of tax, of \$3.1 million.

During the year ended December 31, 2015, the Company sold 12 communities with a total of 2,735 apartment homes for gross proceeds of \$408.7 million, resulting in net proceeds of \$387.7 million and a gain of \$251.7 million. A portion of the sale proceeds was designated for tax-deferred Section 1031 exchanges for a 2014 acquisition and the October 2015 acquisitions.

During the year ended December 31, 2014, the Company recognized gains on the sale of real estate, net of tax, of \$143.6 million. The Company sold nine communities consisting of a total of 2,500 apartment homes, a parcel of land, and one operating property for gross proceeds of \$328.4 million, resulting in net proceeds of \$324.4 million and a gain, net of tax, of \$138.6 million. The Company also sold a 49% interest in a recently completed development for gross proceeds of \$54.2 million, resulting in a gain, net of tax, of \$7.2 million, and 50% interest in a land parcel for gross proceeds of \$8.3 million, resulting in a loss, net of tax, of \$2.2 million. A portion of the sale proceeds was designated for tax-deferred Section 1031 exchanges and was used to fund certain acquisitions of real estate.

We plan to continue to pursue our strategy of exiting markets where long-term growth prospects are limited and redeploying capital to primary locations in markets we believe will provide the best investment returns.

Capital Expenditures

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.

For the year ended December 31, 2016, total capital expenditures of \$112.9 million or \$2,786 per stabilized home, which in aggregate include recurring capital expenditures and major renovations, were spent on all of our communities, excluding development and commercial properties, as compared to \$111.3 million or \$2,818 per stabilized home for the prior year.

The increase in total capital expenditures was primarily due to:

- an increase of 34.7% or \$11.4 million in revenue-enhancing improvements, such as kitchen and bath remodels and upgrades to common areas.

This increase was partially offset by:

- a decrease in major renovations of 35.3% or \$11.6 million, primarily due to lower redevelopment spend.

The following table outlines capital expenditures and repair and maintenance costs for all of our communities, excluding real estate under developments and commercial properties, for the years ended December 31, 2016 and 2015 (*dollars in thousands*):

	Year Ended December 31,			Per Home		
	Year Ended December 31,			Year Ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Turnover capital expenditures	\$ 12,532	\$ 12,108	3.5 %	\$ 309	\$ 307	0.7 %
Asset preservation expenditures	34,725	33,359	4.1 %	856	845	1.3 %
Total recurring capital expenditures	47,257	45,467	3.9 %	1,166	1,151	1.3 %
Revenue-enhancing improvements	44,414	32,979	34.7 %	1,095	835	31.1 %
Major renovations (a)	21,274	32,877	(35.3)%	525	832	(36.9)%
Total capital expenditures	\$ 112,945	\$ 111,323	1.5 %	\$ 2,786	\$ 2,818	(1.1)%
Repair and maintenance expense	\$ 33,859	\$ 31,636	7.0 %	\$ 835	\$ 801	4.2 %
Average home count (b)	40,543	39,501				

(a) Major renovations include major structural changes and/or architectural revisions to existing buildings.

(b) Average number of homes is calculated based on the number of homes outstanding at the end of each month.

The above table reports amounts capitalized during the year. Actual capital spending is impacted by the net change in capital expenditure accruals.

We intend to continue to selectively add revenue-enhancing improvements, which we believe will provide a return on investment in excess of our cost of capital. 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.

Consolidated Real Estate Under Development and Redevelopment

At December 31, 2016, our development pipeline of two wholly-owned communities totaled 1,101 homes, none of which have been completed, with a budget of \$708.5 million, in which we have a carrying value of \$342.3 million. The communities are estimated to be completed during the first quarter of 2018 and the first quarter of 2019. During 2016, we incurred \$178.3 million for development costs, an increase of \$75.1 million from our 2015 level of \$103.2 million.

The following wholly-owned projects were under development as of December 31, 2016 (*dollars in thousands*):

	Location	Number of Apartment Homes	Completed Apartment Homes	Cost to Date	Budgeted Cost	Estimated Cost Per Home	Expected Completion Date
The Residences at Pacific City	Huntington Beach, CA	516	—	\$ 234,275	\$ 342,000	\$ 663	1Q2018
345 Harrison Street	Boston, MA	585	—	108,007	366,500	626	1Q2019
Total		1,101	—	\$342,282	\$ 708,500	\$ 644	

At December 31, 2016, the Company was redeveloping 425 apartment homes, 351 of which have been completed, at three wholly-owned communities.

During the year ended December 31, 2016, we incurred \$21.3 million in major renovations, which include major structural changes and/or architectural revisions to existing buildings, a decrease of \$11.6 million from our 2015 level of \$32.9 million. The estimated completion dates for these communities are the first quarter of 2017 and the first quarter of 2018.

At December 31, 2016, the following communities were in redevelopment (*dollars in thousands*):

	Location	Number of Apartment Homes	Scheduled Redevelopment Homes	Completed Apartment Homes	Cost to Date	Budgeted Cost	Estimated Cost Per Home	Expected Completion Date
Edgewater	San Francisco, CA	193	58	58	\$ 6,289	\$ 7,000	\$ 36	1Q2017
Residences at the Domain	Austin, TX	390	311	274	6,159	8,500	22	1Q2017
Thirty377	Dallas, TX	305	56	19	2,211	9,500	31	1Q2018
Total		888	425	351	\$14,659	\$25,000	\$ 28	

Unconsolidated Joint Ventures and Partnerships

The Company recognizes earnings or losses from our investments in unconsolidated joint ventures and partnerships consisting of our proportionate share of the net earnings or losses of the joint ventures and partnerships. In addition, we may earn fees for providing management services to the unconsolidated joint ventures and partnerships.

The Company's investment in and advances to unconsolidated joint ventures and partnerships, net, are accounted for under the equity method of accounting. For the year ended December 31, 2016:

- our proportionate share of the net income/(loss) of the joint ventures and partnerships was \$52.2 million;
- our investment in unconsolidated joint ventures decreased by \$80.6 million due to the acquisition of 100% interest in properties previously held as unconsolidated entities, partially offset by capital contributions; and
- we received distributions of \$123.7 million, of which \$57.6 million were operating cash flows and \$66.1 million were investing cash flows.

We evaluate our investments in unconsolidated joint ventures and partnerships when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. The Company did not recognize any other-than-temporary decreases in the value of its investments in unconsolidated joint ventures or partnerships during the year ended December 31, 2016 and 2015.

Financing Activities

For the years ended December 31, 2016, 2015 and 2014, *Net cash provided by/(used in) financing activities* was \$(429.3) million, \$201.6 million and \$(113.7) million, respectively.

The following significant financing activities occurred during the year ended December 31, 2016:

- issued \$300 million of 2.95% senior unsecured medium-term notes due September 1, 2026;
- repaid \$375.3 million of secured debt and \$11.8 million of unsecured debt;
- repaid \$83.3 million of 5.25% unsecured medium-term notes due January 2016;
- issued \$50.0 million of secured debt;
- repaid \$128.7 million under the Company's unsecured revolving credit facility, net of borrowings;
- sold 5,000,000 shares of common stock for aggregate net proceeds of approximately \$173.2 million at a price per share of \$34.73; and
- paid distributions of \$308.9 million to our common stockholders.

The following significant financing activities occurred during the year ended December 31, 2015:

- repaid \$194.0 million of secured debt;
- repaid \$325.2 million of 5.25% unsecured medium-term notes due January 2015;
- entered into a \$350.0 million senior unsecured term loan facility due January 2021, which replaced the Company's \$250

million term loan and \$100 million term loan that were scheduled to mature in June 2018;

- entered into a new \$1.1 billion revolving credit facility with a maturity date in January 2020, exclusive of options to extend, which replaced the prior \$900 million revolving credit facility that was scheduled to mature in December 2017;
- issued \$300.0 million of 4.00% senior unsecured medium-term notes due October 1, 2025;
- sold 6,339,636 shares of common stock for aggregate net proceeds of approximately \$210.0 million after deducting related expenses;
- net repayments of \$2.5 million under the Company's \$1.1 billion unsecured revolving credit facility; and
- paid distributions of \$283.2 million to our common stockholders.

The following significant financing activities occurred during the year ended December 31, 2014:

- repaid \$81.0 million of secured debt;
- repaid \$184.0 million of 5.13% unsecured medium-term notes due January 2014;
- repaid \$128.5 million of 5.50% unsecured medium-term notes due April 2014;
- issued \$300.0 million of 3.750% senior unsecured medium-term notes due July 2024;
- sold 3,410,433 shares of common stock for aggregate net proceeds of approximately \$99.8 million after deducting related expenses;
- net borrowings of \$152.5 million under the Company's prior \$900 million unsecured revolving credit facility; and
- paid distributions of \$256.1 million to our common stockholders.

Credit Facilities

We had three secured credit facilities with Fannie Mae with an aggregate commitment of \$636.8 million, all of which was outstanding as of December 31, 2016. The Fannie Mae credit facilities mature at various dates from May 2017 through July 2023, and bear interest at floating and fixed rates. At December 31, 2016, \$355.8 million of the outstanding balance was fixed and had a weighted average interest rate of 5.06% and the remaining balance of \$280.9 million had a weighted average variable rate of 2.13%. The Company prepaid a portion of the secured credit facility due in May 2017 with a portion of the proceeds from the notes offering in August 2016.

The Company has a \$1.1 billion senior unsecured revolving credit facility (the "Revolving Credit Facility") and a \$350.0 million senior unsecured term loan facility (the "Term Loan Facility"). The credit agreement for these facilities allows the total commitments under the Revolving Credit Facility and the total borrowings under the Term Loan Facility to be increased to an aggregate maximum amount of up to \$2.0 billion, subject to certain conditions, including obtaining commitments from any one or more lenders. The Revolving Credit Facility has a scheduled maturity date of January 31, 2020, with two six-month extension options, subject to certain conditions. The Term Loan Facility has a scheduled maturity date of January 29, 2021.

Based on the Company's current credit rating, the Revolving Credit Facility has an interest rate equal to LIBOR plus a margin of 90 basis points and a facility fee of 15 basis points, and the Term Loan Facility has an interest rate equal to LIBOR plus a margin of 95 basis points. Depending on the Company's credit rating, the margin under the Revolving Credit Facility ranges from 85 to 155 basis points, the facility fee ranges from 12.5 to 30 basis points, and the margin under the Term Loan Facility ranges from 90 to 175 basis points.

As of December 31, 2016, we had no outstanding borrowings under the Revolving Credit Facility, leaving \$1.1 billion of unused capacity (excluding \$2.9 million of letters of credit at December 31, 2016), and \$350.0 million of outstanding borrowings under the Term Loan Facility.

We have a working capital credit facility, which provides for a \$75 million unsecured revolving credit facility (the "Working Capital Credit Facility") with a scheduled maturity date of January 1, 2019. Based on the Company's current credit rating, the Working Capital Credit Facility has an interest rate equal to LIBOR plus a margin of 90 basis points. Depending on the Company's credit rating, the margin ranges from 85 to 155 basis points.

As of December 31, 2016, we had \$21.4 million of outstanding borrowings under the Working Capital Credit Facility, leaving \$53.7 million of unused capacity.

In July 2016, we amended the working capital credit facility to increase the maximum borrowing capacity from \$30 million to \$75 million. The scheduled maturity date and interest rate were unchanged by the amendment.

The Fannie Mae credit facilities and the bank unsecured revolving credit facilities are subject to customary financial covenants and limitations. As of December 31, 2016, we were in compliance with all financial covenants under these credit facilities.

On January 23, 2017, we entered into an unsecured commercial paper note program. Under the terms of the program, we may issue unsecured commercial paper notes up to a maximum aggregate amount outstanding of \$500 million. The notes are sold under customary terms in the United States commercial paper note market and rank pari passu with all of our other unsecured senior indebtedness. The notes are fully and unconditionally guaranteed by the Operating Partnership. The Company intends to use the commercial paper program as an alternative funding source for amounts that would have otherwise been outstanding on the revolving credit facility and intends to manage the use of the commercial paper program so that the maximum combined amount outstanding under the commercial paper program and the revolving credit facility will not exceed the maximum borrowings permitted under the credit facility of \$1.1 billion. As of February 17, 2017, we had issued \$120.0 million of commercial paper notes, for one month terms, at a weighted average annualized rate of 1.16%.

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 interest rates impact our cost of variable rate debt and maturing fixed rate debt. We had \$432.0 million in variable rate debt that is not subject to interest rate swap contracts as of December 31, 2016. If market interest rates for variable rate debt increased by 100 basis points, our interest expense would increase by \$6.5 million based on the average balance outstanding during the year.

These amounts are determined by considering the impact of hypothetical interest rates on our borrowing cost. These analysis 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.

The Company also utilizes derivative financial instruments to manage interest rate risk and generally designates these financial instruments as cash flow hedges. See Note 14, *Derivatives and Hedging Activities*, in the Notes to the UDR Consolidated Financial Statements included in this Report for additional discussion of derivate instruments.

A presentation of cash flow metrics based on GAAP is as follows (*dollars in thousands*):

	Year Ended December 31,		
	2016	2015	2014
Net cash provided by/(used in) operating activities	\$ 536,929	\$ 458,627	\$ 397,303
Net cash provided by/(used in) investing activities	(112,277)	(265,461)	(298,603)
Net cash provided by/(used in) financing activities	(429,282)	(201,648)	(113,725)

Results of Operations

The following discussion explains the changes in results of operations that are presented in our Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014.

Net Income/(Loss) Attributable to Common Stockholders

2016 -vs- 2015

Net income attributable to common stockholders was \$289.0 million (\$1.08 per diluted share) for the year ended December 31, 2016 as compared to net income of \$336.7 million (\$1.29 per diluted share) for the prior year. The decrease in net income attributable to common stockholders for the year ended December 31, 2016 resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

- gains, net of tax, of \$210.9 million on the sale of eight operating communities with a total of 1,782 apartment homes, a retail center and the Company's 95% interest in two land parcels during the year ended December 31, 2016, compared to gains, net of tax, of \$251.7 million on the sale of 12 operating communities with a total of 2,735 apartment homes during the year ended December 31, 2015;
- an increase in depreciation expense of \$45.0 million due to homes delivered from our development and redevelopment communities and communities acquired in 2016 and 2015, partially offset by a decrease from sold communities and fully depreciated assets;
- a decrease in joint venture management and other fees of \$11.3 million primarily due to the promote and fee income of \$10.0 million recognized in connection with the sale of the Texas Joint Venture in 2015; and
- a decrease in income from unconsolidated entities of \$10.1 million primarily due to the sale of three operating communities by the UDR/MetLife II joint venture, which resulted in gains of \$47.7 million for the Company, and a casualty gain of \$3.8 million, as a result of insurance proceeds related to a September 2015 event received during the year ended December 31, 2016, as compared to the sale of the eight communities held by the Texas Joint Venture, which resulted in a gain of \$59.4 million, during the year ended December 31, 2015.

This was partially offset by:

- an increase in total property NOI of \$59.2 million primarily due to higher revenue per occupied home, NOI from the homes placed in service related to development and redevelopment projects completed in 2016 and 2015 and communities acquired in 2016 and 2015, partially offset by a decrease from sold communities.

2015 -vs- 2014

Net income attributable to common stockholders was \$336.7 million (\$1.29 per diluted share) for the year ended December 31, 2015 as compared to net income of \$150.6 million (\$0.59 per diluted share) for the prior year. The increase in net income attributable to common stockholders for the year ended December 31, 2015 resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

- gains, net of tax, of \$251.7 million on the sale of 12 operating communities with a total of 2,735 apartment homes during the year ended December 31, 2015, compared to gains, net of tax, of \$143.6 million during the year ended December 31, 2014;
- income from unconsolidated entities of \$62.3 million, which includes a gain of \$59.4 million (including \$24.2 million of previously deferred gains) in connection with the sale of the eight communities held by the Texas joint venture; and
- an increase in total property NOI of \$57.5 million primarily due to higher occupancy and higher revenue per occupied home, NOI from the homes placed in service related to development and redevelopment projects completed in 2015 and 2014 and communities acquired in 2015 and 2014, partially offset by a decrease from sold communities.

This was partially offset by:

- a decrease in *Interest income and other income/(expense), net* of \$10.3 million primarily due to a net gain of \$8.4 million on the early settlement of a note receivable in July 2014.

Apartment Community Operations

Our net income results are primarily from NOI generated from the operation of our apartment communities. The Company defines NOI, which is a non-GAAP financial measure, 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.

Although the Company considers NOI a useful measure of operating performance, NOI should not be considered an alternative to net income or net cash flow from operating activities as determined in accordance with GAAP. NOI excludes

several income and expense categories as detailed in the reconciliation of NOI to *Net income/(loss) attributable to UDR, Inc.* below.

The following table summarizes the operating performance of our total property NOI (which includes discontinued operations) for each of the periods presented (*dollars in thousands*):

	Year Ended December 31, (a)		% Change	Year Ended December 31, (b)		% Change
	2016	2015		2015	2014	
Same-Store Communities:						
Same-Store rental income	\$ 725,414	\$ 686,589	5.7 %	\$ 660,142	\$ 625,037	5.6 %
Same-Store operating expense (c)	(207,857)	(200,473)	3.7 %	(191,010)	(185,379)	3.0 %
Same-Store NOI	<u>517,557</u>	<u>486,116</u>	6.5 %	<u>469,132</u>	<u>439,658</u>	6.7 %
Non-Mature Communities/Other NOI:						
Acquired communities NOI	54,101	13,144	311.6 %	16,247	1,370	1,085.9 %
Sold or held for disposition communities NOI	16,444	41,152	(60.0)%	21,292	40,380	(47.3)%
Development communities NOI	20,749	9,214	125.2 %	29,677	10,947	171.1 %
Redevelopment communities NOI	47,763	48,145	(0.8)%	60,558	52,450	15.5 %
Commercial NOI and other	16,471	16,098	2.3 %	16,963	11,516	47.3 %
Total Non-Mature Communities/Other NOI	<u>155,528</u>	<u>127,753</u>	21.7 %	<u>144,737</u>	<u>116,663</u>	24.1 %
Total property NOI	<u>\$ 673,085</u>	<u>\$ 613,869</u>	9.6 %	<u>\$ 613,869</u>	<u>\$ 556,321</u>	10.3 %

(a) Same-Store consists of 31,930 apartment homes.

(b) Same-Store consists of 33,063 apartment homes.

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

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

	Year Ended December 31,		
	2016	2015	2014
Net income/(loss) attributable to UDR, Inc.	\$ 292,718	\$ 340,383	\$ 154,334
Joint venture management and other fees	(11,400)	(22,710)	(13,044)
Property management	26,083	23,978	22,142
Other operating expenses	7,649	9,708	8,271
Real estate depreciation and amortization	419,615	374,598	358,154
General and administrative	49,761	59,690	47,800
Casualty-related charges/(recoveries), net	732	2,335	541
Other depreciation and amortization	6,023	6,679	5,775
(Income)/loss from unconsolidated entities	(52,234)	(62,329)	7,006
Interest expense	123,031	121,875	130,454

Interest income and other (income)/expense, net	(1,930)	(1,551)	(11,837)
Tax (benefit)/provision, net	(3,774)	(3,886)	(15,136)
(Gain)/loss on sale of real estate owned, net of tax	(210,851)	(251,677)	(143,647)
Net income/(loss) attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	27,282	16,773	5,511
Net income/(loss) attributable to noncontrolling interests	380	3	(3)
Total property NOI	<u>\$ 673,085</u>	<u>\$ 613,869</u>	<u>\$ 556,321</u>

Same-Store Communities

2016 -vs- 2015

Our *Same-Store Community* properties (those acquired, developed, and stabilized prior to January 1, 2015 and held on December 31, 2016) consisted of 31,930 apartment homes and provided 76.9% of our total NOI for the year ended December 31, 2016.

NOI for our *Same-Store Community* properties increased 6.5% or \$31.4 million for the year ended December 31, 2016 as compared to 2015. The increase in property NOI was primarily attributable to a 5.7% or \$38.8 million increase in property rental income, which was partially offset by a 3.7% or \$7.4 million increase in operating expenses. The increase in property income was primarily driven by a 5.5% or \$35.9 million increase in rental rates and a 6.5% or \$3.6 million increase in reimbursement and fee income. Physical occupancy was unchanged at 96.7% and total monthly income per occupied home increased by 5.6% to \$1,958.

The increase in operating expenses was primarily driven by a 9.2% or \$6.5 million increase in real estate taxes, which was primarily due to higher assessed valuations and lower appeal refunds.

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 71.3% for the year ended December 31, 2016 as compared to 70.8% for 2015.

2015 -vs- 2014

Our *Same-Store Community* properties (those acquired, developed, and stabilized prior to January 1, 2014 and held on December 31, 2015) consisted of 33,063 apartment homes and provided 76.4% of our total NOI for the year ended December 31, 2015.

NOI for our *Same-Store Community* properties increased \$29.5 million or 6.7% for the year ended December 31, 2015 compared to 2014. The increase in property NOI was attributable to a 5.6% or \$35.1 million increase in property rental income, which was partially offset by a 3.0% or \$5.6 million increase in operating expenses. The increase in property income was primarily driven by a 5.1% or \$30.4 million increase in rental rates and a 6.5% or \$2.9 million increase in reimbursement and fee income. Physical occupancy was unchanged at 96.7% and total monthly income per occupied home increased by 5.5% to \$1,721.

The increase in operating expenses was primarily driven by a 2.9% or \$1.8 million increase in real estate taxes, a 4.9% or \$1.5 million increase in utilities expense, and a 3.1% or \$1.4 million increase 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 71.1% for the year ended December 31, 2015 as compared to 70.3% for 2014.

Non-Mature Communities/Other

UDR's *Non-Mature Communities/Other* represent those communities that do not meet the criteria to be included in *Same-Store Communities*, which include communities recently developed or acquired, redevelopment properties, sold or held for disposition properties, and non-apartment components of mixed use properties.

2016 -vs- 2015

The remaining \$155.5 million or 23.1% of our total NOI for the year ended December 31, 2016 was generated from our *Non-Mature Communities/Other*. NOI from *Non-Mature Communities/Other* increased by 21.7% or \$27.8 million for the year ended December 31, 2016 compared to 2015. The increase was primarily driven by an increase in NOI of \$41.0 million from acquired communities and an increase of \$11.2 million from developed and redeveloped communities completed in 2016 and 2015, which was partially offset by a decrease in NOI of \$24.7 million from communities sold or held for disposition in 2016 and 2015.

2015 -vs- 2014

The remaining \$144.7 million or 23.6% of our total NOI for the year ended December 31, 2015 was generated from our *Non-Mature Communities/Other*. NOI from *Non-Mature Communities/Other* increased by 24.1% or \$28.1 million for the

year ended December 31, 2015 compared to 2014. The increase was primarily driven by an increase in NOI of \$26.8 million from developed and redeveloped communities completed in 2015 and 2014 and \$14.9 million from acquired communities, which was partially offset by a decrease in NOI of \$19.1 million from communities sold or held for disposition in 2015 and 2014.

Joint Venture Management and Other Fees

For the years ended December 31, 2016, 2015 and 2014, we recognized income from joint venture management and other fees of \$11.4 million, \$22.7 million, and \$13.0 million, respectively. The decreased income in 2016 as compared to 2015 and increased income in 2015 as compared to 2014 was attributable to the promote and fee income of \$10.0 million recognized in connection with the sale of the Texas Joint Venture in 2015.

Real Estate Depreciation and Amortization

For the year ended December 31, 2016, real estate depreciation and amortization increased 12.0% or \$45.0 million as compared to 2015. The increase was primarily due to homes delivered from our development and redevelopment communities and communities acquired in 2016 and 2015, partially offset by a decrease from sold communities and fully depreciated assets.

For the year ended December 31, 2015, real estate depreciation and amortization increased 4.6% or \$16.4 million as compared to 2014. The increase was primarily due to homes delivered from our development and redevelopment communities and communities acquired in 2015 and 2014, partially offset by a decrease from sold communities and fully depreciated assets.

General and Administrative

For the year ended December 31, 2016, general and administrative expense decreased 16.6% or \$9.9 million from 2015. The decrease was primarily due to a decrease in bonus expense and stock-based compensation expense for awards under the long-term incentive plan of \$6.2 million, primarily due to the departure of our prior Chief Financial Officer in 2016 and outperformance in 2015, a decrease in long-term incentive plan transition costs of \$2.6 million and a decrease in acquisition costs of \$1.9 million, which was partially offset by an increase in salaries and benefits.

For the year ended December 31, 2015, general and administrative expense increased 24.9% or \$11.9 million from 2014. The increase was primarily due to a \$5.0 million increase in bonus expense, a \$4.6 million increase in stock-based compensation expense for awards under the long-term incentive plan, of which \$3.5 million was due to the transition from a one-year to a three-year performance period, a \$1.8 million increase in acquisition-related costs, and an increase in salaries and benefits.

Income/(Loss) from Unconsolidated Entities

For the years ended December 31, 2016, 2015 and 2014, we recognized income/(loss) from unconsolidated entities of \$52.2 million, \$62.3 million, and \$(7.0) million, respectively. The decrease in income in 2016 as compared to 2015 of \$10.1 million was primarily due to the sale of three operating communities by the UDR/MetLife II joint venture, which resulted in gains of \$47.7 million for the Company, and a casualty gain of \$3.8 million as a result of insurance proceeds related to a September 2015 event received during the year ended December 31, 2016, as compared to the sale of the eight communities held by the Texas Joint Venture, which resulted in a gain of \$59.4 million, during the year ended December 31, 2015. The increase in income in 2015 as compared to 2014 was primarily due to the sale of the eight communities held by the Texas Joint Venture.

Interest Expense

For the years ended December 31, 2016, 2015 and 2014, we recognized interest expense of \$123.0 million, \$121.9 million and \$130.5 million, respectively. The decrease in 2015 as compared to 2014 of 6.6% or \$8.6 million was primarily due to the repayment of the \$325.2 million medium term notes in January 2015 and the replacement of debt at lower rates.

Interest Income and Other Income/(Expense), Net

For the years ended December 31, 2016, 2015 and 2014, *Interest income and other income/(expense), net* was \$1.9 million, \$1.6 million and \$11.9 million, respectively. The decrease in 2015 as compared to 2014 of \$10.3 million was primarily attributable to the net gain of \$8.4 million realized on the repayment of a note receivable in 2014.

Tax Benefit/(Provision), Net

Income taxes for our TRS 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.

The Company recognized a *Tax benefit/(provision), net* of \$3.8 million, \$3.9 million and \$15.1 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The decrease for 2016 as compared to 2015 was primarily attributable to a one-time tax benefit of \$2.4 million related to the conversion of certain taxable REIT subsidiary entities into REITs in 2016, offset by an increase in NOI of properties in the TRS.

The decrease for 2015 as compared to 2014 was primarily attributable to a one-time tax benefit of \$5.8 million related to the conversion of certain taxable REIT subsidiary entities into REITs in 2014 and the resulting zero effective tax rate being applied to its 2015 income.

Gain/(Loss) on Sale of Real Estate Owned, Net of Tax

During the year ended December 31, 2016, the Company sold eight operating communities with a total of 1,782 apartment homes, a retail center, and its 95% interest in two land parcels, resulting in a gain, net of tax, of \$210.9 million.

During the year ended December 31, 2015, the Company sold 12 operating communities with a total of 2,735 apartment homes, resulting in a gain, net of tax, of \$251.7 million.

During the year ended December 31, 2014, the Company recognized gains on the sale of real estate, net of tax, of \$143.6 million. The Company sold nine operating communities consisting of a total of 2,500 apartment homes, a parcel of land, and one operating property for a gain, net of tax, of \$138.6 million. The Company also sold a 49% interest in a recently completed development, resulting in a gain, net of tax, of \$7.2 million, and our 50% interest in a land parcel, resulting in a loss, net of tax, of \$2.2 million.

Noncontrolling Interest

For the years ended December 31, 2016, 2015 and 2014, we recognized net income attributable to redeemable noncontrolling interests in the Operating Partnership and the DownREIT Partnership of \$27.3 million, \$16.8 million, and \$5.5 million, respectively. The increase in 2016 as compared to 2015 is primarily attributable to the number of partnership units held by third-party noncontrolling interest holders as a result of the formation of the DownREIT Partnership in October 2015. The increase in 2015 as compared to 2014 is primarily attributable to an increase in the number of partnership units held by third-party noncontrolling interest holders as a result of the formation of the DownREIT Partnership as well as increased net income of the Operating Partnership.

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 apartment leases have terms of 12 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 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 year ended December 31, 2016.

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.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2016 (*dollars in thousands*):

Contractual Obligations	Payments Due by Period				
	2017	2018-2019	2020-2021	Thereafter	Total
Long-term debt obligations	\$ 51,001	\$ 851,051	\$ 849,193	\$ 1,659,055	\$ 3,410,300
Interest on debt obligations (a)	126,068	219,292	150,511	159,394	655,265
Letters of credit	2,851	—	—	—	2,851
Unfunded commitments on:					
Development projects (b)	—	366,218	—	—	366,218
Unconsolidated joint ventures (b) (c)	14,155	64,240	—	—	78,395
Redevelopment projects (b)	3,052	7,289	—	—	10,341
Operating lease obligations:					
Operating space	179	152	108	—	439
Ground leases (d)	5,548	11,096	11,096	334,604	362,344
	<u>\$ 202,854</u>	<u>\$ 1,519,338</u>	<u>\$ 1,010,908</u>	<u>\$ 2,153,053</u>	<u>\$ 4,886,153</u>

(a) Interest payments on variable rate debt instruments are based on each debt instrument's respective year-end interest rate at December 31, 2016.

(b) Any unfunded costs at December 31, 2016 are shown in the year of estimated completion.

(c) Represents UDR's proportionate share of expected remaining costs to complete the developments.

(d) For purposes of our ground lease contracts, the Company uses the minimum lease payment, if stated in the agreement. For ground lease agreements where there is a reset provision based on the communities appraised value or consumer price index but does not include a specified minimum lease payment, the Company uses the current rent over the remainder of the lease term.

During 2016, we incurred gross interest costs of \$139.5 million, of which \$16.5 million was capitalized.

Funds from Operations, Funds from Operations as Adjusted, and Adjusted Funds from Operations

Funds from Operations

Funds from operations ("FFO") is defined as net income attributable to common stockholders (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 noncontrolling interests, unconsolidated partnerships and joint ventures. This definition conforms with the National Association of Real Estate Investment Trust's ("NAREIT") definition issued in April 2002. 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 a REIT's operating performance. In the computation of FFO, diluted, if OP Units, DownREIT Units, unvested restricted stock, stock options, and the shares of Series E Cumulative Convertible Preferred Stock are dilutive, they are included in the diluted share count.

Activities of our taxable REIT subsidiaries ("TRS") include development and land entitlement. From time to time, we develop and subsequently sell a TRS property which results in a short-term use of funds that produces a profit that differs from the traditional long-term investment in real estate for REITs. We believe that the inclusion of these TRS gains in FFO is consistent with the standards established by NAREIT as the short-term investment is incidental to our main business. TRS gains on sales, net of taxes, are defined as net sales proceeds less a tax provision and the gross investment basis of the asset before accumulated depreciation.

We consider FFO a useful metric for investors as we use 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 GAAP. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of funds available to fund our cash needs.

Funds from Operations as Adjusted

FFO as Adjusted is defined as FFO excluding the impact of acquisition-related costs and other non-comparable items including, but not limited to, prepayment costs/benefits associated with early debt retirement, gains on sales of marketable securities and TRS property, deferred tax valuation allowance increases and decreases, casualty-related expenses and recoveries, severance costs and legal costs. Management believes that FFO as Adjusted is useful supplemental information regarding our operating performance as it provides a consistent comparison of our operating performance across time periods and allows investors to more easily compare our operating results with other REITs.

FFO as Adjusted is not intended to represent cash flow or liquidity for the period, and is only intended to provide an additional measure of our operating performance. We believe that *Net income/(loss) attributable to common stockholders* is the most directly comparable GAAP financial measure to FFO as Adjusted. However, other REITs may use different methodologies for calculating FFO as Adjusted or similar FFO measures and, accordingly, our FFO as Adjusted may not always be comparable to FFO as Adjusted or similar FFO measures calculated by other REITs. FFO as Adjusted should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of financial performance, or as an alternative to cash flows from operating activities (determined in accordance with GAAP) as a measure of our liquidity.

Adjusted Funds from Operations

Adjusted FFO (“AFFO”) is a non-GAAP financial measure that management uses as a supplemental measure of our performance. AFFO is defined as FFO as Adjusted less recurring capital expenditures on consolidated communities that are necessary to help preserve the value of and maintain functionality at our communities. Therefore, management considers AFFO a useful supplemental performance metric for investors as it is more indicative of the Company’s operational performance than FFO or FFO as Adjusted.

AFFO is not intended to represent cash flow or liquidity for the period, and is only intended to provide an additional measure of our operating performance. We believe that *Net income/(loss) attributable to common stockholders* is the most directly comparable GAAP financial measure to AFFO. Management believes that AFFO is a widely recognized measure of the operations of REITs, and presenting AFFO will enable investors to assess our performance in comparison to other REITs. However, other REITs may use different methodologies for calculating AFFO and, accordingly, our AFFO may not always be comparable to AFFO calculated by other REITs. AFFO should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of financial performance, or as an alternative to cash flows from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions.

The following table outlines our reconciliation of *Net income/(loss) attributable to common stockholders* to FFO, FFO as Adjusted, and AFFO for the years ended December 31, 2016, 2015, and 2014 (*dollars in thousands*):

	Year Ended December 31,		
	2016	2015	2014
Net income/(loss) attributable to common stockholders	\$ 289,001	\$ 336,661	\$ 150,610
Real estate depreciation and amortization, including discontinued operations	419,615	374,598	358,154
Noncontrolling interests	27,662	16,776	5,508
Real estate depreciation and amortization on unconsolidated joint ventures	47,832	38,652	42,133
Net gain on the sale of unconsolidated depreciable property	(47,848)	(59,445)	—
Net gain on the sale of depreciable real estate owned	(209,166)	(251,677)	(144,703)
Funds from operations (“FFO”) attributable to common stockholders and unitholders, basic	\$ 527,096	\$ 455,565	\$ 411,702
Distribution to preferred stockholders — Series E (Convertible)	3,717	3,722	3,724
FFO attributable to common stockholders and unitholders, diluted	\$ 530,813	\$ 459,287	\$ 415,426
Income/(loss) per weighted average common share - diluted	\$ 1.08	\$ 1.29	\$ 0.59
FFO per common share and unit, basic	\$ 1.81	\$ 1.68	\$ 1.58
FFO per common share and unit, diluted	\$ 1.80	\$ 1.66	\$ 1.56
Weighted average number of common shares and OP/DownREIT Units outstanding — basic	290,516	271,616	260,775
Weighted average number of common shares, OP/DownREIT Units, and common stock equivalents outstanding — diluted	295,469	276,699	265,728
Impact of adjustments to FFO:			
Acquisition-related costs/(fees)	\$ 213	\$ 2,126	\$ 373
Acquisition-related costs/(fees) on unconsolidated joint ventures	—	1,460	69
Costs/(benefit) associated with debt extinguishment and other	1,729	—	192
Texas joint venture promote and disposition fee income	—	(10,005)	—
Long-term incentive plan transition costs	898	3,537	—
Net (gain)/loss on the sale of non-depreciable real estate owned	(1,685)	—	1,056
Net gain on prepayment of note receivable	—	—	(8,411)
Legal claims, net of tax	(480)	705	—
Net loss on sale of unconsolidated land	1,016	—	—
Severance costs and other restructuring expense	871	—	—
Tax benefit associated with the conversion of certain TRS entities into REITs	(2,436)	—	(5,770)
Casualty-related (recoveries)/charges, net	732	2,335	541
Casualty-related (recoveries)/charges on unconsolidated joint ventures, net	(3,752)	2,474	—
	\$ (2,894)	\$ 2,632	\$ (11,950)
FFO as Adjusted attributable to common stockholders and unitholders, diluted	\$ 527,919	\$ 461,919	\$ 403,476
FFO as Adjusted per common share and unit, diluted	\$ 1.79	\$ 1.67	\$ 1.52

Recurring capital expenditures	<u>(47,257)</u>	<u>(45,467)</u>	<u>(43,921)</u>
AFFO attributable to common stockholders and unitholders	<u>\$ 480,662</u>	<u>\$ 416,452</u>	<u>\$ 359,555</u>
AFFO per common share and unit, diluted	<u>\$ 1.63</u>	<u>\$ 1.51</u>	<u>\$ 1.35</u>

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 years ended December 31, 2016, 2015, and 2014 (*shares in thousands*):

	Year Ended December 31,		
	2016	2015	2014
Weighted average number of common shares and OP/DownREIT Units outstanding — basic	290,516	271,616	260,775
Weighted average number of OP/DownREIT Units outstanding	(25,130)	(12,947)	(9,247)
Weighted average number of common shares outstanding — basic per the Consolidated Statements of Operations	265,386	258,669	251,528
Weighted average number of common shares, OP/DownREIT Units, and common stock equivalents outstanding — diluted	295,469	276,699	265,728
Weighted average number of OP/DownREIT Units outstanding	(25,130)	(12,947)	(9,247)
Weighted average number of Series E preferred shares outstanding	(3,028)	—	(3,036)
Weighted average number of common shares outstanding — diluted per the Consolidated Statements of Operations	267,311	263,752	253,445

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. 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 December 31, 2016, the Operating Partnership’s real estate portfolio included 54 communities located in eight states and the District of Columbia with a total of 16,698 apartment homes.

As of December 31, 2016, UDR owned 110,883 units of our general limited partnership interests and 174,119,201 units of our limited partnership interests (the “OP Units”), or approximately 95.1% 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 section of 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 is a self-administered real estate investment trust, or REIT, that owns, acquires, renovates, develops, and manages apartment communities. 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 December 31, 2016, the General Partner’s consolidated real estate portfolio included 127 communities located in 10 states and the District of Columbia with a total of 39,454 apartment homes. In addition, the General Partner had an ownership interest in 27 communities with 6,849 completed apartment homes through unconsolidated operating communities.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles (“GAAP”) requires management to use judgment in the application of accounting policies, including making estimates and assumptions. A critical accounting policy is one that is both important to our financial condition and results of operations as well as involves some degree of uncertainty. Estimates are prepared based on management’s assessment after considering all evidence available. Changes in estimates could affect our financial position or results of operations. Below is a discussion of the accounting policies that we consider critical to understanding our financial condition or results of operations where there is uncertainty or where significant judgment is required. A discussion of our significant accounting policies, including further discussion of the accounting

policies described below, can be found in Note 2, *Significant Accounting Policies*, to the Notes to the Operating Partnership's Consolidated Financial Statements included in this Report.

Cost Capitalization

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.

In addition to construction costs, we capitalize costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. As each home in a capital project is completed and becomes available for lease-up, the Operating Partnership ceases capitalization on the related portion. The costs capitalized are reported on the Consolidated Balance Sheets as *Total real estate owned, net of accumulated depreciation*. Amounts capitalized during the years ended December 31, 2016, 2015, and 2014, were \$0.8 million, \$0.9 million, and \$4.9 million, respectively.

Investment in Unconsolidated Entities

We may enter into various joint venture agreements and/or partnerships with unrelated third parties to hold or develop real estate assets. We must determine for each of these ventures whether to consolidate the entity or account for our investment under the equity method of accounting. We determine whether to consolidate a joint venture or partnership based on our rights and obligations under the venture agreement, applying the applicable accounting guidance. The application of the rules in evaluating the accounting treatment for each joint venture or partnership is complex and requires substantial management judgment. We evaluate our accounting for investments on a regular basis including when a significant change in the design of an entity occurs. Throughout our financial statements, and in this Management's Discussion and Analysis of Financial Condition and Results of Operations, we use the term "joint venture" or "partnership" when referring to investments in entities in which we do not have a 100% ownership interest.

We continually evaluate our investments in unconsolidated joint ventures when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. These factors include, but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, and the relationships with the other joint venture partners and its lenders. The amount of loss recognized is the excess of the investment's carrying amount over its estimated fair value. If we believe that the decline in fair value is temporary, no impairment is recorded. The aforementioned factors are taken as a whole by management in determining the valuation of our investment property. Should the actual results differ from management's judgment, the valuation could be negatively affected and may result in a negative impact to our Consolidated Financial Statements.

Impairment of Long-Lived Assets

We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by the future operation and disposition of those assets are less than the net book value of those assets. Our cash flow estimates are based upon historical results adjusted to reflect our best estimate of future market and operating conditions and our estimated holding periods. The net book value of impaired assets is reduced to fair market value. Our estimates of fair market value represent our best estimate based primarily upon unobservable inputs related to rental rates, operating costs, growth rates, discount rates, capitalization rates, industry trends and reference to market rates and transactions.

Real Estate Investment Properties

We purchase real estate investment properties from time to time and record the fair value to various components, such as land, buildings, and intangibles related to in-place leases, based on the fair value of each component. In making estimates of fair values for purposes of allocating purchase price, we utilize various sources, including independent appraisals, our own analysis of recently acquired and existing comparable properties in our portfolio and other market data. The fair value of buildings is determined as if the buildings were vacant upon acquisition and subsequently leased at market rental rates. As such, the determination of fair value considers the present value of all cash flows expected to be generated from the property including an initial lease-up period. We determine the fair value of in-place leases by assessing the net effective rent and remaining term of the lease relative to market terms for similar leases at acquisition. In addition, we consider the cost of

acquiring similar leases, the foregone rents associated with the lease-up period, and the carrying costs associated with the lease-up period. The fair value of in-place leases is recorded and amortized as amortization expense over the remaining average contractual lease period.

Summary of Real Estate Portfolio by Geographic Market

The following table summarizes our market information by major geographic markets as of and for the year ended December 31, 2016.

Same-Store Communities	Number of Apartment Communities	As of December 31, 2016			Year Ended December 31, 2016		
		Number of Apartment Homes	Percentage of Total Carrying Value	Total Carrying Value (in thousands)	Average Physical Occupancy	Monthly Income per Occupied Home (a)	Net Operating Income (in thousands)
West Region							
Orange County, CA	6	2,052	13.4%	\$ 493,749	96.0%	\$ 2,165	\$ 38,929
San Francisco, CA	7	1,688	10.6%	389,374	96.2%	2,873	43,450
Seattle, WA	5	932	6.0%	219,342	96.6%	1,817	14,147
Los Angeles, CA	2	344	3.0%	110,435	95.6%	2,470	6,824
Monterey Peninsula, CA	7	1,565	4.6%	169,006	96.7%	1,511	20,406
Other Southern California	2	516	2.5%	92,297	95.5%	1,846	7,917
Portland, OR	2	476	1.3%	47,559	97.1%	1,476	6,111
Mid-Atlantic Region							
Metropolitan D.C.	4	1,315	7.8%	286,590	96.9%	1,929	19,915
Baltimore, MD	2	540	2.8%	102,303	96.7%	1,513	6,610
Northeast Region							
New York, NY	2	996	16.5%	605,120	97.3%	3,835	34,708
Boston, MA	1	387	1.9%	69,808	96.7%	1,883	5,996
Southeast Region							
Nashville, TN	6	1,612	3.8%	141,452	97.6%	1,171	15,677
Tampa, FL	2	942	2.8%	103,872	96.9%	1,350	9,793
Other Florida	1	636	2.3%	83,405	96.4%	1,483	7,049
Total/Average Same-Store Communities	49	14,001	79.3%	2,914,312	96.6%	\$ 1,989	237,532
Non-Mature, Commercial Properties & Other	5	2,697	20.7%	760,392			59,589
Total Real Estate Owned	54	16,698	100%	3,674,704			\$ 297,121
Total Accumulated Depreciation				(1,408,815)			
Total Real Estate Owned, Net of Accumulated Depreciation				\$ 2,265,889			

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

We report in two segments: *Same-Store Communities* and *Non-Mature Communities/Other*.

Our *Same-Store Communities* segment represents those communities acquired, developed, and stabilized prior to January 1, 2015 and held as of December 31, 2016. 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 communities are not held for disposition at year end. A community is considered to have stabilized occupancy once it achieves 90% occupancy for at least three consecutive months.

Our *Non-Mature Communities/Other* segment represents those communities that do not meet the criteria to be included in *Same-Store Communities*, including, but not limited to, recently acquired, developed and redeveloped communities, 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.

Future Capital Needs

Future capital expenditures are expected to be funded with proceeds from the issuance of secured debt or unsecured debt, sales of properties, borrowings allocated to us under our General Partner's credit agreements, and to a lesser extent, from cash flows provided by operating activities.

As of December 31, 2016, the Operating Partnership does not have any secured debt maturing in 2017.

Statements of Cash Flows

The following discussion explains the changes in *Net cash provided by/(used in) operating activities*, *Net cash provided by/(used in) investing activities*, and *Net cash provided by/(used in) financing activities* that are presented in our Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015, and 2014.

Operating Activities

For the year ended December 31, 2016, *Net cash provided by/(used in) operating activities* was \$228.7 million compared to \$226.8 million for 2015. The increase in cash flow from operating activities was primarily due to improved operating income, primarily driven by revenue growth at communities.

For the year ended December 31, 2015, *Net cash provided by/(used in) operating activities* was \$226.8 million compared to \$208.0 million for 2014. The increase in cash flow from operating activities was primarily due to improved operating income, primarily driven by revenue growth at communities.

Investing Activities

For the year ended December 31, 2016, *Net cash provided by/(used in) investing activities* was \$(9.5) million compared to \$23.6 million for 2015. The decrease in cash provided by investing activities was primarily due to a decrease in proceeds from dispositions, partially offset by increased distributions received from unconsolidated entities and acquisitions of real estate assets in 2015.

For the year ended December 31, 2015, *Net cash provided by/(used in) investing activities* was \$23.6 million compared to \$(46.7) million for 2014. The increase in cash provided by investing activities was primarily related to an increase in proceeds from dispositions and decreased spend on development projects, partially offset by the acquisition of a real estate asset in 2015.

Acquisitions

The Operating Partnership did not have any acquisitions during the year ended December 31, 2016.

In October 2015, the Operating Partnership acquired one community in Alexandria, Virginia with 421 apartment homes for a purchase price of \$142.0 million.

Dispositions

During the year ended December 31, 2016, the Operating Partnership sold two operating communities in the Baltimore, Maryland market with a total of 276 apartment homes for gross proceeds of \$45.3 million, resulting in net proceeds of \$44.6 million and a gain, net of tax, of \$33.2 million.

In connection with the formation of the DownREIT Partnership in October 2015, the Operating Partnership contributed seven operating communities to the DownREIT Partnership. The Operating Partnership recorded its contribution to the DownREIT Partnership at book value and consequently deferred a gain of \$296.4 million. As a result of the contribution, the Operating Partnership gave up its controlling interest and deconsolidated the seven operating communities. The Operating Partnership accounts for its investment in the DownREIT Partnership under the equity method of accounting.

During the year ended December 31, 2015, the Operating Partnership sold five communities with a total of 1,149 apartment homes for gross proceeds of \$250.9 million, resulting in net proceeds of \$232.4 million and a gain, net of tax, of \$133.5 million. A portion of the sale proceeds was designated for tax-deferred Section 1031 exchanges for one of the October 2015 acquisitions from Home OP. Additionally, the Operating Partnership recognized a gain of \$24.6 million, which was previously deferred, in connection with the sale of the communities held by the Texas joint venture.

During the year ended December 31, 2014, the Operating Partnership sold one community and an adjacent parcel of land in San Diego, California for gross proceeds of \$48.7 million, resulting in a \$24.4 million gain and net proceeds of \$47.9 million. The Operating Partnership also recorded gains of \$39.2 million in connection with UDR's sale of two communities in Tampa, Florida and Los Angeles, California, which were previously deferred. The total gains of \$63.6 million were included in *Gain/(loss) on sale of real estate owned* on the Consolidated Statements of Operations.

Financing Activities

For the year ended December 31, 2016, *Net cash provided by/(used in) financing activities* was \$(221.5) million compared to \$(247.7) million for 2015. The decrease in cash used in financing activities was primarily due to a decrease in advances to the General Partner and a decrease in payoffs of secured debt, partially offset by a decrease in proceeds from the issuance of secured debt.

For the year ended December 31, 2015, *Net cash provided by/(used in) financing activities* was \$(247.7) million compared to \$(162.8) million for 2014. The increase in cash used in financing activities was primarily due to an increase in advances to the General Partner.

Credit Facilities

As of December 31, 2016, an aggregate commitment of \$408.5 million of the General Partner's secured credit facilities with Fannie Mae was allocated to the Operating Partnership based on the ownership of the assets securing the debt. The entire commitment was outstanding at December 31, 2016. The portions of the Fannie Mae credit facilities allocated to the Operating Partnership mature at various dates from December 2018 through July 2023 and bear interest at floating and fixed rates. At December 31, 2016, \$244.9 million of the outstanding balance was fixed at a weighted average interest rate of 5.05% and the remaining balance of \$163.6 million on these facilities had a weighted average variable interest rate of 2.32%.

The Operating Partnership is a guarantor on the General Partner's unsecured revolving credit facility with an aggregate borrowing capacity of \$1.1 billion, \$300 million of medium-term notes due June 2018, \$300 million of medium-term notes due October 2020, a \$350 million term loan facility due January 2021, \$400 million of medium-term notes due January 2022, \$300 million of medium-term notes due July 2024, \$300 million of medium-term notes due October 2025 and \$300 million of medium-term notes due September 2026. As of December 31, 2016 and 2015, the outstanding balance under the unsecured revolving credit facility was \$0.0 and \$150.0 million, respectively.

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 interest rates impact our cost of variable rate debt and maturing fixed rate debt. We had \$190.6 million in variable rate debt that is not subject to interest rate swap contracts as of December 31, 2016. If market interest rates for variable rate debt increased by 100 basis points, our interest expense would increase by \$1.9 million based on the balance at December 31, 2016.

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.

The General Partner also utilizes derivative financial instruments allocated to the Operating Partnership to manage interest rate risk and generally designates these financial instruments as cash flow hedges. See Note 8, *Derivatives and Hedging Activity*, in the Notes to the Operating Partnership's Consolidated Financial Statements included in this Report for additional discussion of derivative instruments.

A presentation of cash flow metrics based on GAAP is as follows (*dollars in thousands*):

	Year Ended December 31,		
	2016	2015	2014
Net cash provided by/(used in) operating activities	\$ 228,682	\$ 226,765	\$ 208,032
Net cash provided by/(used in) investing activities	(9,546)	23,583	(46,650)
Net cash provided by/(used in) financing activities	(221,483)	(247,747)	(162,777)

Results of Operations

The following discussion explains the changes in results of operations that are presented in our Consolidated Statements of Operations for the years ended December 31, 2016, 2015, and 2014.

Net Income(Loss) Attributable to OP Unitholders

2016 -vs- 2015

Net income/(loss) attributable to OP unitholders was \$77.8 million (\$0.42 per diluted OP Unit) for the year ended December 31, 2016 as compared to \$213.3 million (\$1.16 per diluted OP Unit) for the prior year. The decrease in net income attributable to OP unitholders resulted primarily from the following items, which are discussed in further detail elsewhere within this Report:

- during the year ended the December 31, 2016, the Operating Partnership sold two operating communities in Baltimore, Maryland with a total of 276 apartment homes, resulting in a gain of \$33.2 million, as compared to a gain on the sale of real estate owned of \$158.1 million during the year ended December 31, 2015;
- losses from unconsolidated entities of \$37.4 million for the year ended December 31, 2016, as compared to \$4.7 million for the prior year, as a result of the formation of the DownREIT Partnership in the fourth quarter of 2015; and
- a decrease in total property NOI of \$20.5 million primarily due to fewer consolidated apartment homes as a result of the deconsolidation of communities contributed to the DownREIT Partnership during 2015.

This was partially offset by:

- a decrease in real estate depreciation and amortization expense of \$22.7 million primarily due to the deconsolidation of communities contributed to the DownREIT Partnership in the fourth quarter of 2015;

- a decrease in interest expense of \$10.3 million primarily due to the deconsolidation of debt balances related to communities contributed to the DownREIT Partnership; and
- a decrease in general and administrative expense of \$8.2 million due to lower expense allocations by the General Partner, primarily due to a decrease in its bonus expense and stock-based compensation expense for awards under its long-term incentive plan, primarily due to the departure of its prior Chief Financial Officer in 2016, and outperformance in 2015.

2015 -vs- 2014

Net income/(loss) attributable to OP unitholders was \$213.3 million (\$1.16 per diluted OP Unit) for the year ended December 31, 2015 as compared to \$96.2 million (\$0.53 per diluted OP Unit) for the the prior year. The increase in net income attributable to OP unitholders resulted primarily from the following items, which are discussed in further detail elsewhere within this Report:

- the Operating Partnership sold five communities with a total of 1,149 apartment homes, resulting in a gain of \$133.5 million. Additionally, the Operating Partnership recognized a gain of \$24.6 million, which was previously deferred, in connection with the sale of the communities held by the Texas joint venture;
- in connection with the formation of the DownREIT Partnership, the Operating Partnership contributed seven operating communities to the DownREIT Partnership. The Operating Partnership recorded its contribution to the DownREIT Partnership at book value and consequently deferred a gain of \$296.4 million. As a result of the contribution, the Operating Partnership gave up its controlling interest and deconsolidated the seven operating communities. The Operating Partnership accounts for its investment in the DownREIT Partnership under the equity method of accounting; and
- an increase in total property NOI of \$17.3 million primarily due to higher occupancy and higher revenue per occupied home and NOI from the homes placed in service related to development and redevelopment projects completed in 2015 and 2014.

This was partially offset by:

- a \$4.7 million loss from unconsolidated entities related to the DownREIT Partnership that was formed in 2015.

Apartment Community Operations

Our net income results primarily from NOI generated from the operation of our apartment communities. The Operating Partnership defines NOI, which is a non-GAAP financial measure, 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 are property management costs, which are the Operating Partnership's allocable share of costs incurred by the General Partner for shared services of corporate level property management employees and related support functions and costs.

Although the Company considers NOI a useful measure of a operating performance, NOI should not be considered an alternative to net income or net cash flow from operating activities as determined in accordance with GAAP. NOI excludes several income and expense categories as detailed in the reconciliation of NOI to *Net income/(loss) attributable to OP unitholders* below.

The following table summarizes the operating performance of our total portfolio for the years ended December 31, 2016, 2015, and 2014 (*dollars in thousands*):

	Year Ended December 31, (a)			Year Ended December 31, (b)		
	2016	2015	% Change	2015	2014	% Change
Same-Store Communities:						
Same-Store rental income	\$ 322,968	\$ 303,190	6.5 %	\$ 360,404	\$ 353,686	1.9 %
Same-Store operating expense (c)	(85,436)	(81,438)	4.9 %	(100,395)	(101,911)	(1.5)%
Same-Store NOI	237,532	221,752	7.1 %	260,009	251,775	3.3 %
Non-Mature Communities/Other NOI:						
Acquired communities NOI	7,216	1,604	349.9 %	1,604	—	N/A
Sold communities NOI	2,600	46,574	(94.4)%	12,225	13,750	(11.1)%
Developed communities NOI	5,191	2,787	(86.3)%	2,787	(603)	(562.2)%
Redeveloped communities NOI	38,753	38,035	1.9 %	34,127	29,742	14.7 %
Commercial NOI and other	5,829	6,845	(14.8)%	6,845	5,649	21.2 %
Total Non-Mature Communities/Other NOI	59,589	95,845	(37.8)%	57,588	48,538	18.6 %
Total property NOI	\$ 297,121	\$ 317,597	(6.4)%	\$ 317,597	\$ 300,313	5.8 %

(a) Same-Store consists of 14,001 apartment homes.

(b) Same-Store consists of 14,760 apartment homes.

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

The following table is our reconciliation of *Net income/(loss) attributable to OP unitholders* to total property NOI for the years ended December 31, 2016, 2015 and 2014 (*dollars in thousands*):

	Year Ended December 31,		
	2016	2015	2014
Net income/(loss) attributable to OP unitholders	\$ 77,818	\$ 213,301	\$ 96,227
Property management	11,122	12,111	11,622
Other operating expenses	6,059	5,923	5,172
Real estate depreciation and amortization	147,074	169,784	179,176
General and administrative	18,808	27,016	28,541
Casualty-related charges/(recoveries), net	484	843	541
(Income)/loss from unconsolidated entities	37,425	4,659	—
Interest expense	30,067	40,321	41,717
(Gain)/loss on sale of real estate owned	(33,180)	(158,123)	(63,635)
Net income/(loss) attributable to noncontrolling interests	1,444	1,762	952
Total property NOI	\$ 297,121	\$ 317,597	\$ 300,313

Same-Store Communities

2016 -vs- 2015

Our *Same-Store Community* properties (those acquired, developed, and stabilized prior to January 1, 2015 and held as of December 31, 2016) consisted of 14,001 apartment homes and provided 79.9% of our total NOI for the year ended December 31, 2016.

NOI for our *Same-Store Community* properties increased 7.1% or \$15.8 million for the year ended December 31, 2016 compared to 2015. The increase in property NOI was primarily attributable to a 6.5% or \$19.8 million increase in property

rental income, which was partially offset by a 4.9% or \$4.0 million increase in operating expenses. The increase in revenues was primarily driven by a 6.6% or \$19.0 million increase in rental rates. Physical occupancy decreased 0.2% to 96.6% and total income per occupied home increased 6.6% to \$1,989 for the year ended December 31, 2016 compared to 2015.

The increase in property operating expenses was primarily driven by a 10.4% or \$2.6 million increase in real estate taxes, which was primarily due to higher assessed valuations and lower appeal refunds.

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 73.5% for the year ended December 31, 2016 as compared to 73.1% for 2015.

2015 -vs- 2014

Our *Same-Store Community* properties (those acquired, developed, and stabilized prior to January 1, 2014 and held as of December 31, 2015) consisted of 14,760 apartment homes and provided 81.9% of our total NOI for the year ended December 31, 2015.

NOI for our *Same-Store Community* properties increased 3.3% or \$8.2 million for the year ended December 31, 2015 compared to 2014. The increase in property NOI was primarily attributable to a 1.9% or \$6.7 million increase in property rental income and a 1.5% or \$1.5 million decrease in operating expenses. The increase in revenues was primarily driven by a 1.5% or \$5.2 million increase in rental rates and a 1.9% or \$0.5 million increase in reimbursement and fee income. Physical occupancy increased 1.5% to 96.8% and total income per occupied home increased 1.7% to \$2,103 for the year ended December 31, 2015 compared to 2014.

The decrease in property operating expenses was primarily driven by a 5.1% or \$0.8 million decrease in repair and maintenance expense and a 1.4% or \$0.5 million decrease in real estate taxes.

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 72.1% for the year ended December 31, 2015 as compared to 71.2% for 2014.

Non-Mature Communities/Other

The Operating Partnership's *Non-Mature Communities/Other* represent those communities that do not meet the criteria to be included in *Same-Store Communities*, including, but not limited to, recently developed, acquired or redeveloped communities, sold communities and the non-apartment components of mixed use properties.

2016 -vs- 2015

The remaining \$59.6 million or 20.1% of our total NOI during the year ended December 31, 2016 was generated from our *Non-Mature Communities/Other*. NOI from *Non-Mature Communities/Other* decreased 37.8% or \$36.3 million for the year ended December 31, 2016 compared to 2015. The decrease was primarily driven by a decrease in NOI of \$44.0 million from sold communities, which was partially offset by an increase in NOI of \$5.6 million from acquired communities and an increase in NOI of \$2.4 million from developed communities.

2015 -vs- 2014

The remaining \$57.6 million or 18.1% of our total NOI during the year ended December 31, 2015 was generated from our *Non-Mature Communities/Other*. NOI from *Non-Mature Communities/Other* increased 18.6% or \$9.1 million for the year ended December 31, 2015 compared to 2014. The increase was primarily driven by an increase in NOI of \$4.4 million from redeveloped communities and an increase in NOI of \$3.4 million from developed communities.

Real Estate Depreciation and Amortization

For the year ended December 31, 2016, real estate depreciation and amortization decreased by 13.4% or \$22.7 million as compared to 2015. The decrease was primarily due to the deconsolidation of communities contributed to the DownREIT Partnership in October 2015, partially offset by homes delivered from our development and redevelopment properties.

For the year ended December 31, 2015, real estate depreciation and amortization decreased by 5.2% or \$9.4 million as compared to 2014. The decrease was primarily due to sold communities and fully depreciated assets partially offset by homes

delivered from our development and redevelopment communities.

General and Administrative

For the year ended December 31, 2016, general and administrative expense decreased by 30.4% or \$8.2 million as compared to 2015. The decrease was due to lower general and administrative expense allocations by the General Partner, primarily due to a decrease in its bonus expense and stock-based compensation expense for awards under its long-term incentive plan, primarily due to the departure of its prior Chief Financial Officer in 2016, and outperformance in 2015, as well as lower allocations due to the deconsolidation of communities contributed to the DownREIT Partnership in October 2015.

Income/(Loss) in Unconsolidated Entities

For the year ended December 31, 2016 and 2015, income/(loss) from unconsolidated entities of \$(37.4) million and \$(4.7) million, respectively, was attributable to the Operating Partnership's ownership interest in the DownREIT Partnership, which was formed in October 2015. The change was primarily attributable to depreciation expense for a full year in 2016.

Interest Expense

For the year ended December 31, 2016, interest expense decreased by 25.4% or \$10.3 million as compared to 2015, which was primarily due to lower loan balances as a result of seven communities, and their related debt, being deconsolidated in October 2015 in connection with the formation of the DownREIT Partnership.

Gain/(Loss) on the Sale of Real Estate Owned

During the year ended December 31, 2016, the Operating Partnership sold two operating communities in Baltimore, Maryland with a total of 276 apartment homes, resulting in a gain of \$33.2 million.

During the year ended December 31, 2015, the Operating Partnership sold five communities with a total of 1,149 apartment homes, resulting in a gain of \$133.5 million. A portion of the sale proceeds was designated for a Section 1031 exchange for one of the October 2015 acquisitions from Home OP. Additionally, the Operating Partnership recognized a gain of \$24.6 million, which was previously deferred, in connection with the sale of the communities held by the Texas joint venture.

In connection with the formation of the DownREIT Partnership in October 2015, the Operating Partnership contributed seven operating communities to the DownREIT Partnership. The Operating Partnership recorded its contribution to the DownREIT Partnership at book value and consequently deferred a gain of \$296.4 million. As a result of the contribution, the Operating Partnership gave up its controlling interest and deconsolidated the seven operating communities. The Operating Partnership accounts for its investment in the DownREIT Partnership under the equity method of accounting.

For the year ended December 31, 2014, the Operating Partnership sold one community and an adjacent parcel of land in San Diego, California, resulting in a \$24.4 million gain. The Operating Partnership also recorded gains of \$39.2 million in connection with UDR's sale of two communities in Tampa, Florida and Los Angeles, California, which were previously deferred.

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 apartment leases have terms of 12 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 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 year ended December 31, 2016.

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.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2016 (*dollars in thousands*):

Contractual Obligations	Payments Due by Period				
	2017	2018-2019	2020-2021	Thereafter	Total
Long-term debt obligations	\$ —	278,403	62,836	94,310	\$ 435,549
Interest on debt obligations (a)	16,529	26,454	5,359	6,227	54,569
Operating lease obligations — ground leases (b)	5,548	11,096	9,091	311,547	337,282
	<u>\$ 22,077</u>	<u>\$ 315,953</u>	<u>\$ 77,286</u>	<u>\$ 412,084</u>	<u>\$ 827,400</u>

(a) Interest payments on variable rate debt instruments are based on each debt instrument's respective year-end interest rate at December 31, 2016.

(b) For purposes of our ground lease contracts, the Operating Partnership uses the minimum lease payment, if stated in the agreement. For ground lease agreements where there is a reset provision based on the communities appraised value or consumer price index but does not include a specified minimum lease payment, the Operating Partnership uses the current rent over the remainder of the lease term.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item is included in and incorporated by reference from Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Report.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and related financial information required to be filed are attached to this Report. Reference is made to page F-1 of this Report for the Index to Consolidated Financial Statements and Schedules of UDR, Inc. and United Dominion Realty, L.P.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Disclosure 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 Chief 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 December 31, 2016, we carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer of the Company, which is the sole general partner of the Operating Partnership, 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 Chief 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.

Management's Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934 for the Company and the Operating Partnership. Under the supervision and with the participation of the management, the Chief Executive Officer and Chief Financial Officer of the Company, which is the sole general partner of the Operating Partnership, conducted an evaluation of the effectiveness of the internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations (2013 Framework) (COSO). Based on such evaluation, management concluded that the Company's and the Operating Partnership's internal control over financial reporting was effective as of December 31, 2016.

Ernst & Young LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this Report, has audited UDR, Inc.'s internal control over financial reporting as of December 31, 2016. The report of Ernst & Young LLP, which expresses an unqualified opinion on UDR, Inc.'s internal control over financial reporting as of December 31, 2016, is included under the heading "Report of Independent Registered Public Accounting Firm" of UDR, Inc. contained in this Report. Further, an attestation report of the registered public accounting firm of United Dominion Realty, L.P. will not be required as long as United Dominion Realty, L.P. is a non-accelerated filer.

Changes in Internal Control Over Financial Reporting

There have not been any changes in either the Company's or the Operating Partnership's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the fourth fiscal quarter to which this Report relates that materially affected, or are reasonably likely to materially affect, the internal control over financial reporting of either the Company or the Operating Partnership.

Item 9B. OTHER INFORMATION

Other Agreements with Executive Officers. In November 2016, we entered into separate aircraft time-share agreements with Mr. Toomey and Mr. Troupe. Under each of the aircraft time-share agreements, we have agreed to lease an aircraft, including crew and flight services, to each of Mr. Toomey and Mr. Troupe for personal flights from time to time upon their request. Mr. Toomey and Mr. Troupe will each pay us a lease fee as may be set by the board from time to time for the flight expenses that may be charged under applicable regulations. We will invoice Mr. Toomey and Mr. Troupe on the last day of the month in which any respective flight occurs. Each aircraft time-share agreement will remain in effect until terminated by either party, upon ten days' prior written notice. Each agreement automatically terminates upon the date either Mr. Toomey or Mr. Troupe, respectively, is no longer employed by the Company.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to the information set forth under the headings “Proposal No. 1 Election of Directors,” “Corporate Governance Matters,” “Audit Committee Report,” “Corporate Governance Matters-Board Leadership Structure and Committees-Audit Committee Financial Expert,” “Corporate Governance Matters-Identification and Selection of Nominees for Directors,” “Corporate Governance Matters-Board of Directors and Committee Meetings,” “Executive Officers” and “Other Matters-Section 16(a) Beneficial Ownership Reporting Compliance” in UDR, Inc.’s definitive proxy statement (our “definitive proxy statement”) for its 2017 Annual Meeting of Stockholders. UDR is the sole general partner of the Operating Partnership.

We have a code of ethics for senior financial officers that applies to our principal executive officer, all members of our finance staff, including the principal financial officer, the principal accounting officer, the treasurer and the controller, our director of investor relations, our corporate secretary, and all other Company officers. We also have a code of business conduct and ethics that applies to all of our employees. Information regarding our codes is available on our website, www.udr.com, and is incorporated by reference to the information set forth under the heading “Corporate Governance Matters” in our definitive proxy statement for UDR’s 2017 Annual Meeting of Stockholders. We intend to satisfy the disclosure requirements under Item 10 of Form 8-K regarding an amendment to, or a waiver from, a provision of our codes by posting such amendment or waiver on our website.

Item 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the information set forth under the headings “Security Ownership of Certain Beneficial Owners and Management,” “Corporate Governance Matters-Board Leadership Structure and Committees-Compensation Committee Interlocks and Insider Participation,” “Executive Compensation,” “Compensation of Directors” and “Compensation Committee Report” in the definitive proxy statement for UDR’s 2017 Annual Meeting of Stockholders. UDR is the sole general partner of the Operating Partnership.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to the information set forth under the headings “Security Ownership of Certain Beneficial Owners and Management,” “Executive Compensation” and “Executive Compensation-Equity Compensation Plan Information” in the definitive proxy statement for UDR’s 2017 Annual Meeting of Stockholders. UDR is the sole general partner of the Operating Partnership.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the information set forth under the heading “Security Ownership of Certain Beneficial Owners and Management,” “Corporate Governance Matters-Corporate Governance Overview,” “Corporate Governance Matters-Director Independence,” “Corporate Governance Matters-Board Leadership Structure and Committees-Independence of the Audit, Compensation and Governance Committees,” and “Executive Compensation” in the definitive proxy statement for UDR’s 2017 Annual Meeting of Stockholders. UDR is the sole general partner of the Operating Partnership. Information regarding related party transactions between UDR and the Operating Partnership is presented in Note 6, *Related Party Transactions*, of the Consolidated Financial Statements of United Dominion Realty, L.P. referenced in Part IV, Item 15(a) of this Report.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the information set forth under the headings “Audit Matters-Audit Fees” and “Audit Matters-Pre-Approval Policies and Procedures” in the definitive proxy statement for UDR’s 2017 Annual Meeting of Stockholders. UDR is the sole general partner of the Operating Partnership.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Report:

1. *Financial Statements*. See Index to Consolidated Financial Statements and Schedules of UDR, Inc. and United Dominion Realty, L.P. on page F-1 of this Report.

2. *Financial Statement Schedules*. See Index to Consolidated Financial Statements and Schedules of UDR, Inc. and United Dominion Realty, L.P. on page S-1 of this Report. All other schedules are omitted because they are not required, are inapplicable, or the required information is included in the financial statements or notes thereto.

3. *Exhibits*. The exhibits filed with this Report are set forth in the Exhibit Index, including the financial statements required under Rule 3-09 of Regulation S-X for UDR Lighthouse DownREIT L.P.

Item 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 21, 2017

UDR, Inc.
By: /s/ Thomas W. Toomey
Thomas W. Toomey
Chief Executive Officer and
President (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on February 21, 2017 by the following persons on behalf of the registrant and in the capacities indicated.

/s/ Thomas W. Toomey
Thomas W. Toomey
Chief Executive Officer, President, and Director
(Principal Executive Officer)

/s/ Katherine A. Cattanach
Katherine A. Cattanach
Director

/s/ Joseph D. Fisher
Joseph D. Fisher
Senior Vice President and Chief Financial
Officer (Principal Financial Officer)

/s/ Mary Ann King
Mary Ann King
Director

/s/ Shawn G. Johnston
Shawn G. Johnston
Vice President and Chief Accounting Officer
(Principal Accounting Officer)

/s/ Robert P. Freeman
Robert P. Freeman
Director

/s/ James D. Klingbeil
James D. Klingbeil
Chairman of the Board

/s/ Jon A. Grove
Jon A. Grove
Director

/s/ Lynne B. Sagalyn
Lynne B. Sagalyn
Vice Chair of the Board

/s/ Clint D. McDonnough
Clint D. McDonnough
Director

/s/ Robert A. McNamara
Robert A. McNamara
Director

/s/ Mark R. Patterson
Mark R. Patterson
Director

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED DOMINION REALTY, L.P.

By: UDR, Inc., its sole general partner

Date: February 21, 2017

By: /s/ Thomas W. Toomey

Thomas W. Toomey
Chief Executive Officer and President
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on February 21, 2017 by the following persons on behalf of the registrant and in the capacities indicated.

/s/ Thomas W. Toomey

Thomas W. Toomey
Chief Executive Officer, President, and
Director of the General Partner (Principal
Executive Officer)

/s/ Katherine A. Cattanach

Katherine A. Cattanach
Director of the General Partner

/s/ Joseph D. Fisher

Joseph D. Fisher
Senior Vice President and Chief Financial
Officer
of the General Partner (Principal Financial
Officer)

/s/ Mary Ann King

Mary Ann King
Director of the General Partner

/s/ Shawn G. Johnston

Shawn G. Johnston
Vice President and Chief Accounting Officer
of the General Partner (Principal Accounting
Officer)

/s/ Robert P. Freeman

Robert P. Freeman
Director of the General Partner

/s/ James D. Klingbeil

James D. Klingbeil
Chairman of the Board of the General Partner

/s/ Jon A. Grove

Jon A. Grove
Director of the General Partner

/s/ Lynne B. Sagalyn

Lynne B. Sagalyn
Vice Chair of the Board of the General Partner

/s/ Clint D. McDonnough

Clint D. McDonnough
Director of the General Partner

/s/ Robert A. McNamara

Robert A. McNamara
Director of the General Partner

/s/ Mark R. Patterson

Mark R. Patterson
Director of the General Partner

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SCHEDULES FILED AS PART OF THIS REPORT

UDR, INC.:

UNITED DOMINION REALTY, L.P.:

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of UDR, Inc.

We have audited the accompanying consolidated balance sheets of UDR, Inc. (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income/(loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of UDR, Inc. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Notes 2 and 3 to the consolidated financial statements, the Company changed its reporting of discontinued operations as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity”. Also, as discussed in Note 2 to the consolidated financial statements, the Company changed its presentation of distributions received from unconsolidated joint ventures in the consolidated statements of cash flows as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2016-15 “Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments”.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), UDR, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
February 21, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of UDR, Inc.

We have audited UDR, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). UDR, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting included in Item 9A. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, UDR, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of UDR, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income/(loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2016 and our report dated February 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
February 21, 2017

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

	December 31, 2016	December 31, 2015
ASSETS		
Real estate owned:		
Real estate held for investment	\$ 9,271,847	\$ 9,053,599
Less: accumulated depreciation	(2,923,072)	(2,646,044)
Real estate held for investment, net	6,348,775	6,407,555
Real estate under development (net of accumulated depreciation of \$0 and \$0, respectively)	342,282	124,072
Real estate held for disposition (net of accumulated depreciation of \$553 and \$830, respectively)	1,071	11,775
Total real estate owned, net of accumulated depreciation	6,692,128	6,543,402
Cash and cash equivalents	2,112	6,742
Restricted cash	19,994	20,798
Notes receivable, net	19,790	16,694
Investment in and advances to unconsolidated joint ventures, net	827,025	938,906
Other assets	118,535	137,302
Total assets	\$ 7,679,584	\$ 7,663,844
LIABILITIES AND EQUITY		
Liabilities:		
Secured debt, net	\$ 1,130,858	\$ 1,376,945
Unsecured debt, net	2,270,620	2,193,850
Real estate taxes payable	17,388	18,786
Accrued interest payable	29,257	29,162
Security deposits and prepaid rent	34,238	36,330
Distributions payable	86,936	80,368
Accounts payable, accrued expenses, and other liabilities	103,835	81,356
Total liabilities	3,673,132	3,816,797
Commitments and contingencies (Note 15)		
Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	909,482	946,436
Equity:		
Preferred stock, no par value; 50,000,000 shares authorized:		
8.00% Series E Cumulative Convertible; 2,796,903 shares issued and outstanding at December 31, 2016 and December 31, 2015	46,457	46,457
Series F; 16,196,889 and 16,452,496 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively	1	1
Common stock, \$0.01 par value; 350,000,000 shares authorized:		
267,259,469 and 261,844,521 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively	2,673	2,618
Additional paid-in capital	4,635,413	4,447,816
Distributions in excess of net income	(1,585,825)	(1,584,459)
Accumulated other comprehensive income/(loss), net	(5,609)	(12,678)

Total stockholders' equity	<u>3,093,110</u>	<u>2,899,755</u>
Noncontrolling interests	3,860	856
Total equity	<u>3,096,970</u>	<u>2,900,611</u>
Total liabilities and equity	<u>\$ 7,679,584</u>	<u>\$ 7,663,844</u>

See accompanying notes to consolidated financial statements.

UDR, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,		
	2016	2015	2014
REVENUES:			
Rental income	\$ 948,461	\$ 871,928	\$ 805,002
Joint venture management and other fees	11,400	22,710	13,044
Total revenues	959,861	894,638	818,046
OPERATING EXPENSES:			
Property operating and maintenance	159,947	155,096	149,428
Real estate taxes and insurance	115,429	102,963	99,175
Property management	26,083	23,978	22,138
Other operating expenses	7,649	9,708	8,271
Real estate depreciation and amortization	419,615	374,598	358,154
General and administrative	49,761	59,690	47,800
Casualty-related charges/(recoveries), net	732	2,335	541
Other depreciation and amortization	6,023	6,679	5,775
Total operating expenses	785,239	735,047	691,282
Operating income	174,622	159,591	126,764
Income/(loss) from unconsolidated entities	52,234	62,329	(7,006)
Interest expense	(123,031)	(121,875)	(130,454)
Interest income and other income/(expense), net	1,930	1,551	11,858
Income/(loss) before income taxes, discontinued operations, and gain/(loss) on sale of real estate owned	105,755	101,596	1,162
Tax benefit/(provision), net	3,774	3,886	15,098
Income/(loss) from continuing operations	109,529	105,482	16,260
Income/(loss) from discontinued operations, net of tax	—	—	10
Income/(loss) before gain/(loss) on sale of real estate owned	109,529	105,482	16,270
Gain/(loss) on sale of real estate owned, net of tax	210,851	251,677	143,572
Net income/(loss)	320,380	357,159	159,842
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(27,282)	(16,773)	(5,511)
Net (income)/loss attributable to noncontrolling interests	(380)	(3)	3
Net income/(loss) attributable to UDR, Inc.	292,718	340,383	154,334
Distributions to preferred stockholders — Series E (Convertible)	(3,717)	(3,722)	(3,724)
Net income/(loss) attributable to common stockholders	\$ 289,001	\$ 336,661	\$ 150,610
Income/(loss) per weighted average common share:			
Basic	\$ 1.09	\$ 1.30	\$ 0.60
Diluted	\$ 1.08	\$ 1.29	\$ 0.59
Weighted average number of common shares outstanding:			
Basic	265,386	258,669	251,528
Diluted	267,311	263,752	253,445

See accompanying notes to consolidated financial statements.

UDR, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(In thousands)

	Year Ended December 31,		
	2016	2015	2014
Net income/(loss)	\$ 320,380	\$ 357,159	\$ 159,842
Other comprehensive income/(loss), including portion attributable to noncontrolling interests:			
Other comprehensive income/(loss) - derivative instruments:			
Unrealized holding gain/(loss)	3,514	(6,393)	(8,695)
(Gain)/loss reclassified into earnings from other comprehensive income/(loss)	3,657	2,262	4,834
Other comprehensive income/(loss), including portion attributable to noncontrolling interests	7,171	(4,131)	(3,861)
Comprehensive income/(loss)	327,551	353,028	155,981
Comprehensive (income)/loss attributable to noncontrolling interests	(27,764)	(16,468)	(5,375)
Comprehensive income/(loss) attributable to UDR, Inc.	<u>\$ 299,787</u>	<u>\$ 336,560</u>	<u>\$ 150,606</u>

See accompanying notes to consolidated financial statements.

UDR, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except share and per share data)

	Preferred Stock	Common Stock	Paid-in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive Income/(Loss), net	Noncontrolling Interests	Total
Balance at December 31, 2013	\$ 46,571	\$ 2,507	\$ 4,109,765	\$ (1,342,070)	\$ (5,125)	\$ 856	\$ 2,812,504
Net income/(loss) attributable to UDR, Inc.	—	—	—	154,334	—	—	154,334
Net income/(loss) attributable to noncontrolling interests	—	—	—	—	—	(3)	(3)
Other comprehensive income/(loss)	—	—	—	—	(3,730)	—	(3,730)
Issuance/(forfeiture) of common and restricted shares, net	—	8	9,797	—	—	—	9,805
Issuance of common shares through public offering	—	34	99,815	—	—	—	99,849
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership	—	2	4,370	—	—	—	4,372
Common stock distributions declared (\$1.04 per share)	—	—	—	(263,503)	—	—	(263,503)
Preferred stock distributions declared-Series E (\$1.3288 per share)	—	—	—	(3,724)	—	—	(3,724)
Adjustment to reflect redemption value of redeemable noncontrolling interests	—	—	—	(73,954)	—	—	(73,954)
Balance at December 31, 2014	46,571	2,551	4,223,747	(1,528,917)	(8,855)	853	2,735,950
Net income/(loss) attributable to UDR, Inc.	—	—	—	340,383	—	—	340,383
Net income/(loss) attributable to noncontrolling interests	—	—	—	—	—	3	3
Other comprehensive income/(loss)	—	—	—	—	(3,823)	—	(3,823)
Issuance/(forfeiture) of common and restricted shares, net	—	3	10,191	—	—	—	10,194
Issuance of common shares through public offering	—	63	209,948	—	—	—	210,011
Conversion of Series E Cumulative Convertible Shares	(114)	—	114	—	—	—	—
Issuance of Series F Preferred Stock	1	—	—	—	—	—	1
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership	—	1	3,816	—	—	—	3,817
Common stock distributions declared (\$1.11 per share)	—	—	—	(289,500)	—	—	(289,500)
Preferred stock distributions declared-Series E (\$1.3288 per share)	—	—	—	(3,722)	—	—	(3,722)
Adjustment to reflect redemption value of redeemable noncontrolling interests	—	—	—	(102,703)	—	—	(102,703)

UDR, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
(In thousands, except share and per share data)

	Preferred Stock	Common Stock	Paid-in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive Income/(Loss), net	Noncontrolling Interests	Total
Balance at December 31, 2015	\$ 46,458	\$ 2,618	\$ 4,447,816	\$ (1,584,459)	\$ (12,678)	\$ 856	\$ 2,900,611
Net income/(loss) attributable to UDR, Inc.	—	—	—	292,718	—	—	292,718
Net income/(loss) attributable to noncontrolling interests	—	—	—	—	—	322	322
Disposition of noncontrolling interest of consolidated real estate	—	—	—	—	—	(1,155)	(1,155)
Contribution of noncontrolling interests in consolidated real estate	—	—	—	—	—	102	102
Long Term Incentive Plan Unit grants	—	—	—	—	—	3,735	3,735
Other comprehensive income/(loss)	—	—	—	—	7,069	—	7,069
Issuance/(forfeiture) of common and restricted shares, net	—	2	4,973	—	—	—	4,975
Issuance of common shares through public offering	—	50	173,161	—	—	—	173,211
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership and DownREIT Partnership	—	3	9,463	—	—	—	9,466
Common stock distributions declared (\$1.18 per share)	—	—	—	(315,102)	—	—	(315,102)
Preferred stock distributions declared-Series E (\$1.3288 per share)	—	—	—	(3,717)	—	—	(3,717)
Adjustment to reflect redemption value of redeemable noncontrolling interests	—	—	—	24,735	—	—	24,735
Balance at December 31, 2016	\$ 46,458	\$ 2,673	\$ 4,635,413	\$ (1,585,825)	\$ (5,609)	\$ 3,860	\$ 3,096,970

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2016	2015	2014
Operating Activities			
Net income/(loss)	\$ 320,380	\$ 357,159	\$ 159,842
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation and amortization	425,638	381,277	363,929
(Gain)/loss on sale of real estate owned, net of tax	(210,851)	(251,677)	(143,647)
Tax (benefit)/provision, net	(3,774)	(3,886)	(15,136)
(Income)/loss from unconsolidated entities	(52,234)	(62,329)	7,006
Return on investment in unconsolidated joint ventures	57,578	27,012	4,943
Amortization of share-based compensation	13,398	18,017	13,954
Other	11,861	6,612	13,104
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets	(12,983)	(3,968)	(1,074)
Increase/(decrease) in operating liabilities	(12,084)	(9,590)	(5,618)
Net cash provided by/(used in) operating activities	<u>536,929</u>	<u>458,627</u>	<u>397,303</u>
Investing Activities			
Acquisition of real estate assets (net of liabilities assumed) and initial capital expenditures	(163,015)	(244,769)	(228,810)
Proceeds from sales of real estate investments, net	302,354	387,650	383,886
Development of real estate assets	(178,279)	(103,205)	(251,493)
Capital expenditures and other major improvements — real estate assets, net of escrow reimbursement	(91,852)	(113,400)	(96,679)
Capital expenditures — non-real estate assets	(4,439)	(4,049)	(5,497)
Investment in unconsolidated joint ventures	(40,162)	(217,642)	(222,930)
Distributions received from unconsolidated joint ventures	66,116	32,279	54,256
(Issuance)/repayment of notes receivable	(3,000)	(2,325)	68,664
Net cash provided by/(used in) investing activities	<u>(112,277)</u>	<u>(265,461)</u>	<u>(298,603)</u>
Financing Activities			
Payments on secured debt	(375,308)	(193,958)	(80,961)
Proceeds from the issuance of secured debt	50,000	127,600	5,502
Payments on unsecured debt	(95,053)	(325,540)	(312,500)
Proceeds from the issuance of unsecured debt	300,000	299,310	298,956
Net proceeds/(repayment) of revolving bank debt	(128,650)	(2,500)	152,500
Proceeds from the issuance of common shares through public offering, net	173,211	210,011	99,849
Distributions paid to redeemable noncontrolling interests	(29,688)	(10,654)	(9,929)
Distributions paid to preferred stockholders	(3,717)	(3,722)	(3,724)
Distributions paid to common stockholders	(308,923)	(283,168)	(256,100)
Other	(11,154)	(19,027)	(7,318)
Net cash provided by/(used in) financing activities	<u>(429,282)</u>	<u>(201,648)</u>	<u>(113,725)</u>
Net increase/(decrease) in cash and cash equivalents	(4,630)	(8,482)	(15,025)
Cash and cash equivalents, beginning of year	6,742	15,224	30,249

Cash and cash equivalents, end of year

\$ 2,112 \$ 6,742 \$ 15,224

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

	Year Ended December 31,		
	2016	2015	2014
Supplemental Information:			
Interest paid during the period, net of amounts capitalized	\$ 124,635	\$ 130,240	\$ 131,815
Cash paid/(refunds received) for income taxes	693	(1,014)	1,345
Non-cash transactions:			
Transfer of investment in and advances to unconsolidated joint ventures to real estate owned	\$ 80,583	\$ —	\$ 54,938
Secured debt assumed in the consolidation of unconsolidated joint ventures	75,796	—	—
Fair value adjustment of secured debt assumed in the consolidation of unconsolidated joint ventures	4,228	—	—
Acquisition of communities in exchange for DownREIT units and assumption of debt	—	660,832	—
Acquisition of real estate	—	24,067	—
Fair value adjustment of debt acquired as part of acquisition of real estate	—	1,363	—
Development costs and capital expenditures incurred but not yet paid	46,285	20,375	34,746
Conversion of Operating Partnership and DownREIT Partnership noncontrolling interests to common stock (260,292 shares in 2016; 112,174 shares in 2015; and 153,451 shares in 2014)	9,466	3,817	4,372
Dividends declared but not yet paid	86,936	80,368	69,460

See accompanying notes to consolidated financial statements.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. CONSOLIDATION AND BASIS OF PRESENTATION

Organization and Formation

UDR, Inc. (“UDR,” the “Company,” “we,” or “our”) is a self-administered real estate investment trust, or REIT, that owns, operates, acquires, renovates, develops, redevelops, and manages apartment communities generally in high barrier-to-entry markets located in the United States. The high barrier-to-entry markets are characterized by limited land for new construction, difficult and lengthy entitlement process, expensive single-family home prices and significant employment growth potential. At December 31, 2016, our consolidated apartment portfolio consisted of 127 consolidated communities located in 18 markets consisting of 39,454 apartment homes. In addition, the Company has an ownership interest in 6,849 apartment homes through unconsolidated joint ventures.

Basis of Presentation

The accompanying consolidated financial statements of UDR include its wholly-owned and/or controlled subsidiaries (see the “Consolidated Joint Ventures” section of Note 6, *Joint Ventures and Partnerships*, for further discussion). All significant intercompany accounts and transactions have been eliminated in consolidation. Certain previously reported amounts have been reclassified to conform to the current financial statement presentation.

The accompanying consolidated financial statements include the accounts of UDR and its subsidiaries, including United Dominion Realty, L.P. (the “Operating Partnership” or the “OP”) and UDR Lighthouse DownREIT L.P. (the “DownREIT Partnership”). As of December 31, 2016 and 2015, there were 183,278,698 units in the Operating Partnership (“OP Units”) outstanding, of which 174,230,084 or 95.1% and 174,225,399 or 95.1%, respectively, were owned by UDR and 9,048,614 or 4.9% and 9,053,299 or 4.9%, respectively, were owned by outside limited partners. As of December 31, 2016 and 2015, there were 32,367,380 units in the DownREIT Partnership (“DownREIT Units”) outstanding, of which 16,485,014 or 50.9% and 16,229,407 or 50.1%, respectively, were owned by UDR (of which, 13,470,651 or 41.6% were held by the Operating Partnership) and 15,882,366 or 49.1% and 16,137,973 or 49.9%, respectively, were owned by outside limited partners. The consolidated financial statements of UDR include the noncontrolling interests of the unitholders in the Operating Partnership and DownREIT Partnership.

The Company evaluated subsequent events through the date its financial statements were issued. No significant recognized or non-recognized subsequent events were noted other than those in Note 4, *Real Estate Owned*, Note 6, *Joint Ventures and Partnerships* and Note 7, *Secured and Unsecured Debt, Net*.

2. SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2017-01, *Business Combinations (Topic 805), Clarifying the Definition of a Business*. The ASU changes the definition of a business to assist entities with evaluating whether a set of transferred assets is a business. As a result, the accounting for acquisitions of real estate could be impacted. The updated standard will be effective for the Company on January 1, 2018; early adoption is permitted. The ASU will be applied prospectively to any transactions occurring within the period of adoption. The Company expects that the updated standard will result in fewer acquisitions of real estate meeting the definition of a business and fewer acquisition-related costs being expensed in the period incurred.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. The ASU addresses the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The updated standard will be effective for the Company on January 1, 2018 and must be applied retrospectively to all periods presented; early adoption is permitted. The Company does not expect the updated standard to have a material impact on the consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. The ASU addresses specific cash flow items with the objective of reducing existing diversity in practice, including the treatment of distributions received from equity method investees. The updated standard will be effective for the Company on January 1, 2018 and must be applied retrospectively to all periods presented; early adoption is permitted.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

The Company elected to early adopt ASU 2016-15 in 2016 and elected to classify distributions received from equity method investees using the cumulative earnings approach. As a result, for the years ended December 31, 2015 and 2014, the following amounts classified under the adopted ASU as returns on investment in unconsolidated joint ventures were reclassified on the Consolidated Statements of Cash Flow (*in thousands*):

	Year Ended December 31,	
	2015	2014
<i>Return on investment in unconsolidated joint ventures</i> - as previously presented	\$ —	\$ —
Return on investment in unconsolidated joint ventures	27,012	4,943
<i>Return on investment in unconsolidated joint ventures</i> - as presented herein	\$ 27,012	\$ 4,943
<i>Distributions received from unconsolidated joint ventures</i> - as previously presented	\$ 59,291	\$ 59,199
Return on investment in unconsolidated joint ventures	(27,012)	(4,943)
<i>Distributions received from unconsolidated joint ventures</i> - as presented herein	\$ 32,279	\$ 54,256

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The standard requires entities to estimate a lifetime expected credit loss for most financial assets, including trade and other receivables, held-to-maturity debt securities, loans and other financial instruments, and to present the net amount of the financial instrument expected to be collected. The updated standard will be effective for the Company on January 1, 2020; early adoption is permitted on January 1, 2019. The Company is currently evaluating the effect that the updated standard will have on the consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting*. The ASU aims to simplify the accounting for share-based payments by amending the accounting for forfeitures, statutory tax withholding requirements, classification in the statements of cash flow and income taxes. The updated standard was effective for the Company on January 1, 2017, at which time the Company prospectively began accounting for forfeitures as incurred and began applying the updated rules for statutory withholdings. The adoption did not have a material impact on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard amends the existing lease accounting guidance and requires lessees to recognize a lease liability and a right-of-use asset for all leases (except for short-term leases that have a duration of one year or less) on their balance sheets. Lessees will continue to recognize lease expense in a manner similar to current accounting. For lessors, accounting for leases under the new guidance is substantially the same as in prior periods, but eliminates current real estate-specific provisions and changes the treatment of initial direct costs. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparable period presented, with an option to elect certain transition relief. Full retrospective application is prohibited. The standard will be effective for the Company on January 1, 2019, with early adoption permitted. While the Company is currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures, we expect to recognize right-of-use assets and related lease liabilities on our consolidated balance sheets related to ground leases on any communities where we are the lessee.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*, which makes changes to both the variable interest model and the voting model of consolidation. Under ASU 2015-02, companies will need to re-evaluate whether an entity meets the criteria to be considered a variable interest entity (“VIE”) or whether the consolidation of an entity should be assessed under the voting model. The new standard specifically eliminates the presumption in the current voting model that a general partner controls a limited partnership or similar entity unless that presumption can be overcome. The new standard was effective for the Company beginning on January 1, 2016. The adoption of the new standard did not result in the consolidation of entities not previously consolidated or the deconsolidation of any entities previously consolidated. Upon adopting the new standard, the Operating Partnership and DownREIT Partnership became VIEs as the limited partners of these entities lack substantive kick-out

rights and substantive participating rights. The Company is the primary beneficiary of, and continues to consolidate, the entities determined to be VIEs.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective, including industry-specific revenue guidance. The standard specifically excludes lease contracts. The ASU allows for the use of either the full or modified retrospective

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

transition method and will be effective for the Company on January 1, 2018, at which time the Company expects to adopt the updated standard using the modified retrospective approach. However, as the majority of the Company's revenue is from rental income related to leases, the Company does not expect the ASU to have a material impact on the consolidated financial statements and related disclosures.

Real Estate

Real estate assets held for investment are carried at historical cost and consist of land, buildings and improvements, furniture, fixtures and equipment and other costs incurred during their development, acquisition and redevelopment.

Expenditures for ordinary repair and maintenance costs are charged to expense as incurred. Expenditures for improvements, renovations, and replacements related to the acquisition and/or improvement of real estate assets are capitalized and depreciated over their estimated useful lives if the expenditures qualify as a betterment or the life of the related asset will be substantially extended beyond the original life expectancy.

UDR purchases real estate investment properties and records the tangible and identifiable intangible assets and liabilities acquired based on their estimated fair value. The primary, although not only, identifiable intangible asset associated with our portfolio is the value of existing lease agreements. When recording the acquisition of a community, we first assign fair value to the estimated intangible value of the existing lease agreements and then to the estimated value of the land, building and fixtures assuming the community is vacant. The Company estimates the intangible value of the lease agreements by determining the lost revenue associated with a hypothetical lease-up. Depreciation on the building is based on the expected useful life of the asset and the in-place leases are amortized over their remaining average contractual life. Property acquisition costs are expensed as incurred.

Quarterly or when changes in circumstances warrant, UDR will assess our real estate properties for indicators of impairment. In determining whether the Company has indicators of impairment in our real estate assets, we assess whether the long-lived asset's carrying value exceeds the community's undiscounted future cash flows, which is representative of projected net operating income ("NOI") plus the residual value of the community. Our future cash flow estimates are based upon historical results adjusted to reflect our best estimate of future market and operating conditions and our estimated holding periods. If such indicators of impairment are present and the carrying value exceeds the undiscounted cash flows of the community, an impairment loss is recognized equal to the excess of the carrying amount of the asset over its estimated fair value. Our estimates of fair market value represent our best estimate based primarily upon unobservable inputs related to rental rates, operating costs, growth rates, discount rates, capitalization rates, industry trends and reference to market rates and transactions.

For long-lived assets to be disposed of, impairment losses are recognized when the fair value of the asset less estimated cost to sell is less than the carrying value of the asset. Properties classified as real estate held for disposition generally represent properties that are actively marketed or contracted for sale with the closing expected to occur within the next twelve months. Real estate held for disposition is carried at the lower of cost, net of accumulated depreciation, or fair value, less the cost to sell, determined on an asset-by-asset basis. Expenditures for ordinary repair and maintenance costs on held for disposition properties are charged to expense as incurred. Expenditures for improvements, renovations, and replacements related to held for disposition properties are capitalized at cost. Depreciation is not recorded on real estate held for disposition.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets which are 35 to 55 years for buildings, 10 to 35 years for major improvements, and 3 to 10 years for furniture, fixtures, equipment, and other assets.

Predevelopment, development, and redevelopment projects and related costs are capitalized and reported on the Consolidated Balance Sheets as *Total real estate owned, net of accumulated depreciation*. The Company capitalizes costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. These costs, excluding the direct costs of development and redevelopment and capitalized interest, for the years ended December 31, 2016, 2015, and 2014 were \$7.9 million, \$6.3 million and \$9.0 million, respectively. During the years ended December 31, 2016, 2015, and 2014, total interest capitalized was \$16.5 million,

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

\$16.1 million, and \$20.2 million, respectively. As each home in a capital project is completed and becomes available for lease-up, the Company ceases capitalization on the related portion and depreciation commences over the estimated useful life.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions and short-term, highly liquid investments. We consider all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The majority of the Company's cash and cash equivalents are held at major commercial banks.

Restricted Cash

Restricted cash consists of escrow deposits held by lenders for real estate taxes, insurance and replacement reserves, and security deposits.

Revenue and Real Estate Sales Gain Recognition

Rental income related to leases is recognized on an accrual basis when due from residents and tenants in accordance with GAAP. Rental payments are generally due on a monthly basis and recognized when earned. The Company recognizes interest income, management and other fees and incentives when earned, and the amounts are fixed and determinable.

For sale transactions meeting the requirements for full accrual profit recognition, we remove the related assets and liabilities from our Consolidated Balance Sheets and record the gain or loss in the period the transaction closes. For sale transactions that do not meet the full accrual sale criteria due to our continuing involvement, we evaluate the nature of the continuing involvement and account for the transaction under an alternate method of accounting. Unless certain limited criteria are met, non-monetary transactions, including property exchanges, are accounted for at fair value.

Sales to entities in which we retain or otherwise own an interest are accounted for as partial sales. If all other requirements for recognizing profit under the full accrual method have been satisfied and no other forms of continuing involvement are present, we recognize profit proportionate to the outside interest in the buyer and defer the gain on the interest we retain. The Company recognizes any deferred gain when the property is sold to a third party. In transactions accounted for by us as partial sales, we determine if the buyer of the majority equity interest in the venture was provided a preference as to cash flows in either an operating or a capital waterfall. If a cash flow preference has been provided, we recognize profit only to the extent that proceeds from the sale of the majority equity interest exceed costs related to the entire property.

Notes Receivable

The following table summarizes our notes receivable, net as of December 31, 2016 and 2015 (*dollars in thousands*):

	Interest rate at December 31, 2016	Balance Outstanding	
		December 31, 2016	December 31, 2015
Note due February 2020 (a)	10.00%	\$ 12,994	\$ 12,994
Note due July 2017 (b)	8.00%	2,500	2,500
Note due October 2020 (c)	8.00%	1,296	1,200
Note due April 2021 (d)	10.00%	3,000	—
Total notes receivable, net		<u>\$ 19,790</u>	<u>\$ 16,694</u>

(a) The Company has a secured note receivable with an unaffiliated third party with an aggregate commitment of \$13.0 million. Interest payments are due monthly. The note matures at the earliest of the following: (a) the closing of any private or public capital raising in the amount of \$5.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) the eighth anniversary of the date of the note (February 2020).

In March 2016, the terms of this secured note receivable were amended to extend the maturity from the fifth anniversary of the date of the note (February 2017) to the eighth anniversary of the date of the note (February 2020).

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- (b) The Company has a secured note receivable with an unaffiliated third party with an aggregate commitment of \$2.5 million. Interest payments are due monthly. The note matures at the earliest of the following: (a) the closing of any private or public capital raising in the amount of \$5.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) the fifth anniversary of the date of the note (July 2017).
- (c) The Company has a secured note receivable with an unaffiliated third party with an aggregate commitment of \$2.0 million. Interest payments are due when the loan matures. The note matures at the earliest of the following: (a) the closing of any private or public capital raising in the amount of \$10.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) the fifth anniversary of the date of the note (October 2020).
- (d) In April 2016, the Company entered into a secured note receivable with an unaffiliated third party with an aggregate commitment of \$15.0 million. During the year ended December 31, 2016, the Company loaned \$3.0 million. Interest payments are due monthly. The note matures at the earliest of the following: (a) the closing of any private or public capital raising in the amount of \$25.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) the fifth anniversary of the date of the note (April 2021).

During the years ended December 31, 2016, 2015, and 2014, the Company recognized \$1.8 million, \$1.5 million and \$3.4 million, respectively, of interest income from notes receivable, none of which was related party interest income. Interest income is included in *Interest income and other income/(expense), net* on the Consolidated Statements of Operations.

Investment in Joint Ventures and Partnerships

We use the equity method to account for investments in joint ventures and partnerships that qualify as variable interest entities where we are not the primary beneficiary and other entities that we do not control or where we do not own a majority of the economic interest but have the ability to exercise significant influence over the operating and financial policies of the investee. Throughout these financial statements we use the term “joint venture” or “partnership” when referring to investments in entities in which we do not have a 100% ownership interest. The Company also uses the equity method when we function as the managing partner and our venture partner has substantive participating rights or where we can be replaced by our venture partner as managing partner without cause. For a joint venture or partnership accounted for under the equity method, our share of net earnings or losses is reflected as income/loss when earned/incurred and distributions are credited against our investment in the joint venture or partnership as received.

In determining whether a joint venture or partnership is a variable interest entity, the Company considers: the form of our ownership interest and legal structure; the size of our investment; the financing structure of the entity, including necessity of subordinated debt; estimates of future cash flows; ours and our partner’s ability to participate in the decision making related to acquisitions, disposition, budgeting and financing of the entity; obligation to absorb losses and preferential returns; nature of our partner’s primary operations; and the degree, if any, of disproportionality between the economic and voting interests of the entity. As of December 31, 2016, the Company did not determine any of our joint ventures or partnerships to be variable interest entities.

We evaluate our investments in unconsolidated joint ventures for events or changes in circumstances that indicate there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. These factors include, but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, the fair value of the property of the joint venture, and the relationships with the other joint venture partners and its lenders. The amount of loss recognized is the excess of the investment’s carrying amount over its estimated fair value. If we believe that the decline in fair value is temporary, no impairment is recorded. The aforementioned factors are taken into consideration as a whole by management in determining the valuation of our equity method investments. Should the actual results differ from management’s judgment, the valuation could be negatively affected and may result in a negative impact to our Consolidated Financial Statements.

Derivative Financial Instruments

The Company utilizes derivative financial instruments to manage interest rate risk and generally designates these financial instruments as cash flow hedges. Derivative financial instruments are recorded on our Consolidated Balance Sheets as either an asset or liability and measured quarterly at their fair value. The changes in fair value for cash flow hedges that are deemed effective are reflected in other comprehensive income/(loss) and for non-designated derivative financial instruments in earnings. The ineffective component of cash flow hedges, if any, is recorded in earnings.

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Redeemable Noncontrolling Interests in the Operating Partnership and DownREIT Partnership

Interests in the Operating Partnership and the DownREIT Partnership held by limited partners are represented by OP Units and DownREIT Units, respectively. The income is allocated to holders of OP Units/DownREIT Units based upon net income available to common stockholders and the weighted average number of OP Units/DownREIT Units outstanding to total common shares plus OP Units/DownREIT Units outstanding during the period. Capital contributions, distributions, and profits and losses are allocated to noncontrolling interests in accordance with the terms of the partnership agreements of the Operating Partnership and the DownREIT Partnership.

Limited partners of the Operating Partnership and the DownREIT Partnership have the right to require such partnership to redeem all or a portion of the OP Units/DownREIT Units held by the limited partner at a redemption price equal to and in the form of the Cash Amount (as defined in the partnership agreement of the Operating Partnership or the DownREIT Partnership, as applicable), provided that such OP Units/DownREIT Units have been outstanding for at least one year. UDR, as the general partner of the Operating Partnership and the DownREIT Partnership may, in its sole discretion, purchase the OP Units/DownREIT Units by paying to the limited partner either the Cash Amount or the REIT Share Amount (generally one share of Common Stock of the Company for each OP Unit/DownREIT Unit), as defined in the partnership agreement of the Operating Partnership or the DownREIT Partnership, as applicable. Accordingly, the Company records the OP Units outside of permanent equity and reports the OP Units at their redemption value using the Company's stock price at each balance sheet date.

Income Taxes

Due to the structure of the Company as a REIT and the nature of the operations for the operating properties, no provision for federal income taxes has been provided for at UDR. Historically, the Company has generally incurred only state and local excise and franchise taxes. UDR has elected for certain consolidated subsidiaries to be treated as taxable REIT subsidiaries ("TRS").

Income taxes for our TRS 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. The Company's deferred tax assets are generally the result of differing depreciable lives on capitalized assets and timing of expense recognition for certain accrued liabilities. As of December 31, 2016 and 2015, UDR's net deferred tax asset was \$0.6 million and \$11.8 million, respectively.

GAAP defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. GAAP also provides guidance on derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition.

The Company recognizes its tax positions and evaluates them using a two-step process. First, UDR determines whether a tax position is more likely than not (greater than 50 percent probability) to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company will determine the amount of benefit to recognize and record the amount that is more likely than not to be realized upon ultimate settlement.

UDR had no material unrecognized tax benefit, accrued interest or penalties at December 31, 2016. UDR and its subsidiaries are subject to federal income tax as well as income tax of various state and local jurisdictions. The tax years 2013 through 2015 remain open to examination by tax jurisdictions to which we are subject. When applicable, UDR recognizes interest and/or penalties related to uncertain tax positions in *Tax benefit/(provision), net* on the Consolidated Statements of Operations.

Principles of Consolidation

The Company accounts for subsidiary partnerships, joint ventures and other similar entities in which it holds an ownership interest in accordance with the amended consolidation guidance. The Company first evaluates whether each entity is a VIE. Under the VIE model, the Company consolidates an entity when it has control to direct the activities of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Under the voting

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model, the Company consolidates an entity when it controls the entity through ownership of a majority voting interest.

Discontinued Operations

In accordance with GAAP, a discontinued operation represents (1) a component of an entity or group of components that has been disposed of or is classified as held for sale in a single transaction and represents a strategic shift that has or will have a major effect on an entity's financial results, or (2) an acquired business that is classified as held for sale on the date of acquisition. A strategic shift could include a disposal of (1) a separate major line of business, (2) a separate major geographic area of operations, (3) a major equity method investment, or (4) other major parts of an entity.

We record sales of real estate that do not meet the definition of a discontinued operation in *Gain/(loss) on sale of real estate owned, net of tax* on the Consolidated Statements of Operations.

Stock-Based Employee Compensation Plans

The Company measures the cost of employee services received in exchange for an award of an equity instrument based on the award's fair value on the grant date and recognizes the cost over the period during which the employee is required to provide service in exchange for the award, which is generally the vesting period. The fair value for stock options issued by the Company is calculated utilizing the Black-Scholes-Merton formula. For performance based awards, the Company remeasures the fair value each balance sheet date with adjustments made on a cumulative basis until the award is settled and the final compensation is known. The fair value for market based awards issued by the Company is calculated utilizing a Monte Carlo simulation. For further discussion, see Note 10, *Employee Benefit Plans*.

Advertising Costs

All advertising costs are expensed as incurred and reported on the Consolidated Statements of Operations within the line item *Property operating and maintenance*. During the years ended December 31, 2016, 2015, and 2014, total advertising expense was \$6.4 million, \$6.4 million, and \$6.0 million, respectively.

Cost of Raising Capital

Costs incurred in connection with the issuance of equity securities are deducted from stockholders' equity. Costs incurred in connection with the issuance or renewal of debt are recorded based on the terms of the debt issuance or renewal. Accordingly, if the terms of the renewed or modified debt instrument are deemed to be substantially different (i.e. a 10 percent or greater difference in the cash flows between instruments), all unamortized financing costs associated with the extinguished debt are charged to earnings in the current period and certain costs of new debt issuances are capitalized and amortized over the term of the debt. When the cash flows are not substantially different, the lender costs associated with the renewal or modification are capitalized and amortized into interest expense over the remaining term of the related debt instrument and other related costs are expensed. The balance of any unamortized financing costs associated with retired debt is expensed upon retirement. Deferred financing costs for new debt instruments include fees and costs incurred by the Company to obtain financing. Deferred financing costs are generally amortized on a straight-line basis, which approximates the effective interest method, over a period not to exceed the term of the related debt.

Comprehensive Income/(Loss)

Comprehensive income/(loss), which is defined as the change in equity during each period from transactions and other events and circumstances from nonowner sources, including all changes in equity during a period except for those resulting from investments by or distributions to stockholders, is displayed in the accompanying Consolidated Statements of Comprehensive Income/(Loss). For the years ended December 31, 2016, 2015, and 2014, the Company's other comprehensive income/(loss) consisted of the gain/(loss) (effective portion) on derivative instruments that are designated as and qualify as cash flow hedges, (gain)/loss on derivative instruments reclassified from other comprehensive income/(loss) into earnings, and the allocation of other comprehensive income/(loss) to noncontrolling interests. The (gain)/loss on derivative instruments reclassified from other comprehensive income/(loss) is included in *Interest expense* on the Consolidated Statements of Operations. See Note 14, *Derivatives and Hedging Activity*, for further discussion. The allocation of other comprehensive income/(loss) to redeemable noncontrolling interests during the years ended December 31, 2016, 2015, and 2014 was \$0.1 million, \$(0.3) million, and \$(0.1) million, respectively.

Use of Estimates

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The preparation of these financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates.

Market Concentration Risk

The Company is subject to increased exposure from economic and other competitive factors specific to markets where the Company holds a significant percentage of the carrying value of its real estate portfolio. At December 31, 2016, the Company held greater than 10% of the carrying value of its real estate portfolio in the Orange County, California; Metropolitan D.C. and New York, New York markets.

3. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Effective January 1, 2014, UDR prospectively adopted ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, for all communities not previously sold or classified as held for disposition. The standard had a material impact on the Company's consolidated financial statements. As a result of adopting the ASU, during the years ended December 31, 2016, 2015 and 2014, gains, net of tax, of \$210.9 million, \$251.7 million and \$142.5 million (excluding a \$1.1 million gain related to the sale of land) respectively, are included in *Gain/(loss) on sale of real estate owned, net of tax* on the Consolidated Statements of Operations rather than in *Income/(loss) from discontinued operations, net of tax* on the Consolidated Statements of Operations.

Prior to the prospective adoption of ASU 2014-08, FASB Accounting Standards Codification ("ASC") Subtopic 205-20 required, among other things, that the primary assets and liabilities and the results of operations of UDR's real properties that have been sold or are held for disposition, be classified as discontinued operations and segregated in UDR's Consolidated Statements of Operations and Consolidated Balance Sheets. Consequently, the primary assets and liabilities and the net operating results of those properties sold or classified as held for disposition prior to January 1, 2014 are accounted for as discontinued operations for all periods presented. This presentation does not have an impact on net income available to common stockholders; it only results in the reclassification of the operating results within the Consolidated Statements of Operations for the period ended December 31, 2014.

During 2014, the Company sold one operating property that was classified as held for disposition prior to the adoption of ASU 2014-08 and, therefore, met the requirements to be reported as a discontinued operation. The sale of this property resulted in an immaterial gain, net of tax, of less than \$0.1 million. The gain, net of tax, and operating results of the property for the year ended December 31, 2014 are included in *Income/(loss) from discontinued operations, net of tax* on the Consolidated Statements of Operations.

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The following is a summary of *Income/(loss) from discontinued operations, net of tax* for the years ended December 31, 2016, 2015, and 2014 (*dollars in thousands*):

	Year Ended December 31,		
	2016	2015	2014
Rental income	\$ —	\$ —	\$ 147
Rental expenses	—	—	225
Property management	—	—	4
Real estate depreciation	—	—	—
Interest income and other (income)/expense, net	—	—	21
Income/(loss) attributable to disposed properties and assets held for disposition	—	—	(103)
Net gain/(loss) on the sale of depreciable property	—	—	75
Impairment charges	—	—	—
Income tax benefit/(provision)	—	—	38
Income/(loss) from discontinued operations, net of tax	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10</u>
Income/(loss) from discontinued operations attributable to UDR, Inc.	\$ —	\$ —	\$ 10

4. REAL ESTATE OWNED

Real estate assets owned by the Company consist of income producing operating properties, properties under development, land held for future development, and sold or held for disposition properties. As of December 31, 2016, the Company owned and consolidated 127 communities in 10 states plus the District of Columbia totaling 39,454 apartment homes. The following table summarizes the carrying amounts for our real estate owned (at cost) as of December 31, 2016 and 2015 (*dollars in thousands*):

	December 31, 2016	December 31, 2015
Land	<u>\$ 1,801,576</u>	\$ 1,833,156
Depreciable property — held and used:		
Land improvements	178,701	173,821
Building, improvements, and furniture, fixtures and equipment	7,291,570	7,046,622
Under development:		
Land and land improvements	111,028	78,085
Building, improvements, and furniture, fixtures and equipment	231,254	45,987
Real estate held for disposition:		
Land and land improvements	1,104	9,963
Building, improvements, and furniture, fixtures and equipment	520	2,642
Real estate owned	<u>9,615,753</u>	9,190,276
Accumulated depreciation	<u>(2,923,625)</u>	(2,646,874)
Real estate owned, net	<u><u>\$ 6,692,128</u></u>	<u><u>\$ 6,543,402</u></u>

Acquisitions

In November 2016, the Company acquired an operating community in Redmond, Washington with 177 apartment homes for approximately \$70.5 million, which was funded with tax-deferred like-kind exchanges under Section 1031 of the Internal Revenue Code of 1986 (“Section 1031 exchanges”).

In October 2016, the Company increased its ownership from 50% to 100% in two operating communities located in Bellevue, Washington with a total of 331 apartment homes for approximately \$70.3 million in cash, which was funded with tax-deferred Section 1031 exchanges and the assumption of an incremental \$37.9 million of secured debt with a weighted average interest rate of 3.67%. As a result, the Company consolidated the operating communities. The Company had previously

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accounted for its 50% ownership interest as an unconsolidated joint venture (see Note 6, *Joint Ventures and Partnerships*). We accounted for the acquisition as a business combination resulting in a gain on consolidation of approximately \$36.4 million. As a result of the consolidation, the Company increased its real estate owned by \$215.0 million and secured debt by \$80.0 million.

In August 2016, the Company increased its ownership interest from 5% to 100% in a parcel of land in Dublin, California for a purchase price of approximately \$8.5 million. As a result, the Company consolidated the parcel of land. UDR had previously accounted for its 5% interest in the parcel of land as an unconsolidated joint venture (see Note 6, *Joint Ventures and Partnerships*). We accounted for the consolidation as an asset acquisition resulting in no gain or loss upon consolidation and increased our real estate owned by \$8.9 million.

In June 2016, the Company increased its ownership interest from 50% to 100% in a parcel of land in Los Angeles, California for a purchase price of approximately \$20.1 million. As a result, the Company consolidated the parcel of land. UDR had previously accounted for its 50% interest in the parcel of land as an unconsolidated joint venture (see Note 6, *Joint Ventures and Partnerships*). We accounted for the consolidation as an asset acquisition resulting in no gain or loss upon consolidation and increased our real estate owned by \$31.1 million. Subsequent to the acquisition, the Company entered into a triple-net operating ground lease for the parcel of land at market terms with a third-party developer. The lessee plans to construct a multi-family community on the parcel of land. The ground lease provides the ground lessee with options to buy the fee interest in the parcel of land. The lease term is 49 years plus two 25-year extension options, does not transfer ownership to the lessee, and does not include a bargain purchase option.

In October 2015, the Company completed the acquisition of six Washington, D.C. area properties from Home Properties, L.P., a New York limited partnership ("Home OP"), for a contractual purchase price of \$900.6 million, which was comprised of \$564.8 million of newly issued DownREIT Units in the newly formed DownREIT Partnership issued at \$35 per unit (a total of 16.1 million units), the assumption of \$89.3 million of debt, \$221.0 million of reverse tax-deferred Section 1031 exchanges, and \$25.5 million of cash. In addition, the Company issued approximately 14.0 million shares of its Series F Preferred Stock to former limited partners of Home OP, which had the right to subscribe for one share of Series F Preferred Stock for each DownREIT Unit issued in connection with the acquisitions.

In February 2015, the Company acquired an office building in Highlands Ranch, Colorado, for consideration of approximately \$24.0 million, which was comprised of assumed debt. The Company's corporate offices, as well as other leased office space, are located in the acquired building. The building consists of approximately 120,000 square feet. All existing leases were assumed by the Company at the time of the acquisition.

On January 25, 2017, the Company exercised its fixed price option to purchase the joint venture partner's ownership interest and therefore increased its ownership interest from 49% to 100% in an operating community located in Seattle, Washington with 244 apartment homes for a cash purchase price of approximately \$66.0 million. As a result, as of January 25, 2017, the Company consolidated the operating community. As of December 31, 2016, the Company accounted for its 49% interest as a preferred equity investment in an unconsolidated joint venture (see Note 6, *Joint Ventures and Partnerships*).

The Company incurred \$0.2 million, \$2.1 million and \$0.4 million of acquisition-related costs during the years ended December 31, 2016, 2015, and 2014, respectively. These expenses are reported within the line item *General and administrative* on the Consolidated Statements of Operations.

Dispositions

In November 2016, the Company sold seven operating communities with a total 1,402 apartment homes in Baltimore, Maryland and an operating community with 380 apartment homes in Dallas, Texas for gross proceeds of \$284.6 million, resulting in net proceeds of \$280.5 million and a gain, net of tax, of \$200.5 million. A portion of the proceeds was designated for tax-deferred Section 1031 exchanges that was used for certain 2016 acquisitions.

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In May 2016, the Company sold a retail center in Bellevue, Washington for gross proceeds of \$45.4 million, resulting in net proceeds of \$44.1 million and a gain, net of tax, of \$7.3 million. A portion of the proceeds was designated for tax-deferred Section 1031 exchanges.

In March 2016, the Company sold its 95% ownership interest in two parcels of land in Santa Monica, California for gross proceeds of \$24.0 million, resulting in net proceeds of \$22.0 million and a gain, net of tax, of \$3.1 million.

During the year ended December 31, 2015, the Company sold 12 operating communities with a total of 2,735 apartment homes for gross proceeds of \$408.7 million, resulting in net proceeds of \$387.7 million and a gain of \$251.7 million. A portion of the sale proceeds was designated for tax-deferred Section 1031 exchanges for a 2014 acquisition and the October 2015 acquisitions.

5. VARIABLE INTEREST ENTITIES

As of January 1, 2016, the Company adopted ASU 2015-02. See discussion in Note 2, *Significant Accounting Policies* for further details. As a result of the adoption, the Operating Partnership and DownREIT Partnership were determined to be VIEs. As the Company was determined to be the primary beneficiary, we will continue to consolidate these entities.

The Company has determined that the Operating Partnership and DownREIT Partnership are VIEs as the limited partners lack substantive kick-out rights and substantive participating rights. The Company has concluded that it is the primary beneficiary of, and therefore continues to consolidate, the Operating Partnership and DownREIT Partnership based on its role as the manager of the communities and its direct ownership interests, including all general partner interests. The Company's role as community manager and its equity interests give us the power to direct the activities that most significantly impact the economic performance and the obligation to absorb potentially significant losses or the right to receive potentially significant benefits of the Operating Partnership and DownREIT Partnership.

See the consolidated financial statements of the Operating Partnership presented within this Report and Note 4, *Unconsolidated Entities*, to the Operating Partnership's consolidated financial statements for the results of operations of the Operating Partnership and DownREIT Partnership, respectively.

6. JOINT VENTURES AND PARTNERSHIPS

UDR has entered into joint ventures and partnerships with unrelated third parties to acquire real estate assets that are either consolidated and included in *Real estate owned* on the Consolidated Balance Sheets or are accounted for under the equity method of accounting, and are included in *Investment in and advances to unconsolidated joint ventures, net*, on the Consolidated Balance Sheets. The Company consolidates the entities that we control as well as any variable interest entity where we are the primary beneficiary. In addition, the Company consolidates any joint venture or partnership in which we are the general partner or managing partner and the third party does not have the ability to substantively participate in the decision-making process nor the ability to remove us as general partner or managing partner without cause.

UDR's joint ventures and partnerships are funded with a combination of debt and equity. Our losses are limited to our investment and except as noted below, the Company does not guarantee any debt, capital payout or other obligations associated with our joint ventures and partnerships.

The Company recognizes earnings or losses from our investments in unconsolidated joint ventures and partnerships consisting of our proportionate share of the net earnings or losses of the joint ventures and partnerships. In addition, we may earn fees for providing management services to the unconsolidated joint ventures and partnerships.

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The following table summarizes the Company's investment in and advances to unconsolidated joint ventures and partnerships, net, which are accounted for under the equity method of accounting as of December 31, 2016 and 2015 (*dollars in thousands*):

Joint Venture	Location of Properties	Number of Properties	Number of Apartment Homes	Investment at		UDR's Ownership Interest		
		December 31, 2016	December 31, 2016	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	
Operating and development:								
UDR/MetLife I (a)	Los Angeles, CA	1 development community (b)	150	\$ 25,209	\$ 15,894	50.0%		17.2%
UDR/MetLife II (c)	Various	18 operating communities	4,059	311,282	425,230	50.0%		50.0%
Other UDR/MetLife Development Joint Ventures (d)	Various	1 operating community; 4 development communities (b)	1,437	160,979	171,659	50.6%		50.6%
UDR/MetLife Vitruvian Park®	Addison, TX	3 operating communities; 1 development community (b); 5 land parcels	1,513	72,414	73,469	50.0%		50.0%
UDR/KFH	Washington, D.C.	3 operating communities	660	12,835	17,211	30.0%		30.0%
Investment in and advances to unconsolidated joint ventures, net, before participating loan investment and preferred equity investment				\$ 582,719	\$ 703,463			
						Income from investments for the years ending December 31,		
				Investment at				
			Years To Maturity	December 31, 2016	December 31, 2015	2016	2015	2014
Participating loan investment:								
Steele Creek	Denver, CO	6.5%	0.6	\$ 94,003	\$ 90,747	\$ 6,213	\$ 5,453	\$ 2,350
Preferred equity investment:								
West Coast Development Joint Venture (e)	Various	6.5% (e)	N/A	150,303	144,696	\$ 4,561	\$ 3,692	\$ —
Total investment in and advances to unconsolidated joint				\$ 827,025	\$ 938,906			

- (a) In August 2016, the Company increased its ownership interest from 5% to 100% in a parcel of land in Dublin, California for a purchase price of approximately \$8.5 million. As a result, the Company consolidated the parcel of land and it is no longer accounted for as an unconsolidated joint venture (see Note 4, *Real Estate Owned*). The parcel of land was previously held in the UDR/MetLife I joint venture.

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In August 2016, the Company sold its 3% and 6% interests in two parcels of land located in Los Angeles, California and Bellevue, Washington, respectively, to MetLife for a sales price of approximately \$3.0 million, resulting in a loss on sale to the Company of approximately \$0.9 million. The parcels of land were previously held in the UDR/MetLife I joint venture and are no longer accounted for as unconsolidated joint ventures.

- (b) The number of apartment homes for the communities under development presented in the table above is based on the projected number of total homes. As of December 31, 2016, 736 apartment homes had been completed in Other UDR/MetLife Development Joint Ventures, and no apartment homes had been completed in UDR/MetLife I or in UDR/MetLife Vitruvian Park®.
- (c) In September 2015, the 717 Olympic community, which is owned by the UDR/MetLife II joint venture, experienced extensive water damage due to a ruptured water pipe. For the years ended December 31, 2016 and 2015, the Company recorded casualty-related charges/(recoveries) of \$(3.8) million and \$2.5 million, respectively, its proportionate share of the total charges/(recoveries) recognized.

In September 2016, the UDR/MetLife II joint venture sold an operating community located in Dallas, Texas with 252 apartment homes for a sales price of approximately \$74.7 million, resulting in a gain of approximately \$11.3 million for the Company.

In October 2016, the Company increased its ownership from 50% to 100% in two operating communities located in Bellevue, Washington with a total of 331 apartment homes for a cash purchase price of approximately \$70.3 million in cash and the assumption of an incremental \$37.9 million of secured debt with a weighted average interest rate of 3.67%. As a result, the Company consolidated the operating communities and they are no longer accounted for as unconsolidated joint ventures (see Note 4, *Real Estate Owned*). The operating communities were previously held in the UDR/MetLife II joint venture.

- (d) In June 2016, the Company increased its ownership interest from 50% to 100% in a parcel of land in Los Angeles, California for a purchase price of approximately \$20.1 million. As a result, the Company consolidated the parcel of land and it is no longer accounted for as an unconsolidated joint venture (see Note 4, *Real Estate Owned*). The parcel of land was previously held in Other/UDR MetLife Development Joint Ventures.
- (e) As of December 31, 2016, construction was completed on four of the five communities held by the West Coast Development Joint Venture and two of the five communities had achieved stabilization, which, for purposes of the joint venture, is defined as when a community reaches 80% occupancy for 90 consecutive days. Upon stabilization, income and expense are shared based on each partner's ownership percentage and the Company no longer receives a 6.5% preferred return on its investment in the stabilized community. The remaining three communities have not achieved stabilization and the Company continues to receive a 6.5% preferred return on its investment in those communities.

The Company will serve as property manager and be paid a management fee during the lease-up phase and subsequent operation of each of the communities. The joint venture partner is the general partner of the joint venture and the developer of the communities.

The Company has a fixed price option to acquire the remaining interest in each community beginning one year after completion. If the options are exercised for all five communities, the Company's total purchase price will be \$597.4 million. In the event the Company does not exercise its options to purchase at least two communities, the joint venture partner will be entitled to earn a contingent disposition fee equal to 6.5% return on its implied equity in the communities not acquired. The joint venture partner is providing certain guaranties and there are construction loans on all five communities. Once completed, the five communities will contain 1,533 homes.

The Company has concluded it does not control the joint venture and accounts for it under the equity method of accounting. The Company's recorded equity investment in the West Coast Development Joint Venture at December 31, 2016 and 2015 of \$150.3 million and \$144.7 million, respectively, is inclusive of outside basis costs and our accrued but unpaid preferred return. During the the year ended December 31, 2016, the Company earned a preferred return of \$4.6 million. During the year ended December 31, 2015, the Company earned a preferred return of \$5.2 million, offset by its share of the West Coast Development Joint Venture transaction expenses of \$1.5 million.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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On January 25, 2017, the Company exercised its fixed price option to purchase the joint venture partner's ownership interest and therefore increased its ownership interest from 49% to 100% in an operating community located in Seattle, Washington with 244 apartment homes for a cash purchase price of approximately \$66.0 million. As a result, as of January 25, 2017, the Company consolidated the operating community and it is no longer accounted for as an unconsolidated joint venture (see Note 4, *Real Estate Owned*). The operating community was one of the five communities held by the West Coast Development Joint Venture as of December 31, 2016.

As of December 31, 2016 and 2015, the Company had deferred fees and deferred profit of \$9.5 million and \$6.8 million, respectively, which will be recognized through earnings over the weighted average life of the related properties, upon the disposition of the properties to a third party, or upon completion of certain development obligations.

The Company recognized \$11.3 million of management fees during each of the years ended December 31, 2016, 2015, and 2014, respectively, for our management of the joint ventures and partnerships. The management fees are included in *Joint venture management and other fees* on the Consolidated Statements of Operations.

The Company may, in the future, make additional capital contributions to certain of our joint ventures and partnerships should additional capital contributions be necessary to fund development, acquisitions or operations.

We evaluate our investments in unconsolidated joint ventures and partnerships when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. The Company did not recognize any other-than-temporary decrease in the value of its other investments in unconsolidated joint ventures or partnerships during the years ended December 31, 2016, 2015, and 2014.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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Condensed summary financial information relating to the unconsolidated joint ventures' and partnerships' operations (not just our proportionate share), is presented below for the years ended December 31, 2016, 2015, and 2014 (*dollars in thousands*):

As of and For the Year Ended December 31, 2016	UDR/MetLife I	UDR/MetLife II	Other UDR/MetLife Development Joint Ventures	UDR/MetLife Vitruvian Park®	UDR/KFH	Total
Condensed Statements of Operations:						
Total revenues	\$ 278	\$ 169,175	\$ 18,090	\$ 22,916	\$ 19,997	\$ 230,456
Property operating expenses	552	52,322	11,655	11,730	7,828	84,087
Real estate depreciation and amortization	52	46,135	16,353	6,835	14,444	83,819
Operating income/(loss)	(326)	70,718	(9,918)	4,351	(2,275)	62,550
Interest expense	—	(51,173)	(6,164)	(5,095)	(5,369)	(67,801)
Gain/(loss) on the sale of real estate	(375)	34,201	—	—	—	33,826
Net income/(loss)	\$ (701)	\$ 53,746	\$ (16,082)	\$ (744)	\$ (7,644)	\$ 28,575
UDR income/(loss) from unconsolidated entities	\$ (461)	\$ 56,895	\$ 1,696	\$ (3,603)	\$ (2,293)	\$ 52,234
Condensed Balance Sheets:						
Total real estate, net	\$ 50,656	\$ 1,672,842	\$ 698,694	\$ 270,770	\$ 208,105	\$2,901,067
Cash and cash equivalents	1,940	13,272	8,991	7,012	1,288	32,503
Other assets	1,641	11,370	2,744	2,266	1,026	19,047
Total assets	54,237	1,697,484	710,429	280,048	210,419	2,952,617
Amount due to/(from) UDR	155	(4,711)	3,082	1,566	429	521
Third party debt, net	—	1,128,379	375,597	124,716	165,687	1,794,379
Accounts payable and accrued liabilities	5,211	19,996	32,484	7,303	1,397	66,391
Total liabilities	5,366	1,143,664	411,163	133,585	167,513	1,861,291
Total equity	\$ 48,871	\$ 553,820	\$ 299,266	\$ 146,463	\$ 42,906	\$1,091,326
UDR's investment in and advances to unconsolidated joint ventures, net	\$ 25,208	\$ 311,282	\$ 405,286	\$ 72,414	\$ 12,835	\$ 827,025

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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As of and For the Year Ended December 31, 2015	UDR/MetLife I	UDR/MetLife II	Other UDR/MetLife Development Joint Ventures	UDR/MetLife Vitruvian Park®	UDR/KFH	Texas	Total
Condensed Statements of Operations:							
Total revenues	\$ 541	\$ 170,062	\$ 7,634	\$ 22,139	\$ 19,338	\$ —	\$ 219,714
Property operating expenses	906	63,516	3,826	11,519	7,733	—	87,500
Real estate depreciation and amortization	818	46,616	6,897	6,639	14,522	—	75,492
Operating income/(loss)	(1,183)	59,930	(3,089)	3,981	(2,917)	—	56,722
Interest expense	—	(52,037)	(2,566)	(4,848)	(5,539)	—	(64,990)
Income/(loss) from discontinued operations	(20)	—	—	—	—	184,138	184,118
Net income/(loss)	\$ (1,203)	\$ 7,893	\$ (5,655)	\$ (867)	\$ (8,456)	\$ 184,138	\$ 175,850
UDR income/(loss) from unconsolidated entities	\$ (513)	\$ 3,578	\$ 6,088	\$ (3,711)	\$ (2,537)	\$ 59,424	\$ 62,329
Condensed Balance Sheets:							
Total real estate, net	\$ 92,915	\$ 1,942,630	\$ 604,611	\$ 273,897	\$ 221,704	\$ —	\$ 3,135,757
Cash and cash equivalents	1,202	20,767	5,996	7,185	1,320	10	36,480
Other assets	174	24,914	1,921	2,317	565	—	29,891
Total assets	94,291	1,988,311	612,528	283,399	223,589	10	3,202,128
Amount due to/(from) UDR	2	—	5,929	908	427	—	7,266
Third party debt, net	—	1,122,662	201,114	126,388	164,299	—	1,614,463
Accounts payable and accrued liabilities	395	24,244	62,267	7,137	1,480	—	95,523
Total liabilities	397	1,146,906	269,310	134,433	166,206	—	1,717,252
Total equity	\$ 93,894	\$ 841,405	\$ 343,218	\$ 148,966	\$ 57,383	\$ 10	\$ 1,484,876
UDR's investment in and advances to	\$ 15,894	\$ 425,230	\$ 407,102	\$ 73,469	\$ 17,211	\$ —	\$ 938,906

unconsolidated
joint ventures,
net

For the Year Ended December 31, 2014	UDR/MetLife I	UDR/MetLife II	Other UDR/MetLife Development Joint Ventures	UDR/MetLife Vitruvian Park®	UDR/KFH	Texas	Total
Condensed Statements of Operations:							
Total revenues	\$ 727	\$ 152,047	\$ 1,579	\$ 19,376	\$ 19,724	\$ —	\$193,453
Property operating expenses	618	52,150	1,122	10,711	7,498	—	72,099
Real estate depreciation and amortization	2,130	41,504	3,959	7,380	14,426	—	69,399
Operating income/(loss)	(2,021)	58,393	(3,502)	1,285	(2,200)	—	51,955
Interest expense	—	(48,493)	(94)	(4,131)	(5,873)	—	(58,591)
Income/(loss) from discontinued operations	(31,802)	—	—	—	—	(4,229)	(36,031)
Net income/(loss)	<u>\$ (33,823)</u>	<u>\$ 9,900</u>	<u>\$ (3,596)</u>	<u>\$ (2,846)</u>	<u>\$ (8,073)</u>	<u>\$(4,229)</u>	<u>\$ (42,667)</u>
UDR income/(loss) from unconsolidated entities	\$ (2,955)	\$ 2,814	\$ 576	\$ (4,068)	\$ (2,601)	\$ (772)	\$ (7,006)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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7. SECURED AND UNSECURED DEBT, NET

The following is a summary of our secured and unsecured debt at December 31, 2016 and 2015 (*dollars in thousands*):

	Principal Outstanding		For the Year Ended December 31, 2016		
	December 31,		Weighted Average Interest Rate	Weighted Average Years to Maturity	Number of Communities Encumbered
	2016	2015			
Secured Debt:					
Fixed Rate Debt					
Mortgage notes payable (a)	\$ 402,996	\$ 442,617	4.04%	6.3	7
Fannie Mae credit facilities (b)	355,836	514,462	5.06%	2.8	10
Deferred financing costs	(2,681)	(4,278)			
Total fixed rate secured debt, net	756,151	952,801	4.53%	4.7	17
Variable Rate Debt					
Mortgage notes payable (c)	—	31,337	—%	—	—
Tax-exempt secured notes payable (d)	94,700	94,700	1.39%	6.2	2
Fannie Mae credit facilities (b)	280,946	299,378	2.13%	3.2	7
Deferred financing costs	(939)	(1,271)			
Total variable rate secured debt, net	374,707	424,144	1.95%	4.0	9
Total Secured Debt, net	1,130,858	1,376,945	3.66%	4.4	26
Unsecured Debt:					
Variable Rate Debt					
Borrowings outstanding under unsecured credit facilities due January 2020 (e) (j)	—	150,000	1.37%	3.1	
Borrowings outstanding under unsecured working capital credit facility due January 2019 (f)	21,350	—	1.67%	2.0	
Term Loan Facility due January 2021 (e) (j)	35,000	35,000	1.56%	4.1	
Fixed Rate Debt					
5.25% Medium-Term Notes due January 2016 (g)	—	83,260	—%	—	
6.21% Medium-Term Notes due July 2016 (g)	—	12,091	—%	—	
4.25% Medium-Term Notes due June 2018 (net of discounts of \$608 and \$1,037, respectively) (j)	299,392	298,963	4.25%	1.4	
3.70% Medium-Term Notes due October 2020 (net of discounts of \$30 and \$38, respectively) (j)	299,970	299,962	3.70%	3.8	
2.23% Term Loan Facility due January 2021 (e) (j)	315,000	315,000	2.23%	4.1	
4.63% Medium-Term Notes due January 2022 (net of discounts of \$1,805 and \$2,164, respectively) (j)	398,195	397,836	4.63%	5.0	
3.75% Medium-Term Notes due July 2024 (net of discounts of \$782 and \$886, respectively) (j)	299,218	299,114	3.75%	7.5	

8.50% Debentures due September 2024	15,644	15,644	8.50%	7.7
4.00% Medium-Term Notes due October 2025 (net of discount of \$602 and \$671, respectively) (h) (j)	299,398	299,329	4.00%	8.8
2.95% Medium-Term Notes due September 2026 (i) (j)	300,000	—	2.95%	9.7
Other	21	24		
Deferred financing costs	(12,568)	(12,373)		
Total Unsecured Debt, net	<u>2,270,620</u>	<u>2,193,850</u>	3.73%	5.7
Total Debt, net	<u>\$3,401,478</u>	<u>\$3,570,795</u>	3.79%	5.3

For purposes of classification of the above table, variable rate debt with a derivative financial instrument designated as a cash flow hedge is deemed as fixed rate debt due to the Company having effectively established a fixed interest rate for the underlying debt instrument.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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Our secured debt instruments generally feature either monthly interest and principal or monthly interest-only payments with balloon payments due at maturity. As of December 31, 2016, secured debt encumbered \$2.1 billion or 21.5% of UDR's total real estate owned based upon gross book value (\$7.5 billion or 78.5% of UDR's real estate owned based on gross book value is unencumbered).

(a) At December 31, 2016, fixed rate mortgage notes payable are generally due in monthly installments of principal and interest and mature at various dates from May 2019 through November 2026 and carry interest rates ranging from 3.15% to 5.86%.

On November 1, 2016, the Company entered into a \$25.0 million fixed rate mortgage note due November 5, 2026 with an interest rate of 3.15%. Interest is payable monthly.

On June 1, 2016, the Company entered into a \$25.0 million fixed rate mortgage note due June 5, 2026 with an interest rate of 3.35%. Interest is payable monthly.

The Company will from time to time acquire properties subject to fixed rate debt instruments. In those situations, the Company records the debt at its estimated fair value and amortizes any difference between the fair value and par value to interest expense over the life of the underlying debt instrument. In October 2016, the Company assumed debt with a fair market value of \$80.0 million, inclusive of a \$4.2 million fair market value adjustment, as part of our acquisition of two operating communities in Bellevue, Washington, as described in Note 4, *Real Estate Owned*.

During the years ended December 31, 2016, 2015, and 2014, the Company had \$2.9 million, \$5.3 million, and \$5.1 million, respectively, of amortization on the fair market adjustment of debt assumed in the acquisition of properties, which was included in *Interest expense* on the Consolidated Statements of Operations. The unamortized fair market adjustment was a net premium of \$11.2 million and \$10.0 million at December 31, 2016 and 2015, respectively.

(b) UDR has three secured credit facilities with Fannie Mae with an aggregate commitment of \$636.8 million at December 31, 2016. The Fannie Mae credit facilities mature at various dates from May 2017 through July 2023 and bear interest at floating and fixed rates. At December 31, 2016, \$355.8 million of the outstanding balance was fixed and had a weighted average interest rate of 5.06% and the remaining balance of \$280.9 million had a weighted average variable interest rate of 2.13%. The Company prepaid a portion of the secured credit facility due in May 2017 with a portion of the proceeds from the notes offering in August 2016, as described in (i) below.

Further information related to these credit facilities is as follows (*dollars in thousands*):

	December 31, 2016	December 31, 2015
Borrowings outstanding	\$ 636,782	\$ 813,840
Weighted average borrowings during the period ended	737,802	822,521
Maximum daily borrowings during the period ended	813,544	834,003
Weighted average interest rate during the period ended	3.9%	4.0%
Weighted average interest rate at the end of the period	3.8%	3.9%

(c) In July 2016, the Company paid off the \$31.3 million variable rate mortgage note payable with borrowings under its \$1.1 billion unsecured revolving credit facility.

(d) The variable rate mortgage notes payable that secure tax-exempt housing bond issues mature on August 2019 and March 2032. Interest on these notes is payable in monthly installments. The variable rate mortgage notes have interest rates ranging from 1.33% to 1.42% as of December 31, 2016.

(e) The Company has a \$1.1 billion senior unsecured revolving credit facility (the "Revolving Credit Facility") and a \$350.0 million senior unsecured term loan facility (the "Term Loan Facility"). The credit agreement for these facilities (the "Credit Agreement") allows the total commitments under the Revolving Credit Facility and the total borrowings under the Term Loan Facility to be increased to an aggregate maximum amount of up to \$2.0 billion, subject to certain conditions, including obtaining commitments from any one or more lenders. The Revolving Credit Facility has a scheduled maturity date

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

of January 31, 2020, with two six-month extension options, subject to certain conditions. The Term Loan Facility has a scheduled maturity date of January 29, 2021.

Based on the Company's current credit rating, the Revolving Credit Facility has an interest rate equal to LIBOR plus a margin of 90 basis points and a facility fee of 15 basis points, and the Term Loan Facility has an interest rate equal to LIBOR plus a margin of 95 basis points. Depending on the Company's credit rating, the margin under the Revolving Credit Facility ranges from 85 to 155 basis points, the facility fee ranges from 12.5 to 30 basis points, and the margin under the Term Loan Facility ranges from 90 to 175 basis points.

The Credit Agreement contains customary representations and warranties and financial and other affirmative and negative covenants. The Credit Agreement also includes customary events of default, in certain cases subject to customary periods to cure. The occurrence of an event of default, following the applicable cure period, would permit the lenders to, among other things, declare the unpaid principal, accrued and unpaid interest and all other amounts payable under the Credit Agreement to be immediately due and payable.

The following is a summary of short-term bank borrowings under UDR's revolving credit facility at December 31, 2016 and 2015 (*dollars in thousands*):

	December 31, 2016	December 31, 2015
Total revolving credit facility	\$ 1,100,000	\$ 1,100,000
Borrowings outstanding at end of period (1)	—	150,000
Weighted average daily borrowings during the period ended	161,505	353,647
Maximum daily borrowings during the period ended	340,000	541,500
Weighted average interest rate during the period ended	1.4%	1.1%
Interest rate at end of the period	—%	1.2%

(1) Excludes \$2.9 million and \$2.3 million of letters of credit at December 31, 2016 and 2015, respectively.

(f) The Company has a working capital credit facility, which provides for a \$75 million unsecured revolving credit facility (the "Working Capital Credit Facility") with a scheduled maturity date of January 1, 2019. Based on the Company's current credit rating, the Working Capital Credit Facility has an interest rate equal to LIBOR plus a margin of 90 basis points. Depending on the Company's credit rating, the margin ranges from 85 to 155 basis points.

In July 2016, the Company amended the working capital credit facility to increase the maximum borrowing capacity from \$30 million to \$75 million. The scheduled maturity date and interest rate were unchanged by the amendment.

The following is a summary of short-term bank borrowings under UDR's working capital credit facility at December 31, 2016 and December 31, 2015 (*dollars in thousands*):

	December 31, 2016	December 31, 2015
Total revolving credit facility	\$ 75,000	\$ 30,000
Borrowings outstanding at end of period	21,350	—
Weighted average daily borrowings during the period ended	21,936	—
Maximum daily borrowings during the period ended	69,633	—
Weighted average interest rate during the period ended	1.4%	—%
Interest rate at end of the period	1.7%	—%

(g) Paid off at maturity with borrowings under the Company's \$1.1 billion unsecured revolving credit facility.

(h) The Company previously entered into forward starting interest rate swaps to hedge against interest rate risk on \$200 million of this debt. The all-in weighted average interest rate, inclusive of the impact of these interest rate swaps, was 4.55%.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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(i) On August 23, 2016, the Company issued \$300 million of 2.95% senior unsecured medium-term notes due September 1, 2026. Interest is payable semi-annually beginning on March 1, 2017. The notes were priced at 100% of the principal amount at issuance. The Company used the net proceeds to prepay secured debt due in May 2017, pay down a portion of the borrowings outstanding on its \$1.1 billion unsecured credit facility and for general corporate purposes.

(j) The Operating Partnership is a guarantor of the debt.

The aggregate maturities, including amortizing principal payments of secured and unsecured debt, of total debt for the next ten years subsequent to December 31, 2016 are as follows (*dollars in thousands*):

Year	Total Fixed Secured Debt	Total Variable Secured Debt	Total Secured Debt	Total Unsecured Debt	Total Debt
2017	\$ 4,433	\$ 46,568	\$ 51,001	\$ —	\$ 51,001
2018	74,637	137,969	212,606	300,000	512,606
2019	249,395	67,700	317,095	21,350	338,445
2020	198,076	—	198,076	300,000	498,076
2021	1,117	—	1,117	350,000	351,117
2022	1,157	—	1,157	400,000	401,157
2023	41,245	96,409	137,654	—	137,654
2024	—	—	—	315,644	315,644
2025	127,600	—	127,600	300,000	427,600
2026	50,000	—	50,000	300,000	350,000
Thereafter	—	27,000	27,000	—	27,000
Subtotal	747,660	375,646	1,123,306	2,286,994	3,410,300
Non-cash (a)	8,491	(939)	7,552	(16,374)	(8,822)
Total	<u>\$ 756,151</u>	<u>\$ 374,707</u>	<u>\$ 1,130,858</u>	<u>\$ 2,270,620</u>	<u>\$ 3,401,478</u>

(a) Includes the unamortized balance of fair market value adjustments, premiums/discounts, deferred hedge gains, and deferred financing costs. For the years ended December 31, 2016 and 2015, the Company amortized \$4.5 million and \$7.0 million, respectively, of deferred financing costs into *Interest expense*.

We were in compliance with the covenants of our debt instruments at December 31, 2016.

On January 23, 2017, the Company entered into an unsecured commercial paper note program. Under the terms of the program, the Company may issue unsecured commercial paper notes up to a maximum aggregate amount outstanding of \$500 million. The notes are sold under customary terms in the United States commercial paper note market and rank pari passu with all of the Company's other unsecured senior indebtedness. The notes are fully and unconditionally guaranteed by the Operating Partnership. The Company intends to use the commercial paper program as an alternative funding source for amounts that would have otherwise been outstanding on the revolving credit facility and intends to manage the use of the commercial paper program so that the maximum combined amount outstanding under the commercial paper program and the revolving credit facility will not exceed the maximum borrowings permitted under the credit facility of \$1.1 billion. As of February 17, 2017, the Company had issued \$120.0 million of commercial paper notes, for one month terms, at a weighted average annualized rate of 1.16%.

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8. INCOME/(LOSS) PER SHARE

The following table sets forth the computation of basic and diluted income/(loss) per share for the periods presented (*dollars and shares in thousands, except per share data*):

	Year Ended December 31,		
	2016	2015	2014
Numerator for income/(loss) per share:			
Income/(loss) from continuing operations	\$ 109,529	\$ 105,482	\$ 16,260
Gain/(loss) on sale of real estate owned, net of tax	210,851	251,677	143,572
(Income)/loss from continuing operations attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(27,282)	(16,773)	(5,511)
(Income)/loss from continuing operations attributable to noncontrolling interests	(380)	(3)	3
Income/(loss) from continuing operations attributable to UDR, Inc.	292,718	340,383	154,324
Distributions to preferred stockholders - Series E (Convertible)	(3,717)	(3,722)	(3,724)
Income/(loss) from continuing operations attributable to common stockholders - basic	289,001	336,661	150,600
Dilutive distributions to preferred stockholders - Series E (Convertible)	—	3,722	—
Income/(loss) from continuing operations attributable to common stockholders - diluted	\$ 289,001	\$ 340,383	\$ 150,600
Income/(loss) from discontinued operations, net of tax	\$ —	\$ —	\$ 10
(Income)/loss from discontinued operations attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	—	—	—
Income/(loss) from discontinued operations attributable to common stockholders	\$ —	\$ —	\$ 10
Net income/(loss) attributable to common stockholders	\$ 289,001	\$ 336,661	\$ 150,610
Denominator for income/(loss) per share - basic and diluted:			
Weighted average common shares outstanding	266,211	259,873	252,707
Non-vested restricted stock awards	(825)	(1,204)	(1,179)
Denominator for income/(loss) per share - basic	265,386	258,669	251,528
Incremental shares issuable from assumed conversion of dilutive preferred stock, stock options, unvested LTIP Units and unvested restricted stock	1,925	5,083	1,917
Denominator for income/(loss) per share - diluted	267,311	263,752	253,445
Income/(loss) per weighted average common share - basic:			
Income/(loss) from continuing operations attributable to common stockholders	\$ 1.09	\$ 1.30	\$ 0.60
Income/(loss) from discontinued operations attributable to common stockholders	—	—	—

Net income/(loss) attributable to common stockholders	<u>\$ 1.09=</u>	<u>\$ 1.30=</u>	<u>\$ 0.60=</u>
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Income/(loss) per weighted average common share - diluted:

Income/(loss) from continuing operations attributable to common stockholders	\$ 1.08	\$ 1.29	\$ 0.59
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Income/(loss) from discontinued operations attributable to common stockholders	<u>—</u>	<u>—</u>	<u>—</u>
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Net income/(loss) attributable to common stockholders	<u>\$ 1.08</u>	<u>\$ 1.29</u>	<u>\$ 0.59</u>
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UDR, INC.
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Basic income/(loss) per common share is computed based upon the weighted average number of common shares outstanding. Diluted income/(loss) per common share is computed based upon the weighted average number of common shares outstanding plus the common shares issuable from the assumed conversion of the OP Units and DownREIT Units, convertible preferred stock, stock options, unvested long-term incentive plan units (“LTIP Units”) and unvested restricted stock. Only those instruments having a dilutive impact on our basic income/(loss) per share are included in diluted income/(loss) per share during the periods.

For the year ended December 31, 2016, the Company’s stock options and unvested restricted stock were dilutive. The effect of the conversion of the OP Units, DownREIT Units, LTIP Units and the Company’s Series E preferred stock was not dilutive, and therefore not included in the above calculations.

For the year ended December 31, 2015, the Company’s Series E preferred stock, stock options and unvested restricted stock were dilutive. The effect of the conversion of the OP Units and DownREIT Units was not dilutive, and therefore not included in the above calculations.

For the year ended December 31, 2014, the Company’s stock options and unvested restricted stock were dilutive for purposes of calculating income/(loss) per share. The effect of the conversion of the OP Units and the Company’s Series E preferred stock were not dilutive, and therefore not included in the above calculations.

The following table sets forth the additional shares of common stock outstanding by equity instrument if converted to common stock for each of the years ended December 31, 2016, 2015, and 2014 (*shares in thousands*):

	Year Ended December 31,		
	2016	2015	2014
OP/DownREIT Units	25,130	12,947	9,247
Preferred Stock	3,028	3,032	3,036
Stock options, unvested LTIP Units and unvested restricted stock	1,925	2,051	1,917

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9. STOCKHOLDERS' EQUITY

UDR has an effective registration statement that allows the Company to sell an undetermined number of debt and equity securities as defined in the prospectus. The Company has the ability to issue 350,000,000 shares of common stock and 50,000,000 shares of preferred shares as of December 31, 2016.

The following table presents the changes in the Company's issued and outstanding shares of common and preferred stock for the years ended December 31, 2016, 2015 and 2014:

	Common Stock	Preferred Stock	
		Series E	Series F
Balance at December 31, 2013	250,749,665	2,803,812	2,464,183
Issuance/(forfeiture) of common and restricted shares, net	801,054	—	—
Issuance of common shares through public offering	3,410,433	—	—
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership	153,451	—	—
Balance at December 31, 2014	255,114,603	2,803,812	2,464,183
Issuance/(forfeiture) of common and restricted shares, net	270,628	—	—
Issuance of common shares through public offering	6,339,636	—	—
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership	112,174	—	—
Conversion of Series E Cumulative Convertible shares	7,480	(6,909)	—
Issuance of Series F shares	—	—	13,988,313
Balance at December 31, 2015	261,844,521	2,796,903	16,452,496
Issuance/(forfeiture) of common and restricted shares, net	154,656	—	—
Issuance of common shares through public offering	5,000,000	—	—
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership	4,685	—	—
Adjustment for conversion of noncontrolling interest of unitholders in the DownREIT Partnership	255,607	—	—
Forfeiture of Series F shares	—	—	(255,607)
Balance at December 31, 2016	267,259,469	2,796,903	16,196,889

Common Stock

The company has an equity distribution agreement which allows it from time to time, through its sales agents, to offer and sell up to 20,000,000 shares of its common stock. Sales of such shares will be made by means of ordinary brokers' transactions on the NYSE at market prices. As of December 31, 2016, 13,078,931 shares were available for sale under the continuous equity program.

During the year ended December 31, 2016, the Company entered into the following equity transactions for our common stock:

- Sold 5,000,000 shares of common stock through a public offering at a weighted average price per share of \$34.73, for aggregate gross proceeds of approximately \$173.7 million.
- Issued 447,744 shares of common stock through the Company's 1999 Long-Term Incentive Plan (the "LTIP");
- Converted 4,685 OP Units into Company common stock; and
- Converted 255,607 DownREIT Units into Company common stock, resulting in the forfeiture of the same number of Series F Preferred Shares.

Distributions are subject to the approval of the Board of Directors and are dependent upon our strategy, financial condition and operating results. UDR's common distributions for the years ended December 31, 2016, 2015, and 2014 totaled \$1.18, \$1.11, and \$1.04 per share, respectively.

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Preferred Stock

The Series E Cumulative Convertible Preferred Stock (“Series E”) has no stated par value and a liquidation preference of \$16.61 per share. Subject to certain adjustments and conditions, each share of the Series E is convertible at any time and from time to time at the holder’s option into one share of our common stock prior to a “Special Dividend” declared in 2008 (1.083 shares after the Special Dividend). The holders of the Series E are entitled to vote on an as-converted basis as a single class in combination with the holders of common stock at any meeting of our stockholders for the election of directors or for any other purpose on which the holders of common stock are entitled to vote. The Series E has no stated maturity and is not subject to any sinking fund or any mandatory redemption.

Distributions declared on the Series E for the years ended December 31, 2016, 2015, and 2014 were \$1.33 per share. The Series E is not listed on any exchange. At December 31, 2016 and 2015, a total of 2,796,903 shares of the Series E were outstanding.

UDR is authorized to issue up to 20,000,000 shares of the Series F Preferred Stock (“Series F”). The Series F may be purchased by holders of OP Units and DownREIT Units, at a purchase price of \$0.0001 per share. OP/DownREIT Unitholders are entitled to subscribe for and purchase one share of UDR’s Series F for each OP/DownREIT Unit held. In connection with the acquisition of the six properties from Home OP and the formation of the DownREIT Partnership in October 2015, the Company issued 13,988,313 Series F shares to former limited partners of the Home OP, which had the right to subscribe for one share of Series F for each DownREIT Unit issued in connection with the acquisitions. During the year ended December 31, 2016, 255,607 of the Series F shares were forfeited upon the conversion of DownREIT Units into Company common stock. There were no conversions during the year ended December 31, 2015.

At December 31, 2016 and 2015, a total of 16,196,889 and 16,452,496 shares, respectively, of the Series F were outstanding with an aggregate purchase value of \$1,620 and \$1,645, respectively. Holders of the Series F are entitled to one vote for each share of the Series F they hold, voting together with the holders of our common stock, on each matter submitted to a vote of security holders at a meeting of our stockholders. The Series F does not entitle its holders to dividends or any other rights, privileges or preferences.

Distribution Reinvestment and Stock Purchase Plan

UDR’s Distribution Reinvestment and Stock Purchase Plan (the “Stock Purchase Plan”) allows common and preferred stockholders the opportunity to purchase, through the reinvestment of cash dividends, additional shares of UDR’s common stock. From inception through December 31, 2008, shareholders have elected to utilize the Stock Purchase Plan to reinvest their distribution for the equivalent of 9,957,233 shares of Company common stock. Shares in the amount of 10,963,730 were reserved for issuance under the Stock Purchase Plan as of December 31, 2016. During the year ended December 31, 2016, UDR acquired all shares issued through the open market.

10. EMPLOYEE BENEFIT PLANS

In May 2001, the stockholders of UDR approved the long term incentive plan (“LTIP”), which supersedes the 1985 Stock Option Plan. The LTIP authorizes the granting of awards which may take the form of options to purchase shares of common stock, stock appreciation rights, restricted stock, dividend equivalents, other stock-based awards, and any other right or interest relating to common stock or cash incentive awards to Company directors, employees and outside trustees to promote the success of the Company by linking individual’s compensation via grants of share based payment.

During the year ended December 31, 2015, the LTIP was amended to set forth the terms of new classes of partnership interests in the Operating Partnership designated as LTIP Units. LTIP Units are designed to qualify as “profits interests” in the Operating Partnership for federal income tax purposes, meaning that initially they are not economically equivalent in value to a share of our common stock, but over time can increase in value to one-for-one parity with common stock by operation of special tax rules applicable to profits interests. Until and unless such parity is reached, the value that an executive will realize for a given number of vested LTIP units is less than the value of an equal number of shares of our common stock.

As of December 31, 2016, 19,000,000 shares were reserved on an unadjusted basis for issuance upon the grant or exercise of awards under the LTIP. As of December 31, 2016, there were 9,192,402 common shares available for issuance under the LTIP.

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The LTIP contains change of control provisions allowing for the immediate vesting of an award upon certain events such as a merger where UDR is not the surviving entity. Upon the death or disability of an award recipient all outstanding instruments will vest and all restrictions will lapse. The LTIP specifies that in the event of a capital transaction, which includes but is not limited to stock dividends, stock splits, extraordinary cash dividends and spin-offs, the number of shares available for grant in totality or to a single individual is to be adjusted proportionately. The LTIP specifies that when a capital transaction occurs that would dilute the holder of the stock award, prior grants are to be adjusted such that the recipient is no worse as a result of the capital transaction.

A summary of UDR's stock option and restricted stock activities during the year ended December 31, 2016 is as follows:

	<u>Option Outstanding</u>		<u>Option Exercisable</u>		<u>Restricted Stock</u>	
	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Number of shares</u>	<u>Weighted Average Fair Value Per Restricted Stock</u>
Balance, December 31, 2015	2,234,963	\$ 12.65	2,234,963	\$ 12.65	800,376	\$ 30.40
Granted	—	—	—	—	447,744	35.54
Exercised	—	—	—	—	—	—
Vested	—	—	—	—	(492,776)	28.29
Forfeited	—	—	—	—	(109,377)	32.51
Balance, December 31, 2016	<u>2,234,963</u>	<u>\$ 12.65</u>	<u>2,234,963</u>	<u>\$ 12.65</u>	<u>645,967</u>	<u>\$ 35.12</u>

As of December 31, 2016, the Company had issued 5,640,619 shares of restricted stock under the LTIP.

Stock Option Plan

UDR has granted stock options to our employees, subject to certain conditions. Each stock option is exercisable into one common share.

There is no remaining compensation cost related to unvested stock options as of December 31, 2016.

During the year ended December 31, 2016, no stock options were exercised.

The weighted average remaining contractual life on all options outstanding as of December 31, 2016 is 1.9 years. 1,830,672 of share options had exercise prices at \$10.06 and 404,291 of share options had exercise prices at \$24.38.

During the years ended December 31, 2016, 2015, and 2014, respectively, we did not recognize any net compensation expense related to outstanding stock options.

Restricted Stock Awards

Restricted stock awards are granted to Company employees, officers, and directors. The restricted stock awards are valued based upon the closing sales price of UDR common stock on the date of grant. Compensation expense is recorded under the straight-line method over the vesting period, which is generally three to four years. Restricted stock awards earn dividends payable in cash. Some of the restricted stock grants are based on the Company's performance and are subject to adjustment during the initial one year performance period. For the years ended December 31, 2016, 2015, and 2014, we recognized \$3.4 million, \$3.2 million, and \$4.2 million of compensation expense, net of capitalization, related to the amortization of restricted stock awards, respectively. The total remaining compensation cost on unvested restricted stock awards was \$3.7 million and had a weighted average remaining contractual life of 1.8 years as of December 31, 2016.

Long-Term Incentive Compensation

In January 2016, certain officers of the Company were awarded either a restricted stock grant or an LTIP Unit grant, or a combination of both, under the 2016 Long-Term Incentive Program ("2016 LTI"). For both restricted stock grants and LTIP

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Unit grants, one-third of the 2016 LTI award is based upon FFO as Adjusted over a one-year period and will vest fifty percent on the one-year anniversary and fifty percent on the two-year anniversary of the end of the performance period. The remaining two-thirds of the 2016 LTI award is based on Total Shareholder Return (“TSR”) as measured relative to comparable apartment REITs over a three-year period and will vest 100% at the end of the three-year performance period. The portion of the restricted stock grant based upon FFO as Adjusted was valued based upon the closing sales price of UDR common stock on the date of grant or \$36.97 per share. Because LTIP Units are granted at the maximum potential payout and there is uncertainty associated with an LTIP Unit reaching parity with the value of a share of UDR common stock, the portion of the LTIP Unit grant based upon FFO as Adjusted was valued at \$16.64 per unit on the grant date, inclusive of a 10% discount. The portion of the restricted stock grant based upon TSR was valued at \$41.22 per share on the grant date as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 21.8%. The portion of the LTIP Unit grant based upon TSR was valued at \$19.15 per unit on the grant date as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 21.8%.

In January 2015, certain officers of the Company were awarded a restricted stock grant under the 2015 Long-Term Incentive Program (“2015 LTI”). One-third of the 2015 LTI award is based upon FFO as Adjusted over a one-year period and will vest fifty percent on the one-year anniversary and fifty percent on the two-year anniversary of the end of the performance period. The remaining two-thirds of the 2015 LTI award is based on Total Shareholder Return (“TSR”) as measured relative to comparable apartment REITs over a three-year period and will vest 100% at the end of the three-year performance period. The portion of the restricted stock grant based upon FFO as Adjusted was valued based upon the closing sales price of UDR common stock on the date of grant. The portion of the restricted stock grant based upon TSR was valued at \$34.14 per share on the grant date as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 16.5%.

In December 2014, when the LTI program was changed from a one-year to a three-year performance period, a one-time transition (“Transition LTI”) award opportunity was approved commencing in 2015. One-third of the Transition LTI award is based upon FFO as Adjusted over a one-year period and will vest at the end of the performance period. The remaining two-thirds of the Transition LTI award is based on TSR as measured relative to comparable apartment REITs over a two-year period and will vest 100% at the end of the two-year performance period. The portion of the restricted stock grant based upon FFO as Adjusted was valued based upon the closing sales price of UDR common stock on the date of grant. The portion of the restricted stock grant based upon TSR was valued at \$33.68 per share on the grant date as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 16.6%. The intent of the transition award is to ensure consistent reward opportunity during the phase-in period of the three-year awards under the 2015 LTI plan.

In February 2014, certain officers of the Company were awarded a restricted stock grant under the 2014 Long-Term Incentive Program (“2014 LTI”). Fifty percent of the 2014 LTI award is based upon FFO as Adjusted and fifty percent is based on TSR as measured relative to comparable apartment REITs. The actual amount that vests was determined in February 2015 based upon the actual achievement of the metrics. Each award vests pro rata over three years commencing with the establishment of the award and continuing for two years following determination of the amount of the award at the end of the annual performance period. The portion of the restricted stock grant based upon FFO as Adjusted was valued based upon the closing sales price of UDR common stock on the date of grant. The portion of the restricted stock grant based upon TSR was valued at \$21.15 per share on the grant date as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 23.8%. Compensation expense is recorded under the accelerated method over the vesting period for the 2014 LTI.

In February 2013, certain officers of the Company were awarded a restricted stock grant under the 2013 Long-Term Incentive Program (“2013 LTI”). Fifty percent of the 2013 LTI award is based upon FFO and fifty percent is based on TSR as measured relative to comparable apartment REITs. The actual amount that vests was determined in February 2014 based upon the actual achievement of the metrics. Each award vests pro rata over three years commencing with the establishment of the award and continuing for two years following determination of the amount of the award at the end of the annual performance period. The portion of the restricted stock grant based upon FFO was valued based upon the closing sales price of UDR common stock on the date of grant. The portion of the restricted stock grant based upon TSR was valued at \$21.97 per share on the grant date as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 15.8%. Compensation expense is recorded under the accelerated method over the vesting period for the 2013 LTI.

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For the years ended December 31, 2016, 2015, and 2014, we recognized \$10.0 million, \$14.8 million and \$9.8 million, respectively, of compensation expense, net of capitalization, related to the amortization of the awards. The total remaining compensation cost on unvested LTI awards was \$6.5 million and had a weighted average remaining contractual life of 1.1 years as of December 31, 2016.

Profit Sharing Plan

Our profit sharing plan (the “Plan”) is a defined contribution plan covering all eligible full-time employees. Under the Plan, UDR makes discretionary profit sharing and matching contributions to the Plan as determined by the Compensation Committee of the Board of Directors. Aggregate provisions for contributions, both matching and discretionary, which are included in UDR’s Consolidated Statements of Operations for the years ended December 31, 2016, 2015, and 2014, was \$1.3 million, \$1.1 million, and \$0.9 million, respectively.

11. INCOME TAXES

For 2016, 2015, and 2014, UDR believes that we have complied with the REIT requirements specified in the Code. As such, the REIT would generally not be subject to federal income taxes.

For income tax purposes, distributions paid to common stockholders may consist of ordinary income, qualified dividends, capital gains, unrecaptured section 1250 gains, return of capital, or a combination thereof. Distributions that exceed our current and accumulated earnings and profits constitute a return of capital rather than taxable income and reduce the stockholder’s basis in their common shares. To the extent that a distribution exceeds both current and accumulated earnings and profits and the stockholder’s basis in the common shares, it generally will be treated as a gain from the sale or exchange of that stockholder’s common shares. Taxable distributions paid per common share were taxable as follows for the years ended December 31, 2016, 2015, and 2014:

	Year Ended December 31,		
	2016	2015	2014
Ordinary income	\$ 0.708	\$ 0.595	\$ 0.695
Qualified ordinary income	—	—	0.139
Long-term capital gain	0.309	0.329	0.105
Unrecaptured section 1250 gain	0.145	0.168	0.076
Total	\$ 1.162	\$ 1.092	\$ 1.015

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We have a TRS that is subject to federal and state income taxes. A TRS is a C-corporation which has not elected REIT status and as such is subject to United States federal and state income tax. The components of the provision for income taxes are as follows for the years ended December 31, 2016, 2015, and 2014 (*dollars in thousands*):

	Year Ended December 31,		
	2016	2015	2014
Income tax (benefit)/provision			
Current			
Federal	\$ 69	\$ 29	\$ 147
State	372	871	550
Total current	<u>441</u>	<u>900</u>	<u>697</u>
Deferred			
Federal	9,814	(4,173)	20,138
State	1,319	(613)	5,159
Total deferred	<u>11,133</u>	<u>(4,786)</u>	<u>25,297</u>
Total income tax (benefit)/provision	<u>\$ 11,574</u>	<u>\$ (3,886)</u>	<u>\$ 25,994</u>
Classification of income tax (benefit)/provision:			
Continuing operations	\$ (3,774)	\$ (3,886)	\$ (15,098)
Gain/(loss) on sale of real estate owned	15,348	—	41,087
Discontinued operations	—	—	5

Deferred income taxes are provided for the change in temporary differences between the basis of certain assets and liabilities for financial reporting purposes and income tax reporting purposes. The expected future tax rates are based upon enacted tax laws. The components of our TRS deferred tax assets and liabilities are as follows for the years ended December 31, 2016, 2015, and 2014 (*dollars in thousands*):

	Year Ended December 31,		
	2016	2015	2014
Deferred tax assets:			
Federal and state tax attributes	\$ 536	\$ 2,227	\$ —
Book/tax depreciation	—	9,016	6,692
Construction capitalization differences	—	—	75
Other	190	707	401
Total deferred tax assets	<u>726</u>	11,950	7,168
Valuation allowance	(6)	(81)	—
Net deferred tax assets	<u>720</u>	11,869	7,168
Deferred tax liabilities:			
Other	(92)	(107)	(192)
Total deferred tax liabilities	<u>(92)</u>	(107)	(192)
Net deferred tax asset	<u>\$ 628</u>	<u>\$ 11,762</u>	<u>\$ 6,976</u>

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Income tax benefit/(provision), net differed from the amounts computed by applying the U.S. statutory rate of 35% to pretax income/(loss) for the years ended December 31, 2016, 2015, and 2014 as follows (*dollars in thousands*):

	Year Ended December 31,		
	2016	2015	2014
Income tax (benefit)/provision			
U.S. federal income tax (benefit)/provision	\$ 12,577	\$ (4,383)	\$ 28,819
State income tax provision	1,370	442	2,678
Other items	134	(26)	(137)
Conversion of certain TRS entities to REITs	(2,436)	—	(5,770)
Valuation allowance	(71)	81	404
Total income tax (benefit)/provision	\$ 11,574	\$ (3,886)	\$ 25,994

As of December 31, 2016, the Company had federal net operating loss carryovers (“NOL”) of \$22.2 million expiring in 2032 through 2035 and state NOLs of \$68.6 million expiring in 2020 through 2032. A portion of these attributes are still available to the subsidiary REITs, but are carried at a zero effective tax rate.

For the year ended December 31, 2016, *Tax benefit/(provision), net* decreased \$0.1 million as compared to 2015. The decrease was primarily attributable to a one-time tax benefit of \$2.4 million in 2016 related to the conversion of certain taxable REIT subsidiary entities into REITs, offset by an increase in the NOI of properties in the TRS. Additionally, *Gain/(loss) on sale of real estate owned, net of tax* included approximately \$15.3 million of tax provision.

GAAP defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The financial statements reflect expected future tax consequences of income tax positions presuming the taxing authorities’ full knowledge of the tax position and all relevant facts, but without considering time values. GAAP also provides guidance on derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition.

The Company evaluates our tax position using a two-step process. First, we determine whether a tax position is more likely than not (greater than 50 percent probability) to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company will then determine the amount of benefit to recognize and record the amount of the benefit that is more likely than not to be realized upon ultimate settlement. When applicable, UDR recognizes interest and/or penalties related to uncertain tax positions in *Tax benefit/(provision), net*. As of December 31, 2016 and 2015, UDR has no material unrecognized income tax benefits/(provisions).

The Company files income tax returns in federal and various state and local jurisdictions. With few exceptions, the Company is no longer subject to federal, state and local income tax examination by tax authorities for years prior to 2012. The tax years 2013 through 2015 remain open to examination by the major taxing jurisdictions to which the Company is subject.

12. NONCONTROLLING INTERESTS

Redeemable Noncontrolling Interests in the Operating Partnership and DownREIT Partnership

Interests in the Operating Partnership and the DownREIT Partnership held by limited partners are represented by OP Units and DownREIT Units, respectively. The income is allocated to holders of OP Units/DownREIT Units based upon net income attributable to common stockholders and the weighted average number of OP Units/DownREIT Units outstanding to total common shares plus OP Units/DownREIT Units outstanding during the period. Capital contributions, distributions, and profits and losses are allocated to noncontrolling interests in accordance with the terms of the partnership agreements of the Operating Partnership and the DownREIT Partnership.

Limited partners of the Operating Partnership and the DownREIT Partnership have the right to require such partnership to redeem all or a portion of the OP Units/DownREIT Units held by the limited partner at a redemption price equal to and in the form of the Cash Amount (as defined in the partnership agreement of the Operating Partnership or the DownREIT Partnership, as applicable), provided that such OP Units/DownREIT Units have been outstanding for at least one year, subject to certain exceptions. UDR, as the

general partner of the Operating Partnership and the DownREIT Partnership may, in its sole discretion, purchase the OP Units/DownREIT Units by paying to the limited partner either the Cash Amount or the REIT Share

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Amount (generally one share of Common Stock of the Company for each OP Unit/DownREIT Unit), as defined in the partnership agreement of the Operating Partnership or the DownREIT Partnership, as applicable. Accordingly, the Company records the OP Units/DownREIT Units outside of permanent equity and reports the OP Units/DownREIT Units at their redemption value using the Company's stock price at each balance sheet date.

The following table sets forth redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership for the years ended December 31, 2016 and 2015 (*dollars in thousands*):

	Year Ended December 31,	
	2016	2015
Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership, beginning of year	\$ 946,436	\$ 282,480
Mark-to-market adjustment to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(24,735)	102,703
DownREIT Units issued for real estate, net	—	563,836
Conversion of OP Units/DownREIT Units to Common Stock	(9,526)	(3,817)
Net income/(loss) attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	27,282	16,773
Distributions to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(30,077)	(15,231)
Allocation of other comprehensive income/(loss)	102	(308)
Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership, end of year	\$ 909,482	\$ 946,436

The following sets forth net income/(loss) attributable to common stockholders and transfers from redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership for the following periods (*dollars in thousands*):

	Year Ended December 31,		
	2016	2015	2014
Net income/(loss) attributable to common stockholders	\$ 289,001	\$ 336,661	\$ 150,610
Conversion of OP Units/DownREIT Units to UDR Common Stock	9,526	3,817	4,372
Change in equity from net income/(loss) attributable to common stockholders and conversion of OP units and DownREIT Units to UDR Common Stock	\$ 298,527	\$ 340,478	\$ 154,982

Noncontrolling Interests

Noncontrolling interests represent interests of unrelated partners and unvested LTIP Units in certain consolidated affiliates, and is presented as part of equity in the Consolidated Balance Sheets since these interests are not redeemable. During the years ended December 31, 2016, 2015, and 2014, *Net (income)/loss attributable to noncontrolling interests* was \$(0.4) million, less than \$(0.1) million, and less than \$0.1 million, respectively.

The Company grants LTIP Units to certain employees and non-employee directors. The LTIP Units represent an ownership interest in the Operating Partnership and have vesting terms of between one and three years, specific to the individual grants.

Noncontrolling interests related to long-term incentive plan units represent the unvested LTIP Units of these employees and non-employee directors in the Operating Partnership. The net income/(loss) allocated to the LTIP Units is included in *Net (income)/loss attributable to noncontrolling interests* on the Consolidated Statements of Operations.

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13. FAIR VALUE OF DERIVATIVES AND FINANCIAL INSTRUMENTS

Fair value is based on the price that would be received to sell an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level valuation hierarchy prioritizes observable and unobservable inputs used to measure fair value. The fair value hierarchy consists of three broad levels, which are described below:

- Level 1 — Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2 — Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The estimated fair values of the Company's financial instruments either recorded or disclosed on a recurring basis as of December 31, 2016 and 2015 are summarized as follows (*dollars in thousands*):

	Total Carrying Amount in Statement of Financial Position at December 31, 2016	Fair Value Estimate at December 31, 2016	Fair Value at December 31, 2016, Using		
			Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description:					
Notes receivable (a)	\$ 19,790	\$ 19,645	\$ —	\$ —	\$ 19,645
Derivatives - Interest rate contracts (b)	4,360	4,360	—	4,360	—
Total assets	\$ 24,150	\$ 24,005	\$ —	\$ 4,360	\$ 19,645
Derivatives - Interest rate contracts (b)	\$ 413	\$ 413	\$ —	\$ 413	\$ —
Secured debt instruments - fixed rate: (c)					
Mortgage notes payable	402,996	396,045	—	—	396,045
Fannie Mae credit facilities	355,836	365,693	—	—	365,693
Secured debt instruments- variable rate: (c)					
Tax-exempt secured notes payable	94,700	94,700	—	—	94,700
Fannie Mae credit facilities	280,946	280,946	—	—	280,946
Unsecured debt instruments (c):					
Unsecured credit facilities	21,350	21,350	—	—	21,350
Senior unsecured notes	2,261,838	2,304,492	—	—	2,304,492
Total liabilities					

\$ 3,418,079= \$ 3,463,639= \$ —= \$ 413= \$ 3,463,226=

**Redeemable noncontrolling
interests in the Operating
Partnership and DownREIT
Partnership (d)**

\$ 909,482 \$ 909,482 \$ — \$ 909,482 \$ —

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

Description:	Total Carrying Amount in Statement of Financial Position at December 31, 2015	Fair Value Estimate at December 31, 2015	Fair Value at December 31, 2015, Using		
			Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Notes receivable (a)	\$ 16,694	\$ 16,938	\$ —	\$ —	\$ 16,938
Derivatives- Interest rate contracts (b)	13	13	—	13	—
Total assets	\$ 16,707	\$ 16,951	\$ —	\$ 13	\$ 16,938
Derivatives- Interest rate contracts (b)	\$ 2,112	\$ 2,112	\$ —	\$ 2,112	\$ —
Secured debt instruments- fixed rate: (c)					
Mortgage notes payable	442,617	448,019	—	—	448,019
Fannie Mae credit facilities	514,462	539,050	—	—	539,050
Secured debt instruments- variable rate: (c)					
Mortgage notes payable	31,337	31,337	—	—	31,337
Tax-exempt secured notes payable	94,700	94,700	—	—	94,700
Fannie Mae credit facilities	299,378	299,378	—	—	299,378
Unsecured debt instruments: (c)					
Unsecured credit facilities	150,000	150,000	—	—	150,000
Senior unsecured notes	2,056,223	2,108,687	—	—	2,108,687
Total liabilities	\$ 3,590,829	\$ 3,673,283	\$ —	\$ 2,112	\$ 3,671,171
Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership (d)	\$ 946,436	\$ 946,436	\$ —	\$ 946,436	\$ —

(a) See Note 2, *Significant Accounting Policies*.

(b) See Note 14, *Derivatives and Hedging Activity*.

(c) See Note 7, *Secured Debt and Unsecured Debt, Net*.

(d) See Note 12, *Noncontrolling Interests*.

There were no transfers into or out of each of the levels of the fair value hierarchy.

Financial Instruments Carried at Fair Value

The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or

receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The fair values of interest rate options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities.

The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2016 and 2015, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. In conjunction with the FASB's fair value measurement guidance, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership have a redemption feature and are marked to their redemption value. The redemption value is based on the fair value of the Company's common stock at the redemption date, and therefore, is calculated based on the fair value of the Company's common stock at the balance sheet date. Since the valuation is based on observable inputs such as quoted prices for similar instruments in active markets, redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership are classified as Level 2.

Financial Instruments Not Carried at Fair Value

At December 31, 2016, the fair values of cash and cash equivalents, restricted cash, accounts receivable, prepaids, real estate taxes payable, accrued interest payable, security deposits and prepaid rent, distributions payable and accounts payable approximated their carrying values because of the short term nature of these instruments. The estimated fair values of other financial instruments were determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company would realize on the disposition of the financial instruments. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

We estimate the fair value of our notes receivable and debt instruments by discounting the remaining cash flows of the debt instrument at a discount rate equal to the replacement market credit spread plus the corresponding treasury yields. Factors considered in determining a replacement market credit spread include general market conditions, borrower specific credit spreads, time remaining to maturity, loan-to-value ratios and collateral quality, where applicable (Level 3).

We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by the future operation and disposition of those assets are less than the net book value of those assets. Our cash flow estimates are based upon historical results adjusted to reflect our best estimate of future market and operating conditions and our estimated holding periods. The net book value of impaired assets is reduced to fair value. Our estimates of fair value represent our best estimate based upon Level 3 inputs such as industry trends and reference to market rates and transactions.

We consider various factors to determine if a decrease in the value of our investment in and advances to unconsolidated joint ventures, net is other-than-temporary. These factors include, but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, and the relationships with the other joint venture partners and its lenders. Based on the significance of the unobservable inputs, we classify these fair value measurements within Level 3 of the valuation hierarchy. The Company did not incur any other-than-temporary decrease in the value of its investments in unconsolidated joint ventures during the years ended December 31, 2016, 2015, and 2014.

After determining an other-than-temporary decrease in the value of an equity method investment has occurred, we estimate the fair value of our investment by estimating the proceeds we would receive upon a hypothetical liquidation of the investment at the date of measurement. Inputs reflect management's best estimate of what market participants would use in pricing the investment giving consideration to the terms of the joint venture agreement and the estimated discounted future cash flows to be generated from the underlying joint venture assets. The inputs and assumptions utilized to estimate the future cash flows of the underlying assets are based upon the Company's evaluation of the economy, market trends, operating results, and other factors, including judgments regarding costs to complete any construction activities, lease up and occupancy rates, rental rates, inflation rates, capitalization rates utilized to estimate the projected cash flows at the disposition, and discount rates.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

14. DERIVATIVES AND HEDGING ACTIVITY

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and through the use of derivative financial instruments. Specifically, the Company may enter into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps and caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up front premium.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in *Accumulated other comprehensive income/(loss), net* in the Consolidated Balance Sheets and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the years ended December 31, 2016, 2015, and 2014, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt and forecasted issuances of fixed-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the year ended December 31, 2016, the Company recorded no ineffectiveness to earnings. During the year ended December 31, 2015, the Company recognized a loss of less than \$0.1 million reclassified from Accumulated OCI to *Interest expense* due to the de-designation of a cash flow hedge and recorded no other ineffectiveness to earnings. During the year ended December 31, 2014, the Company recorded a gain of less than \$0.1 million of ineffectiveness in earnings attributable to a timing difference between the derivative and the hedged item.

Amounts reported in *Accumulated other comprehensive income/(loss), net* in the Consolidated Balance Sheets related to derivatives that will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. Through December 31, 2017, the Company estimates that an additional \$1.7 million will be reclassified as an increase to interest expense.

As of December 31, 2016, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (*dollars in thousands*):

Product	Number of Instruments	Notional
Interest rate swaps (a)	3	\$ 315,000
Interest rate caps	2	\$ 203,166

(a) The three interest rate swaps noted in the table above mature in January and April 2017. During 2016, the Company entered into four forward starting interest rate swaps, with an aggregate notional amount of \$315.0 million, which mature in January 2020 and are effective in January and April 2017 upon the expiration of the three swaps that existed as of December 31, 2016.

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of GAAP. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and resulted in a loss of less than \$0.1 million for the years ended December 31, 2016, 2015, and 2014.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

As of December 31, 2016, the Company had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships (*dollars in thousands*):

Product	Number of Instruments	Notional
Interest rate caps	3	\$ 133,107

Tabular Disclosure of Fair Values of Derivative Instruments on the Consolidated Balance Sheets

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of December 31, 2016 and 2015 (*dollars in thousands*):

	Asset Derivatives (included in <i>Other assets</i>)		Liability Derivatives (included in <i>Other liabilities</i>)	
	Fair Value at:		Fair Value at:	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Derivatives designated as hedging instruments:				
Interest rate products	\$ 4,359	\$ 9	\$ 413	\$ 2,112
Derivatives not designated as hedging instruments:				
Interest rate products	\$ 1	\$ 4	\$ —	\$ —

Tabular Disclosure of the Effect of Derivative Instruments on the Consolidated Statements of Operations

The tables below present the effect of the Company's derivative financial instruments on the Consolidated Statements of Operations for the years ended December 31, 2016, 2015, and 2014 (*dollars in thousands*):

Derivatives in Cash Flow Hedging Relationships	<i>Unrealized holding gain/(loss) Recognized in OCI (Effective Portion)</i>			Gain/(Loss) Reclassified from Accumulated OCI into <i>Interest expense</i> (Effective Portion)			Gain/(Loss) Recognized in <i>Interest expense</i> (Ineffective Portion and Amount Excluded from Effectiveness Testing)		
	Year ended December 31,			Year ended December 31,			Year ended December 31,		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Interest rate products	\$ 3,514	\$(6,393)	\$(8,695)	\$(3,657)	\$(2,251)	\$(4,834)	\$ —	\$ (11)	\$ 3

Derivatives Not Designated as Hedging Instruments	Gain/(Loss) Recognized in <i>Interest income and other income/(expense), net</i>		
	Year ended December 31,		
	2016	2015	2014
Interest rate products	\$ (3)	\$ (23)	\$ (4)

Credit-risk-related Contingent Features

The Company has agreements with some of its derivative counterparties that contain a provision where (1) if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender,

then the Company could also be declared in default on its derivative obligations; or (2) the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness.

Certain of the Company's agreements with its derivative counterparties contain provisions where, if there is a change in the Company's financial condition that materially changes the Company's creditworthiness in an adverse manner, the

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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Company may be required to fully collateralize its obligations under the derivative instrument. At December 31, 2016 and 2015, no cash collateral was posted or required to be posted by the Company or by a counterparty.

The Company also has an agreement with a derivative counterparty that incorporates the loan and financial covenant provisions of the Company's indebtedness with a lender affiliate of the derivative counterparty. Failure to comply with these covenant provisions would result in the Company being in default on any derivative instrument obligations covered by the agreement.

The Company has certain agreements with some of its derivative counterparties that contain a provision where, in the event of default by the Company or the counterparty, the right of setoff may be exercised. Any amount payable to one party by the other party may be reduced by its setoff against any amounts payable by the other party. Events that give rise to default by either party may include, but are not limited to, the failure to pay or deliver payment under the derivative agreement, the failure to comply with or perform under the derivative agreement, bankruptcy, a merger without assumption of the derivative agreement, or in a merger, a surviving entity's creditworthiness is materially weaker than the original party to the derivative agreement.

As of December 31, 2016, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$3.8 million. If the Company had breached any of these provisions at December 31, 2016, it may have been required to settle its obligations under the agreements at their termination value of \$3.8 million.

Tabular Disclosure of Offsetting Derivatives

The Company has elected not to offset derivative positions in the consolidated financial statements. The tables below present the effect on its financial position had the Company made the election to offset its derivative positions as of December 31, 2016 and December 31, 2015 (*dollars in thousands*):

Offsetting of Derivative Assets

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets Presented in the Consolidated Balance Sheets (a)	Gross Amounts Not Offset in the Consolidated Balance Sheets		
				Financial Instruments	Cash Collateral Received	Net Amount
December 31, 2016	\$ 4,360	\$ —	\$ 4,360	\$ (221)	\$ —	\$ 4,139
December 31, 2015	\$ 13	\$ —	\$ 13	\$ —	\$ —	\$ 13

(a) Amounts reconcile to the aggregate fair value of derivative assets in the "Tabular Disclosure of Fair Values of Derivative Instruments on the Consolidated Balance Sheets" located in this footnote.

Offsetting of Derivative Liabilities

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets (a)	Gross Amounts Not Offset in the Consolidated Balance Sheets		
				Financial Instruments	Cash Collateral Posted	Net Amount
December 31, 2016	\$ 413	\$ —	\$ 413	\$ (221)	\$ —	\$ 192
December 31,	\$ 2,112	\$ —	\$ 2,112	\$ —	\$ —	\$ 2,112

2015

(a) Amounts reconcile to the aggregate fair value of derivative liabilities in the “Tabular Disclosure of Fair Values of Derivative Instruments on the Consolidated Balance Sheets” located in this footnote.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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15. COMMITMENTS AND CONTINGENCIES

Commitments

Real Estate Under Development

The following summarizes the Company's real estate commitments at December 31, 2016 (*dollars in thousands*):

	<u>Number of Properties</u>	<u>Costs Incurred to Date (a)</u>	<u>Expected Costs to Complete (unaudited)</u>	<u>Average Ownership Stake</u>
Wholly-owned — under development	2	\$ 342,282 (b)	\$ 366,218	100%
Wholly-owned — redevelopment	3	14,659 (b)	10,341	100%
Joint ventures:				
Unconsolidated joint ventures	6	697,484	78,395 (c)	50%
Participating loan investments	1	94,003 (d)	—	0%
Preferred equity investments	1	26,529 (e)	—	48%
Total		<u>\$1,174,957</u>	<u>\$ 454,954</u>	

(a) Represents 100% of project costs incurred as of December 31, 2016.

(b) Costs incurred as of December 31, 2016 include \$23.3 million and \$1.5 million of accrued fixed assets for development and redevelopment, respectively.

(c) Represents UDR's proportionate share of expected remaining costs to complete the developments.

(d) Represents the participating loan balance funded as of December 31, 2016.

(e) Represents UDR's investment in the West Coast Development Joint Venture for the properties under development as of December 31, 2016.

Ground and Other Leases

UDR owns five communities which are subject to ground leases expiring between 2044 and 2103, including extension options. In addition, UDR is a lessee to various operating leases related to office space rented by the Company with expiration dates through 2021. Future minimum lease payments as of December 31, 2016 are as follows (*dollars in thousands*):

	<u>Ground Leases (a)</u>	<u>Office Space</u>
2017	\$ 5,548	\$ 179
2018	5,548	76
2019	5,548	76
2020	5,548	76
2021	5,548	32
Thereafter	334,604	—
Total	<u>\$ 362,344</u>	<u>\$ 439</u>

(a) For purposes of our ground lease contracts, the Company uses the minimum lease payment, if stated in the agreement. For ground lease agreements where there is a reset provision based on the communities appraised value or consumer price index but does not include a specified minimum lease payment, the Company uses the current rent over the remainder of the lease term.

UDR incurred \$5.5 million, \$5.5 million, and \$5.4 million of ground rent expense for the years ended December 31, 2016, 2015, and 2014, respectively. These costs are reported within the line item *Other Operating Expenses* on the Consolidated Statements of Operations. The Company incurred \$0.3 million, \$0.3 million, and \$1.3 million of rent expense

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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related to office space for the years ended December 31, 2016, 2015, and 2014, respectively. These costs are included in *General and Administrative* on the Consolidated Statements of Operations. In February 2015, the Company acquired the office building in Highlands Ranch, Colorado, which housed its corporate offices it had previously leased. See Note 4, *Real Estate Owned*, for additional details.

Contingencies

Litigation and Legal Matters

The Company is subject to various legal proceedings and claims arising in the ordinary course of business. The Company cannot determine the ultimate liability with respect to such legal proceedings and claims at this time. The Company believes that such liability, to the extent not provided for through insurance or otherwise, will not have a material adverse effect on our financial condition, results of operations or cash flow.

16. REPORTABLE SEGMENTS

GAAP guidance requires that segment disclosures present the measure(s) used by the chief operating decision maker to decide how to allocate resources and for purposes of assessing such segments' performance. UDR's chief operating decision maker is comprised of several members of its executive management team who use several generally accepted industry financial measures to assess the performance of the business for our reportable operating segments.

UDR owns and operates multifamily apartment communities that generate rental and other property related income through the leasing of apartment homes to a diverse base of tenants. The primary financial measures for UDR's apartment communities are rental income and NOI. Rental income represents gross market rent less adjustments for concessions, vacancy loss and bad debt. NOI is defined as rental income less direct property rental expenses. 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. UDR's chief operating decision maker utilizes NOI as the key measure of segment profit or loss.

UDR's two reportable segments are *Same-Store Communities* and *Non-Mature Communities/Other*:

- *Same-Store Communities* represent those communities acquired, developed, and stabilized prior to January 1, 2015 and held as of December 31, 2016. A comparison of operating results from the prior year is meaningful as 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.
- *Non-Mature Communities/Other* represent those communities that do not meet the criteria to be included in *Same-Store Communities*, including, but not limited to, recently acquired, developed and redeveloped communities, and the non-apartment components of mixed use properties.

Management evaluates the performance of each of our apartment communities on a *Same-Store Community* and *Non-Mature Community/Other* basis, as well as individually and geographically. This is consistent with the aggregation criteria under GAAP as each of our apartment communities generally has similar economic characteristics, facilities, services, and tenants. Therefore, the Company's reportable segments have been aggregated by geography in a manner identical to that which is provided to the chief operating decision maker.

All revenues are from external customers and no single tenant or related group of tenants contributed 10% or more of UDR's total revenues during the years ended December 31, 2016, 2015, and 2014.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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The following table details rental income and NOI from continuing and discontinued operations for UDR's reportable segments for the years ended December 31, 2016, 2015, and 2014, and reconciles NOI to *Net income/(loss) attributable to UDR, Inc.* in the Consolidated Statements of Operations (*dollars in thousands*):

	Year Ended December 31,		
	2016	2015	2014
Reportable apartment home segment rental income			
Same-Store Communities			
West Region	\$ 298,469	\$ 278,602	\$ 246,764
Mid-Atlantic Region	144,069	140,423	136,786
Northeast Region	130,285	124,478	115,981
Southeast Region	111,318	103,920	98,060
Southwest Region	41,273	39,166	37,139
Non-Mature Communities/Other	223,047	185,339	170,419
Total segment and consolidated rental income	\$ 948,461	\$ 871,928	\$ 805,149
Reportable apartment home segment NOI			
Same-Store Communities			
West Region	\$ 223,140	\$ 207,137	\$ 177,299
Mid-Atlantic Region	99,375	95,713	94,188
Northeast Region	93,083	89,039	82,110
Southeast Region	76,359	69,820	65,053
Southwest Region	25,600	24,407	22,830
Non-Mature Communities/Other	155,528	127,753	114,841
Total segment and consolidated NOI	673,085	613,869	556,321
Reconciling items:			
Joint venture management and other fees	11,400	22,710	13,044
Property management	(26,083)	(23,978)	(22,142)
Other operating expenses	(7,649)	(9,708)	(8,271)
Real estate depreciation and amortization	(419,615)	(374,598)	(358,154)
General and administrative	(49,761)	(59,690)	(47,800)
Casualty-related recoveries/(charges), net	(732)	(2,335)	(541)
Other depreciation and amortization	(6,023)	(6,679)	(5,775)
Income/(loss) from unconsolidated entities	52,234	62,329	(7,006)
Interest expense	(123,031)	(121,875)	(130,454)
Interest income and other income/(expense), net	1,930	1,551	11,837
Tax benefit/(provision), net	3,774	3,886	15,136
Gain/(loss) on sale of real estate owned, net of tax	210,851	251,677	143,647
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(27,282)	(16,773)	(5,511)
Net (income)/loss attributable to noncontrolling interests	(380)	(3)	3
Net income/(loss) attributable to UDR, Inc.	\$ 292,718	\$ 340,383	\$ 154,334

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The following table details the assets of UDR's reportable segments as of December 31, 2016 and 2015 (*dollars in thousands*):

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Reportable apartment home segment assets:		
Same-Store Communities:		
West Region	\$ 2,752,900	\$ 2,721,184
Mid-Atlantic Region	1,402,642	1,381,916
Northeast Region	1,634,988	1,621,555
Southeast Region	746,761	730,060
Southwest Region	283,260	276,306
Non-Mature Communities/Other	<u>2,795,202</u>	<u>2,459,255</u>
Total segment assets	9,615,753	9,190,276
Accumulated depreciation	<u>(2,923,625)</u>	<u>(2,646,874)</u>
Total segment assets — net book value	6,692,128	6,543,402
Reconciling items:		
Cash and cash equivalents	2,112	6,742
Restricted cash	19,994	20,798
Notes receivable, net	19,790	16,694
Investment in and advances to unconsolidated joint ventures, net	827,025	938,906
Other assets	<u>118,535</u>	<u>137,302</u>
Total consolidated assets	\$ 7,679,584	\$ 7,663,844

Capital expenditures related to our *Same-Store Communities* totaled \$84.8 million, \$67.1 million, and \$47.7 million for the years ended December 31, 2016, 2015, and 2014, respectively. Capital expenditures related to our *Non-Mature Communities/Other* totaled \$11.5 million, \$18.1 million, and \$15.7 million for the years ended December 31, 2016, 2015, and 2014, respectively.

Markets included in the above geographic segments are as follows:

- i. West Region — Orange County, San Francisco, Seattle, Los Angeles, Monterey Peninsula, Other Southern California and Portland
- ii. Mid-Atlantic Region — Metropolitan D.C., Richmond and Baltimore
- iii. Northeast Region — New York and Boston
- iv. Southeast Region — Orlando, Nashville, Tampa and Other Florida
- v. Southwest Region — Dallas and Austin

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17. UNAUDITED SUMMARIZED CONSOLIDATED QUARTERLY FINANCIAL DATA

Selected consolidated quarterly financial data for the years ended December 31, 2016 and 2015 is summarized in the table below (*dollars in thousands, except per share amounts*):

	Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
2016				
Rental income	\$ 231,957	\$ 236,168	\$ 240,255	\$ 240,081
Income/(loss) from continuing operations	8,534	12,249	29,466	59,280
Net income/(loss) attributable to common stockholders (a)	9,464	17,017	26,027	236,687
Income/(loss) attributable to common stockholders per weighted average common share (a):				
Basic	\$ 0.04	\$ 0.06	\$ 0.10	\$ 0.89
Diluted	\$ 0.04	\$ 0.06	\$ 0.10	\$ 0.88
Weighted average number of common shares outstanding:				
Basic	262,456	266,268	266,301	266,498
Diluted	264,285	268,174	268,305	271,551
2015				
Rental income	\$ 207,047	\$ 212,764	\$ 217,765	\$ 234,352
Income/(loss) from continuing operations	76,417	10,842	13,695	4,528
Net income/(loss) attributable to common stockholders (a)	72,891	85,924	12,361	161,270
Income/(loss) attributable to common stockholders per weighted average common share (a):				
Basic	\$ 0.28	\$ 0.33	\$ 0.05	\$ 0.62
Diluted	\$ 0.28	\$ 0.33	\$ 0.05	\$ 0.61
Weighted average number of common shares outstanding:				
Basic	256,834	257,849	259,114	260,830
Diluted	258,662	262,806	261,207	266,108

(a) Due to the quarterly pro-rata calculation of noncontrolling interest and rounding, the sum of the quarterly per share and/or dollar amounts may not equal the annual totals.

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Report of Independent Registered Public Accounting Firm

The Partners
United Dominion Realty, L.P.

We have audited the accompanying consolidated balance sheets of United Dominion Realty, L.P. (the “Partnership”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income/(loss), changes in capital, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Partnership’s internal control over financial reporting. Our audits 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 Partnership’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 statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Dominion Realty, L.P. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Denver, Colorado
February 21, 2017

UNITED DOMINION REALTY, L.P.
CONSOLIDATED BALANCE SHEETS
(In thousands, except for unit data)

	December 31, 2016	December 31, 2015
ASSETS		
Real estate owned:		
Real estate held for investment	\$ 3,674,704	\$ 3,630,905
Less: accumulated depreciation	(1,408,815)	(1,281,258)
Total real estate owned, net of accumulated depreciation	2,265,889	2,349,647
Cash and cash equivalents	756	3,103
Restricted cash	11,694	11,344
Investment in unconsolidated entities	112,867	166,186
Other assets	24,329	24,528
Total assets	\$ 2,415,535	\$ 2,554,808
LIABILITIES AND CAPITAL		
Liabilities:		
Secured debt, net	\$ 433,974	\$ 475,964
Notes payable due to the General Partner	273,334	273,334
Real estate taxes payable	2,104	2,775
Accrued interest payable	1,410	1,550
Security deposits and prepaid rent	14,593	15,929
Distributions payable	54,192	50,962
Accounts payable, accrued expenses, and other liabilities	17,429	12,964
Total liabilities	797,036	833,478
Commitments and contingencies (Note 10)		
Capital:		
Partners' capital:		
General partner:		
110,883 OP Units outstanding at December 31, 2016 and December 31, 2015	1,026	1,110
Limited partners:		
183,167,815 OP Units outstanding at December 31, 2016 and December 31, 2015	1,577,289	1,712,415
Accumulated other comprehensive income/(loss), net	(113)	(113)
Total partners' capital	1,578,202	1,713,412
Advances (to)/from the General Partner	19,659	(11,270)
Noncontrolling interests	20,638	19,188
Total capital	1,618,499	1,721,330
Total liabilities and capital	\$ 2,415,535	\$ 2,554,808

See accompanying notes to the consolidated financial statements.

UNITED DOMINION REALTY, L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit data)

Year Ended December 31,

	2016	2015	2014
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REVENUES:

Rental income	\$ 404,415	\$ 440,408	\$ 422,634
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OPERATING EXPENSES:

Property operating and maintenance	65,562	75,373	75,211
Real estate taxes and insurance	41,732	47,438	47,110
Property management	11,122	12,111	11,622
Other operating expenses	6,059	5,923	5,172
Real estate depreciation and amortization	147,074	169,784	179,176
General and administrative	18,808	27,016	28,541
Casualty-related charges/(recoveries), net	484	843	541
Total operating expenses	290,841	338,488	347,373

Operating income	113,574	101,920	75,261
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Income/(loss) from unconsolidated entities	(37,425)	(4,659)	—
Interest expense	(17,855)	(35,274)	(37,114)
Interest expense on note payable due to the General Partner	(12,212)	(5,047)	(4,603)
Income/(loss) from continuing operations	46,082	56,940	33,544
Gain/(loss) on sale of real estate owned	33,180	158,123	63,635
Net income/(loss)	79,262	215,063	97,179
Net (income)/loss attributable to noncontrolling interests	(1,444)	(1,762)	(952)
Net income/(loss) attributable to OP unitholders	\$ 77,818	\$ 213,301	\$ 96,227

Net income/(loss) per weighted average OP Unit - basic and diluted:	\$ 0.42	\$ 1.16	\$ 0.53
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Weighted average OP Units outstanding - basic and diluted	183,279	183,279	183,279
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See accompanying notes to the consolidated financial statements.

UNITED DOMINION REALTY, L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(In thousands)

	Year Ended December 31,		
	2016	2015	2014
Net income/(loss)	\$ 79,262	\$ 215,063	\$ 97,179
Other comprehensive income/(loss), including portion attributable to noncontrolling interests:			
Other comprehensive income/(loss) - derivative instruments:			
Unrealized holding gain/(loss)	(4)	(82)	(285)
(Gain)/loss reclassified into earnings from other comprehensive income/(loss)	12	1,044	2,275
Other comprehensive income/(loss), including portion attributable to noncontrolling interests	8	962	1,990
Comprehensive income/(loss)	79,270	216,025	99,169
Comprehensive (income)/loss attributable to noncontrolling interests	(1,444)	(1,762)	(952)
Comprehensive income/(loss) attributable to OP unitholders	\$ 77,826	\$ 214,263	\$ 98,217

See accompanying notes to consolidated financial statements.

Net change in advances (to)/from the General Partner	—	—	—	—	—	—	30,929	—	30,929
Balance at December 31, 2016	<u><u>\$63,901</u></u>	<u><u>\$269,928</u></u>	<u><u>\$1,243,460</u></u>	<u><u>\$ 1,026</u></u>	<u><u>\$ (113)</u></u>	<u><u>\$1,578,202</u></u>	<u><u>\$ 19,659</u></u>	<u><u>\$ 20,638</u></u>	<u><u>\$1,618,499</u></u>

See accompanying notes to the consolidated financial statements.

UNITED DOMINION REALTY, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2016	2015	2014
Operating Activities			
Net income/(loss)	\$ 79,262	\$ 215,063	\$ 97,179
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:			
Depreciation and amortization	147,074	169,784	179,176
(Gain)/loss on sale of real estate owned	(33,180)	(158,123)	(63,635)
(Income)/loss from unconsolidated entities	37,425	4,659	—
Other	1,769	606	2,497
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets	(3,510)	385	(1,756)
Increase/(decrease) in operating liabilities	(158)	(5,609)	(5,429)
Net cash provided by/(used in) operating activities	<u>228,682</u>	<u>226,765</u>	<u>208,032</u>
Investing Activities			
Acquisition of real estate assets	—	(141,424)	—
Proceeds from sales of real estate investments, net	44,553	232,728	47,922
Development of real estate assets	—	(6,280)	(47,220)
Capital expenditures and other major improvements — real estate assets, net of escrow reimbursement	(69,993)	(61,441)	(47,352)
Distributions received from unconsolidated entities	15,894	—	—
Net cash provided by/(used in) investing activities	<u>(9,546)</u>	<u>23,583</u>	<u>(46,650)</u>
Financing Activities			
Advances (to)/from the General Partner, net	(180,391)	(232,764)	(153,751)
Proceeds from the issuance of secured debt	—	184,638	5,909
Payments on secured debt	(30,322)	(189,244)	(4,995)
Distributions paid to partnership unitholders	(10,770)	(10,367)	(9,929)
Payments of financing costs	—	(10)	(11)
Net cash provided by/(used in) financing activities	<u>(221,483)</u>	<u>(247,747)</u>	<u>(162,777)</u>
Net increase/(decrease) in cash and cash equivalents	(2,347)	2,601	(1,395)
Cash and cash equivalents, beginning of year	3,103	502	1,897
Cash and cash equivalents, end of year	<u>\$ 756</u>	<u>\$ 3,103</u>	<u>\$ 502</u>
Supplemental Information:			
Interest paid during the period, net of amounts capitalized	\$ 22,922	\$ 44,881	\$ 44,629
Non-cash transactions:			
Non-cash transactions associated with contribution to DownREIT Partnership:			
Real estate owned, net of accumulated depreciation	—	405,116	—
Investment in DownREIT Partnership	—	174,822	—
Secured debt, net	—	228,390	—
Reallocation of credit facilities debt from the General Partner	12,292	17,557	—
Development costs and capital expenditures incurred but	5,098	3,118	7,254

not yet paid			
LTIP Unit grants	3,735	—	—
Dividends declared but not yet paid	54,192	50,962	47,788

See accompanying notes to the consolidated financial statements.

UNITED DOMINION REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. CONSOLIDATION AND BASIS OF PRESENTATION

United Dominion Realty, L.P. (“UDR, L.P.,” the “Operating Partnership,” “we” or “our”) is a Delaware limited partnership that owns, acquires, renovates, redevelops, manages, and disposes of multifamily apartment communities generally located in high barrier to entry markets located in the United States. The high barrier to entry markets are characterized by limited land for new construction, difficult and lengthy entitlement process, expensive single-family home prices and significant employment growth potential. UDR, L.P. is a subsidiary of UDR, Inc. (“UDR” or the “General Partner”), a self-administered real estate investment trust, or REIT, through which UDR conducts a significant portion of its business. During the years ended December 31, 2016, 2015, and 2014, rental revenues of the Operating Partnership represented 43%, 51%, and 52%, respectively, of the General Partner’s consolidated rental revenues. At December 31, 2016, the Operating Partnership’s apartment portfolio consisted of 54 communities located in 14 markets consisting of 16,698 apartment homes.

Interests in UDR, L.P. are represented by operating partnership units (“OP Units”). The Operating Partnership’s net income is allocated to the partners, which is initially based on their respective distributions made during the year and secondly, their percentage interests. Distributions are made in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. (the “Operating Partnership Agreement”), on a per unit basis that is generally equal to the dividend per share on UDR’s common stock, which is publicly traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “UDR.”

As of December 31, 2016, there were 183,278,698 OP Units outstanding, of which 174,230,084 or 95.1% were owned by UDR and affiliated entities and 9,048,614 or 4.9% were owned by non-affiliated limited partners. There were 183,278,698 OP Units outstanding as of December 31, 2015, of which 174,225,399 or 95.1% were owned by UDR and affiliated entities and 9,053,299 or 4.9% were owned by non-affiliated limited partners.

As sole general partner of the Operating Partnership, UDR owned all 110,883 general partner OP units or 0.1% of the total OP Units outstanding as of December 31, 2016 and 2015. At December 31, 2016 and 2015, there were 183,167,815 limited partner OP Units outstanding, of which 1,873,332 were Class A Limited Partnership Units. Of the limited partner OP Units outstanding, UDR owned 174,119,201 or 95.1% and 174,114,516 or 95.1% at December 31, 2016 and 2015, respectively. The remaining 9,048,614 or 4.9% and 9,053,299 or 4.9% of the limited partner OP Units outstanding were held by non-affiliated partners at December 31, 2016 and 2015, respectively, of which 1,751,671 were Class A Limited Partnership units. See Note 9, *Capital Structure*.

The Operating Partnership evaluated subsequent events through the date its financial statements were issued. No recognized or non-recognized subsequent events were noted.

2. SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2017-01, *Business Combinations (Topic 805), Clarifying the Definition of a Business*. The ASU changes the definition of a business to assist entities with evaluating whether a set of transferred assets is a business. As a result, the accounting for acquisitions of real estate could be impacted. The updated standard will be effective for the Operating Partnership on January 1, 2018; early adoption is permitted. The ASU will be applied prospectively to any transactions occurring within the period of adoption. The Operating Partnership expects that the updated standard will result in fewer acquisitions of real estate meeting the definition of a business and fewer acquisition-related costs being expensed in the period incurred.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. The ASU addresses the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The updated standard will be effective for the Operating Partnership on January 1, 2018 and must be applied retrospectively to all periods presented; early adoption is permitted. The Operating Partnership does not expect the updated standard to have a material impact on the consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. The ASU addresses specific cash flow items with the objective of reducing existing diversity in practice, including the treatment of distributions received from equity method investees. The updated standard will be effective

UNITED DOMINION REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

for the Operating Partnership on January 1, 2018 and must be applied retrospectively to all periods presented; early adoption is permitted. The Operating Partnership elected to early adopt ASU 2016-15 in 2016. The adoption did not have an impact on the Operating Partnership's consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The standard requires entities to estimate a lifetime expected credit loss for most financial assets, including trade and other receivables, held-to-maturity debt securities, loans and other financial instruments, and to present the net amount of the financial instrument expected to be collected. The updated standard will be effective for the Operating Partnership on January 1, 2020; early adoption is permitted on January 1, 2019. The Operating Partnership is currently evaluating the effect that the updated standard will have on the consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting*. The ASU aims to simplify the accounting for share-based payments by amending the accounting for forfeitures, statutory tax withholding requirements, classification in the statements of cash flow and income taxes. The updated standard will be effective for the Operating Partnership on January 1, 2017, with early adoption permitted. The update requires a prospective, retrospective or modified retrospective approach, depending on the type of amendment. The Operating Partnership does not expect the updated standard to have a material impact on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard amends the existing lease accounting guidance and requires lessees to recognize a lease liability and a right-of-use asset for all leases (except for short-term leases that have a duration of one year or less) on their balance sheets. Lessees will continue to recognize lease expense in a manner similar to current accounting. For lessors, accounting for leases under the new guidance is substantially the same as in prior periods, but eliminates current real estate-specific provisions and changes the treatment of initial direct costs. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparable period presented, with an option to elect certain transition relief. Full retrospective application is prohibited. The standard will be effective for the Operating Partnership on January 1, 2019, with early adoption permitted. While the Operating Partnership is currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures, we expect to recognize right-of-use assets and related lease liabilities on our consolidated balance sheets related to ground leases on any communities where we are the lessee.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*, which makes changes to both the variable interest model and the voting model of consolidation. Under ASU 2015-02, companies will need to re-evaluate whether an entity meets the criteria to be considered a variable interest entity ("VIE") or whether the consolidation of an entity should be assessed under the voting model. The new standard specifically eliminates the presumption in the current voting model that a general partner controls a limited partnership or similar entity unless that presumption can be overcome. The new standard was effective for the Operating Partnership beginning on January 1, 2016. The adoption of the new standard did not result in the consolidation of entities not previously consolidated or the deconsolidation of any entities previously consolidated. Upon adopting the new standard, UDR Lighthouse DownREIT L.P. (the "DownREIT Partnership") became a VIE as the limited partners lack substantive kick-out rights and substantive participating rights. The Operating Partnership is not the primary beneficiary of the DownREIT Partnership and will continue to account for its interest as an equity method investment.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective, including industry-specific revenue guidance. The standard specifically excludes lease contracts. The ASU allows for the use of either the full or modified retrospective transition method and will be effective for the Operating Partnership on January 1, 2018, at which time the Operating Partnership expects to adopt the updated standard using the modified retrospective approach. However, as the majority of the Operating Partnership's revenue is from rental income related to leases, the Operating Partnership does not expect the ASU to have a material impact on the consolidated financial statements and related disclosures.

Real Estate

Real estate assets held for investment are carried at historical cost and consist of land, buildings and improvements, furniture, fixtures and equipment and other costs incurred during their development, acquisition and redevelopment.

UNITED DOMINION REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

Expenditures for ordinary repair and maintenance costs are charged to expense as incurred. Expenditures for improvements, renovations, and replacements related to the acquisition and/or improvement of real estate assets are capitalized and depreciated over their estimated useful lives if the expenditures qualify as a betterment or the life of the related asset will be substantially extended beyond the original life expectancy.

The Operating Partnership purchases real estate investment properties and records the tangible and identifiable intangible assets and liabilities acquired based on their estimated fair value. The primary, although not only, identifiable intangible asset associated with our portfolio is the value of existing lease agreements. When recording the acquisition of a community, we first assign fair value to the estimated intangible value of the existing lease agreements and then to the estimated value of the land, building and fixtures assuming the community is vacant. The Operating Partnership estimates the intangible value of the lease agreements by determining the lost revenue associated with a hypothetical lease-up. Depreciation on the building is based on the expected useful life of the asset and the in-place leases are amortized over their remaining average contractual life. Property acquisition costs are expensed as incurred.

Quarterly or when changes in circumstances warrant, the Operating Partnership will assess our real estate properties for indicators of impairment. In determining whether the Operating Partnership has indicators of impairment in our real estate assets, we assess whether the long-lived asset's carrying value exceeds the community's undiscounted future cash flows, which is representative of projected net operating income ("NOI") plus the residual value of the community. Our future cash flow estimates are based upon historical results adjusted to reflect our best estimate of future market and operating conditions and our estimated holding periods. If such indicators of impairment are present and the carrying value exceeds the undiscounted cash flows of the community, an impairment loss is recognized equal to the excess of the carrying amount of the asset over its estimated fair value. Our estimates of fair market value represent our best estimate based primarily upon unobservable inputs related to rental rates, operating costs, growth rates, discount rates and capitalization rates, industry trends and reference to market rates and transactions.

For long-lived assets to be disposed of, impairment losses are recognized when the fair value of the asset less estimated cost to sell is less than the carrying value of the asset. Properties classified as real estate held for disposition generally represent properties that are actively marketed or contracted for sale with the closing expected to occur within the next twelve months. Real estate held for disposition is carried at the lower of cost, net of accumulated depreciation, or fair value, less the cost to sell, determined on an asset-by-asset basis. Expenditures for ordinary repair and maintenance costs on held for disposition properties are charged to expense as incurred. Expenditures for improvements, renovations, and replacements related to held for disposition properties are capitalized at cost. Depreciation is not recorded on real estate held for disposition.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets which are 35 to 55 years for buildings, 10 to 35 years for major improvements, and 3 to 10 years for furniture, fixtures, equipment, and other assets.

Predevelopment, development, and redevelopment projects and related costs are capitalized and reported on the Consolidated Balance Sheets as *Total real estate owned, net of accumulated depreciation*. The Operating Partnership capitalizes costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. These costs, excluding the direct costs of development and redevelopment and capitalized interest, for the years ended December 31, 2016, 2015, and 2014 were \$0.6 million, \$0.7 million, and \$2.0 million, respectively. During the years ended December 31, 2016, 2015, and 2014, total interest capitalized was \$0.2 million, \$0.2 million, and \$2.9 million, respectively. As each home in a capital project is completed and becomes available for lease-up, the Operating Partnership ceases capitalization on the related portion and depreciation commences over the estimated useful life.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions and short-term, highly liquid investments. We consider all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The majority of the Operating Partnership's cash and cash equivalents are held at major commercial banks.

UNITED DOMINION REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

Restricted Cash

Restricted cash consists of escrow deposits held by lenders for real estate taxes, insurance and replacement reserves, and security deposits.

Revenue and Real Estate Sales Gain Recognition

Rental income related to leases is recognized on an accrual basis when due from residents and tenants in accordance with GAAP. Rental payments are generally due on a monthly basis and recognized when earned. The Operating Partnership recognizes interest income, fees and incentives when earned, fixed and determinable.

For sale transactions meeting the requirements for full accrual profit recognition, we remove the related assets and liabilities from our Consolidated Balance Sheets and record the gain or loss in the period the transaction closes. For sale transactions that do not meet the full accrual sale criteria due to our continuing involvement, we evaluate the nature of the continuing involvement and account for the transaction under an alternate method of accounting. Unless certain limited criteria are met, non-monetary transactions, including property exchanges, are accounted for at fair value.

Sales to entities in which we or our General Partner retain or otherwise own an interest are accounted for as partial sales. If all other requirements for recognizing profit under the full accrual method have been satisfied and no other forms of continuing involvement are present, we recognize profit proportionate to the outside interest in the buyer and defer the gain on the interest we or our General Partner retain. The Operating Partnership recognizes any deferred gain when the property is sold to a third party. In transactions accounted for as partial sales, we determine if the buyer of the majority equity interest in the venture was provided a preference as to cash flows in either an operating or a capital waterfall. If a cash flow preference has been provided, we recognize profit only to the extent that proceeds from the sale of the majority equity interest exceed costs related to the entire property.

Derivative Financial Instruments

The General Partner utilizes derivative financial instruments to manage interest rate risk and generally designates these financial instruments as cash flow hedges. Derivative financial instruments associated with the Operating Partnership's allocation of the General Partner's debt are recorded on our Consolidated Balance Sheets as either an asset or liability and measured quarterly at their fair value. The changes in fair value for the General Partner's cash flow hedges allocated to the Operating Partnership that are deemed effective are reflected in other comprehensive income/(loss) and for non-designated derivative financial instruments in earnings. The ineffective component of cash flow hedges, if any, is recorded in earnings.

Noncontrolling Interests

The noncontrolling interests represent the General Partner's interests in certain consolidated subsidiaries and are presented in the capital section of the Consolidated Balance Sheets since these interests are not convertible or redeemable into any other ownership interests of the Operating Partnership.

Income Taxes

The taxable income or loss of the Operating Partnership is reported on the tax returns of the partners. Accordingly, no provision has been made in the accompanying financial statements for federal or state income taxes on income that is passed through to the partners. However, any state or local revenue, excise or franchise taxes that result from the operating activities of the Operating Partnership are recorded at the entity level. The Operating Partnership's tax returns are subject to examination by federal and state taxing authorities. Net income for financial reporting purposes differs from the net income for income tax reporting purposes primarily due to temporary differences, principally real estate depreciation and the tax deferral of certain gains on property sales. The differences in depreciation result from differences in the book and tax basis of certain real estate assets and the differences in the methods of depreciation and lives of the real estate assets.

The Operating Partnership evaluates the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing the Operating Partnership's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Management of the Operating Partnership is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which include federal and certain states. The Operating Partnership has no examinations in progress and none are expected at this time.

UNITED DOMINION REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

Management of the Operating Partnership has reviewed all open tax years (2013 through 2015) of tax jurisdictions and concluded there is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken in future tax returns.

Discontinued Operations

In accordance with GAAP, a discontinued operation represents (1) a component of an entity or group of components that has been disposed of or is classified as held for sale in a single transaction and represents a strategic shift that has or will have a major effect on an entity's financial results, or (2) an acquired business that is classified as held for sale on the date of acquisition. A strategic shift could include a disposal of (1) a separate major line of business, (2) a separate major geographic area of operations, (3) a major equity method investment, or (4) other major parts of an entity.

We record sales of real estate that do not meet the definition of a discontinued operation in *Gain/(loss) on sale of real estate owned* on the Consolidated Statements of Operations.

Allocation of General and Administrative Expenses

The Operating Partnership is charged directly for general and administrative expenses it incurs. The Operating Partnership is also charged with other general and administrative expenses that have been allocated by the General Partner to each of its subsidiaries, including the Operating Partnership, based on reasonably anticipated benefits to the parties. (See Note 6, *Related Party Transactions*.)

Advertising Costs

All advertising costs are expensed as incurred and reported on the Consolidated Statements of Operations within the line item *Property operating and maintenance*. During the years ended December 31, 2016, 2015, and 2014, total advertising expense from continuing and discontinued operations was \$2.2 million, \$2.4 million, and \$2.5 million, respectively.

Comprehensive Income/(Loss)

Comprehensive income/(loss), which is defined as the change in capital during each period from transactions and other events and circumstances from nonowner sources, including all changes in capital during a period except for those resulting from investments by or distributions to unitholders, is displayed in the accompanying Consolidated Statements of Comprehensive Income/(Loss). For the years ended December 31, 2016, 2015, and 2014, the Operating Partnership's other comprehensive income/(loss) consisted of the gain/(loss) (effective portion) on derivative instruments that are designated as and qualify as cash flow hedges and (gain)/loss reclassified from other comprehensive income/(loss) into earnings. The (gain)/loss reclassified from other comprehensive income/(loss) is included in *Interest expense* on the Consolidated Statements of Operations. See Note 8, *Derivatives and Hedging Activity*, for further discussion.

Use of Estimates

The preparation of these financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates.

Market Concentration Risk

The Operating Partnership is subject to increased exposure from economic and other competitive factors specific to those markets where it holds a significant percentage of the carrying value of its real estate portfolio at December 31, 2016, the Operating Partnership held greater than 10% of the carrying value of its real estate portfolio in the Orange County, California; San Francisco, California; Metropolitan D.C. and New York, New York markets.

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3. REAL ESTATE OWNED

Real estate assets owned by the Operating Partnership consists of income producing operating properties, properties under development, land held for future development, and sold or held for disposition properties. At December 31, 2016, the Operating Partnership owned and consolidated 54 communities in eight states plus the District of Columbia totaling 16,698 apartment homes. The following table summarizes the carrying amounts for our real estate owned (at cost) as of December 31, 2016 and 2015 (*dollars in thousands*):

	December 31, 2016	December 31, 2015
Land	\$ 836,644	\$ 833,300
Depreciable property — held and used:		
Buildings, improvements, and furniture, fixtures and equipment	2,838,060	2,797,605
Real estate owned	3,674,704	3,630,905
Accumulated depreciation	(1,408,815)	(1,281,258)
Real estate owned, net	\$ 2,265,889	\$ 2,349,647

Acquisitions

The Operating Partnership did not have any acquisitions during the year ended December 31, 2016.

In October 2015, the Operating Partnership acquired one community in Alexandria, Virginia with 421 apartment homes for a purchase price of \$142.0 million, which was funded with reverse tax-deferred like-kind exchanges under Section 1031 of the Internal Revenue Code of 1986 (“Section 1031 exchanges”). The Operating Partnership performed a valuation analysis of the fair market value of the assets and liabilities of the acquired community as of the acquisition date.

Dispositions

During the year ended December 31, 2016, the Operating Partnership sold two operating communities in Baltimore, Maryland with a total of 276 apartment homes for gross proceeds of \$45.3 million, resulting in net proceeds of \$44.6 million and a gain, net of tax, of \$33.2 million.

In connection with the formation of the DownREIT Partnership in October 2015, the Operating Partnership contributed seven operating communities to the DownREIT Partnership. The Operating Partnership recorded its contribution to the DownREIT Partnership at book value and consequently deferred a gain of \$296.4 million. As a result of the contribution, the Operating Partnership gave up its controlling interest and deconsolidated the seven operating communities. The Operating Partnership accounts for its investment in the DownREIT Partnership under the equity method of accounting as described in Note 4, *Unconsolidated Entities*.

During the year ended December 31, 2015, the Operating Partnership sold five operating communities with a total of 1,149 apartment homes for gross proceeds of \$250.9 million, resulting in net proceeds of \$232.4 million and a gain of \$133.5 million. A portion of the sale proceeds was designated for tax-deferred Section 1031 exchanges for the October 2015 acquisition described above. Additionally, the Operating Partnership recognized a gain of \$24.6 million, which was previously deferred, in connection with the sale of the communities held by the Texas joint venture in January 2015.

4. UNCONSOLIDATED ENTITIES

In October 2015, in connection with the acquisition of four properties from Home Properties, L.P., UDR, Inc., as the sole general partner and a limited partner, and the Operating Partnership, as limited partner, entered into the Agreement of Limited Partnership (the “Partnership Agreement”) of the DownREIT Partnership. As of December 31, 2016, UDR, Inc. and the Operating Partnership owned approximately 9.3% and 41.6%, respectively, of the DownREIT Units, which they received in exchange for their contribution of properties to the DownREIT Partnership and cash of \$25.5 million.

As the sole general partner of the DownREIT Partnership, UDR, Inc. has full, complete and exclusive discretion to manage and control the business of the DownREIT Partnership and to make all decisions affecting the business and assets of the DownREIT Partnership, subject to certain protective limitations set forth in the Partnership Agreement. The limited partners

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have no power to remove UDR, Inc. as the general partner of the DownREIT Partnership. The DownREIT Partnership is structured to make distributions in respect of DownREIT Units that will be equivalent to the distributions made to holders of UDR, Inc.'s common stock. Subject to certain terms and conditions set forth in the Partnership Agreement, limited partners in the DownREIT Partnership (other than UDR, Inc. and its affiliates) have the right, commencing one year after the date of issuance, to tender their DownREIT Units for redemption for cash or, at UDR Inc.'s election, for shares of its common stock on a one-for-one basis (subject to the anti-dilution adjustments provided in the Partnership Agreement).

The DownREIT Partnership is accounted for by the Operating Partnership under the equity method of accounting and is included in *Investment in unconsolidated entities* on the Consolidated Balance Sheets. The communities that were contributed to the DownREIT Partnership by the Operating Partnership were deconsolidated by the Operating Partnership upon contribution. See Note 3, *Real Estate Owned*, for the impact of the deconsolidation on the Consolidated Balance Sheets.

The Operating Partnership recognizes earnings or losses from its investments in unconsolidated entities consisting of our proportionate share of the net earnings or losses of the partnership in accordance with the Partnership Agreement.

As of December 31, 2016, the DownREIT Partnership owned 13 communities with 6,261 apartment homes. The Operating Partnership's investment in the DownREIT Partnership was \$112.9 million and \$166.2 million as of December 31, 2016 and 2015, respectively.

Financial statements required under Rule 3-09 of Regulation S-X for the DownREIT Partnership are included as Exhibit 99.1 to this report.

5. DEBT, NET

Our secured debt instruments generally feature either monthly interest and principal or monthly interest-only payments with balloon payments due at maturity. For purposes of classification in the following table, variable rate debt with a derivative financial instrument designated as a cash flow hedge is deemed as fixed rate debt due to the Operating Partnership having effectively established the fixed interest rate for the underlying debt instrument. Secured debt consists of the following as of December 31, 2016 and 2015 (*dollars in thousands*):

	Principal Outstanding		For the Year Ended December 31, 2016		
	December 31,		Weighted Average Interest Rate	Weighted Average Years to Maturity	Number of Communities Encumbered
	2016	2015			
Fixed Rate Debt					
Mortgage notes payable	\$ —	\$ 30,132	—%	—	—
Fannie Mae credit facilities	244,912	250,828	5.05%	2.8	7
Deferred financing costs	(1,070)	(1,627)			
Total fixed rate secured debt, net	243,842	279,333	5.05%	2.8	7
Variable Rate Debt					
Tax-exempt secured note payable	27,000	27,000	1.33%	15.2	1
Fannie Mae credit facilities	163,637	170,203	2.32%	3.8	3
Deferred financing costs	(505)	(572)			
Total variable rate secured debt, net	190,132	196,631	2.18%	5.4	4
Total secured debt, net	\$ 433,974	\$ 475,964	3.94%	4.0	11

As of December 31, 2016, an aggregate commitment of \$408.5 million of the General Partner's secured credit facilities with Fannie Mae was allocated to the Operating Partnership based on the ownership of the assets securing the debt. The entire

commitment was outstanding at December 31, 2016. The portions of the Fannie Mae credit facilities allocated to the Operating Partnership mature at various dates from December 2018 through July 2023 and bear interest at floating and fixed rates. At December 31, 2016, \$244.9 million of the outstanding balance was fixed and had a weighted average interest rate of 5.05% and the remaining balance of \$163.6 million on these facilities had a weighted average variable interest rate of 2.32%. The

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following information relates to the credit facilities allocated to the Operating Partnership (*dollars in thousands*):

	December 31, 2016	December 31, 2015
Borrowings outstanding	\$ 408,549	\$ 421,031
Weighted average borrowings during the period ended	414,759	425,522
Maximum daily borrowings during the period ended	421,001	431,462
Weighted average interest rate during the period ended	3.9%	3.8%
Interest rate at the end of the period	4.0%	3.8%

The Operating Partnership may from time to time acquire properties subject to fixed rate debt instruments. In those situations, management will record the secured debt at its estimated fair value and amortize any difference between the fair value and par to interest expense over the life of the underlying debt instrument. The Operating Partnership did not have any unamortized fair value adjustments associated with the fixed rate debt instruments on the Operating Partnership's properties.

Fixed Rate Debt

At December 31, 2016, the General Partner had borrowings against its fixed rate facilities of \$355.8 million, of which \$244.9 million was allocated to the Operating Partnership based on the ownership of the assets securing the debt. As of December 31, 2016, the fixed rate Fannie Mae credit facilities allocated to the Operating Partnership had a weighted average fixed interest rate of 5.05%.

Variable Rate Debt

Tax-exempt secured note payable. The variable rate mortgage note payable that secures tax-exempt housing bond issues matures in March 2032. Interest on this note is payable in monthly installments. The mortgage note payable has an interest rate of 1.33% as of December 31, 2016.

Secured credit facilities. At December 31, 2016, the General Partner had borrowings against its variable rate facilities of \$280.9 million, of which \$163.6 million was allocated to the Operating Partnership based on the ownership of the assets securing the debt. As of December 31, 2016, the variable rate borrowings under the Fannie Mae credit facilities allocated to the Operating Partnership had a weighted average floating interest rate of 2.32%.

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The aggregate maturities of the Operating Partnership's secured debt due during each of the next ten calendar years subsequent to December 31, 2016 are as follows (*dollars in thousands*):

	Fixed	Variable		Total
	Secured Credit Facilities	Tax-Exempt Secured Notes Payable	Secured Credit Facilities	
2017	\$ —	\$ —	\$ —	\$ —
2018	48,872	—	96,327	145,199
2019	133,204	—	—	133,204
2020	62,836	—	—	62,836
2021	—	—	—	—
2022	—	—	—	—
2023	—	—	67,310	67,310
2024	—	—	—	—
2025	—	—	—	—
2026	—	—	—	—
Thereafter	—	27,000	—	27,000
Subtotal	244,912	27,000	163,637	435,549
Non-cash (a)	(1,070)	(86)	(419)	(1,575)
Total	\$ 243,842	\$ 26,914	\$ 163,218	\$ 433,974

(a) Includes the unamortized balance of fair market value adjustments, premiums/discounts, deferred hedge gains, and deferred financing costs. For the years ended December 31, 2016 and 2015, the Operating Partnership amortized \$0.6 million and \$1.3 million, respectively, of deferred financing costs into *Interest expense*.

Guarantor on Unsecured Debt

The Operating Partnership is a guarantor on the General Partner's unsecured revolving credit facility with an aggregate borrowing capacity of \$1.1 billion, \$300 million of medium-term notes due June 2018, \$300 million of medium-term notes due October 2020, a \$350 million term loan facility due January 2021, \$400 million of medium-term notes due January 2022, \$300 million of medium-term notes due July 2024, \$300 million of medium-term notes due October 2025 and \$300 million of medium-term notes due September 2026. As of December 31, 2016 and 2015, the outstanding balance under the unsecured revolving credit facility was \$0.0 and \$150.0 million, respectively.

On January 23, 2017, the General Partner entered into an unsecured commercial paper note program. Under the terms of the program, the General Partner may issue unsecured commercial paper notes up to a maximum aggregate amount outstanding of \$500 million. The notes are fully and unconditionally guaranteed by the Operating Partnership. As of February 17, 2017, the Company had issued \$120.0 million of commercial paper notes, for one month terms, at a weighted average annualized rate of 1.16%.

6. RELATED PARTY TRANSACTIONS

Advances (To)/From the General Partner

The Operating Partnership participates in the General Partner's central cash management program, wherein all the Operating Partnership's cash receipts are remitted to the General Partner and all cash disbursements are funded by the General Partner. In addition, other miscellaneous costs such as administrative expenses are incurred by the General Partner on behalf of the Operating Partnership. As a result of these various transactions between the Operating Partnership and the General Partner, the Operating Partnership had net *Advances (to)/from the General Partner* of \$19.7 million and \$(11.3) million at December 31, 2016 and 2015, respectively, which is reflected as increases/(decreases) of capital on the Consolidated Balance Sheets.

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Allocation of General and Administrative Expenses

The General Partner shares various general and administrative costs, employees and other overhead costs with the Operating Partnership including legal assistance, acquisitions analysis, marketing, human resources, IT, accounting, rent, supplies and advertising, and allocates these costs to the Operating Partnership first on the basis of direct usage when identifiable, with the remainder allocated based on the reasonably anticipated benefits to the parties. During the years ended December 31, 2016, 2015, and 2014, the general and administrative expenses allocated to the Operating Partnership by UDR were \$15.4 million, \$21.0 million, and \$27.4 million, respectively, and are included in *General and administrative* on the Consolidated Statements of Operations. In the opinion of management, this method of allocation reflects the level of services received by the Operating Partnership from the General Partner.

During the years ended December 31, 2016 and 2015, the Operating Partnership reimbursed the General Partner \$14.5 million and \$17.7 million, respectively, for shared services related to corporate level property management costs incurred by the General Partner. In lieu of these shared cost reimbursements, during 2014, the Operating Partnership incurred \$12.7 million of related party management fees to wholly-owned subsidiaries of UDR's taxable REIT subsidiary ("TRS"). These shared cost reimbursements and related party management fees are initially recorded within the line item *General and administrative* on the Consolidated Statements of Operations, and a portion related to management costs is reclassified to *Property management* on the Consolidated Statements of Operations. (See further discussion below.)

Shared Services/Management Fee

During the years ended December 31, 2016 and 2015, the Operating Partnership began to self-manage its own properties and entered into an Inter-Company Employee and Cost Sharing Agreement with the General Partner. This agreement provides for reimbursements to the General Partner for the Operating Partnership's allocable share of costs incurred by the General Partner for (a) shared services of corporate level property management employees and related support functions and costs, and (b) general and administrative costs. As discussed above, the reimbursement for shared services is classified in *Property management* on the Consolidated Statements of Operations. In 2011 through 2014, the Operating Partnership was a party to a management agreement with wholly-owned subsidiaries of UDR's TRS. Under the management agreement, the Operating Partnership was charged a management fee equal to 2.75% of gross rental revenues, which is classified in *Property management* on the Consolidated Statements of Operations.

Notes Payable to the General Partner

As of both December 31, 2016 and 2015, the Operating Partnership had \$273.3 million of unsecured notes payable to the General Partner at annual interest rates between 4.12% and 5.34%. Certain limited partners of the Operating Partnership have provided guarantees or reimbursement agreements related to these notes payable. The guarantees were provided by the limited partners in conjunction with their contribution of properties to the Operating Partnership. The notes mature on August 31, 2021, December 31, 2023 and April 1, 2026, and interest payments are made monthly. The Operating Partnership recognized interest expense on the notes payable of \$12.2 million, \$5.0 million and \$4.6 million for the years ended December 31, 2016, 2015, and 2014, respectively.

7. FAIR VALUE OF DERIVATIVES AND FINANCIAL INSTRUMENTS

Fair value is based on the price that would be received to sell an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level valuation hierarchy prioritizes observable and unobservable inputs used to measure fair value. The fair value hierarchy consists of three broad levels, which are described below:

- Level 1 — Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2 — Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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The estimated fair values of the Operating Partnership's financial instruments either recorded or disclosed on a recurring basis as of December 31, 2016 and 2015 are summarized as follows (*dollars in thousands*):

	Total Carrying Amount in Statement of Financial Position at December 31, 2016	Fair Value Estimate at December 31, 2016	Fair Value at December 31, 2016, Using		
			Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description:					
Derivatives- Interest rate contracts (a)	\$ 1	\$ 1	\$ —	\$ 1	\$ —
Total assets	\$ 1	\$ 1	\$ —	\$ 1	\$ —

Secured debt instruments - fixed rate: (b)					
Fannie Mae credit facilities	\$ 244,912	\$ 251,664	\$ —	\$ —	\$ 251,664
Secured debt instruments - variable rate: (b)					
Tax-exempt secured notes payable	27,000	27,000	—	—	27,000
Fannie Mae credit facilities	163,637	163,637	—	—	163,637
Total liabilities	\$ 435,549	\$ 442,301	\$ —	\$ —	\$ 442,301

	Total Carrying Amount in Statement of Financial Position at December 31, 2015	Fair Value Estimate at December 31, 2015	Fair Value at December 31, 2015, Using		
			Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description:					
Derivatives - Interest rate contracts (a)	\$ 8	\$ 8	\$ —	\$ 8	\$ —
Total assets	\$ 8	\$ 8	\$ —	\$ 8	\$ —

Secured debt instruments - fixed rate: (b)					
Mortgage notes payable	\$ 30,132	\$ 30,308	\$ —	\$ —	\$ 30,308
Fannie Mae credit	250,828	263,070	—	—	263,070

facilities					
Secured debt instruments					
- variable rate: (b)					
Tax-exempt secured notes payable	27,000	27,000	—	—	27,000
Fannie Mae credit facilities	170,203	170,203	—	—	170,203
Total liabilities	<u>\$ 478,163</u>	<u>\$ 490,581</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 490,581</u>

(a) See Note 8, *Derivatives and Hedging Activity*.

(b) See Note 5, *Debt, Net*.

There were no transfers into or out of each of the levels of the fair value hierarchy.

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Financial Instruments Carried at Fair Value

The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The fair values of interest rate options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities.

The General Partner, on behalf of the Operating Partnership, incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Operating Partnership has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the General Partner, on behalf of the Operating Partnership, has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2016 and December 31, 2015, the Operating Partnership has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Operating Partnership has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. In conjunction with the FASB's fair value measurement guidance, the Operating Partnership made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Financial Instruments Not Carried at Fair Value

At December 31, 2016, the fair values of cash and cash equivalents, restricted cash, accounts receivable, prepaids, real estate taxes payable, accrued interest payable, security deposits and prepaid rent, distributions payable and accounts payable approximated their carrying values because of the short term nature of these instruments. The estimated fair values of other financial instruments were determined by the Operating Partnership using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Operating Partnership would realize on the disposition of the financial instruments. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

The General Partner estimates the fair value of our debt instruments by discounting the remaining cash flows of the debt instrument at a discount rate equal to the replacement market credit spread plus the corresponding treasury yields. Factors considered in determining a replacement market credit spread include general market conditions, borrower specific credit spreads, time remaining to maturity, loan-to-value ratios and collateral quality (Level 3).

The Operating Partnership records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by the future operation and disposition of those assets are less than the net book value of those assets. Cash flow estimates are based upon historical results adjusted to reflect management's best estimate of future market and operating conditions and our estimated holding periods. The net book value of impaired assets is reduced to fair value. The General Partner's estimates of fair value represent management's estimates based upon Level 3 inputs such as industry trends and reference to market rates and transactions.

8. DERIVATIVES AND HEDGING ACTIVITY

Risk Management Objective of Using Derivatives

The Operating Partnership is exposed to certain risks arising from both its business operations and economic conditions. The General Partner principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The General Partner manages economic risks, including interest rate, liquidity, and

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credit risk primarily by managing the amount, sources, and duration of its debt funding and through the use of derivative financial instruments. Specifically, the General Partner enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The General Partner's and the Operating Partnership's derivative financial instruments are used to manage differences in the amount, timing, and duration of the General Partner's known or expected cash payments principally related to the General Partner's borrowings.

Cash Flow Hedges of Interest Rate Risk

The General Partner's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the General Partner primarily uses interest rate swaps and caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the General Partner making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up front premium.

A portion of the General Partner's interest rate derivatives has been allocated to the Operating Partnership based on the General Partner's underlying debt instruments allocated to the Operating Partnership. (See Note 5, *Debt, Net*.)

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in *Accumulated other comprehensive income/(loss), net* in the Consolidated Balance Sheets, and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the years ended December 31, 2016, 2015, and 2014, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the year ended December 31, 2016, the Operating Partnership recorded no gain or loss from ineffectiveness. During the year ended December 31, 2015, the Operating Partnership recognized a loss of less than \$0.1 million reclassified from *Accumulated other comprehensive income/(loss), net* to *Interest expense* due to the de-designation of a cash flow hedge and recorded no other ineffectiveness to earnings. During the year ended December 31, 2014, the Operating Partnership recorded no gain or loss from ineffectiveness.

Amounts reported in *Accumulated other comprehensive income/(loss), net* related to derivatives will be reclassified to interest expense as interest payments are made on the General Partner's variable-rate debt that is allocated to the Operating Partnership. Through December 31, 2017, we estimate that less than \$0.1 million will be reclassified as an increase to interest expense.

As of December 31, 2016, the Operating Partnership had the following outstanding interest rate derivatives designated as cash flow hedges of interest rate risk (*dollars in thousands*):

Product	Number of Instruments	Notional
Interest rate caps	1	\$ 96,327

Derivatives not designated as hedges are not speculative and are used to manage the Operating Partnership's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of GAAP. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and resulted in an adjustment to earnings of less than \$0.1 million for the years ended December 31, 2016, 2015, and 2014.

As of December 31, 2016, we had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships (*dollars in thousands*):

Product	Number of Instruments	Notional
Interest rate caps	3	\$ 98,932

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Tabular Disclosure of Fair Values of Derivative Instruments on the Consolidated Balance Sheets

The table below presents the fair value of the Operating Partnership's derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of December 31, 2016 and 2015 (*dollars in thousands*):

	Asset Derivatives (included in <i>Other assets</i>)		Liability Derivatives (Included in <i>Other liabilities</i>)	
	Fair Value at:		Fair Value at:	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Derivatives designated as hedging instruments:				
Interest rate products	\$ —	\$ 4	\$ —	\$ —
Derivatives not designated as hedging instruments:				
Interest rate products	\$ 1	\$ 4	\$ —	\$ —

Tabular Disclosure of the Effect of Derivative Instruments on the Consolidated Statements of Operations

The tables below present the effect of the derivative financial instruments on the Consolidated Statements of Operations for the years ended December 31, 2016, 2015, and 2014 (*dollars in thousands*):

Derivatives in Cash Flow Hedging Relationships	<i>Unrealized holding gain/(loss) Recognized in OCI (Effective Portion)</i>			Gain/(Loss) Reclassified from Accumulated OCI into <i>Interest expense</i> (Effective Portion)			Gain/(Loss) Recognized in <i>Interest expense (Ineffective Portion and Amount Excluded from Effectiveness Testing)</i>		
	Year ended December 31,			Year ended December 31,			Year ended December 31,		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Interest rate products	\$ (4)	\$ (82)	\$(285)	\$ (12)	\$(1,044)	\$(2,275)	\$ —	\$ (11)	\$ —

Derivatives Not Designated as Hedging Instruments	Gain/(Loss) Recognized in <i>Interest income and other income/(expense), net</i>		
	Year ended December 31,		
	2016	2015	2014
Interest rate products	\$ (3)	\$ (23)	\$ (3)

Credit-risk-related Contingent Features

The General Partner has agreements with some of its derivative counterparties that contain a provision where (1) if the General Partner defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the General Partner could also be declared in default on its derivative obligations; or (2) the General Partner could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the General Partner's default on the indebtedness.

Certain of the General Partner's agreements with its derivative counterparties contain provisions where if there is a change in the General Partner's financial condition that materially changes the General Partner's creditworthiness in an adverse manner, the General Partner may be required to fully collateralize its obligations under the derivative instrument. At December 31, 2016 and 2015, no cash collateral was posted or required to be posted by the General Partner or by a counterparty.

The General Partner also has an agreement with a derivative counterparty that incorporates the loan and financial covenant provisions of the General Partner's indebtedness with a lender affiliate of the derivative counterparty. Failure to comply with these covenant provisions would result in the General Partner being in default on any derivative instrument obligations covered by the agreement.

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The General Partner has certain agreements with some of its derivative counterparties that contain a provision where in the event of default by the General Partner or the counterparty, the right of setoff may be exercised. Any amount payable to one party by the other party may be reduced by its setoff against any amounts payable by the other party. Events that give rise to default by either party may include, but are not limited to, the failure to pay or deliver payment under the derivative agreement, the failure to comply with or perform under the derivative agreement, bankruptcy, a merger without assumption of the derivative agreement, or in a merger, a surviving entity's creditworthiness is materially weaker than the original party to the derivative agreement.

As of December 31, 2016, the fair value of derivatives in a net liability position that were allocated to the Operating Partnership, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was zero.

The General Partner has elected not to offset derivative positions in the consolidated financial statements. The table below presents the effect on the Operating Partnership's financial position had the General Partner made the election to offset its derivative positions as of December 31, 2016 and December 31, 2015:

Offsetting of Derivative Assets

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets Presented in the Consolidated Balance Sheets (a)	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received	
December 31, 2016	\$ 1	\$ —	\$ 1	\$ —	\$ —	\$ 1
December 31, 2015	\$ 8	\$ —	\$ 8	\$ —	\$ —	\$ 8

(a) Amounts reconcile to the aggregate fair value of derivative assets in the "Tabular Disclosure of Fair Values of Derivative Instruments on the Consolidated Balance Sheets" located in this footnote.

Offsetting of Derivative Liabilities

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets (a)	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Posted	
December 31, 2016	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
December 31, 2015	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

(a) Amounts reconcile to the aggregate fair value of derivative liabilities in the "Tabular Disclosure of Fair Values of Derivative Instruments on the Consolidated Balance Sheets" located in this footnote.

9. CAPITAL STRUCTURE

General Partnership Units

The General Partner has complete discretion to manage and control the operations and business of the Operating Partnership, which includes but is not limited to the acquisition and disposition of real property, construction of buildings and making capital

improvements, and the borrowing of funds from outside lenders or UDR and its subsidiaries to finance such activities. The General Partner can generally authorize, issue, sell, redeem or purchase any OP Unit or securities of the Operating Partnership without the approval of the limited partners. The General Partner can also approve, with regard to the issuances of OP Units, the class or one or more series of classes, with designations, preferences, participating, optional or other special rights, powers and duties including rights, powers and duties senior to limited partnership interests without approval of

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any limited partners except holders of Class A Limited Partnership Units. There were 110,883 General Partnership units outstanding at December 31, 2016 and 2015, all of which were held by UDR.

Limited Partnership Units

At December 31, 2016 and 2015, there were 183,167,815 limited partnership units outstanding, of which 1,873,332 were Class A Limited Partnership Units. UDR owned 174,119,201 or 95.1% and 174,114,516 or 95.1%, of OP Units outstanding at December 31, 2016 and 2015, respectively, of which 121,661 were Class A Limited Partnership Units. The remaining 9,048,614 or 4.9% and 9,053,299 or 4.9% of OP Units units outstanding were held by non-affiliated partners at December 31, 2016 and 2015, respectively, of which 1,751,671 were Class A Limited Partnership Units.

Subject to the terms of the Operating Partnership Agreement, the limited partners have the right to require the Operating Partnership to redeem all or a portion of the OP Units held by the limited partner at a redemption price equal to and in the form of the Cash Amount (as defined in the Operating Partnership Agreement), provided that such OP Units have been outstanding for at least one year. UDR, as general partner of the Operating Partnership, may, in its sole discretion, purchase the OP Units by paying to the limited partner either the Cash Amount or the REIT Share Amount (generally one share of common stock of UDR for each OP Unit), as defined in the Operating Partnership Agreement.

The non-affiliated limited partners' capital is adjusted to redemption value at the end of each reporting period with the corresponding offset against UDR's limited partner capital account based on the redemption rights noted above. The aggregate value upon redemption of the then-outstanding OP Units held by limited partners was \$330.1 million and \$340.1 million as of December 31, 2016 and 2015, respectively, based on the value of UDR's common stock at each period end. A limited partner has no right to receive any distributions from the Operating Partnership on or after the date of redemption of its OP Units.

Class A Limited Partnership Units

Class A Limited Partnership Units have a cumulative, annual, non-compounded preferred return, which is equal to 8% based on a value of \$16.61 per Class A Limited Partnership Unit.

Holders of the Class A Limited Partnership Units exclusively possess certain voting rights. The Operating Partnership may not do the following without approval of the holders of the Class A Limited Partnership Units: (i) increase the authorized or issued amount of Class A Limited Partnership Units, (ii) reclassify any other partnership interest into Class A Limited Partnership Units, (iii) create, authorize or issue any obligations or security convertible into or the right to purchase Class A Limited Partnership Units, (iv) enter into a merger or acquisition, or (v) amend or modify the Operating Partnership Agreement in a manner that adversely affects the relative rights, preferences or privileges of the Class A Limited Partnership Units.

The following table shows OP Units outstanding and OP Unit activity as of and for the years ended December 31, 2016, 2015, and 2014:

	UDR, Inc.					
	Class A Limited Partners	Limited Partners	Limited Partner	Class A Limited Partner	General Partner	Total
Ending balance at December 31, 2013	1,751,671	7,567,253	173,727,230	121,661	110,883	183,278,698
OP redemptions for UDR stock	—	(153,451)	153,451	—	—	—
Ending balance at December 31, 2014	1,751,671	7,413,802	173,880,681	121,661	110,883	183,278,698
OP redemptions for UDR stock	—	(112,174)	112,174	—	—	—
Ending balance at December 31, 2015	1,751,671	7,301,628	173,992,855	121,661	110,883	183,278,698
OP redemptions for UDR stock	—	(4,685)	4,685	—	—	—
Ending balance at						

December 31, 2016 1,751,671 7,296,943 173,997,540 121,661 110,883 183,278,698
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LTIP Units

UDR grants long-term incentive plan units ("LTIP Units") to certain employees and non-employee directors. The LTIP Units represent an ownership interest in the Operating Partnership and have voting and distribution rights consistent with OP Units. The LTIP Units are subject to the terms of UDR's long-term incentive plan.

Two classes of LTIP Units are granted, Class 1 LTIP Units and Class 2 LTIP Units. Class 1 LTIP Units are granted to non-employee directors and vest after one year. Class 2 LTIP Units are granted to certain employees and vest over a period from one to three years subject to certain performance and market conditions being achieved. Vested LTIP Units may be converted into OP Units provided that such LTIP Units have been outstanding for at least two years from the date of grant.

Allocation of Profits and Losses

Profit of the Operating Partnership is allocated in the following order: (i) to the General Partner and the Limited Partners in proportion to and up to the amount of cash distributions made during the year, and (ii) to the General Partner and Limited Partners in accordance with their percentage interests. Losses and depreciation and amortization expenses, non-recourse liabilities are allocated to the General Partner and Limited Partners in accordance with their percentage interests. Losses allocated to the Limited Partners are capped to the extent that such an allocation would not cause a deficit in the Limited Partners' capital account. Such losses are, therefore, allocated to the General Partner. If any Partner's capital balance were to fall into a deficit, any income and gains are allocated to each Partner sufficient to eliminate its negative capital balance.

10. COMMITMENTS AND CONTINGENCIES

Commitments

Real Estate Under Redevelopment

The following summarizes the Operating Partnership's real estate commitments at December 31, 2016 (*dollars in thousands*):

	Number of Properties	Costs Incurred to Date (a)	Expected Costs to Complete (unaudited)
Real estate communities — redevelopment	1	\$ 6,289	\$ 711

(a) Costs incurred to date include \$0.9 million of accrued fixed assets for redevelopment.

Ground Leases

The Operating Partnership owns five communities which are subject to ground leases expiring between 2044 and 2103, including extension options. Future minimum lease payments as of December 31, 2016 are \$5.5 million for each of the years ending December 31, 2017 to 2021 and a total of \$334.6 million for years thereafter. For purposes of our ground lease contracts, the Operating Partnership uses the minimum lease payment, if stated in the agreement. For ground lease agreements where there is a reset provision based on the communities appraised value or consumer price index but does not include a specified minimum lease payment, the Operating Partnership uses the current rent over the remainder of the lease term.

The Operating Partnership incurred \$5.5 million, \$5.4 million, and \$5.3 million of ground rent expense for the years ended December 31, 2016, 2015, and 2014, respectively.

Contingencies

Litigation and Legal Matters

The Operating Partnership is subject to various legal proceedings and claims arising in the ordinary course of business. The Operating Partnership cannot determine the ultimate liability with respect to such legal proceedings and claims at this time. The General Partner believes that such liability, to the extent not provided for through insurance or otherwise, will not have a material adverse effect on the Operating Partnership's financial condition, results of operations or cash flow.

UNITED DOMINION REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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11. REPORTABLE SEGMENTS

GAAP guidance requires that segment disclosures present the measure(s) used by the chief operating decision maker to decide how to allocate resources and for purposes of assessing such segments' performance. The Operating Partnership has the same chief operating decision maker as that of its parent, the General Partner. The chief operating decision maker consists of several members of UDR's executive management team who use several generally accepted industry financial measures to assess the performance of the business for our reportable operating segments.

The Operating Partnership owns and operates multifamily apartment communities throughout the United States that generate rental and other property related income through the leasing of apartment homes to a diverse base of tenants. The primary financial measures of the Operating Partnership's apartment communities are rental income and NOI, and are included in the chief operating decision maker's assessment of the Operating Partnership's performance on a consolidated basis. Rental income represents gross market rent less adjustments for concessions, vacancy loss and bad debt. NOI is defined as total revenues less direct property operating expenses. Rental expenses include real estate taxes, insurance, personnel, utilities, repairs and maintenance, administrative and marketing. Excluded from NOI are property management costs, which are the Operating Partnership's allocable share of costs incurred by the General Partner for shared services of corporate level property management employees and related support functions and costs. The chief operating decision maker of the General Partner utilizes NOI as the key measure of segment profit or loss.

The Operating Partnership's two reportable segments are *Same-Store Communities* and *Non-Mature Communities/Other*:

- *Same-Store Communities* represent those communities acquired, developed, and stabilized prior to January 1, 2015 and held as of December 31, 2016. A comparison of operating results from the prior year is meaningful as 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 communities are 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.
- *Non-Mature Communities/Other* represent those communities that do not meet the criteria to be included in *Same-Store Communities*, including, but not limited to, recently acquired, developed and redeveloped communities, and the non-apartment components of mixed use properties.

Management of the General Partner evaluates the performance of each of the Operating Partnership's apartment communities on a *Same-Store Community* and *Non-Mature Community/Other* basis, as well as individually and geographically. This is consistent with the aggregation criteria under GAAP as each of our apartment communities generally has similar economic characteristics, facilities, services, and tenants. Therefore, the Operating Partnership's reportable segments have been aggregated by geography in a manner identical to that which is provided to the chief operating decision maker.

All revenues are from external customers and no single tenant or related group of tenants contributed 10% or more of the Operating Partnership's total revenues during the years ended December 31, 2016, 2015, and 2014.

UNITED DOMINION REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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The following table details rental income and NOI for the Operating Partnership's reportable segments for the years ended December 31, 2016, 2015, and 2014, and reconciles NOI to *Net income/(loss) attributable to OP unitholders* in the Consolidated Statements of Operations (*dollars in thousands*):

	Year Ended December 31,		
	2016	2015	2014
Reportable apartment home segment rental income			
Same-Store Communities			
West Region	\$ 183,153	\$ 169,621	\$ 153,951
Mid-Atlantic Region	38,987	37,502	37,216
Northeast Region	53,036	51,086	48,493
Southeast Region	47,792	44,981	42,568
Non-Mature Communities/Other	81,447	137,218	140,406
Total segment and consolidated rental income	<u>\$ 404,415</u>	<u>\$ 440,408</u>	<u>\$ 422,634</u>
Reportable apartment home segment NOI			
Same-Store Communities			
West Region	\$ 137,784	\$ 126,600	\$ 111,467
Mid-Atlantic Region	26,525	25,281	25,604
Northeast Region	40,704	39,765	37,788
Southeast Region	32,519	30,106	28,111
Non-Mature Communities/Other	59,589	95,845	97,343
Total segment and consolidated NOI	<u>297,121</u>	<u>317,597</u>	<u>300,313</u>
Reconciling items:			
Property management	(11,122)	(12,111)	(11,622)
Other operating expenses	(6,059)	(5,923)	(5,172)
Real estate depreciation and amortization	(147,074)	(169,784)	(179,176)
General and administrative	(18,808)	(27,016)	(28,541)
Casualty-related recoveries/(charges), net	(484)	(843)	(541)
Income/(loss) from unconsolidated entities	(37,425)	(4,659)	—
Interest expense	(30,067)	(40,321)	(41,717)
Gain/(loss) on sale of real estate owned	33,180	158,123	63,635
Net income/(loss) attributable to noncontrolling interests	(1,444)	(1,762)	(952)
Net income/(loss) attributable to OP unitholders	<u>\$ 77,818</u>	<u>\$ 213,301</u>	<u>\$ 96,227</u>

UNITED DOMINION REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

The following table details the assets of the Operating Partnership's reportable segments as of December 31, 2016 and 2015 (*dollars in thousands*):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Reportable apartment home segment assets		
Same-Store Communities		
West Region	\$ 1,521,762	\$ 1,497,867
Mid-Atlantic Region	388,893	383,111
Northeast Region	674,928	669,082
Southeast Region	328,729	321,787
Non-Mature Communities/Other	<u>760,392</u>	<u>759,058</u>
Total segment assets	3,674,704	3,630,905
Accumulated depreciation	<u>(1,408,815)</u>	<u>(1,281,258)</u>
Total segment assets - net book value	<u>2,265,889</u>	<u>2,349,647</u>
Reconciling items:		
Cash and cash equivalents	756	3,103
Restricted cash	11,694	11,344
Investment in unconsolidated entities	112,867	166,186
Other assets	<u>24,329</u>	<u>24,528</u>
Total consolidated assets	<u>\$ 2,415,535</u>	<u>\$ 2,554,808</u>

Capital expenditures related to the Operating Partnership's *Same-Store Communities* totaled \$41.7 million and \$31.6 million for the years ended December 31, 2016 and 2015, respectively. Capital expenditures related to the Operating Partnership's *Non-Mature Communities/Other* totaled \$2.4 million and \$13.4 million for the years ended December 31, 2016 and 2015, respectively.

Markets included in the above geographic segments are as follows:

- i. West Region — Orange County, San Francisco, Seattle, Los Angeles, Monterey Peninsula, Other Southern California and Portland
- ii. Mid-Atlantic Region — Metropolitan, D.C. and Baltimore
- iii. Northeast Region — New York and Boston
- iv. Southeast Region — Nashville, Tampa and Other Florida

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

12. UNAUDITED SUMMARIZED CONSOLIDATED QUARTERLY FINANCIAL DATA

Selected consolidated quarterly financial data for the years ended December 31, 2016 and 2015 is summarized in the table below (*dollars in thousands, except per share amounts*):

	Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
2016				
Rental income	\$ 98,786	\$ 100,892	\$ 102,595	\$ 102,142
Income/(loss) from continuing operations	5,131	11,394	11,885	17,672
Income/(loss) attributable to OP unitholders	4,787	11,044	11,517	50,470
Income/(loss) attributable to OP unitholders per weighted average OP Unit — basic and diluted (a)	\$ 0.03	\$ 0.06	\$ 0.06	\$ 0.27
2015				
Rental income	\$ 110,095	\$ 113,158	\$ 115,173	\$ 101,982
Income/(loss) from continuing operations	12,117	15,355	14,952	14,516
Income/(loss) attributable to OP unitholders	36,346	47,383	14,617	114,955
Income/(loss) attributable to OP unitholders per weighted average OP Unit — basic and diluted (a)	\$ 0.20	\$ 0.26	\$ 0.08	\$ 0.62

(a) Quarterly net income/(loss) per weighted average OP Unit amounts may not total to the annual amounts.

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UDR, INC.
SCHEDULE III — REAL ESTATE OWNED
DECEMBER 31, 2016
(In thousands)

	Encumbrances	Initial Costs		Total Initial Acquisition Costs	Costs of Improvements Capitalized Subsequent to Acquisition Costs	Gross Amount at Which Carried at Close of Period		Total Carrying Value	Accumulated Depreciation	Date of Construction(a)	Date Acquired
		Land and Land Improvements	Buildings and Improvements			Land and Land Improvements	Buildings & Buildings Improvements				
WEST REGION											
Harbor at Mesa Verde	\$ 61,050	\$ 20,476	\$ 28,538	\$ 49,014	\$ 17,240	\$ 21,806	\$ 44,448	\$ 66,254	\$ 29,331	2003	Jun-03
27 Seventy Five Mesa Verde	36,423	99,329	110,644	209,973	95,047	112,935	192,085	305,020	101,329	1972/2013	Oct-04
Pacific Shores	42,552	7,345	22,624	29,969	10,836	7,974	32,831	40,805	21,939	2003	Jun-03
Huntington Vista	36,980	8,055	22,486	30,541	12,778	9,047	34,272	43,319	21,224	1970	Jun-03
Missions at Back Bay	—	229	14,129	14,358	3,098	10,951	6,505	17,456	4,506	1969	Dec-03
Eight 80 Newport Beach — North	—	62,516	46,082	108,598	37,967	68,031	78,534	146,565	47,601	2000/2016	Oct-04
Eight 80 Newport Beach — South	—	58,785	50,067	108,852	27,603	60,314	76,141	136,455	45,661	2000/2016	Mar-05
Vista Del Rey	—	10,670	7,080	17,750	3,146	11,066	9,830	20,896	6,505	1969	Sep-04
Foxborough	—	12,071	6,187	18,258	3,466	12,430	9,294	21,724	5,753	1969	Sep-04
1818 Platinum Triangle	—	16,663	51,905	68,568	1,952	16,901	53,619	70,520	20,288	2009	Aug-10
Beach & Ocean	—	12,878	—	12,878	38,796	13,017	38,657	51,674	5,327	2014	Aug-11
The Residences at Bella Terra	—	25,000	—	25,000	126,243	25,071	126,172	151,243	27,388	2013	Oct-11
Los Alisos at Mission Viejo	—	17,298	—	17,298	70,366	16,462	71,202	87,664	13,561	2014	Jun-04
ORANGE COUNTY, CA	177,005	351,315	359,742	711,057	448,538	386,005	773,590	1,159,595	350,413		
2000 Post Street	—	9,861	44,578	54,439	33,188	14,313	73,314	87,627	34,677	1987/2016	Dec-98
Birch Creek	—	4,365	16,696	21,061	7,773	5,142	23,692	28,834	14,688	1968	Dec-98
Highlands Of Marin	—	5,996	24,868	30,864	26,932	7,643	50,153	57,796	31,243	2010	Dec-98
Marina Playa	—	6,224	23,916	30,140	10,927	7,080	33,987	41,067	20,789	1971	Dec-98
River Terrace	38,495	22,161	40,137	62,298	5,036	22,563	44,771	67,334	27,326	2005	Aug-05
CitySouth	—	14,031	30,537	44,568	36,210	16,297	64,481	80,778	40,345	2012	Nov-05
Bay Terrace	—	8,545	14,458	23,003	5,490	11,479	17,014	28,493	10,240	1962	Oct-05
Highlands of Marin Phase II	—	5,353	18,559	23,912	11,136	5,758	29,290	35,048	16,838	2010	Oct-07
Edgewater	—	30,657	83,872	114,529	9,876	30,701	93,704	124,405	44,392	2007	Mar-08
Almaden Lake Village	27,000	594	42,515	43,109	6,923	886	49,146	50,032	24,602	1999	Jul-08
388 Beale Channel @ Mission Bay	—	14,253	74,104	88,357	7,927	14,319	81,965	96,284	26,324	1999	Apr-11
	—	23,625	—	23,625	129,282	23,683	129,224	152,907	24,083	2014	Sep-10
SAN FRANCISCO, CA	65,495	145,665	414,240	559,905	290,700	159,864	690,741	850,605	315,547		
Crowne Pointe	—	2,486	6,437	8,923	6,903	3,082	12,744	15,826	8,180	1987	Dec-98
Hilltop	—	2,174	7,408	9,582	4,841	2,727	11,696	14,423	7,389	1985	Dec-98
The Hawthorne	—	6,474	30,226	36,700	5,620	6,673	35,647	42,320	21,678	2003	Jul-05
The Kennedy	—	6,179	22,307	28,486	2,479	6,280	24,685	30,965	14,674	2005	Nov-05
Hearthstone at Merrill Creek	—	6,848	30,922	37,770	4,338	7,009	35,099	42,108	17,826	2000	May-08
Island Square	—	21,284	89,389	110,673	5,450	21,538	94,585	116,123	45,522	2007	Jul-08

Borgata	—	6,379	24,569	30,948	5,049	6,418	29,579	35,997	14,416	2001/2016	May-07
elements too	—	27,468	72,036	99,504	16,514	30,244	85,774	116,018	45,959	2010	Feb-10
989elements	—	8,541	45,990	54,531	2,356	8,583	48,304	56,887	19,372	2006	Dec-09
Lightbox	—	6,449	38,884	45,333	585	6,470	39,448	45,918	5,932	2014	Aug-14
Waterscape	—	9,693	65,176	74,869	813	9,704	65,978	75,682	8,861	2014	Sep-14
Ashton Bellevue	50,059	8,287	124,939	133,226	186	8,353	125,059	133,412	1,685	2009	Oct-16
TEN20	29,518	5,247	76,587	81,834	386	5,291	76,929	82,220	1,039	2009	Oct-16
Milehouse	—	5,976	63,041	69,017	18	5,976	63,059	69,035	596	2016	Nov-16
SEATTLE, WA	79,577	123,485	697,911	821,396	55,538	128,348	748,586	876,934	213,129		
Rosebeach	—	8,414	17,449	25,863	4,070	8,787	21,146	29,933	13,517	1970	Sep-04
Tierra Del Rey	43,078	39,586	36,679	76,265	4,236	39,696	40,805	80,501	21,234	1999	Dec-07
The Westerly Jefferson at Marina del Rey	67,700	48,182	102,364	150,546	38,235	50,796	137,985	188,781	57,413	2013	Sep-10
LOS ANGELES, CA	110,778	151,833	156,492	308,325	138,140	160,828	285,637	446,465	129,195		
Boronda Manor	—	1,946	8,982	10,928	9,967	3,232	17,663	20,895	9,879	1979	Dec-98
Garden Court	—	888	4,188	5,076	5,655	1,600	9,131	10,731	5,338	1973	Dec-98

UDR, INC.
SCHEDULE III — REAL ESTATE OWNED - (Continued)
DECEMBER 31, 2016
(In thousands)

	<u>Initial Costs</u>					<u>Gross Amount at Which Carried at Close of Period</u>					
	<u>Encumbrances</u>	<u>Land and Land Improvements</u>	<u>Buildings and Improvements</u>	<u>Total Initial Acquisition Costs</u>	<u>Costs of Improvements Capitalized Subsequent to Acquisition Costs</u>	<u>Land and Land Improvements</u>	<u>Buildings & Buildings Improvements</u>	<u>Total Carrying Value</u>	<u>Accumulated Depreciation</u>	<u>Date of Construction(s)</u>	<u>Date Acquired</u>
Cambridge Court	—	3,039	12,883	15,922	15,744	5,407	26,259	31,666	14,911	1974	Dec-98
Laurel Tree	—	1,304	5,115	6,419	6,293	2,223	10,489	12,712	6,008	1977	Dec-98
The Pointe At Harden Ranch	—	6,388	23,854	30,242	28,743	10,139	48,846	58,985	26,688	1986	Dec-98
The Pointe At Northridge	—	2,044	8,028	10,072	10,487	3,345	17,214	20,559	9,874	1979	Dec-98
The Pointe At Westlake	—	1,329	5,334	6,663	6,794	2,236	11,221	13,457	6,145	1975	Dec-98
MONTEREY PENINSULA, CA	—	16,938	68,384	85,322	83,683	28,182	140,823	169,005	78,843		
Verano at Rancho Cucamonga Town Square	55,263	13,557	3,645	17,202	54,509	23,290	48,421	71,711	36,766	2006	Oct-02
Windemere at Sycamore Highland	—	5,810	23,450	29,260	3,331	6,168	26,423	32,591	18,455	2001	Nov-02
Villas at Carlsbad	—	6,517	10,718	17,235	3,354	6,819	13,770	20,589	8,416	1966	Oct-04
OTHER SOUTHERN CA	55,263	25,884	37,813	63,697	61,194	36,277	88,614	124,891	63,637		
Tualatin Heights	—	3,273	9,134	12,407	7,115	3,881	15,641	19,522	10,794	1989	Dec-98
Hunt Club	—	6,014	14,870	20,884	7,153	6,483	21,554	28,037	15,190	1985	Sep-04
PORTLAND, OR	—	9,287	24,004	33,291	14,268	10,364	37,195	47,559	25,984		
TOTAL WEST REGION	488,118	824,407	1,758,586	2,582,993	1,092,061	909,868	2,765,186	3,675,054	1,176,748		
MID-ATLANTIC REGION											
Dominion Middle Ridge	21,478	3,311	13,283	16,594	7,077	3,891	19,780	23,671	14,646	1990	Jun-96
Dominion Lake Ridge	—	2,366	8,387	10,753	7,978	2,918	15,813	18,731	10,993	1987	Feb-96
Presidential Greens	—	11,238	18,790	30,028	10,556	11,705	28,879	40,584	21,082	1938	May-02
The Whitmore	—	6,418	13,411	19,829	21,313	7,505	33,637	41,142	24,435	2008	Apr-02
Ridgewood	—	5,612	20,086	25,698	9,418	6,087	29,029	35,116	21,187	1988	Aug-02
DelRay Tower	—	297	12,786	13,083	113,740	9,484	117,339	126,823	17,547	2014	Jan-08
Waterside Towers	—	1,139	49,657	50,796	21,756	36,485	36,067	72,552	22,610	1971	Dec-03
Wellington Place at Olde Town	31,373	13,753	36,059	49,812	18,201	14,770	53,243	68,013	36,833	2008	Sep-05
Andover House	—	14,357	51,577	65,934	4,506	14,401	56,039	70,440	31,072	2004	Mar-07
Sullivan Place	—	1,137	103,676	104,813	8,368	1,510	111,671	113,181	58,412	2007	Dec-07
Circle Towers	—	32,815	107,051	139,866	17,054	33,425	123,495	156,920	61,100	1972	Mar-08
Delancey at Shirlington	—	21,606	66,765	88,371	3,286	21,636	70,021	91,657	34,684	2006/2007	Mar-08
View 14	—	5,710	97,941	103,651	4,157	5,721	102,087	107,808	31,753	2009	Jun-11
Signal Hill	—	13,290	—	13,290	70,271	25,499	58,062	83,561	29,152	2010	Mar-07
Capitol View on 14th	—	31,393	—	31,393	94,799	31,395	94,797	126,192	23,793	2013	Sep-07
Domain College Park	—	7,300	—	7,300	58,381	7,335	58,346	65,681	11,780	2014	Jun-11
1200 East West Courts at Huntington Station	—	9,748	68,022	77,770	890	9,750	68,910	78,660	4,679	2010	Oct-15
Eleven55 Ripley	—	27,749	111,878	139,627	1,495	27,752	113,370	141,122	8,987	2011	Oct-15
Arbor Park of Alexandria	—	15,566	107,539	123,105	1,156	15,576	108,685	124,261	7,427	2014	Oct-15
Courts at Dulles	92,468	50,881	159,728	210,609	1,273	50,881	161,001	211,882	12,750	1969/2015	Oct-15
Newport Village	—	14,697	83,834	98,531	4,666	14,714	88,483	103,197	7,007	2000	Oct-15
	127,600	55,283	177,454	232,737	8,082	55,376	185,443	240,819	14,724	1968	Oct-15

METROPOLITAN, D.C.	272,919	345,666	1,307,924	1,653,590	488,423	407,816	1,734,197	2,142,013	506,653		
Gayton Pointe Townhomes	—	826	5,148	5,974	30,124	3,509	32,589	36,098	28,530	2007	Sep-95
Waterside At Ironbridge	—	1,844	13,239	15,083	8,457	2,394	21,146	23,540	14,529	1987	Sep-97
Carriage Homes at Wyndham	—	474	30,997	31,471	8,455	3,912	36,014	39,926	25,281	1998	Nov-03
Legacy at Mayland	33,850	1,979	11,524	13,503	30,706	5,027	39,182	44,209	33,519	1969/2007	Dec-91
RICHMOND, VA	33,850	5,123	60,908	66,031	77,742	14,842	128,931	143,773	101,859		
Calvert's Walk	—	4,408	24,692	29,100	7,732	4,884	31,948	36,832	21,879	1988	Mar-04
20 Lambourne Domain	—	11,750	45,590	57,340	8,131	12,224	53,247	65,471	27,526	2003	Mar-08
Brewers Hill	—	4,669	40,630	45,299	1,647	4,762	42,184	46,946	15,168	2009	Aug-10
BALTIMORE, MD	—	20,827	110,912	131,739	17,510	21,870	127,379	149,249	64,573		
TOTAL MID- ATLANTIC REGION	306,769	371,616	1,479,744	1,851,360	583,675	444,528	1,990,507	2,435,035	673,085		

UDR, INC.
SCHEDULE III — REAL ESTATE OWNED - (Continued)
DECEMBER 31, 2016
(In thousands)

	Encumbrances	Initial Costs		Total Initial Acquisition Costs	Costs of Improvements Capitalized Subsequent to Acquisition Costs	Gross Amount at Which Carried at Close of Period		Total Carrying Value	Accumulated Depreciation	Date of Construction(a)	Date Acquired
		Land and Land Improvements	Buildings and Improvements			Land and Land Improvements	Buildings & Buildings Improvements				
NORTHEAST REGION											
10 Hanover Square	—	41,432	218,983	260,415	12,581	41,571	231,425	272,996	66,557	2005	Apr-11
21 Chelsea	—	36,399	107,154	143,553	13,109	36,416	120,246	156,662	35,335	2001	Aug-11
View 34	—	114,410	324,920	439,330	99,494	115,037	423,787	538,824	126,818	1985/2013	Jul-11
95 Wall Street	—	57,637	266,255	323,892	8,793	57,972	274,713	332,685	88,704	2008	Aug-11
NEW YORK, NY	—	249,878	917,312	1,167,190	133,977	250,996	1,050,171	1,301,167	317,414		
Garrison Square	—	5,591	91,027	96,618	8,718	5,637	99,699	105,336	35,663	1887/1990	Sep-10
Ridge at Blue Hills	25,000	6,039	34,869	40,908	2,443	6,184	37,167	43,351	13,499	2007	Sep-10
Inwood West	53,350	20,778	88,096	108,874	7,622	19,429	97,067	116,496	32,202	2006	Apr-11
14 North	—	10,961	51,175	62,136	7,672	11,094	58,714	69,808	20,723	2005	Apr-11
100 Pier 4	—	24,584	—	24,584	201,018	24,585	201,017	225,602	17,906	2015	Dec-15
BOSTON, MA	78,350	67,953	265,167	333,120	227,473	66,929	493,664	560,593	119,993		
TOTAL NORTHEAST REGION	78,350	317,831	1,182,479	1,500,310	361,450	317,925	1,543,835	1,861,760	437,407		
SOUTHEAST REGION											
Seabrook	—	1,846	4,155	6,001	9,101	2,895	12,207	15,102	10,007	2004	Feb-96
Altamira Place	—	1,533	11,076	12,609	21,216	3,582	30,243	33,825	26,714	2007	Apr-94
Regatta Shore	—	757	6,608	7,365	16,628	2,136	21,857	23,993	18,267	2007	Jun-94
Alafaya Woods	—	1,653	9,042	10,695	9,937	2,564	18,068	20,632	13,996	2006	Oct-94
Los Altos	—	2,804	12,349	15,153	11,697	4,163	22,687	26,850	16,290	2004	Oct-96
Lotus Landing	—	2,185	8,639	10,824	10,614	2,943	18,495	21,438	12,784	2006	Jul-97
Seville On The Green	—	1,282	6,498	7,780	7,505	1,751	13,534	15,285	9,586	2004	Oct-97
Ashton @ Waterford	—	3,872	17,538	21,410	4,982	4,317	22,075	26,392	14,743	2000	May-98
Arbors at Lee Vista	—	6,692	12,860	19,552	13,579	7,355	25,776	33,131	20,595	2007	Aug-06
ORLANDO, FL	—	22,624	88,765	111,389	105,259	31,706	184,942	216,648	142,982		
Legacy Hill	—	1,148	5,867	7,015	9,351	1,882	14,484	16,366	11,674	1977	Nov-95
Hickory Run Carrington Hills	—	1,469	11,584	13,053	11,462	2,216	22,299	24,515	15,071	1989	Dec-95
Brookridge	—	2,117	—	2,117	35,400	4,577	32,940	37,517	22,595	1999	Dec-95
Brookridge	—	708	5,461	6,169	5,621	1,283	10,507	11,790	7,439	1986	Mar-96
Breckenridge	—	766	7,714	8,480	5,109	1,383	12,206	13,589	8,613	1986	Mar-97
Colonnade	16,331	1,460	16,015	17,475	6,397	1,997	21,875	23,872	13,150	1998	Jan-99
The Preserve at Brentwood	25,090	3,182	24,674	27,856	8,287	3,709	32,434	36,143	22,257	1998	Jun-04
Polo Park	23,550	4,583	16,293	20,876	16,798	5,781	31,893	37,674	23,980	2008	May-06
NASHVILLE, TN	64,971	15,433	87,608	103,041	98,425	22,828	178,638	201,466	124,779		
Summit West	—	2,176	4,710	6,886	10,042	3,617	13,311	16,928	11,632	1972	Dec-92
The Breyley	—	1,780	2,458	4,238	17,938	3,642	18,534	22,176	17,716	2007	Sep-93
Lakewood Place	—	1,395	10,647	12,042	10,793	2,794	20,041	22,835	15,279	1986	Mar-94
Cambridge Woods	12,450	1,791	7,166	8,957	9,729	2,760	15,926	18,686	11,947	1985	Jun-97
Inlet Bay	—	7,702	23,150	30,852	16,397	9,505	37,744	47,249	28,569	1988/1989	Jun-03
MacAlpine Place	—	10,869	36,858	47,727	8,897	11,699	44,925	56,624	30,408	2001	Dec-04
The Vintage	—	6,611	37,663	44,274	16,470	15,111	45,633	60,744	25,145	2009	Jul-09

Lofts at West End											
TAMPA, FL	12,450	32,324	122,652	154,976	90,266	49,128	196,114	245,242	140,696		
The Reserve and Park at Riverbridge	39,787	15,968	56,401	72,369	11,036	16,721	66,684	83,405	43,050	1999/2001	Dec-04
OTHER FLORIDA	39,787	15,968	56,401	72,369	11,036	16,721	66,684	83,405	43,050		
TOTAL SOUTHEAST REGION	117,208	86,349	355,426	441,775	304,986	120,383	626,378	746,761	451,507		
SOUTHWEST REGION											
Thirty377	25,000	24,036	32,951	56,987	11,831	24,382	44,436	68,818	26,542	2007	Aug-06
Legacy Village	82,734	16,882	100,102	116,984	11,943	18,041	110,886	128,927	57,766	2005/06/07	Mar-08
Garden Oaks	—	2,132	5,367	7,499	2,174	6,988	2,685	9,673	2,155	1979	Mar-07
Glenwood	—	7,903	554	8,457	2,646	8,174	2,929	11,103	1,804	1970	May-07
Talisker of Addison	—	10,440	634	11,074	3,085	10,882	3,277	14,159	2,261	1975	May-07
Springhaven	—	6,688	3,354	10,042	1,889	8,387	3,544	11,931	2,717	1977	Apr-07
Clipper Pointe	—	13,221	2,507	15,728	3,013	15,016	3,725	18,741	3,176	1978	May-07
DALLAS, TX	107,734	81,302	145,469	226,771	36,581	91,870	171,482	263,352	96,421		

UDR, INC.
SCHEDULE III — REAL ESTATE OWNED - (Continued)
DECEMBER 31, 2016
(In thousands)

	Initial Costs				Costs of Improvements Capitalized Subsequent to Acquisition Costs	Gross Amount at Which Carried at Close of Period				Date of Construction(a)	Date Acquired
	Encumbrances	Land and Land Improvements	Buildings and Improvements	Total Initial Acquisition Costs		Land and Land Improvements	Buildings & Buildings Improvements	Total Carrying Value	Accumulated Depreciation		
Barton Creek Landing	—	3,151	14,269	17,420	23,150	5,071	35,499	40,570	24,964	2010	Mar-02
Residences at the Domain	36,299	4,034	55,256	59,290	9,946	4,285	64,951	69,236	29,516	2007	Aug-08
Red Stone Ranch	—	5,084	17,646	22,730	2,602	5,409	19,923	25,332	6,870	2000	Apr-12
Lakeline Villas	—	4,148	16,869	21,017	1,854	4,378	18,493	22,871	6,168	2004	Apr-12
AUSTIN, TX	36,299	16,417	104,040	120,457	37,552	19,143	138,866	158,009	67,518		
TOTAL SOUTHWEST REGION	144,033	97,719	249,509	347,228	74,133	111,013	310,348	421,361	163,939		
TOTAL OPERATING COMMUNITIES	1,134,478	1,697,922	5,025,744	6,723,666	2,416,305	1,903,717	7,236,254	9,139,971	2,902,686		
REAL ESTATE UNDER DEVELOPMENT											
The Residences at Pacific City	—	78,085	—	78,085	156,190	78,085	156,190	234,275	—		
345Harrison Street	—	32,938	—	32,938	75,069	32,943	75,064	108,007	—		
TOTAL REAL ESTATE UNDER DEVELOPMENT	—	111,023	—	111,023	231,259	111,028	231,254	342,282	—		
LAND											
Waterside	—	11,862	—	11,862	222	12,084	—	12,084	309		
7 Harcourt	—	884	—	884	5,530	804	5,610	6,414	—		
Vitruvian Park®	—	4,325	—	4,325	9,208	11,326	2,207	13,533	2,175		
Wilshire at LaJolla	—	31,105	—	31,105	112	31,217	—	31,217	—		
Dublin Land	—	8,922	—	8,922	259	8,922	259	9,181	—		
TOTAL LAND	—	57,098	—	57,098	15,331	64,353	8,076	72,429	2,484		
HELD FOR DISPOSITION											
Hanover Village	—	1,624	—	1,624	—	1,104	520	1,624	553		
TOTAL HELD FOR DISPOSITION	—	1,624	—	1,624	—	1,104	520	1,624	553		
COMMERCIAL											
Circle Towers Office Bldg	—	1,407	—	1,407	6,110	1,380	6,137	7,517	3,138		
Brookhaven Shopping Center	—	4,943	—	4,943	17,363	7,793	14,513	22,306	13,321		
TOTAL COMMERCIAL	—	6,350	—	6,350	23,473	9,173	20,650	29,823	16,459		
Other (b)	—	—	—	—	5,011	—	5,011	5,011	74		
1745 Shea Center I	—	3,034	20,534	23,568	1,045	3,034	21,579	24,613	1,369		
TOTAL CORPORATE	—	3,034	20,534	23,568	6,056	3,034	26,590	29,624	1,443		
TOTAL COMMERCIAL & CORPORATE	—	9,384	20,534	29,918	29,529	12,207	47,240	59,447	17,902		
Deferred Financing Costs	\$ (3,620)										
TOTAL REAL ESTATE OWNED	\$ 1,130,858	\$ 1,877,051	\$ 5,046,278	\$ 6,923,329	\$ 2,692,424	\$ 2,092,409	\$ 7,523,344	\$ 9,615,753	\$ 2,923,625		

(a) Date of construction or date of last major renovation.

(b) Includes unallocated accruals and capital expenditures.

The aggregate cost for federal income tax purposes was approximately \$8.7 billion at December 31, 2016 (*unaudited*).

The estimated depreciable lives for all buildings in the latest Consolidated Statements of Operations are 35 to 55 years.

UDR, INC.
SCHEDULE III — REAL ESTATE OWNED - (Continued)
DECEMBER 31, 2016
(In thousands)

3-YEAR ROLLFORWARD OF REAL ESTATE OWNED AND ACCUMULATED DEPRECIATION

The following is a reconciliation of the carrying amount of total real estate owned at December 31, *(in thousands)*:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Balance at beginning of the year	\$9,190,276	\$8,383,259	\$8,207,977
Real estate acquired	324,104	906,446	231,225
Capital expenditures and development	339,813	203,183	326,461
Real estate sold	(238,440)	(301,920)	(269,681)
Real estate contributed to joint ventures	—	—	(112,344)
Impairment of assets, including casualty-related impairments	—	(692)	(379)
Balance at end of the year	<u>\$9,615,753</u>	<u>\$9,190,276</u>	<u>\$8,383,259</u>

The following is a reconciliation of total accumulated depreciation for real estate owned at December 31, *(in thousands)*:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Balance at beginning of the year	\$2,646,874	\$2,434,772	\$2,208,794
Depreciation expense for the year	398,904	364,622	356,673
Accumulated depreciation on sales	(122,153)	(152,520)	(126,151)
Accumulated depreciation on real estate contributed to joint ventures	—	—	(4,228)
Write off of accumulated depreciation on casualty-related impaired assets	—	—	(316)
Balance at end of year	<u>\$2,923,625</u>	<u>\$2,646,874</u>	<u>\$2,434,772</u>

UNITED DOMINION REALTY, L.P.
SCHEDULE III — REAL ESTATE OWNED
DECEMBER 31, 2016
(In thousands)

	Initial Costs					Gross Amount at Which Carried at Close of Period					
	Encumbrances	Land and Land Improvements	Building and Improvements	Total Initial Acquisition Costs	Cost of Improvements Capitalized Subsequent to Acquisition Costs	Land and Land Improvements	Buildings & Buildings Improvements	Total Carrying Value	Accumulated Depreciation	Date of Construction (a)	Date Acquired
WEST REGION											
Harbor at Mesa Verde	\$ 61,050	\$ 20,476	\$ 28,538	\$ 49,014	\$ 17,240	\$ 21,806	\$ 44,448	\$ 66,254	\$ 29,331	2003	Jun-03
27 Seventy Five Mesa Verde	36,423	99,329	110,644	209,973	95,047	112,935	192,085	305,020	101,329	1972/2013	Oct-04
Pacific Shores	42,552	7,345	22,624	29,969	10,836	7,974	32,831	40,805	21,939	2003	Jun-03
Huntington Vista	36,980	8,055	22,486	30,541	12,778	9,047	34,272	43,319	21,224	1970	Jun-03
Missions at Back Bay	—	229	14,129	14,358	3,098	10,951	6,505	17,456	4,506	1969	Dec-03
Coronado at Newport — North	—	62,516	46,082	108,598	37,967	68,031	78,534	146,565	47,601	2000/2016	Oct-04
Vista Del Rey	—	10,670	7,080	17,750	3,146	11,066	9,830	20,896	6,505	1969	Sep-04
Coronado South	—	58,785	50,067	108,852	27,603	60,314	76,141	136,455	45,661	2000/2016	Mar-05
ORANGE COUNTY, CA	177,005	267,405	301,650	569,055	207,715	302,124	474,646	776,770	278,096		
2000 Post Street	—	9,861	44,578	54,439	20,657	11,021	64,075	75,096	28,006	1987/2016	Dec-98
Birch Creek	—	4,365	16,696	21,061	7,773	5,142	23,692	28,834	14,688	1968	Dec-98
Highlands Of Marin	—	5,996	24,868	30,864	26,932	7,643	50,153	57,796	31,243	2010	Dec-98
Marina Playa River Terrace	38,493	22,161	40,137	62,298	5,036	22,563	44,771	67,334	27,326	2005	Aug-05
CitySouth	—	14,031	30,537	44,568	36,210	16,297	64,481	80,778	40,345	2012	Nov-05
Bay Terrace	—	8,545	14,458	23,003	5,490	11,479	17,014	28,493	10,240	1962	Oct-05
Highlands of Marin Phase II	—	5,353	18,559	23,912	11,136	5,758	29,290	35,048	16,838	2010	Oct-07
Edgewater	—	30,657	83,872	114,529	9,876	30,701	93,704	124,405	44,392	2007	Mar-08
Almaden Lake Village	27,000	594	42,515	43,109	6,923	886	49,146	50,032	24,602	1999	Jul-08
SAN FRANCISCO, CA	65,493	107,787	340,136	447,923	140,960	118,570	470,313	588,883	258,469		
Crowne Pointe	—	2,486	6,437	8,923	6,903	3,082	12,744	15,826	8,180	1987	Dec-98
Hilltop	—	2,174	7,408	9,582	4,841	2,727	11,696	14,423	7,389	1985	Dec-98
The Kennedy	—	6,179	22,307	28,486	2,479	6,280	24,685	30,965	14,674	2005	Nov-05
Hearthstone at Merrill Creek	—	6,848	30,922	37,770	4,338	7,009	35,099	42,108	17,826	2000	May-08
Island Square	—	21,284	89,389	110,673	5,450	21,538	94,585	116,123	45,522	2007	Jul-08
SEATTLE, WA	—	38,971	156,463	195,434	24,011	40,636	178,809	219,445	93,591		
Rosebeach	—	8,414	17,449	25,863	4,070	8,787	21,146	29,933	13,517	1970	Sep-04
Tierra Del Rey	43,078	39,586	36,679	76,265	4,236	39,696	40,805	80,501	21,234	1999	Dec-07
LOS ANGELES, CA	43,078	48,000	54,128	102,128	8,306	48,483	61,951	110,434	34,751		
Boronda Manor	—	1,946	8,982	10,928	9,967	3,232	17,663	20,895	9,879	1979	Dec-98
Garden Court	—	888	4,188	5,076	5,655	1,600	9,131	10,731	5,338	1973	Dec-98
Cambridge Court	—	3,039	12,883	15,922	15,744	5,407	26,259	31,666	14,911	1974	Dec-98
Laurel Tree	—	1,304	5,115	6,419	6,293	2,223	10,489	12,712	6,008	1977	Dec-98
The Pointe At Harden Ranch	—	6,388	23,854	30,242	28,743	10,139	48,846	58,985	26,688	1986	Dec-98

The Pointe At Northridge	—	2,044	8,028	10,072	10,487	3,345	17,214	20,559	9,874	1979	Dec-98
The Pointe At Westlake	—	1,329	5,334	6,663	6,794	2,236	11,221	13,457	6,145	1975	Dec-98
MONTEREY PENINSULA, CA	—	16,938	68,384	85,322	83,683	28,182	140,823	169,005	78,843		
Verano at Rancho Cucamonga Town Square	55,263	13,557	3,645	17,202	54,509	23,290	48,421	71,711	36,766	2006	Oct-02
Villas at Carlsbad	—	6,517	10,718	17,235	3,354	6,819	13,770	20,589	8,416	1966	Oct-04
OTHER SOUTHERN CA	55,263	20,074	14,363	34,437	57,863	30,109	62,191	92,300	45,182		
Tualatin Heights	—	3,273	9,134	12,407	7,115	3,881	15,641	19,522	10,794	1989	Dec-98
Hunt Club	—	6,014	14,870	20,884	7,153	6,483	21,554	28,037	15,190	1985	Sep-04
PORTLAND, OR	—	9,287	24,004	33,291	14,268	10,364	37,195	47,559	25,984		
TOTAL WEST REGION	340,839	508,462	959,128	1,467,590	536,806	578,468	1,425,928	2,004,396	814,916		
MID-ATLANTIC REGION											
Ridgewood	—	5,612	20,086	25,698	9,418	6,087	29,029	35,116	21,187	1988	Aug-02
DelRey Tower	—	297	12,786	13,083	113,740	9,484	117,339	126,823	17,547	2014	Jan-08

TOTAL REAL	\$ 433,974	\$ 744,292	\$ 2,065,213	\$ 2,809,505	\$ 865,199	\$ 836,644	\$ 2,838,060	\$ 3,674,704	\$ 1,408,815
ESTATE OWNED	=====	=====	=====	=====	=====	=====	=====	=====	=====

- (a) Date of construction or date of last major renovation.
- (b) Includes unallocated accruals and capital expenditures.

The aggregate cost for federal income tax purpose was approximately \$3.1 billion at December 31, 2016 (*unaudited*).

The estimated depreciable lives for all buildings in the latest Consolidated Statements of Operations are 35 to 55 years.

UNITED DOMINION REALTY, L.P.
SCHEDULE III — REAL ESTATE OWNED - (Continued)
DECEMBER 31, 2016
(In thousands)

3-YEAR ROLLFORWARD OF REAL ESTATE OWNED AND ACCUMULATED DEPRECIATION

The following is a reconciliation of the carrying amount of total real estate owned at December 31, *(in thousands)*:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Balance at beginning of the year	\$3,630,905	\$4,238,770	\$4,188,480
Real estate acquired	—	139,627	—
Capital expenditures and development	71,720	61,196	91,682
Real estate sold	(27,921)	(180,069)	(41,013)
Real estate deconsolidated	—	(628,479)	—
Casualty-related impairment of assets	—	(140)	(379)
Balance at end of year	<u>\$3,674,704</u>	<u>\$3,630,905</u>	<u>\$4,238,770</u>

The following is a reconciliation of total accumulated depreciation for real estate owned at December 31, *(in thousands)*:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Balance at beginning of the year	\$1,281,258	\$1,403,303	\$1,241,574
Depreciation expense for the year	144,942	168,495	178,719
Accumulated depreciation on sales	(17,385)	(67,177)	(16,674)
Accumulated depreciation on property deconsolidated	—	(223,363)	—
Write off of accumulated depreciation on casualty-related impaired assets	—	—	(316)
Balance at end of year	<u>\$1,408,815</u>	<u>\$1,281,258</u>	<u>\$1,403,303</u>

EXHIBIT INDEX

The exhibits listed below are filed as part of this Report. References under the caption “Location” to exhibits or other filings indicate that the exhibit or other filing has been filed, that the indexed exhibit and the exhibit referred to are the same and that the exhibit referred to is incorporated by reference. Management contracts and compensatory plans or arrangements filed as exhibits to this Report are identified by an asterisk. The Commission file number for UDR, Inc.’s Exchange Act filings referenced below is 1-10524. The Commission file number for United Dominion Realty, L.P.’s Exchange Act filings is 333-156002-01.

Exhibit	Description	Location
2.01	Partnership Interest Purchase and Exchange Agreement dated as of September 10, 1998, by and between UDR, Inc., United Dominion Realty, L.P., American Apartment Communities Operating Partnership, L.P., AAC Management LLC, Schnitzer Investment Corp., Fox Point Ltd. and James D. Klingbeil including as an exhibit thereto the proposed form of the Third Amended and Restated Limited Partnership Agreement of United Dominion Realty, L.P.	Exhibit 2(d) to UDR, Inc.’s Form S-3 Registration Statement (Registration No. 333-64281) filed with the Commission on September 25, 1998.
2.02	Agreement of Purchase and Sale dated as of August 13, 2004, by and between United Dominion Realty, L.P., a Delaware limited partnership, as Buyer, and Essex The Crest, L.P., a California limited partnership, Essex El Encanto Apartments, L.P., a California limited partnership, Essex Hunt Club Apartments, L.P., a California limited partnership, and the other signatories named as Sellers therein.	Exhibit 2.1 to UDR, Inc.’s Current Report on Form 8-K dated September 28, 2004 and filed with the Commission on September 29, 2004.
2.03	First Amendment to Agreement of Purchase and Sale dated as of September 29, 2004, by and between United Dominion Realty, L.P., a Delaware limited partnership, as Buyer, and Essex The Crest, L.P., a California limited partnership, Essex El Encanto Apartments, L.P., a California limited partnership, Essex Hunt Club Apartments, L.P., a California limited partnership, and the other signatories named as Sellers therein.	Exhibit 2.2 to UDR, Inc.’s Current Report on Form 8-K dated September 29, 2004 and filed with the Commission on October 5, 2004.
2.04	Second Amendment to Agreement of Purchase and Sale dated as of October 26, 2004, by and between United Dominion Realty, L.P., a Delaware limited partnership, as Buyer, and Essex The Crest, L.P., a California limited partnership, Essex El Encanto Apartments, L.P., a California limited partnership, Essex Hunt Club Apartments, L.P., a California limited partnership, and the other signatories named as Sellers therein.	Exhibit 2.3 to UDR, Inc.’s Current Report on Form 8-K/A dated September 29, 2004 and filed with the Commission on November 1, 2004.
2.05	Agreement of Purchase and Sale dated as of January 23, 2008, by and between UDR, Inc., United Dominion Realty, L.P., UDR Texas Properties LLC, UDR Western Residential, Inc., UDR South Carolina Trust, UDR Ohio Properties, LLC, UDR of Tennessee, L.P., UDR of NC, Limited Partnership, Heritage Communities L.P., Governour’s Square of Columbus	Exhibit 2.1 to UDR, Inc.’s Current Report on Form 8-K dated January 23, 2008 and filed with

Co., Fountainhead Apartments Limited Partnership, AAC Vancouver I,
L.P., AAC Funding Partnership III, AAC Funding Partnership II and DRA
Fund VILLC.

the Commission on
January 29, 2008.

Exhibit	Description	Location
2.06	First Amendment to Agreement of Purchase and Sale dated as of February 14, 2008, by and between UDR, Inc., United Dominion Realty, L.P., UDR Texas Properties LLC, UDR Western Residential, Inc., UDR South Carolina Trust, UDR Ohio Properties, LLC, UDR of Tennessee, L.P., UDR of NC, Limited Partnership, Heritage Communities L.P., Governour's Square of Columbus Co., Fountainhead Apartments Limited Partnership, AAC Vancouver I, L.P., AAC Funding Partnership III, AAC Funding Partnership II and DRA Fund VI LLC.	Exhibit 2.2 to UDR, Inc.'s Current Report on Form 8-K/A dated March 3, 2008 and filed with the Commission on May 2, 2008.
2.07	Contribution Agreement by and among Home Properties, L.P., UDR, Inc., United Dominion Realty, L.P. and LSREF 4 Lighthouse Acquisitions, LLC, dated June 22, 2015 (UDR, Inc. and United Dominion Realty, L.P. have omitted certain schedules and exhibits pursuant to Item 601(b)(2) of Regulation S-K and shall furnish supplementally to the Commission copies of any of the omitted schedules and exhibits upon request by the Commission.)	Exhibit 2.1 to UDR, Inc.'s Current Report on Form 8-K dated and filed with the Commission on June 22, 2015.
2.08	Amendment Agreement, dated as of August 27, 2015, by and among UDR, Inc., United Dominion Realty, L.P., Home Properties, Inc., Home Properties, L.P., LSREF4 Lighthouse Acquisitions, LLC LSREF4 Lighthouse Corporate Acquisitions, LLC and LSREF4 Lighthouse Operating Acquisitions, LLC.	Exhibit 2.1 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2015.
3.01	Articles of Restatement of UDR, Inc.	Exhibit 3.09 to UDR, Inc.'s Current Report on Form 8-K dated July 27, 2005 and filed with the Commission on August 1, 2005.
3.02	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.	Exhibit 3.2 to UDR, Inc.'s Current Report on Form 8-K dated March 14, 2007 and filed with the Commission on March 15, 2007.
3.03	Articles of Amendment to the Articles of Restatement of UDR, Inc. dated August 30, 2011 and filed with the State Department of Assessments and Taxation of the State of Maryland on August 31, 2011.	Exhibit 3.1 to UDR, Inc.'s Current Report on Form 8-K dated August 29, 2011 and filed with the Commission on September 1, 2011.
3.04	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.	Exhibit 3.4 to UDR, Inc.'s Form 8-A Registration Statement dated and filed with

the Commission on
May 30, 2007.

- 3.05 Amended and Restated Bylaws of UDR, Inc. (as amended through May 12, 2016). Exhibit 3.1 to UDR, Inc.'s Current Report on Form 8-K dated May 12, 2016 and filed with the Commission on May 18, 2016.
- 3.06 Certificate of Limited Partnership of United Dominion Realty, L.P. dated as of February 19, 2004. 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 Commission on October 15, 2010.
- 3.07 Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of February 23, 2004. Exhibit 10.23 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003.
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Exhibit	Description	Location
3.08	First Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of June 24, 2005.	Exhibit 10.06 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.
3.09	Second Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of February 23, 2006.	Exhibit 10.6 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.
3.10	Third Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of February 2, 2007.	Exhibit 99.1 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.
3.11	Fourth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of December 27, 2007.	Exhibit 10.25 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007.
3.12	Fifth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of March 7, 2008.	Exhibit 10.53 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008.
3.13	Sixth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of December 9, 2008.	Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated December 9, 2008 and filed with the Commission on December 10, 2008.
3.14	Seventh Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P., dated as of March 13, 2009.	Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated March 18, 2009 and filed with the Commission on March 19, 2009.
3.15	Eighth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P., dated as of November 17, 2010.	Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated and filed with the Commission on November 18, 2010.
3.16	Ninth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P., dated as of December 4, 2015.	Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated December 4, 2015 and filed with the Commission on December 10, 2015.
4.01	Form of UDR, Inc. Common Stock Certificate.	Exhibit 4.1 to UDR, Inc.'s Current Report on Form 8-K dated March 14, 2007 and filed with the Commission on March 15, 2007.
4.02	Senior Indenture dated as of November 1, 1995,	Exhibit 4(ii)(h)(1) to UDR, Inc.'s Quarterly

by and between UDR, Inc. and First Union National Bank of Virginia, N.A., as trustee.

Report on Form 10-Q for the quarter ended June 30, 1996.

4.03 Supplemental Indenture dated as of June 11, 2003, by and between UDR, Inc. and Wachovia Bank, National Association, as trustee.

Exhibit 4.03 to UDR, Inc.'s Current Report on Form 8-K dated June 17, 2004 and filed with the Commission on June 18, 2004.

4.04 Subordinated Indenture dated as of August 1, 1994 by and between UDR, Inc. and Crestar Bank, as trustee.

Exhibit 4(i)(m) to UDR, Inc.'s Form S-3 Registration Statement (Registration No. 33-64725) filed with the Commission on November 15, 1995.

Exhibit	Description	Location
4.05	Form of UDR, Inc. Senior Debt Security.	Exhibit 4(i)(n) to UDR, Inc.'s Form S-3 Registration Statement (Registration No. 33-64725) filed with the Commission on November 15, 1995.
4.06	Form of UDR, Inc. Subordinated Debt Security.	Exhibit 4(i)(p) to UDR, Inc.'s Form S-3 Registration Statement (Registration No. 33-55159) filed with the Commission on August 19, 1994.
4.07	Form of UDR, Inc. Fixed Rate Medium-Term Note, Series A.	Exhibit 4.01 to UDR, Inc.'s Current Report on Form 8-K dated March 20, 2007 and filed with the Commission on March 22, 2007.
4.08	Form of UDR, Inc. Floating Rate Medium-Term Note, Series A.	Exhibit 4.02 to UDR, Inc.'s Current Report on Form 8-K dated March 20, 2007 and filed with the Commission on March 22, 2007.
4.09	UDR, Inc. 4.25% Medium-Term Note, Series A due June 2018, issued May 23, 2011.	Exhibit 4.16 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013.
4.10	UDR, Inc. 4.625% Medium-Term Note, Series A due January 2022, issued January 10, 2012.	Exhibit 4.17 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013.
4.11	UDR, Inc. 3.70% Medium-Term Note, Series A due October 2020, issued September 26, 2013.	Exhibit 4.18 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013.
4.12	Indenture dated as of April 1, 1994, by and between UDR, Inc. and Nationsbank of Virginia, N.A., as trustee.	Exhibit 4(ii)(f)(1) to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 1994.
4.13	Supplemental Indenture dated as of August 20, 2009, by and between UDR, Inc. and U.S. Bank National Association, as trustee, to UDR, Inc.'s Indenture dated as of April 1, 1994.	Exhibit 4.1 to UDR, Inc.'s Current Report on Form 8-K dated August 20, 2009 and filed with the Commission on August 21, 2009.
4.14	Guaranty of United Dominion Realty, L.P. with respect to UDR, Inc.'s Indenture dated as of November 1, 1995.	Exhibit 99.1 to UDR, Inc.'s Current Report on Form 8-K dated

and filed with the Commission on September 30, 2010.

4.15 Guaranty of United Dominion Realty, L.P. with respect to UDR, Inc.'s Indenture dated as of October 12, 2006.

Exhibit 99.2 to UDR, Inc.'s Current Report on Form 8-K dated and filed with the Commission on September 30, 2010.

4.16 First Supplemental Indenture among UDR, Inc., United Dominion Realty, L.P. and U.S. Bank National Association, as Trustee, dated as of May 3, 2011, relating to UDR, Inc.'s Medium-Term Notes, Series A, due Nine Months or More from Date of Issue.

Exhibit 4.1 to UDR, Inc.'s Current Report on Form 8-K filed with the Commission on May 4, 2011.

4.17 UDR, Inc. 3.75% Medium-Term Note, Series A due October 2024, issued June 26, 2014.

Exhibit 4.1 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.

Exhibit	Description	Location
4.18	UDR, Inc.'s 4.00% Medium-Term Note, Series A due October 2025, issued September 22, 2015.	Exhibit 4.23 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015.
4.19	UDR, Inc. 2.950% Medium-Term Note, Series A due September 2026, issued August 23, 2016.	Exhibit 4.1 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016.
10.01*	UDR, Inc. 1999 Long-Term Incentive Plan (as amended and restated February 2, 2017).	Filed herewith.
10.02*	Form of UDR, Inc. Restricted Stock Award Agreement under the 1999 Long-Term Incentive Plan.	Filed herewith.
10.03*	Form of UDR, Inc. Restricted Stock Award Agreement for awards outside of the 1999 Long-Term Incentive Plan.	Exhibit 99.3 to UDR, Inc.'s Current Report on Form 8-K dated March 19, 2007 and filed with the Commission on March 19, 2007.
10.04*	Form of UDR, Inc. Notice of Performance Contingent Restricted Stock Award.	Exhibit 10.2 to UDR, Inc.'s Current Report on Form 8-K dated May 2, 2006 and filed with the Commission on May 8, 2006.
10.05*	Description of UDR, Inc. Shareholder Value Plan.	Exhibit 10(x) to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1999.
10.06*	Description of UDR, Inc. Executive Deferral Plan.	Exhibit 10(xi) to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1999.
10.07*	Indemnification Agreement by and between UDR, Inc. and each of its directors and officers listed on Schedule A thereto.	Filed herewith.
10.08	Amended and Restated Master Credit Facility Agreement dated as of June 24, 2002 by and between UDR, Inc. and Green Park Financial Limited Partnership, as amended through February 14, 2007.	Exhibit 10.41 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006.
10.09	Limited Liability Company Agreement of UDR Texas Ventures LLC, a Delaware limited liability company, dated as of November 5, 2007.	Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated November 5, 2007 and filed with the Commission on November 9, 2007.
10.10*	Letter Agreement between UDR, Inc. and Thomas M.	Exhibit 10.1 to UDR, Inc.'s Current

Herzog, dated May 12, 2016.

Report on Form 8-K dated May 12, 2016 and filed with the Commission on May 18, 2016.

10.11 Subordination Agreement dated as of April 16, 1998, by and between UDR, Inc. and United Dominion Realty, L.P.

Exhibit 10(vi)(a) to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.

Exhibit	Description	Location
10.12	ATM Equity Offering SM Sales Agreement among UDR, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC, dated April 4, 2012.	Exhibit 1.1 to UDR, Inc.'s Current Report on Form 8-K dated April 4, 2012 and filed with the Commission on April 5, 2012.
10.13	Third Amended and Restated Distribution Agreement among UDR, Inc., United Dominion Realty, L.P., as Guarantor, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC, as Agents, dated September 1, 2011, with respect to the issue and sale by UDR, Inc. of its Medium-Term Notes, Series A Due Nine Months or More From Date of Issue.	Exhibit 1.2 to UDR, Inc.'s Current Report on Form 8-K dated and filed with the Commission on September 1, 2011.
10.14	Credit Agreement, dated as of October 20, 2015, by and among UDR, Inc., as borrower, and the lenders and agents party thereto.	Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated October 20, 2015 and filed with the Commission on October 26, 2015.
10.15	Guaranty of United Dominion Realty, L.P., dated as of October 20, 2015, with respect to the Credit Agreement, dated as of October 20, 2015.	Exhibit 10.2 to UDR, Inc.'s Current Report on Form 8-K dated October 20, 2015 and filed with the Commission on October 26, 2015.
10.16	Aircraft Time Sharing Agreement dated as of November 11, 2016, by and between UDR, Inc. and Thomas W. Toomey.	Filed herewith.
10.17	Aircraft Time Sharing Agreement dated as of November 11, 2016, by and between UDR, Inc. and Warren L. Troupe.	Filed herewith.
10.18	Amendment No.1, dated July 29, 2014, to the ATM Equity Offering SM Sales Agreement among UDR, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC, dated April 4, 2012.	Exhibit 1.1 to UDR, Inc.'s Current Report on Form 8-K dated July 29, 2014 and filed with the Commission on July 31, 2014.

- 10.19 Amendment No. 1, dated July 29, 2014, to the Third Amended and Restated Distribution Agreement among UDR, Inc., United Dominion Realty, L.P., as Guarantor, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC, as Agents, dated September 1, 2011, with respect to the issue and sale by UDR, Inc. of its Medium-Term Notes, Series A Due Nine Months or More From Date of Issue. Exhibit 1.2 to UDR, Inc.'s Current Report on Form 8-K dated July 29, 2014 and filed with the Commission on July 31, 2014.
- 10.20 Underwriting Agreement between UDR, Inc. and Credit Suisse Securities (USA) LLC dated August 19, 2015. Exhibit 1.1 to UDR, Inc.'s Current Report on Form 8-K dated August 19, 2015 and filed with the Commission on August 24, 2015.
- 10.21 Agreement of Limited Partnership of UDR Lighthouse DownREIT L.P., dated as of October 5, 2015, as amended. Exhibit 10.21 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015.
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Exhibit	Description	Location
10.22*	Class 1 LTIP Unit Award Agreement	Exhibit 10.22 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015.
10.23*	Notice of Class 2 LTIP Unit Award	Exhibit 10.23 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015.
10.24	First Amendment, dated January 20, 2017, to the Credit Agreement, dated as of October 20, 2015, by and among UDR, Inc., as borrower, and the lenders and agents party thereto.	Filed herewith.
12.1	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends of UDR, Inc.	Filed herewith.
12.2	Computation of Ratio of Earnings to Fixed Charges of United Dominion Realty, L.P.	Filed herewith.
21	Subsidiaries of UDR, Inc. and United Dominion Realty, L.P.	Filed herewith.
23.1	Consent of Independent Registered Public Accounting Firm for UDR, Inc.	Filed herewith.
23.2	Consent of Independent Registered Public Accounting Firm for United Dominion Realty, L.P.	Filed herewith.
23.3	Consent of Independent Registered Public Accounting Firm for UDR Lighthouse DownREIT L.P.	Filed herewith.
31.1	Rule 13a-14(a) Certification of the Chief Executive Officer of UDR, Inc.	Filed herewith.
31.2	Rule 13a-14(a) Certification of the Chief Financial Officer of UDR, Inc.	Filed herewith.
31.3	Rule 13a-14(a) Certification of the Chief Executive Officer of United Dominion Realty, L.P.	Filed herewith.
31.4	Rule 13a-14(a) Certification of the Chief Financial Officer of United Dominion Realty, L.P.	Filed herewith.
32.1	Section 1350 Certification of the Chief Executive Officer of UDR, Inc.	Filed herewith.

32.2 Section 1350 Certification of the Chief Financial Officer of UDR, Inc. Filed herewith.

32.3 Section 1350 Certification of the Chief Executive Officer of United Dominion Realty, L.P. Filed herewith.

Exhibit	Description	Location
32.4	Section 1350 Certification of the Chief Financial Officer of United Dominion Realty, L.P.	Filed herewith.
99.1	UDR Lighthouse DownREIT L.P. financial statements as required under Rule 3-09 of Regulation S-X.	Filed herewith.
101	<p>XBRL (Extensible Business Reporting Language). The following materials from this Annual Report on Form 10-K for the period ended December 31, 2016, 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 changes in equity of UDR, Inc., (v) consolidated statements of cash flows of UDR, Inc., (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, L.P.; (x) consolidated statements of changes in capital of United Dominion Realty, L.P., (xi) consolidated statements of cash flows of United Dominion Realty, L.P. and (xii) notes to consolidated financial statements of United Dominion Realty, L.P.</p>	

* *Management Contract or Compensatory Plan or Arrangement*

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Section 2: EX-10.1 (EXHIBIT 10.1)

UDR, INC.
1999 LONG-TERM INCENTIVE PLAN

(AS AMENDED AND RESTATED FEBRUARY 2, 2017)

ARTICLE 1

PURPOSE

1.1 **GENERAL.** The purpose of the UDR, Inc. 1999 Long-Term Incentive Plan (the “Plan”) is to promote the success, and enhance the value, of UDR, Inc. (the “Company”), by linking the personal interests of its employees, officers, consultants and directors to those of Company stockholders and by providing such persons with an incentive for outstanding performance. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of employees, officers, consultants and directors upon whose judgment, interest, and special effort the successful conduct of the Company’s operation is largely dependent. Accordingly, the Plan permits the grant of incentive awards from time to time to selected employees, officers, consultants and directors.

ARTICLE 2

EFFECTIVE DATE

2.1 **EFFECTIVE DATE.** For tax reasons, the Plan was approved by the Board of Directors in interim stages. First, the Board approved the Plan on March 9, 1999 as it relates to Awards of Restricted Stock and Performance Units only (the “First Effective Date”), and the Plan became effective as of the First Effective Date for the limited purpose of (i) making Awards of Restricted Stock on or prior to May 31, 1999 to non-officer employees of the Company and (ii) making cash Performance Unit Awards under ARTICLE 9 of the Plan with respect to a performance period beginning on January 1, 1999.

On January 25, 2000, the Board approved the Plan for the purpose of (i) making Awards of Restricted Stock on or prior to May 31, 2000 to non-officer employees of the Company, (ii) making Awards of Restricted Stock on or prior to May 31, 2000 to certain officers of the Company from shares purchased by the Company on the open market, and (iii) making cash Performance Unit Awards under ARTICLE 9 of the Plan with respect to a performance period beginning on January 1, 2000 (the “Second Effective Date”).

On March 20, 2001, the Board approved the Plan as it relates to all types of Awards under the Plan (the “Third Effective Date”) and the Plan became fully effective as of the Third Effective Date. The Plan was approved by the stockholders of the Company on May 8, 2001. In the discretion of the Committee, Awards may be made to Covered Employees which are intended to constitute qualified performance-based compensation under Code Section 162(m).

The Plan was amended and restated by the Board of Directors on May 4, 2004 to eliminate the express authority under Section 7.1(c) to pay the exercise price of an Option with a promissory note, which amendment and restatement of the Plan is not subject to stockholder approval.

The Plan was amended and restated by the Board of Directors on July 23, 2004 to modify Sections 14.8 and 14.9 to provide that unless otherwise provided in a Participant's Award Agreement upon a Participant's Death, Disability or Retirement, all outstanding Options, Stock Appreciation Rights and other Awards in the nature of rights that may be exercised shall become fully exercisable and all restrictions on outstanding Awards shall lapse, which amendment and restatement of the Plan is not subject to stockholder approval.

The Plan was amended and restated by the Board of Directors on February 10, 2006, to eliminate the automatic grant of formula awards to non-employee directors and to update non-material terms of the Plan (par value of common stock and other nomenclature) to conform to Maryland versus Virginia corporate law, which amendment and restatement of the Plan is not subject to stockholder approval.

The Plan was amended and restated by the Board of Directors on February 7, 2008 generally as follows: (i) to change the name of the Company from United Dominion Realty Trust, Inc. to UDR, Inc.; and (ii) to provide that the grant price of any Stock Appreciation Right may not be reduced except as provided in Section 15.1 or otherwise with the consent of the stockholders, which amendment and restatement of the Plan is not subject to stockholder approval.

The Plan was amended and restated by the Board of Directors on May 30, 2008 generally as follows: (i) to limit the term of Options and Stock Appreciation Rights to 10 years; (ii) to provide that shares of stock that are (a) not issued or delivered as a result of the net settlement of a Stock Appreciation Right or Option, (b) used to pay the exercise price or withholding taxes related to an outstanding Award or (c) repurchased on the open market with the proceeds of the Option exercise price shall not again become available for issuance under the Plan; (iii) to provide that the exercise price per share of an Option shall in no event be less than the Fair Market Value of one share of stock on the date of grant; (iv) to provide that the maximum Fair Market Value of any Awards, other than Options or Stock Appreciation Rights, that may be received by a Participant during any one calendar year shall be \$2,000,000; (v) to provide that in no event may a Stock Appreciation Right be exercisable for more than 10 years from the date of its grant; (vi) to provide that, except as provided in Section 15.1, without the consent of stockholders an Award may not be exchanged or bought out if the effect is to lower the exercise price of the Option or the grant price of the Stock Appreciation Right; (vii) to provide that, except as provided in Section 15.1, without consent of the stockholders, an Award may not be granted in substitution of another Award if the effect is to replace an Option or Stock Appreciation Right with an Award with a lower exercise or grant price and (viii) to expand the Performance Goals.

Subject to stockholder approval, the Plan was amended and restated by the Board of Directors on March 12, 2009 generally as follows: (i) to increase the number of shares of Stock available for issuance pursuant to Awards from 4,000,000 to 16,000,000; (ii) to provide that the maximum Fair Market Value of any Awards, other than Options or Stock Appreciation Rights, that may be received by a Participant during any one calendar year shall be \$5,000,000, (iii) to provide that the maximum number of shares of Stock with respect to one or more Options and/or Stock Appreciation Rights that may be granted during any one calendar year under the Plan to any one Participant shall be 5,000,000 shares and (iv) to provide that Awards (other than Options or Stock Appreciation Rights) granted from and after the approval of the Plan at the Company's 2009 Annual Meeting of Stockholders shall count against the Plan reserve as 2.28 shares of Stock for each share of Stock actually subject to the Award.

The Plan was amended and restated by the Board of Directors on February 8, 2013, to revise the treatment of Awards in connection with certain Change of Control transactions.

The Plan was amended and restated by the Board of Directors on February 6, 2014 generally as follows: to (i) increase the number of shares of Stock available for issuance pursuant to Awards from 16,000,000 to 19,000,000; (ii) change the annual per Participant limits on Awards (other than Options, SARs and Cash-Based Awards) to 1,000,000 shares; (iii) provide for Cash-Based Awards; and (iv) expand the Performance Goals.

The Plan was amended and restated by the Committee on December 4, 2015 to provide for Awards of LTIP Units, which amendment and restatement of the Plan is not subject to stockholder approval.

The Plan was amended and restated by the Committee on February 2, 2017 to provide for flexibility with respect to withholding for tax purposes in accordance with revised standards published by the Financial Accounting Standards Board, which amendment and restatement of the Plan is not subject to stockholder approval.

ARTICLE 3

DEFINITIONS

3.1 DEFINITIONS. When a word or phrase appears in this Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase shall generally be given the meaning ascribed to it in this Section or in Section 1.1 unless a clearly different meaning is required by the context. The following words and phrases shall have the following meanings:

(a) “Award” means any Option, Stock Appreciation Right, Restricted Stock Award, Performance Unit Award, Dividend Equivalent Award, Other Stock-Based Award, Cash-Based Award or LTIP Unit, or any other right or interest relating to Stock or cash, granted to a Participant under the Plan.

(b) “Award Agreement” means any written agreement, contract, or other instrument or document evidencing an Award.

(c) “Board” means the Board of Directors of the Company.

(d) “Cash-Based Award” means a right granted to a Participant under Article 13.

(e) “Change of Control” means and includes each of the following:

(1) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated;

(2) the transfer or sale of all or substantially all of the assets of the Company other than to an affiliate or Subsidiary of the Company;

(3) the liquidation of the Company;

(4) the acquisition by any person, or by a group of persons acting in concert, of more than fifty percent (50%) of the outstanding voting securities of the Company, which results in the resignation or addition of fifty percent (50%) or more independent members of the Board;

(5) any reverse merger or series of related transactions culminating in a reverse merger (including, but not limited to, a tender offer followed by a reverse merger) in which the Company is the surviving entity but (A) the shares of Stock outstanding immediately prior to such merger are converted or exchanged by virtue of the merger into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than forty percent (40%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger or the initial transaction culminating in such merger, but excluding any such transaction or series of related transactions that the Committee determines shall not be a Change of Control; or

(6) a change in the composition of the Board over a period of twelve (12) months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are Continuing Directors.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(g) "Committee" means the committee of the Board described in ARTICLE 4.

(h) "Company" means UDR, Inc., a Maryland corporation.

(i) "Consultant" means, and is limited to, a "consultant" or "advisor" with respect to whom the Company would be permitted to use Form S-8 to register the issuance of securities, as described in the General Instructions to Form S-8 under the 1933 Act.

(j) "Continuing Directors" means members of the Board who either (i) have been Board members continuously for a period of at least twelve (12) months or (ii) have been Board members for less than twelve (12) months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

(k) "Covered Employee" means a covered employee as defined in Code Section 162(m)
(3).

(l) "Disability" shall mean any illness or other physical or mental condition of a Participant that renders the Participant incapable of performing his customary and usual duties for the Company, or any medically determinable illness or other physical or mental condition resulting from a bodily injury, disease or mental disorder which, in the judgment of the Committee, is permanent and continuous in nature. The Committee may require such medical or other evidence as it deems necessary to judge the nature and permanency of the Participant's condition. Notwithstanding the above, with respect to an Incentive Stock Option, Disability shall mean Permanent and Total Disability as defined in Section 22(e)(3) of the Code.

(m) "Dividend Equivalent" means a right granted to a Participant under ARTICLE 11.

(n) "Effective Date" means the First, Second or Third Effective Date, as the context requires, as such terms are defined in Section 2.1.

(o) “Fair Market Value”, on any date, means the closing sales price on the New York Stock Exchange on such date or, in the absence of reported sales on such date, the closing sales price on the immediately preceding date on which sales were reported.

(p) “Incentive Stock Option” means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

(q) “LTIP Unit” means an “LTIP Unit” of the Partnership, including “Class 1 LTIP Units” and “Class 2 LTIP Units” (each, as defined in the Partnership Agreement), that is granted under Section 13.2 and is intended to constitute a “profits interest” within the meaning of the Code.”

(r) “Non-Employee Director” means a member of the Board who is not an employee of the Company or any Parent or Subsidiary.

(s) “Non-Qualified Stock Option” means an Option that is not an Incentive Stock Option.

(t) “Option” means a right granted to a Participant under ARTICLE 7 of the Plan to purchase Stock at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Non-Qualified Stock Option.

(u) “Other Stock-Based Award” means a right, granted to a Participant under ARTICLE 12 that relates to or is valued by reference to Stock or other Awards relating to Stock.

(v) “Parent” means a corporation that owns or beneficially owns a majority of the outstanding voting stock or voting power of the Company. For Incentive Stock Options, the term shall have the same meaning as set forth in Code Section 424(e).

(w) “Participant” means a person who, as an employee, officer, consultant or director of the Company or any Parent or Subsidiary, has been granted an Award under the Plan.

(x) “Partnership” means United Dominion Realty, L.P., a Delaware limited partnership.

(y) “Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. (as amended from time to time).

(z) “Performance Unit” means a right granted to a Participant under Article 9, to receive cash, Stock, or other Awards, the payment of which is contingent upon achieving certain performance goals established by the Committee.

(aa) “Plan” means the UDR, Inc. 1999 Long-Term Incentive Plan, as amended from time to time.

(bb) “Restricted Stock Award” means Stock granted to a Participant under ARTICLE 10 that is subject to certain restrictions and to risk of forfeiture.

(cc) “Retirement” means a Participant’s termination of employment with the Company, Parent or Subsidiary after attaining any normal or early retirement age specified in any pension, profit

sharing or other retirement program sponsored by such company, or, in the event of the inapplicability thereof with respect to the person in question, as determined by the Committee in its reasonable judgment.

(dd) “Stock” means the \$0.01 par value Common Stock of the Company, and such other securities of the Company as may be substituted for Stock pursuant to ARTICLE 14.

(ee) “Stock Appreciation Right” or “SAR” means a right granted to a Participant under ARTICLE 8 to receive a payment equal to the difference between the Fair Market Value of a share of Stock as of the date of exercise of the SAR over the grant price of the SAR, all as determined pursuant to ARTICLE 8.

(ff) “Subsidiary” means any corporation, limited liability company, partnership or other entity that is directly, or indirectly through one or more intermediaries, controlled by or under common control with the Company. Notwithstanding the foregoing, for purposes of Incentive Stock Options granted under the Plan, the term “Subsidiary” shall have the meaning set forth in Code Section 424(f).

(gg) “1933 Act” means the Securities Act of 1933, as amended from time to time.

(hh) “1934 Act” means the Securities Exchange Act of 1934, as amended from time to time.

ARTICLE 4

ADMINISTRATION

4.1 COMMITTEE. The Plan shall be administered by the Compensation Committee of the Board or, at the discretion of the Board from time to time, by the Board. The Committee shall consist of two or more members of the Board. It is intended that the directors appointed to serve on the Committee shall be “non-employee directors” (within the meaning of Rule 16b-3 promulgated under the 1934 Act) and “outside directors” (within the meaning of Code Section 162(m) and the regulations thereunder) to the extent that Rule 16b-3 and, if necessary for relief from the limitation under Code Section 162(m) and such relief is sought by the Company, Code Section 162(m), respectively, are applicable. However, the mere fact that a Committee member shall fail to qualify under either of the foregoing requirements shall not invalidate any Award made by the Committee, which Award is otherwise validly made under the Plan. The members of the Committee shall be appointed by, and may be changed at any time and from time to time in the discretion of, the Board. During any time that the Board is acting as administrator of the Plan, it shall have all the powers of the Committee hereunder, and any reference herein to the Committee (other than in this Section 4.1) shall include the Board.

4.2 ACTION BY THE COMMITTEE. For purposes of administering the Plan, the following rules of procedure shall govern the Committee. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present, and acts approved unanimously in writing by the members of the Committee in lieu of a meeting shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Parent or Subsidiary, the Company’s independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

4.3 AUTHORITY OF COMMITTEE. The Committee has the exclusive power, authority and discretion to do the following; except as such discretion shall be delegated as provided below in this Section 4.3:

- (ab) Designate Participants;
- (ac) Determine the type or types of Awards to be granted to each Participant;
- (ad) Determine the number of Awards to be granted and the number of shares of Stock or LTIP Units to which an Award will relate;
- (ae) Determine the terms and conditions of any Award granted under the Plan, including but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, based in each case on such considerations as the Committee in its sole discretion determines;
- (af) Accelerate the vesting, exercisability or lapse of restrictions of any outstanding Award, based in each case on such considerations as the Committee in its sole discretion determines;
- (ag) Determine whether, to what extent, and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
- (ah) Prescribe the form of each Award Agreement, which need not be identical for each Participant;
- (ai) Decide all other matters that must be determined in connection with an Award;
- (aj) Establish, adopt or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;
- (ak) Make all other decisions and determinations that may be required under the Plan or as the Committee deems necessary or advisable to administer the Plan; and
- (al) Amend the Plan or any Award Agreement as provided herein.

Notwithstanding the above, the Board or the Committee may expressly delegate to a special committee consisting of one or more directors who are also officers of the Company some or all of the Committee's authority under subsections (a) through (g) above with respect to those eligible Participants who, at the time of grant are not, and are not anticipated to become, either (i) Covered Employees or (ii) persons subject to the insider trading rules of Section 16 of the 1934 Act.

4.4 DECISIONS BINDING. The Committee's interpretation of the Plan, any Awards granted under the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE 5

SHARES SUBJECT TO THE PLAN

5.1 NUMBER OF SHARES. Subject to adjustment as provided in Section 15.1, the aggregate number of shares of Stock reserved and available for Awards or which may be used to provide a basis of measurement for or to determine the value of an Award (such as with a Stock Appreciation Right or Performance Unit Award) shall be 19,000,000. The maximum number of shares of Stock that may be issued subject to Incentive Stock Options shall be 19,000,000 shares. Awards (other than Options or Stock Appreciation Rights) granted from and after the approval of the Plan at the Company's 2009 Annual Meeting of Stockholders, shall be counted against this number as 2.28 shares of Stock for each share of Stock actually subject to the Award. Each LTIP Unit issued pursuant to an Award shall be treated as a share of Stock for purposes of calculating the aggregate number of shares of Stock available for issuance under the Plan as set forth in this Section 5.1 and for purposes of calculating the award limits set forth in Section 5.4 hereof.

5.2 LAPSED AWARDS. To the extent that an Award is canceled, terminates, expires, is forfeited or lapses for any reason, any shares of Stock subject to the Award will again be available for the grant of an Award under the Plan and shares subject to SARs or other Awards settled in cash will be available for the grant of an Award under the Plan. Shares of Stock that are (a) not issued or delivered as a result of the net settlement of a Stock Appreciation Right or Option, (b) used to pay the exercise price or withholding taxes related to an outstanding Award, or (c) repurchased on the open market with the proceeds of the Option exercise price shall not again become available for issuance under the Plan. If shares subject to an Award again become available under the Plan pursuant to this Section 5.2, the number of shares that become available shall equal the number of shares that counted against the Plan reserve pursuant to Section 5.1.

5.3 STOCK DISTRIBUTED. Any Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury Stock or Stock purchased on the open market.

5.4 LIMITATION ON AWARDS. Notwithstanding any provision in the Plan to the contrary (but subject to adjustment as provided in Section 15.1), the maximum number of shares of Stock with respect to one or more Options and/or SARs that may be granted during any one calendar year under the Plan to any one Participant shall be 5,000,000. The maximum number of shares of Stock with respect Awards (other than Options, SARs and/or Cash-Based Awards) that are intended to constitute qualified performance-based compensation under Code Section 162(m) that may be received by a Participant during any one calendar year under the Plan shall be 1,000,000. For Cash-Based Awards that are intended to constitute qualified performance-based compensation under Code Section 162(m), with respect to each twelve month period that constitutes or is part of each performance period, the maximum amount that may be paid to a Participant pursuant to such Awards shall be \$10,000,000. In addition, the foregoing limitation shall be prorated for any performance period consisting of fewer than twelve months by multiplying such limitation by a fraction, the numerator of which is the number of months in the performance period and the denominator of which is twelve.

ARTICLE 6

ELIGIBILITY

6.1 GENERAL. Awards may be granted only to individuals who are employees, officers, consultants or directors of the Company or a Parent or Subsidiary.

ARTICLE 7

STOCK OPTIONS

7.1 GENERAL. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) EXERCISE PRICE. The exercise price per share of Stock under an Option shall be determined by the Committee, but shall in no event be less than the Fair Market Value of one share of Stock on the date of grant.

(b) TIME AND CONDITIONS OF EXERCISE. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, subject to Section 7.1(e). The Committee also shall determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised or vested. The Committee may waive any exercise or vesting provisions at any time in whole or in part based upon factors as the Committee may determine in its sole discretion so that the Option becomes exercisable or vested at an earlier date. The Committee may permit an arrangement whereby receipt of Stock upon exercise of an Option is delayed until a specified future date.

(c) PAYMENT. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation, cash, shares of Stock, or other property (including “cashless exercise” arrangements), and the methods by which shares of Stock shall be delivered or deemed to be delivered to Participants; provided that if shares of Stock are used to pay the exercise price of an Option, such shares must have been held by the Participant for the minimum period required to avoid an adverse accounting impact for the Company. When shares of Stock are delivered, such delivery may be by attestation of ownership or actual delivery.

(d) EVIDENCE OF GRANT. All Options shall be evidenced by a written Award Agreement between the Company and the Participant. The Award Agreement shall include such provisions, not inconsistent with the Plan, as may be specified by the Committee.

(e) EXERCISE TERM. In no event may any Option be exercisable for more than ten years from the date of its grant.

(f) NO RE-LOAD OPTIONS. The Committee shall not provide in an Award Agreement, or in an amendment thereto, for the automatic grant of a new Option to any Participant who delivers shares of Stock as full or partial payment of the exercise price of the original Option.

7.2 INCENTIVE STOCK OPTIONS. The terms of any Incentive Stock Options granted under the Plan must comply with the following additional rules:

(a) EXERCISE PRICE. The exercise price per share of Stock shall be set by the Committee, provided that the exercise price for any Incentive Stock Option shall not be less than the Fair Market Value as of the date of the grant.

(b) EXERCISE. In no event may any Incentive Stock Option be exercisable for more than ten years from the date of its grant.

(c) LAPSE OF OPTION. An Incentive Stock Option shall lapse under the earliest of the following circumstances; provided, however, that the Committee may, prior to the lapse of the Incentive Stock Option under the circumstances described in paragraphs (3), (4) and (5) below, provide in writing that the Option will extend until a later date, but if an Option is exercised after the dates specified in paragraphs (3), (4) and (5) below, it will automatically become a Non-Qualified Stock Option:

(1) The Incentive Stock Option shall lapse as of the option expiration date set forth in the Award Agreement.

(2) The Incentive Stock Option shall lapse ten years after it is granted, unless an earlier time is set in the Award Agreement.

(3) If the Participant terminates employment for any reason other than as provided in paragraph (4) or (5) below, the Incentive Stock Option shall lapse, unless it is previously exercised, three months after the Participant's termination of employment; provided, however, that if the Participant's employment is terminated by the Company for cause or by the Participant without the consent of the Company (in either case, as determined by the Company and communicated in writing to the Participant), the Incentive Stock Option shall (to the extent not previously exercised) lapse immediately.

(4) If the Participant terminates employment by reason of his Disability, the Incentive Stock Option shall lapse, unless it is previously exercised, one year after the Participant's termination of employment.

(5) If the Participant dies while employed, or during the three-month period described in paragraph (3) or during the one-year period described in paragraph (4) and before the Option otherwise lapses, the Option shall lapse one year after the Participant's death. Upon the Participant's death, any exercisable Incentive Stock Options may be exercised by the Participant's beneficiary, determined in accordance with Section 14.5.

If a Participant exercises an Option after termination of employment, the Option may be exercised only with respect to the shares that were otherwise vested on the Participant's termination of employment.

(d) INDIVIDUAL DOLLAR LIMITATION. The aggregate Fair Market Value (determined as of the time an Award is made) of all shares of Stock with respect to which Incentive Stock Options are first exercisable by a Participant in any calendar year may not exceed \$100,000.00.

(e) TEN PERCENT OWNERS. No Incentive Stock Option shall be granted to any individual who, at the date of grant, owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary unless the exercise price

per share of such Option is at least 110% of the Fair Market Value per share of Stock at the date of grant and the Option expires no later than five years after the date of grant.

(f) EXPIRATION OF INCENTIVE STOCK OPTIONS. No Award of an Incentive Stock Option may be made pursuant to the Plan after the day immediately prior to the tenth anniversary of a Plan effective date under Code Section 422(b)(2).

(g) RIGHT TO EXERCISE. During a Participant's lifetime, an Incentive Stock Option may be exercised only by the Participant or, in the case of the Participant's Disability, by the Participant's guardian or legal representative.

(h) DIRECTORS AND CONSULTANTS. The Committee may not grant an Incentive Stock Option to a non-employee director or consultant. The Committee may grant an Incentive Stock Option to a director who is also an employee of the Company or Parent or Subsidiary but only in that individual's position as an employee and not as a director.

ARTICLE 8

STOCK APPRECIATION RIGHTS

8.1 GRANT OF SARs. The Committee is authorized to grant SARs to Participants on the following terms and conditions:

(a) RIGHT TO PAYMENT. Upon the exercise of a Stock Appreciation Right, the Participant to whom it is granted has the right to receive the excess, if any, of:

(1) The Fair Market Value of one share of Stock on the date of exercise; over

(2) The grant price of the Stock Appreciation Right as determined by the Committee, which shall not be less than the Fair Market Value of one share of Stock on the date of grant.

(b) TERM OF SARs. In no event may any Stock Appreciation Right be exercisable for more than ten years from the date of its grant.

(c) OTHER TERMS. All awards of Stock Appreciation Rights shall be evidenced by an Award Agreement. The terms, methods of exercise, methods of settlement, form of consideration payable in settlement, and any other terms and conditions of any Stock Appreciation Right shall be determined by the Committee at the time of the grant of the Award and shall be reflected in the Award Agreement.

ARTICLE 9

PERFORMANCE UNITS

9.1 GRANT OF PERFORMANCE UNITS. The Committee is authorized to grant Performance Units to Participants on such terms and conditions as may be selected by the Committee. The Committee shall have the complete discretion to determine the number of Performance Units granted to each Participant, subject to Section 5.4. All Awards of Performance Units shall be evidenced by an Award Agreement.

9.2 RIGHT TO PAYMENT. A grant of Performance Units gives the Participant rights, valued as determined by the Committee, and payable to, or exercisable by, the Participant to whom the Performance Units are granted, in whole or in part, as the Committee shall establish at grant or thereafter. The Committee shall set performance goals and other terms or conditions to payment of the Performance Units in its discretion which, depending on the extent to which they are met, will determine the number and value of Performance Units that will be paid to the Participant. If the terms of a Performance Unit so provide, the Participant may elect to defer payment of the Performance Unit under an applicable deferred compensation plan maintained by the Company.

9.3 OTHER TERMS. Performance Units may be payable in cash, Stock, or other property, and have such other terms and conditions as determined by the Committee and reflected in the Award Agreement.

ARTICLE 10

RESTRICTED STOCK AWARDS

10.1 GRANT OF RESTRICTED STOCK. The Committee is authorized to make Awards of Restricted Stock to Participants in such amounts and subject to such terms and conditions as may be selected by the Committee. All Awards of Restricted Stock shall be evidenced by a Restricted Stock Award Agreement.

10.2 ISSUANCE AND RESTRICTIONS. Restricted Stock shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, upon the satisfaction of performance goals or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

10.3 FORFEITURE. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment during the applicable restriction period or upon failure to satisfy a performance goal during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided, however, that the Committee may provide in any Award Agreement that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Stock.

10.4 CERTIFICATES FOR RESTRICTED STOCK. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing shares of Restricted Stock are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

ARTICLE 11

DIVIDEND EQUIVALENTS

11.1 GRANT OF DIVIDEND EQUIVALENTS. The Committee is authorized to grant Dividend Equivalents to Participants subject to such terms and conditions as may be selected by the Committee. Dividend Equivalents shall entitle the Participant to receive payments equal to dividends with respect to

all or a portion of the number of shares of Stock subject to an Award, as determined by the Committee. The Committee may provide that Dividend Equivalents be paid or distributed when accrued or be deemed to have been reinvested in additional shares of Stock, or otherwise reinvested. Dividend Equivalents shall not be granted with respect to Options or SARs. Dividend Equivalents granted with respect to Performance Units may not be paid except to the extent the underlying shares of Stock have been earned.

ARTICLE 12

OTHER STOCK-BASED AWARDS

12.1 GRANT OF OTHER STOCK-BASED AWARDS. The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of Stock, as deemed by the Committee to be consistent with the purposes of the Plan, including without limitation shares of Stock awarded purely as a “bonus” and not subject to any restrictions or conditions, convertible or exchangeable debt securities, other rights convertible or exchangeable into shares of Stock, and Awards valued by reference to book value of shares of Stock or the value of securities of or the performance of specified Parents or Subsidiaries. The Committee shall determine the terms and conditions of such Awards.

ARTICLE 13

13.1 GRANT OF OTHER CASH-BASED AWARDS. The Committee is authorized, subject to limitations under applicable law, to grant to Participants Awards that are denominated in cash and that may be settled in cash and/or shares of Stock, as deemed by the Committee to be consistent with the purposes of the Plan. The Committee shall determine the terms and conditions of such Awards.

13.2 LTIP UNITS. The Committee is authorized to grant LTIP Units to Participants in such amounts and subject to such terms and conditions as may be selected by the Committee; provided, however, that LTIP Units may only be issued to a Participant for the performance of services to or for the benefit of the Partnership (a) in the Participant’s capacity as a partner of the Partnership, (b) in anticipation of the Participant becoming a partner of the Partnership, or (c) as otherwise determined by the Committee, provided that the LTIP Units are intended to constitute “profits interests” within the meaning of the Code, including, to the extent applicable, Revenue Procedure 93-27, 1993-2 C.B. 343 and Revenue Procedure 2001-43, 2001-2 C.B. 191. The Committee shall specify the conditions and dates upon which the LTIP Units shall vest and become nonforfeitable. LTIP Units shall be subject to the terms and conditions of the Partnership Agreement and such other restrictions, including restrictions on transferability (including by redemption or conversion), as the Committee may impose. These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

ARTICLE 14

PROVISIONS APPLICABLE TO AWARDS

14.1 STAND-ALONE, TANDEM, AND SUBSTITUTE AWARDS. Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for, any other Award granted under the Plan. If an Award is granted in substitution for another Award, the Committee may require the surrender of such other Award in consideration of the grant of the new Award. Notwithstanding the foregoing, as provided in Section 16.1, except as provided in Section 15.1, without the consent of the stockholders, an Award may not be granted in substitution of

another Award if the effect is to replace an Option or Stock Appreciation Right with an Award with a lower exercise or grant price. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

14.2 EXCHANGE PROVISIONS. The Committee may at any time offer to exchange or buy out any previously granted Award for a payment in cash, Stock, or another Award (subject to Section 15.1), based on the terms and conditions the Committee determines and communicates to the Participant at the time the offer is made, and after taking into account the tax, securities and accounting effects of such an exchange. Notwithstanding the foregoing, as provided in Section 16.1, except as provided in Section 15.1, without the consent of the stockholders an Award may not be exchanged or bought out if the effect is to lower the exercise price of the Option or the grant price of the Stock Appreciation Right.

14.3 TERM OF AWARD. The term of each Award shall be for the period as determined by the Committee, provided that in no event shall the term of any Incentive Stock Option or a Stock Appreciation Right granted in tandem with the Incentive Stock Option exceed a period of ten years from the date of its grant (or, if Section 7.2(e) applies, five years from the date of its grant).

14.4 FORM OF PAYMENT FOR AWARDS. Subject to the terms of the Plan and any applicable law or Award Agreement, payments or transfers to be made by the Company or a Parent or Subsidiary on the grant or exercise of an Award may be made in such form as the Committee determines at or after the time of grant, including without limitation, cash, Stock, other Awards, or other property, or any combination, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case determined in accordance with rules adopted by, and at the discretion of, the Committee.

14.5 LIMITS ON TRANSFER. No right or interest of a Participant in any unexercised or restricted Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Parent or Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Parent or Subsidiary. No unexercised or restricted Award shall be assignable or transferable by a Participant other than by will or the laws of descent and distribution or, except in the case of an Incentive Stock Option, pursuant to a domestic relations order that would satisfy Section 414(p)(1)(A) of the Code if such Section applied to an Award under the Plan; provided, however, that the Committee may (but need not) permit other transfers where the Committee concludes that such transferability (i) does not result in accelerated taxation, (ii) does not cause any Option intended to be an incentive stock option to fail to be described in Code Section 422(b), and (iii) is otherwise appropriate and desirable, taking into account any factors deemed relevant, including without limitation, any state or federal tax or securities laws or regulations applicable to transferable Awards.

14.6 BENEFICIARIES. Notwithstanding Section 14.5, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights under the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If no beneficiary has been designated or survives the Participant, payment shall be made to the Participant's estate. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

14.7 STOCK CERTIFICATES. All Stock issued under the Plan is subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal or state securities laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Committee may place legends on any Stock certificate or issue instructions to the transfer agent to reference restrictions applicable to the Stock.

14.8 ACCELERATION UPON DEATH OR DISABILITY. Notwithstanding any other provision in the Plan and unless otherwise provided in any Participant's Award Agreement, upon the Participant's death or Disability during his employment or service as a director or consultant, all outstanding Options, Stock Appreciation Rights, and other Awards in the nature of rights that may be exercised shall become fully exercisable and all restrictions on outstanding Awards shall lapse. Any Option or Stock Appreciation Rights Awards shall thereafter continue or lapse in accordance with the other provisions of the Plan and the Award Agreement. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Section 7.2(d), the excess Options shall be deemed to be Non-Qualified Stock Options.

14.9 ACCELERATION UPON RETIREMENT. Notwithstanding any other provision in the Plan and unless otherwise provided in any Participant's Award Agreement, upon the Participant's Retirement, all outstanding Options, Stock Appreciation Rights, and other Awards in the nature of rights that may be exercised shall become fully exercisable and all restrictions on outstanding Awards shall lapse. Any Option or Stock Appreciation Rights Awards shall thereafter remain exercisable until the original expiration date of the Award. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Section 7.2(d), the excess Options shall be deemed to be Non-Qualified Stock Options.

14.10 ACCELERATION UPON A CHANGE OF CONTROL. Except as otherwise provided in the Award Agreement, upon the occurrence of a Change of Control, all outstanding Options, Stock Appreciation Rights, and other Awards in the nature of rights that may be exercised shall become fully exercisable and all restrictions on outstanding Awards shall lapse. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Section 7.2(d), the excess Options shall be deemed to be Non-Qualified Stock Options.

14.11 RESERVED.

14.12 RESERVED.

14.13 EFFECT OF ACCELERATION. In the event of a Change of Control, the Committee may, in its sole discretion, provide (i) (other than in the event of a Change of Control defined in Section 3.1(e)(4) or 3.1(e)(6)) that the Award will expire after a designated period of time to the extent not then exercised, (ii) that the Award will be settled in cash rather than Stock, (iii) that the Award will be assumed by another party to the transaction giving rise to the acceleration or otherwise be equitably converted in connection with such transaction, or (iv) any combination of the foregoing. The Committee's determination need not be uniform and may be different for different Participants whether or not such Participants are similarly situated.

14.14 PERFORMANCE GOALS. The Committee may determine that any Award granted pursuant to this Plan to a Participant (including, but not limited to, Participants who are Covered Employees) shall be determined solely on the basis of (a) the achievement by the Company or a Parent or

Subsidiary of a specified target return, or target growth in return, on equity or assets, (b) the Company's total stockholder return (stock price appreciation plus reinvested dividends) relative to a defined comparison group or target over a specific performance period or periods, (c) the Company's stock price, (d) the achievement by an individual, group of individuals, the Company, or a business unit or division of the Company, Parent or Subsidiary of a specified target, or target growth in, relative to a defined comparison group or otherwise, revenues, net income or earnings per share, or including but not limited to, targets based, in whole or part, on funds from operations (adjusted or otherwise), net asset value, asset quality, same store revenue growth, same store expense growth, net operating income (including, but not limited to, same store net operating income), operating margin, development or redevelopment activities (including, but not limited to, development or redevelopment funds from operations), lease-up activities, funds from operations pay-out ratio, net financial capabilities (including, but not limited to, with respect to cash, liquid receivables, available lines of credit or debt maturities), leverage ratio, balance sheet, credit rating, debt maturity, liquidity, credit capacity, fixed charges (including, but not limited to, fixed charge ratios), debt, net debt, earnings before or after taxes, interest, depreciation, or amortization, transactions (including, but not limited to, consummation of acquisitions, sales, joint ventures or financings), portfolio enhancement, mitigation plans or strategies or (e) the achievement of objectively determinable goals with respect to service or product delivery, service or product quality, sales or marketing (including, but not limited to, web traffic, technology penetration, web platform (including, but not limited to, social networking platform), online leasing, concierge services or call centers), customer retention or satisfaction, expansion of revenue or income streams, sourcing of low cost capital, operational efficiencies, dividend growth, earnings multiple improvement, meeting budgets, staffing, retention, growth, development, engagement, integration, succession and/or reviewing performance of employees, business or strategic plans, investor communications or relations, compliance (including, but not limited to, with respect to accounting, tax, external or regulatory filings, internal financial reporting, audits (including, but not limited to, internal audits) or contract policies), financial planning or analysis or (e) any combination or subset of the goals set forth in (a) through (d) above. If an Award is made on such basis, the Committee shall establish goals prior to the beginning of the period for which such performance goal relates (or such later date as may be permitted under Code Section 162(m) or the regulations thereunder) and the Committee has the right for any reason to reduce (but not increase) the Award, notwithstanding the achievement of a specified goal. Any payment of an Award granted with performance goals shall be conditioned on the written certification of the Committee in each case that the performance goals and any other material conditions were satisfied.

14.15 TERMINATION OF EMPLOYMENT. Whether military, government or other service or other leave of absence shall constitute a termination of employment shall be determined in each case by the Committee at its discretion, and any determination by the Committee shall be final and conclusive. A termination of employment shall not occur (i) in a circumstance in which a Participant transfers from the Company to one of its Parents or Subsidiaries, transfers from a Parent or Subsidiary to the Company, or transfers from one Parent or Subsidiary to another Parent or Subsidiary, or (ii) in the discretion of the Committee as specified at or prior to such occurrence, in the case of a spin-off, sale or disposition of the Participant's employer from the Company or any Parent or Subsidiary. To the extent that this provision causes Incentive Stock Options to extend beyond three months from the date a Participant is deemed to be an employee of the Company, a Parent or Subsidiary for purposes of Section 424(f) of the Code, the Options held by such Participant shall be deemed to be Non-Qualified Stock Options.

ARTICLE 15

CHANGES IN CAPITAL STRUCTURE

15.1 GENERAL. In the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the authorization limits under Section 5.1 and 5.4 shall be adjusted proportionately, and the Committee shall adjust Awards to preserve the benefits or potential benefits of the Awards. Action by the Committee shall include: (i) adjustment of the number and kind of shares or other securities which may be delivered under the Plan; (ii) adjustment of the number and kind of shares or other securities subject to outstanding Awards; (iii) adjustment of the exercise price of outstanding Awards; and (iv) any other adjustments that the Committee determines to be equitable. Without limiting the foregoing, in the event a stock dividend or stock split is declared upon the Stock, the authorization limits under Section 5.1 and 5.4 shall be increased proportionately, and the shares of Stock or other securities then subject to each Award shall be increased proportionately without any change in the aggregate purchase price therefor.

ARTICLE 16

AMENDMENT, MODIFICATION AND TERMINATION

16.1 AMENDMENT, MODIFICATION AND TERMINATION. The Board or the Committee may, at any time and from time to time, amend, modify or terminate the Plan without stockholder approval; provided, however, that the Board or Committee may condition any amendment or modification on the approval of stockholders of the Company if such approval is necessary or deemed advisable with respect to tax, securities or other applicable laws, policies or regulations.

16.2 AWARDS PREVIOUSLY GRANTED. At any time and from time to time, the Committee may amend, modify or terminate any outstanding Award without approval of the Participant; provided, however, that, subject to the terms of the applicable Award Agreement, such amendment, modification or termination shall not, without the Participant's consent, reduce or diminish the value of such Award determined as if the Award had been exercised, vested, cashed in or otherwise settled on the date of such amendment or termination, and provided further that, except as provided in Section 15.1 or otherwise with the consent of the stockholders, the exercise price of any Option or the grant price of any Stock Appreciation Right may not be reduced. No termination, amendment, or modification of the Plan shall adversely affect any Award previously granted under the Plan, without the written consent of the Participant.

ARTICLE 17

GENERAL PROVISIONS

17.1 NO RIGHTS TO AWARDS. No Participant or eligible participant shall have any claim to be granted any Award under the Plan, and neither the Company nor the Committee is obligated to treat Participants or eligible participants uniformly.

17.2 NO STOCKHOLDER RIGHTS. No Award gives the Participant any of the rights of a stockholder of the Company unless and until shares of Stock are in fact issued to such person in connection with such Award.

17.3 WITHHOLDING. The Company or any Parent or Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of the Plan. With respect to withholding required upon any taxable event under the Plan, the Committee may, at the time the Award is granted or thereafter, require or permit that any such withholding requirement be satisfied, in whole or in part, by withholding from the Award shares of Stock, all in accordance with such procedures as the Committee establishes.

17.4 NO RIGHT TO CONTINUED SERVICE. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Company or any Parent or Subsidiary to terminate any Participant's employment or status as an officer, consultant or director at any time, nor confer upon any Participant any right to continue as an employee, officer, consultant or director of the Company or any Parent or Subsidiary.

17.5 UNFUNDED STATUS OF AWARDS. The Plan is intended to be an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Parent or Subsidiary.

17.6 INDEMNIFICATION. To the extent allowable under applicable law, each member of the Committee shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which such member may be a party or in which he may be involved by reason of any action or failure to act under the Plan and against and from any and all amounts paid by such member in satisfaction of judgment in such action, suit, or proceeding against him provided he gives the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

17.7 RELATIONSHIP TO OTHER BENEFITS. No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or benefit plan of the Company or any Parent or Subsidiary unless provided otherwise in such other plan.

17.8 EXPENSES. The expenses of administering the Plan shall be borne by the Company and its Parents or Subsidiaries.

17.9 TITLES AND HEADINGS. The titles and headings of the Sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

17.10 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

17.11 FRACTIONAL SHARES. No fractional shares of Stock shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding up.

17.12 GOVERNMENT AND OTHER REGULATIONS. The obligation of the Company to make payment of awards in Stock, LTIP Units or otherwise shall be subject to all applicable laws, rules, and regulations, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register under the 1933 Act, or any state securities act, any of the shares of Stock or LTIP Units issued in connection with the Plan. The shares or LTIP Units issued in connection with the Plan may in certain circumstances be exempt from registration under the 1933 Act, and the Company may restrict the transfer of such shares or LTIP Units in such manner as it deems advisable to ensure the availability of any such exemption.

17.13 GOVERNING LAW. To the extent not governed by federal law, the Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia.

17.14 ADDITIONAL PROVISIONS. Each Award Agreement may contain such other terms and conditions as the Committee may determine; provided that such other terms and conditions are not inconsistent with the provisions of this Plan. The foregoing is hereby acknowledged as being the UDR, Inc. 1999 Long-Term Incentive Plan as amended and restated by the Committee on February 2, 2017.

UDR, INC.

By: /s/ Warren L. Troupe

Warren L. Troupe
Senior Executive Vice
President
and Secretary

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Section 3: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.02

**RESTRICTED STOCK AWARD AGREEMENT
under the
UDR, INC.**

1999 LONG-TERM INCENTIVE PLAN

(AS AMENDED AND RESTATED FEBRUARY 2, 2017)

Grantee: _____ [Name]
Number of Shares: _____ [Shares]
Date of Grant: _____, 2017
Value as of Grant Date: \$ _____ per share

1. Grant of Shares. UDR, Inc. (the "Company") hereby grants to the Grantee named above (the "Grantee"), as additional compensation for services to be rendered, and subject to the restrictions and the other terms and conditions set forth in the Company's 1999 Long-Term Incentive Plan (the "Plan") and in this Restricted Stock Award Agreement (this "Agreement"), the number of shares indicated above of the Company's \$0.01 par value common stock (the "Shares"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned such terms in the Plan.

2. Vesting of Restricted Stock. Unless the vesting under this Agreement is accelerated in accordance with Article 14 of the Plan, 100% of the Shares subject to this Agreement shall vest (become exercisable) under the following terms: 1/4 of the Shares shall vest on _____, 2018; 1/4 of the Shares shall vest on _____, 2019; 1/4 of the Shares shall vest on _____, 2020; and the remaining 1/4 of the Shares shall vest on _____, 2021.

3. Restrictions. The Shares are subject to each of the following restrictions. "Restricted Shares" means those Shares that are subject to the restrictions imposed hereunder which restrictions have not then expired or terminated. Restricted Shares may not be sold, transferred, exchanged, assigned, pledged, hypothecated or otherwise encumbered. If the Grantee's employment with the Company or any Parent or Subsidiary terminates for any reason other than as set forth in paragraph (a) or (b) of Section 4 hereof, then the Grantee shall forfeit all of the Grantee's right, title and interest in and to the Restricted Shares as of the date of employment termination and such Restricted Shares shall be re-conveyed to the Company without further consideration or any act or action by the Grantee.

The restrictions imposed under this Section 3 shall apply to all shares of the Company's stock or other securities issued with respect to Restricted Shares hereunder in connection with any merger, reorganization, consolidation, re-capitalization, stock dividend or other change in corporate structure affecting the common stock of the Company.

4. Expiration and Termination of Restrictions. The restrictions imposed under Section 3 will expire on the earliest to occur of the following:

- (a) On the date of termination of the Grantee's employment with the Company or any Parent or Subsidiary because of his or her death or Disability; or
-

(b) On the date specified by the Committee or as otherwise established in the Plan in the event of an acceleration of vesting under Article 14 of the Plan (including, without limitation, upon the occurrence of a Change in Control, as defined in the Plan).

5. Delivery of Shares. The Shares will be registered in the name of the Grantee as Restricted Stock and may be held by the Company prior to the lapse of the restrictions thereon as provided in Section 4 hereof (the "Restricted Period"). Any certificate for Shares issued during the Restricted Period shall be registered in the name of the Grantee and shall bear a legend in substantially the following form:

THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE AND RESTRICTIONS AGAINST TRANSFER) CONTAINED IN A RESTRICTED STOCK AWARD AGREEMENT DATED _____, 2017 BETWEEN THE REGISTERED OWNER OF THE SHARES REPRESENTED HEREBY AND UDR, INC. RELEASE FROM SUCH TERMS AND CONDITIONS SHALL BE MADE ONLY IN ACCORDANCE WITH THE PROVISIONS OF SUCH AGREEMENT, COPIES OF WHICH ARE ON FILE IN THE OFFICE OF UDR, INC.

If requested, the Grantee shall deposit with the Company, a stock power, or powers, executed in blank and sufficient to re-convey the Restricted Shares to the Company upon termination of the Grantee's employment during the Restricted Period, in accordance with the provisions of this Agreement.

6. Voting and Dividend Rights. The Grantee, as beneficial owner of the Shares, shall have full voting rights with respect to the Shares and shall receive dividends on the Shares during the Restricted Period. Dividends on the Shares are not eligible for participation in the Company's Dividend Reinvestment Plan during the Restricted Period.

7. Restrictions on Transfer and Pledge. The Restricted Shares may not be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Parent or Subsidiary, or be subject to any lien, obligation, or liability of the Grantee to any other party other than the Company or a Parent or Subsidiary. The Restricted Shares are not assignable or transferable by the Grantee other than by will or the laws of descent and distribution.

8. Changes in Capital Structure. In the event a stock dividend is declared upon the Stock, the shares of Stock then subject to this Agreement shall be increased proportionately. In the event the Stock shall be changed into or exchanged for a different number or class of shares of stock or securities of the Company or of another corporation, whether through reorganization, re-capitalization, reclassification, share exchange, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such share of Stock then subject to this Agreement the number and class of shares into which each outstanding share of Stock shall be so exchanged, or there shall be made such other equitable adjustment as the Committee shall approve.

9. Stop Transfer Notices. In order to ensure compliance with the restrictions on transfer set forth in this Agreement or the Plan, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

10. Refusal to Transfer. The Company shall not be required (a) to transfer on its books any Restricted Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (b) to treat as owner of such Restricted Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Restricted Shares shall have been so transferred.

11. No Right of Continued Employment. Nothing in this Agreement shall interfere with or limit in any way the right of the Company or any Parent or Subsidiary to terminate the Grantee's employment at any time, nor confer upon the Grantee any right to continue in the employ of the Company or any Parent or Subsidiary.

12. Payment of Taxes.

(a) The Grantee upon issuance of the Shares hereunder, shall be authorized to make an election to be taxed upon such award under Section 83(b) of the Code. To effect such election, the Grantee may file an appropriate election with the Internal Revenue Service within thirty (30) days after award of the Shares and otherwise in accordance with applicable Treasury Regulations.

(b) The Grantee will, no later than the date as of which any amount related to the Shares first becomes includable in the Grantee's gross income for federal income tax purposes, pay to the Company, or make other arrangements satisfactory to the Committee regarding payment of, any federal, state and local taxes of any kind required or permitted by law to be withheld with respect to such amount. For the avoidance of doubt, the Grantee may satisfy such payment by permitting the Company to reduce the number of Shares issued. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company, and, where applicable, its Subsidiaries will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Grantee.

13. Grantee's Covenant. The Grantee hereby agrees to use his best efforts to provide services to the Company in a workmanlike manner and to promote the Company's interests.

14. Amendment. The Committee may amend, modify or terminate this Agreement without approval of the Grantee; provided, however, that such amendment, modification or termination shall not, without the Grantee's consent, reduce or diminish the value of this award determined as if it had been fully vested on the date of such amendment or termination.

15. Plan Controls. The terms contained in the Plan are incorporated into and made a part of this Agreement and this Agreement shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

16. Successors. This Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Agreement and the Plan.

17. Severability. If any one or more of the provisions contained in this Agreement is invalid, illegal or unenforceable, the other provisions of this Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

18. Notice. Notices and communications under this Agreement must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to:

UDR, Inc.
1745 Shea Center Dr., Suite 200
Highlands Ranch, Colorado 80129
Attn: Corporate Secretary

or any other address designated by the Company in a written notice to the Grantee. Notices to the Grantee will be directed to the address of the Grantee then currently on file with the Company, or at any other address given by the Grantee in a written notice to the Company.

19. Dispute Resolution. The provisions of this Section 19 shall be the exclusive means of resolving disputes arising out of or relating to the Plan and this Agreement. The Company, the Grantee, and the Grantee's assignees (the "parties") shall attempt in good faith to resolve any disputes arising out of or relating to the Plan and this Agreement by negotiation between individuals who have authority to settle the controversy. Negotiations shall be commenced by either party by notice of a written statement of the party's position and the name and title of the individual who will represent the party. Within thirty (30) days of the written notification, the parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to resolve the dispute. If the dispute has not been resolved by negotiation, the parties agree that any suit, action, or proceeding arising out of or relating to the Plan or this Agreement shall be brought in the United States District Court for the District of Colorado (or should such court lack jurisdiction to hear such action, suit or proceeding, in a state court in Colorado) and that the parties shall submit to the jurisdiction of such court. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. **THE PARTIES ALSO EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION OR PROCEEDING.** If any one or more provisions of this Section 19 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Agreement and agree that the Shares are to be governed by the terms and conditions of this Agreement and the Plan.

UDR, Inc.

By: _____

Name: Thomas W. Toomey

Title: Chief Executive Officer & President

The Grantee acknowledges receipt of a copy of the Plan and this Agreement and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Shares subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement and the Plan. The Grantee hereby agrees that all disputes arising out of or relating to this Agreement and the Plan shall be resolved in accordance with Section 19 of this Agreement.

The Grantee further agrees to notify the Company upon any change in the residence address indicated in this Agreement.

GRANTEE:

[Name]

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Section 4: EX-10.7 (EXHIBIT 10.7)

Exhibit 10.07

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the “Agreement”) is entered into as of _____ (“Effective Date”), by and between UDR, Inc., a Maryland corporation (the “Company”), and _____ (the “Indemnitee”). See Schedule A for a list of officers and directors who have entered into this Indemnification Agreement with the Company.

WHEREAS, the Indemnitee, at the request of the Company, is serving as an officer or a member of the Board of Directors (“Board”) of the Company and in such capacity is performing a valuable service for the Company;

WHEREAS, the law of the State of Maryland, the Company’s state of formation, permits the Company to enter into contracts with its officers or members of its Board with respect to indemnification of such persons; and

WHEREAS, to induce the Indemnitee to continue to provide services to the Company as an officer or a member of the Board, and to provide the Indemnitee with specific contractual assurance that indemnification will be available to the Indemnitee regardless of, among other things, any amendment to or revocation of the Company’s Articles of Restatement or Amended and Restated Bylaws (as amended collectively the “Charter Documents”), or any acquisition transaction relating to the Company, the Company desires to provide the Indemnitee with protection against personal liability to the fullest extent permitted by law.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and the Indemnitee hereby agree as follows:

1. **Definitions.** For purposes of this Agreement:

(a) “Change in Control” shall mean a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as hereinafter defined), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, a Change in Control shall be deemed to have occurred if, after the Effective Date, any of the following events shall occur:

(I) An acquisition (other than directly from the Company) of any voting securities of the Company (the “Voting Securities”) by any “Person” (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act, immediately after which such Person has “Beneficial Ownership” (within the meaning of Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of 30% or more of the combined voting power of the Company’s then outstanding Voting

Securities; provided, however, that in determining whether a Change in Control has occurred, Voting Securities which are acquired in a “Non-Control Acquisition” (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A “Non-Control Acquisition” shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (x) the Company or (y) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by the Company (a “Subsidiary”), (ii) the Company or any Subsidiary or (iii) any Person in connection with a “Non-Control Transaction” (as hereinafter defined);

(II) approval by stockholders of the Company of:

(A) A merger, consolidation or reorganization involving the Company unless:

(1) the stockholders of the Company, immediately before such merger, consolidation or reorganization, own, directly or indirectly, immediately following such merger, consolidation or reorganization, at least seventy percent (70%) of the combined voting power of the outstanding Voting Securities of the corporation or other entity resulting from such merger or consolidation or reorganization (the “Surviving Corporation”) in substantially the same proportion as among themselves as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization; and

(2) the individuals who were members of the incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least a majority of the members of the board of directors or board of trustees of the Surviving Corporation or a corporation or other entity beneficially owning, directly or indirectly, a majority of the Voting Securities of the Surviving Corporation;

(A) Transaction meeting the conditions described in clauses (1) and (2) of Section 1(a)(II)(A) shall herein be referred to as a “Non-Control Transaction);

(B) A complete liquidation or dissolution of the Company; or

(C) An agreement for the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than to an entity of which the Company directly or indirectly owns at least 70% of the Voting Securities).

(III) There occurs a proxy contest, as a consequence of which members of the Board in office immediately prior thereto constitute less than a majority of the Board thereafter; or

(IV) During any period of two consecutive years, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of

the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than 30% of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increases the proportionate number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

(b) "Corporate Status" means the status of a person who is or was a director, officer, employee, agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise (whether conducted for profit or not for profit) which such person is or was serving at the request of the Company.

(c) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding (as hereinafter defined) in respect of which indemnification and/or advancement of Expenses (as hereinafter defined), as the case may be, is sought by the Indemnitee.

(d) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

(e) "Expenses" shall include all reasonable attorneys and paralegals' fees and costs, retainers, discovery costs, court costs, transcript costs, fees of experts and consultants, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding. Expenses shall also include Expenses incurred in connection with any appeal resulting from any Proceeding, including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent.

(f) "Independent Counsel" means a law firm, or a member of a law firm, selected by the Board by the vote required for determination of the Indemnitee's entitlement to indemnification as provided in clause (ii) of Section 9(b) hereof, that (i) is experienced in matters of corporation law and (ii) has not, and, as to such law firm, no member presently is, or in the past five years has been, retained to represent (x) the Company or the Indemnitee in any matter material to either such party, or (y) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee's rights under this Agreement, unless such conflict of interest is waived by both the Company and the Indemnitee.

(g) “Liabilities” means all liabilities, and losses (including judgments, fines, ERISA excise taxes or penalties, and amounts paid or to be paid in settlement, and any interest, assessments, or other charges imposed thereon, and any federal, state, local, or foreign taxes imposed on any Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement).

(h) “Proceeding” includes any threatened, pending or completed action, claim, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing, or any other proceeding, including appeals therefrom, whether civil, criminal, administrative, or investigative (formal or informal), except one (i) initiated by the Indemnitee pursuant to Section 12 of this Agreement to enforce such Indemnitee’s rights under this Agreement or (ii) pending or completed on or before the Effective Date, unless otherwise specifically agreed in writing by the Company and the Indemnitee. If the Indemnitee reasonably believes that a given situation may lead to or culminate in the institution of a Proceeding, such situation shall also be considered a Proceeding.

2. **Indemnification - General.** The Company shall indemnify, and advance Expenses to, the Indemnitee (i) as provided in this Agreement and (ii) otherwise to the fullest extent permitted by Maryland law in effect on the Effective Date and as amended from time to time (provided, however, that no change in Maryland law shall have the effect of reducing the benefits available to the Indemnitee hereunder based on Maryland law as in effect on the Effective Date). The rights of the Indemnitee provided in this Section 2 shall include, without limitation, the rights set forth in the other sections of this Agreement, including any additional indemnification permitted by Section 2-418(g) of the Maryland General Corporation Law (the “MGCL”).

3. **Proceedings Other than Proceedings by or in the Right of the Company.** The Indemnitee shall be entitled to the rights of indemnification provided in this Section 3 if, by reason of Indemnitee’s Corporate Status, Indemnitee is, or is threatened to be, made a party to or a witness in any Proceeding, other than a Proceeding by or in the right of the Company. The Company shall also indemnify Indemnitee’s spouse (whether by statute or at common law and without regard to the location of the governing jurisdiction) and children to the same extent and subject to the same limitations applicable to Indemnitee hereunder for claims arising out of the status of such person as a spouse or child of Indemnitee, including claims seeking damages from marital property (including community property) or property held by such Indemnitee and such spouse or child or property transferred to such spouse or child, but such indemnity shall not otherwise extend to protect the spouse or child against liabilities caused by the spouse’s or child’s own acts. Pursuant to this Section 3, the Indemnitee shall be indemnified against all Liabilities and all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee’s behalf in connection with a Proceeding by reason of such Indemnitee’s Corporate Status unless it is established that (i) the act or omission of the Indemnitee was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty on the part of the Indemnitee, (ii) the Indemnitee actually received an improper personal benefit in money, property or services, or (iii) in the case of any criminal Proceeding, the Indemnitee had reasonable cause to believe

that his or her conduct was unlawful. Notwithstanding the foregoing, (A) if clause (ii) of the preceding sentence applies, the Indemnitee shall be disqualified from indemnification under this Agreement only to the extent of the improper personal benefit in money, property or services actually received by the Indemnitee, unless otherwise required by Maryland law; and (B) it is the intention of the parties that the Indemnitee shall in any event be entitled to indemnification and advancement or recovery of Expenses to the maximum extent permitted by Maryland law, so that if and to the extent Maryland law now or hereafter permits indemnification and/or advancement or recovery of Expenses under the circumstances described in clauses (i), (ii) or (iii) of the preceding sentence, then and in such event, the Indemnitee shall be entitled thereto.

4. ***Proceedings by or in the Right of the Company.*** The Indemnitee shall be entitled to the rights of indemnification provided in this Section 4 if, by reason of the Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to or a witness in any Proceeding brought by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, the Indemnitee shall be indemnified against all amounts paid in settlement and all Expenses actually and reasonably incurred by the Indemnitee or on the Indemnitee's behalf in connection with such Proceeding unless it is established that (i) the act or omission of the Indemnitee was material to the matter giving rise to such a Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (ii) the Indemnitee actually received an improper personal benefit in money, property or services.

5. ***Court-Ordered Indemnification.*** Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of the Indemnitee and such notice as the court shall require, may order indemnification in the following circumstances:

(a) if it determines that the Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case the Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or

(b) if it determines that the Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the Indemnitee (i) has met the standards of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper. However, indemnification with respect to any Proceeding by or in the right of the Company or in which liability shall have been adjudged in the circumstances described in Section 2-418(c) of the MGCL shall be limited to Expenses.

6. ***Expenses of a Successful Party.*** Notwithstanding any other provision of this Agreement and without limiting the effect of any such provision, to the extent that the Indemnitee is, by reason of such Indemnitee's Corporate Status, made a party to and is successful, on the merits or otherwise, in the defense of any Proceeding, such Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by or on behalf of such Indemnitee in connection therewith. If the Indemnitee is not wholly successful in such Proceeding, but is successful, on the merits or otherwise, as to one or more but

less than all claims, issues, or matters in such Proceeding, the Company shall indemnify the Indemnitee under this Section 6 against all Expenses actually and reasonably incurred by or on behalf of such Indemnitee in connection with each successfully resolved claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section 6, the term “successful on the merits or otherwise” shall include, but not be limited to, (i) any termination, withdrawal or dismissal (with or without prejudice) of any claim, issue or matter in such Proceeding against Indemnitee without any express finding of liability or guilt against the Indemnitee, (ii) the expiration of 180 days after the making of any claim or threat of a Proceeding without the institution of the same and without any promise of payment or payment made to induce a settlement or (iii) the settlement of any Proceeding, pursuant to which Indemnitee pays less than \$10,000.

7. ***Witness Expenses.*** Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee is, by reason of such Indemnitee’s Corporate Status, a witness for any reason in any Proceeding to which such Indemnitee is not a party, or receives a subpoena in any Proceeding to which such Indemnitee is not a party, such Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by or on behalf of such Indemnitee in connection therewith.

8. ***Advancement of Expenses.*** The Company shall advance all reasonable Expenses actually and reasonably incurred by or on behalf of the Indemnitee in connection with any Proceeding (other than a proceeding brought to enforce indemnification under this Agreement, applicable law, the Charter Documents, any agreement or a resolution of the stockholders entitled to vote in the election of directors, but including any Proceeding in which the Indemnitee is not a party in accordance with Section 7) within 20 days after the receipt by the Company of a statement from the Indemnitee requesting such advance from time to time, whether prior to, during or after final disposition of such Proceeding. Such statement shall reasonably evidence the Expenses incurred by the Indemnitee and shall include or be preceded or accompanied by a written affirmation by the Indemnitee of the Indemnitee’s good faith belief that the standard of conduct necessary for indemnification by the Company as authorized by law and by this Agreement has been met and a written undertaking by or on behalf of the Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof, to reimburse the portion of any Expenses advanced to the Indemnitee relating to claims, issues or matters in the Proceeding as to which it shall ultimately be established that the standard of conduct has not been met and which have not been successfully resolved as described in Section 6. To the extent that Expenses advanced to the Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 8 shall be an unlimited general obligation by or on behalf of the Indemnitee and shall be accepted without reference to the Indemnitee’s financial ability to repay such advanced Expenses and without any requirement to post security therefor.

9. ***Determination of Entitlement to Indemnification.***

(a) To obtain indemnification under this Agreement, the Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification. The Indemnitee may submit one or more such requests from time to time and at such time(s) as the Indemnitee deems appropriate in his or her discretion. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that the Indemnitee has requested indemnification.

(b) Upon such written request pursuant to Section 9(a) hereof, a determination, if required by applicable law, with respect to the Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel (which Independent Counsel shall be selected by the Indemnitee and approved by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL, which approval shall not be unreasonably withheld, conditioned or delayed) in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee (unless the Indemnitee shall request that such determination be made by the Board, in which case by the person or persons or in the manner provided in clause (ii) of this Section 9(b)); or (ii) if a Change in Control shall not have occurred, (a) by the Board (or a duly authorized committee thereof) by a majority vote of a quorum consisting of Disinterested Directors (if obtainable), or (b) if a quorum of the Board consisting of Disinterested Directors is not obtainable, or, even if obtainable, if such quorum of Disinterested Directors so directs, by Independent Counsel (which Independent Counsel shall be selected by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL and approved by the Indemnitee, which approval shall not be unreasonably withheld, conditioned or delayed) in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee; and, if it is so determined that the Indemnitee is entitled to indemnification, payment to the Indemnitee shall be made within ten days after such determination.

(c) The Indemnitee shall cooperate with the person or entity making such determination with respect to the Indemnitee's entitlement to indemnification, including providing upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to the Indemnitee and reasonably necessary to such determination. Any Expenses incurred by the Indemnitee in so cooperating shall be borne by the Company (irrespective of the determination as to the Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold the Indemnitee harmless therefrom.

(d) The Company shall pay the reasonable fees and expenses of Independent Counsel, if one is appointed in accordance in Section 9(b).

10. *Presumptions.*

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or entity making such determination shall presume that the Indemnitee is entitled to indemnification under this Agreement if the Indemnitee has submitted a request for indemnification in

accordance with Section 9(a) hereof, and the Company shall have the burden of proof to overcome such presumption in connection with the making of any determination contrary to that presumption.

(b) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, or by dismissal, with or without prejudice, shall not create a presumption that the Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

(c) For purposes of any determination hereunder, Indemnitee shall be deemed to have acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and its stockholders, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe Indemnitee's conduct was unlawful, if Indemnitee's action was based on (i) the records or books of account of the Company or another person, including financial statements, (ii) information supplied to the Indemnitee by the officers of the Company or another person in the course of their duties, (iii) the advice of legal counsel for the Company or another person, or (iv) information or records given or reports made to the Company or another person by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Company or another person.

(d) The knowledge and/or actions, or failure to act, of any other director, officer, employee or agent of the Company or any other director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise shall not be imputed to the Indemnitee for purposes of determining any other right to indemnification under this Agreement.

11. ***Limitation on Indemnification.*** Notwithstanding any other provision herein to the contrary, the Company shall not be obligated pursuant to this Agreement:

(a) *Claims Initiated by Indemnitee.* To indemnify or advance Expenses to Indemnitee under this Agreement with respect to any Proceeding brought by the Indemnitee, unless (a) the Proceeding is brought to enforce indemnification under this Agreement or otherwise or (b) the Charter Documents, a resolution of the stockholders entitled to vote generally in the election of directors or of the Board or an agreement approved by the Board to which the Company is a party expressly provide otherwise.

(b) *Section 16(b) Violations.* To indemnify Indemnitee on account of any Proceeding with respect to which final judgment is rendered against Indemnitee for payment or an accounting of its profits arising from the purchase or sale by Indemnitee of securities in violation of Section 16(b) of the Exchange Act, or any similar successor statute.

(c) *Non-compete and Non-disclosure.* To indemnify Indemnitee in connection with Proceedings involving the enforcement of non-compete and/or non-disclosure agreements or the non-

compete and/or non-disclosure provisions of employment, consulting or similar agreements the Indemnitee may be a party to with the Company, or any subsidiary of the Company or any other applicable foreign or domestic corporation, partnership, joint venture or other enterprise, if any.

12. *Remedies.*

(a) If (i) a determination is made pursuant to Section 9 of this Agreement that the Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 8 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 9(b) of this Agreement within 30 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 6 of this Agreement within 20 days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within 20 days after a determination has been made that the Indemnitee is entitled to indemnification, the Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Maryland, or in any other court of competent jurisdiction, of his or her entitlement to such indemnification or advancement of Expenses. The Indemnitee shall commence such proceeding seeking an adjudication within 180 days following the date on which the Indemnitee first has the right to commence such proceeding pursuant to this Section 12(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by the Indemnitee to enforce Indemnitee's rights under Section 6 of this Agreement.

(b) In the event that a determination shall have been made pursuant to this Agreement that the Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 12 shall be conducted in all respects as a de novo trial, on the merits and the Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 12, the Indemnitee shall be presumed to be entitled to indemnification or advancement of expenses, as the case may be, and the Company shall have the burden of proving that the Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made or deemed to have been made pursuant to this Agreement that the Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 12, absent: (i) a misstatement by the Indemnitee of a material fact, or an omission of a material fact necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 12 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement.

(e) In the event that the Indemnitee, pursuant to this Section 12, seeks a judicial adjudication of such Indemnitee's rights under, or to recover damages for breach of, this Agreement, if successful in whole or in part, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by such Indemnitee in such judicial adjudication.

13. *Defense of the Underlying Proceeding.*

(a) The Indemnitee shall notify the Company promptly upon being served with or receiving any summons, citation, subpoena, complaint, indictment, information, notice, request or other document relating to any Proceeding which may result in the right to indemnification or the advancement of Expenses hereunder, and shall include with such notice a description of the Proceeding and a summary of the facts underlying the Proceeding; provided, however, that the failure to give any such notice shall not disqualify the Indemnitee from the right, or otherwise affect in any manner any right of the Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 13(b) and of Section 13(c) below, the Company shall have the right to defend the Indemnitee in any Proceeding which may give rise to indemnification hereunder; provided, however, that the Company shall notify the Indemnitee of any such decision to defend within 15 calendar days following receipt of notice of any such Proceeding under Section 13(a) above. The Company shall not, without the prior written consent of the Indemnitee, which shall not be unreasonably withheld, conditioned or delayed, consent to the entry of any judgment against the Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of the Indemnitee, (ii) does not include, as an unconditional term thereof, the full release of the Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to the Indemnitee or (iii) would impose any Expense, judgment, fine, penalty or limitation on the Indemnitee. This Section 13(b) shall not apply to a Proceeding brought by the Indemnitee under Section 11 or Section 12 above.

(c) Notwithstanding the provisions of Section 13(b) above, if in a Proceeding to which the Indemnitee is a party by reason of the Indemnitee's Corporate Status, (i) the Indemnitee reasonably concludes, based upon an opinion of Indemnitee's counsel (which counsel shall be subject to the prior approval of the Company, which approval shall not be unreasonably withheld, conditioned or delayed), that he or she may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) the Indemnitee reasonably concludes, based upon an opinion of Indemnitee's counsel, that an actual or apparent conflict of interest or potential conflict of interest exists between the Indemnitee and the Company, or (iii) if the Company fails to assume the defense of such Proceeding in a timely manner, the Indemnitee shall be entitled to be represented by separate legal counsel of the Indemnitee's choice, subject to the prior approval of the Company, which

shall not be unreasonably withheld, conditioned or delayed, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from the Indemnitee the benefits intended to be provided to the Indemnitee hereunder, the Indemnitee shall have the right to retain counsel of the Indemnitee's choice, subject to the prior approval of the Company, which shall not be unreasonably withheld, conditioned or delayed, at the expense of the Company, to represent the Indemnitee in connection with any such matter.

14. ***Non-Exclusivity.*** The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which the Indemnitee may at any time be entitled under applicable law, the Charter Documents, any agreement or a resolution of the stockholders entitled to vote generally in the election of directors or of the Board, or otherwise; provided, however the Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that the Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement, or otherwise.. No amendment, alteration or repeal of this Agreement or any provision hereof shall be effective as to the Indemnitee with respect to any action taken or omitted by the Indemnitee in Indemnitee's Corporate Status prior to such amendment, alteration or repeal.

15. ***Subrogation.*** In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and take all actions necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

16. ***Maintenance of Liability Insurance.***

(a) The Company will use its reasonable efforts to acquire directors and officers liability insurance (including "insuring clause A", commonly known as "Side A Coverage", or similar coverage pursuant to which the Indemnitee as an individual, and not the Company, is the insured party, with reasonable limits, retentions and other terms and conditions), on terms and conditions and in such amounts deemed appropriate by the Board, covering the Indemnitee or any claim made against the Indemnitee for service as a director or officer of the Company and covering the Company for any indemnification or advance of expenses made by the Company to the Indemnitee for any claims made against the Indemnitee for service as a director or officer of the Company. Without in any way limiting any other obligation under this Agreement, the Company shall indemnify the Indemnitee for any payment by the Indemnitee arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, penalties, fines, settlements and reasonable expenses incurred by the Indemnitee in connection with a Proceeding over the coverage of any insurance referred to in the previous sentence.

(b) If, at the time of the receipt of a notice of a claim pursuant to Section 9 hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors or officers of the Company, the Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available, and upon any "Change in Control", the Company shall obtain continuation and/or "tail" coverage for the Indemnitee to the maximum amount obtainable at such time.

17. *Continuation of Indemnity.*

(a) All agreements and obligations of the Company contained herein shall continue during the period the Indemnitee is an officer or a member of the Board of the Company and shall continue thereafter so long as the Indemnitee shall be subject to any threatened, pending or completed Proceeding by reason of such Indemnitee's Corporate Status and during the period of any statute of limitations for any act or omission occurring during the Indemnitee's term of Corporate Status. No legal action shall be brought and no cause of action shall be asserted by or on behalf of the Company against the Indemnitee, the Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two (2) years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two (2) year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern. Notwithstanding the foregoing limitations on the period within which such claim may be brought, to the extent that any applicable statute of limitations provides for a tolling of the limitation period under certain circumstances, then the limitations provided for in this Section 17 shall also be tolled in the event such circumstances exist with respect to any such claim or cause of action. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of the Indemnitee and such Indemnitee's heirs, executors and administrators.

(b) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, trustee, officer, employee or agent of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the Company, and shall inure to the benefit of the Indemnitee and his or her spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(c) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to the Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

18. **Change In Law.** To the extent that a change in state law (whether by statute or judicial decision) shall permit broader indemnification or advancement of expenses than is provided under the terms of the organizational documents of the Company and this Agreement, Indemnitee shall be entitled to such broader indemnification and advancements, and this Agreement shall be deemed to be amended to such extent.

19. **Severability.** If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever, (a) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal, or unenforceable, that is not itself invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby, and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal, or unenforceable, that is not itself invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provisions held invalid, illegal, or unenforceable.

20. **Non-Disclosure of Payments.** Except as expressly required by Federal securities laws or other applicable laws or regulations or by judicial process, Indemnitee shall not disclose any payments made under this Agreement, whether indemnification or advancement of expenses, without the prior written approval of the Company.

21. **Headings.** The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

22. **Modification and Waiver.** Except as provided in Section 18 above with respect to changes in state law which broaden the right of Indemnitee to be indemnified by the Company, no supplement, modification or amendment of this Agreement shall be binding unless executed in writing by each of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement (whether or not similar), nor shall such waiver constitute a continuing waiver.

23. **Successors.** This Agreement shall be (a) binding upon all successors and assigns of the Company (including any transferee of all or a substantial portion of the business, stock and/or assets of the Company and any direct or indirect successor by merger or consolidation or otherwise by operation of law) and (b) binding on and shall inure to the benefit of the heirs, personal representatives, executors and administrators of Indemnitee. This Agreement shall continue for the benefit of Indemnitee and such heirs,

personal representatives, executors and administrators after Indemnitee has ceased to have Corporate Status.

24. **Notices.** All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, if so delivered or mailed, as the case may be, to the following addresses:

If to the Indemnitee, to the address set forth in the records of the Company.

If to the Company, UDR, Inc.
to: 1745 Shea Center Drive, Suite 200
Highlands Ranch, CO 80129
Attn.: Chief Executive Officer

or to such other address as may have been furnished to the Indemnitee by the Company or to the Company by the Indemnitee, as the case may be.

25. **Entire Agreement.** This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes any prior agreements, commitments, drafts, communications, discussions and understandings, oral or written, with respect thereto.

26. **Employment Rights.** Nothing in this Agreement is intended to create in Indemnitee any right to employment or continued employment.

27. **Governing Law.** The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland.

28. **Consent to Jurisdiction.** Each party to this Agreement hereby (a) consents to the jurisdiction of the United States District Court for the District of Colorado or, if such court does not have jurisdiction over such matter, the applicable Colorado State or County Court that has jurisdiction, (b) irrevocably agrees that all actions or proceedings arising out of or relating to this Agreement shall be litigated in such court and (c) consents to personal jurisdiction within Denver, Colorado. Each party to this Agreement accepts for itself and in connection with its properties, generally and unconditionally, the exclusive jurisdiction and venue of the aforesaid courts and waives any defense of lack of personal jurisdiction or inconvenient forum or any similar defense, and irrevocably agrees to be bound by any non-appealable judgment rendered thereby in connection with this Agreement.

29. **Counterparts.** This Agreement may be executed in one or more counterparts, including electronically transmitted counterparts, each of which shall constitute an original and all of which together shall constitute a single agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

UDR, INC., a Maryland corporation

By:

Warren L. Troupe, Senior Executive Vice President

_____, an individual

EXHIBIT A

FORM OF UNDERTAKING TO REPAY EXPENSES ADVANCED

The Board of Directors of UDR, Inc.

Re: Undertaking to Repay Expenses Advanced

Ladies and Gentlemen:

This undertaking is being provided pursuant to that certain Indemnification Agreement dated _____ by and between UDR, Inc. (the “Company”) and the undersigned Indemnitee (the “Indemnification Agreement”), pursuant to which I am entitled to advancement of expenses in connection with [Description of Proceeding] (the “Proceeding”).

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm that at all times, insofar as I was involved as [a director] [an officer] of the Company, in any of the facts or events giving rise to the Proceeding, I (1) acted in good faith and honestly, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance of expenses by the Company for reasonable attorney’s fees and related Expenses incurred by me in connection with the Proceeding (the “Advanced Expenses”), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established and which have not been successfully resolved as described in Section 6 of the Indemnification Agreement.

To the extent that Advanced Expenses do not relate to a specific claim, issue or matter in the Proceeding, I agree that such Expenses shall be allocated on a reasonable and proportionate basis.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this ___ day of ___, 20__.

_____, an individual

SCHEDULE A

LISTING OF OFFICERS AND DIRECTORS WHO HAVE ENTERED INTO THIS INDEMNIFICATION AGREEMENT WITH THE COMPANY

The following directors and officers have signed the Indemnification Agreement and all of them are dated February 4, 2016, except as otherwise noted:

Katherine A. Cattanach
Robert P. Freeman
Jon A. Grove
Mary Ann King
James D. Klingbeil
Clint D. McDonnough
Robert A. McNamara
Mark R. Patterson
Lynne B. Sagalyn
Thomas W. Toomey
Warren L. Troupe
Harry G. Alcock
Jerry A. Davis
Joseph D. Fisher (January 1, 2017)

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Section 5: EX-10.16 (EXHIBIT 10.16)

Exhibit 10.16

AIRCRAFT TIME SHARING AGREEMENT

This Aircraft Time Sharing Agreement (this "Agreement") is made effective as of November 11, 2016 (the "Effective Date") by and between UDR, Inc., a Maryland corporation (the "Company"), and Thomas W. Toomey (the "Executive"). The Company and Executive are hereinafter sometimes referred to individually as "Party" and also collectively as the "Parties."

RECITALS

WHEREAS, the Company owns and has the exclusive right to possess, use and operate the Raytheon Hawker 4000 aircraft bearing manufacturer serial number RC-54 and United States FAA Registration No. N837RE (the "Aircraft"); and

WHEREAS, the Company has entered into an Aircraft Management Agreement, dated as of September 20, 2011 between the Company and Executive Jet Management, Inc. (the "Aircraft Management Agreement"), for Executive Jet Management, Inc. to provide a fully qualified flight crew acceptable to and approved by the Company to operate the Aircraft; and

WHEREAS, the Executive is the Chief Executive Officer and President of the Company; and

WHEREAS, the Company and the Executive desire to lease the Aircraft and the flight crew from time to time on a time sharing basis, as defined in Section 91.501(c)(1) of the Federal Aviation Regulations ("FAR").

NOW, THEREFORE, in consideration of the foregoing, and based on the mutual covenants and conditions set forth herein, the Parties agree as follows:

1. Lease of Aircraft. Pursuant to and in accordance with the provisions of Section 91.501(c)(1) of the FAR:

(a) the Company hereby agrees to lease the Aircraft from time to time to the Executive on a time sharing, non-continuous and non-exclusive basis and the Executive hereby agrees to lease the Aircraft from time to time from the Company on a time sharing, non-continuous and non-exclusive basis, during the Term (as defined in Section 8) and subject to the terms and conditions herein contained; and

(b) the Company hereby agrees that any guest of the Executive, regardless whether the Executive is accompanying such guest on a particular flight, and regardless whether such flight is within the scope of, or incidental to, the business of the Company, shall be deemed to be a guest of the Company for purposes of Section 91.501(b)(6) of the FAR.

2. Delivery and Redelivery of Aircraft. Upon the request of the Executive, subject to the availability of the Aircraft as determined by the Company in accordance with Section 3, the Company shall make the Aircraft available to the Executive at such locations as the Executive may reasonably request. The Executive acknowledges that the Company currently bases the Aircraft at Centennial Airport (KAPA), Englewood, Colorado (the "Home Base"). The repositioning, ferry or dead head flights of the Aircraft required in connection with the Executive's flights of the Aircraft under this Agreement, including delivery and/or redelivery of the Aircraft to the Home Base or to such other location as determined by the Company's specific schedule of the Aircraft usage for its intended business or as the Parties may

otherwise agree, shall be deemed to be use of the Aircraft by the Executive and at the Executive's expense subject to the Rent (as defined in Section 4).

3. Availability, Scheduling and Use of Aircraft Flights. The Executive shall advise the Company of his request for flight time and use of the Aircraft under this Agreement by giving the Company advance notice by telephone and/or facsimile and/or electronic mail as far in advance of any given flight as possible, and in any case, at least two (2) business days in advance of the Executive's planned departure (unless the Company agrees to a shorter notice in its sole discretion). The Executive's notice shall provide the customary information required by the Company and its flight crew for each proposed flight, including the following: (i) proposed departure point, (ii) destination, (iii) date and time of flight, (iv) the number and name of the anticipated passengers, (v) the nature and extent of luggage and/or cargo to be carried, (vi) the date and time of return flight, if any, and (vii) any other information concerning the proposed flight that may be pertinent or required by the Company or the Company's flight crew. The Company, in its sole discretion, shall have final authority over the scheduling of the Aircraft and in the event of a scheduling conflict, the Company's plans and decisions shall control.

4. Rent. For each flight, including the repositioning, ferry or dead head flights set forth under Section 2 above, conducted under this Agreement, the Executive shall pay to the Company rent (the "Rent") as may be set by the Company's Board of Directors from time to time for those flight expenses that may be charged in accordance with Section 91.501(d) of the FAR.

5. Rent Limitation. In the unlikely event that the valuation of a flight transporting the Executive and/or his guests on board the Aircraft under this Agreement using the special non-commercial flight valuation rule for a control employee determined under the base aircraft valuation formula (also known as the Standard Industry Fare Level formula, or "SIFL"), in accordance with the applicable provisions of federal income tax regulations, Section 1.61-21(g) of the Treasury regulations (the "Treasury Regulations") promulgated under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), with respect to such flight should exceed the amount of the Rent chargeable for such flight, then such excess difference shall be imputed as taxable compensation to the Executive includable in the Executive's gross income in accordance with the applicable provisions of the Internal Revenue Code and Treasury Regulations promulgated thereunder and correctly treated and documented for income tax and employment tax and reporting purposes.

6. Federal Excise Tax on Transportation by Air. The Executive agrees and accepts that the Executive shall be responsible for paying to the Company the federal excise tax under Section 4261 of the Internal Revenue Code on the Rent paid to the Company in accordance with Section 4.

7. Method of Payment. The Company will pay all expenses related to the operation of the Aircraft when incurred, and will invoice the Executive for the applicable Rent on the last day of the month in which any flight or flights for the account of the Executive occur.

8. Term and Termination. The term of this Agreement (the "Term") shall commence on the date set forth above and shall continue until terminated by either Party on written notice to the other Party, such termination to become effective ten (10) days from the date of the notice; provided, however, that this Agreement may be terminated by the Company on such shorter notice as may be required for the Company to comply with applicable law, regulations, the requirements of any financial institution with a security or other interest in the Aircraft, insurance requirements, or in the event the insurance required hereunder is not in full force and effect. This Agreement shall automatically terminate upon the date that the Executive is no longer employed by the Company.

9. Operational Control and Crew. With respect to each flight undertaken under this Agreement, the Company shall have and retain operational control of the Aircraft as provided in the applicable FAR (as defined in Section 1.1 of the FAR, "operational control" with respect to a flight means the exercise of authority over initiating, conducting, or terminating a flight); and, for federal tax purposes, the Company shall have and retain "possession, command and control" of the Aircraft. The Company shall employ, pay for and provide to the Executive a qualified flight crew for each flight undertaken under this Agreement.

10. Duties and Responsibilities of Crew. In accordance with applicable provisions of the FAR, the qualified flight crew provided by the Company will exercise all of its duties and responsibilities in regard to the safety of each flight conducted hereunder. The Executive specifically agrees that the flight crew, in its sole discretion, may terminate any flight, refuse to commence any flight, or take other action which in the considered judgment of the pilot in command is necessitated by considerations of safety. The pilot in command shall have final and complete authority to cancel any flight for any reason or condition which, in his or her judgment, would compromise the safety of the flight. No such action of the pilot in command shall create or support any liability for loss, injury, damage or delay to the Executive or any other person. The Executive acknowledges and agrees that the Company shall not be liable under any circumstances for delay or failure to furnish the Aircraft and crew pursuant to this Agreement, except in the event of willful misconduct by the Company.

11. Maintenance. The Company shall be solely responsible for securing maintenance, preventive maintenance and required or otherwise necessary inspections on the Aircraft, and shall take such requirements into account in scheduling the Aircraft. No period of maintenance, preventative maintenance or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said maintenance or inspection can be safely conducted at a later time in compliance with all applicable laws and regulations, and within the sound discretion of the pilot in command.

12. Insurance.

(a) Insurance by Company. The Company, at its sole cost, shall maintain in effect during the Term of this Agreement its present liability insurance covering public liability, property damage, including passenger legal liability, and the Company's all-risk hull and engine insurance. The Company's insurance shall be primary and without right of contribution from any other insurance. The Company shall cause the Executive to be an additional named insured with respect to the liability coverage.

(b) Further Insurance. The Company will provide such additional insurance coverage as the Executive shall request or require, provided, however, that the cost of such additional insurance shall be borne by the Executive.

13. Representations and Warranties.

(a) The Company hereby represents and warrants to the Executive the following:

(i) The Company has the full power, authority and legal right to execute, deliver and perform the terms of this Agreement; and

(ii) The Company shall operate and maintain the Aircraft in a prudent and professional manner, in accordance with the flight manual and all recommended manufacturer's operating practices and procedures, and in full compliance with all applicable federal, state or local rules and regulations, and the provisions of the Company's insurance policy.

(b) The Executive hereby represents and warrants that:

(i) He has the full power, authority and legal right to execute, deliver and perform the terms of this Agreement;

(ii) He will use the Aircraft only for and on account of his own business or personal use only, including the transportation of his guests (regardless of whether the Executive accompanies any such guest on the Aircraft), and will not use the Aircraft for the purpose of providing transportation of passengers or cargo in air commerce for compensation or hire;

(iii) He will refrain from incurring any mechanics or other lien in connection with inspection, preventative maintenance, maintenance or storage of the Aircraft, whether permissible or impermissible under this Agreement, nor shall there be any attempt by Executive to convey, mortgage, assign, lease or any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything to take or fail to take any action that might mature into such a lien or security interest attaching to the Aircraft; and

(iv) During the Term of this Agreement, he will, and will cause any guests to, abide by all such laws, governmental and airport orders, rules and regulations, as shall from time to time be in effect relating in any way to the operation and use of the Aircraft by a time sharing lessee.

14. Risk of Loss. The Company assumes and shall bear the entire risk of loss, theft, confiscation, damage to, or destruction of the Aircraft. The Company shall release, indemnify, defend and hold harmless the Executive and his heirs, executors and personal representatives from and against any and all losses, liabilities, claims, judgments, damages, fines, penalties, deficiencies and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred or suffered by the Executive on account of a claim or action made or instituted by a third person arising out of or resulting from operations of the Aircraft hereunder and/or any services provided by the Company to the Executive hereunder, except to the extent attributable to the gross negligence or willful misconduct of the Executive or his guests on the Aircraft.

15. No Warranties or Representations as to Certain Matters. Neither the Company (nor its affiliates) makes, has made or shall be deemed to make or have made any warranty or representation, either express or implied, written or oral, with respect to any Aircraft to be used hereunder or any engine or component thereof including, without limitation, any warranty as to design, compliance with specifications, quality of materials or workmanship, merchantability, fitness for any purpose, use or operation, airworthiness, safety, patent, trademark or copyright infringement or title.

16. Copy of the Agreement in the Aircraft. A copy of this Agreement shall be carried in the Aircraft and available for review at the request of the Federal Aviation Administration on all flights conducted pursuant to this Agreement.

17. No Assignment. Neither this Agreement nor any Party's interest herein shall be assignable to any other party whatsoever. This Agreement shall inure to the benefit of and be binding upon the Parties hereto, and their respective heirs, representatives and successors.

18. Entire Agreement. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes any prior or contemporaneous agreements between the Parties with respect to the subject matter of this Agreement. There are no

representations, warranties, covenants, promises or undertakings, other than those expressly set forth or referred to herein.

19. Further Acts. The Company and the Executive shall, from time to time, perform such other and further acts and execute such other and further instruments as may be required by law or may be reasonably necessary (i) to carry out the intent and purpose of this Agreement, and (ii) to establish, maintain and protect the respective rights and remedies of the other Party.

20. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Colorado.

21. Amendments. This Agreement may not be changed, altered, modified or amended, except in writing signed by all Parties to this Agreement. This Agreement shall be binding upon the Parties hereto and their respective successors and permitted assigns.

22. Counterparts. This Agreement may be executed in one or more counterparts, and by the different Parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

23. Waiver. No purported waiver by any Party of any default by any other party of any term or provision contained herein shall be deemed to be a waiver of such term or provision unless the waiver is in writing and signed by the waiving Party. No such waiver shall in any event be deemed a waiver of any subsequent default under the same or any other term or provision contained herein.

24. Jointly Prepared. This Agreement is to be deemed to have been prepared jointly by the Parties hereto, and any uncertainty or ambiguity existing herein, if any, shall not be interpreted against any Party, but shall be interpreted according to the application of rules of interpretation for arm's-length agreements.

25. No Third Party Rights. Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person other than the Parties hereto and their successors or assigns, any rights or remedies under or by reason of this Agreement.

26. No Joint Venture. Nothing contained in this Agreement shall be deemed or construed by the Parties hereto or by any third person to create the relationship of principal and agent or of partnership or of joint venture.

27. Survival. All representations, warranties, covenants and agreements of the Parties contained in this Agreement, or in any instrument, certificate, exhibit, schedule or other writing provided for in it, shall survive the Term of this Agreement.

28. Truth-in-Leasing Compliance. The Company, on behalf of the Executive, shall (i) deliver a copy of this Agreement to the Federal Aviation Administration, Aircraft Registration Branch, Attn: Technical Section, P. O. Box 25724, Oklahoma City, Oklahoma 73125 within 24 hours of its execution, (ii) notify the appropriate Flight Standards District Office at least 48 hours prior to the first flight under this Agreement of the registration number of the Aircraft, the location of the airport of departure and the departure time for such flight, and (iii) carry a copy of this Agreement onboard the Aircraft at all times when the Aircraft is being operated under this Agreement, as specified in Section 16 of this Agreement.

29. TRUTH-IN-LEASING STATEMENT PURSUANT TO SECTION 91.23 OF THE FEDERAL AVIATION REGULATIONS.

THE COMPANY CERTIFIES THAT THE AIRCRAFT PRESENTLY COMPLIES WITH APPLICABLE FAA MAINTENANCE AND INSPECTION REQUIREMENTS FOR OPERATION TO BE CONDUCTED UNDER THIS AGREEMENT AND THAT THE AIRCRAFT HAS BEEN MAINTAINED AND INSPECTED FOR THE LAST 12 MONTHS AND IN THE FUTURE WILL BE MAINTAINED AND INSPECTED UNDER PART 91 OF THE FEDERAL AVIATION REGULATIONS FOR OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT.

THE COMPANY CERTIFIES THAT THE COMPANY, AND NOT THE EXECUTIVE, IS RESPONSIBLE FOR OPERATION CONTROL OF THE AIRCRAFT UNDER THIS AGREEMENT DURING THE TERM HEREOF AND THE COMPANY WILL BE THE OPERATOR OF THE AIRCRAFT AS PROVIDED HEREIN.

AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE, GENERAL AVIATION DISTRICT OFFICE, OR AIR CARRIER DISTRICT OFFICE.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

UDR, Inc.

By: /s/ Warren L. Troupe
Name: Warren L. Troupe
Title: Senior Executive Vice President

/s/ Thomas W. Toomey
Name: Thomas W. Toomey

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Section 6: EX-10.17 (EXHIBIT 10.17)

Exhibit 10.17

AIRCRAFT TIME SHARING AGREEMENT

This Aircraft Time Sharing Agreement (this "Agreement") is made effective as of November 11, 2016 (the "Effective Date") by and between UDR, Inc., a Maryland corporation (the "Company"), and Warren L.

Troupe (the "Executive"). The Company and Executive are hereinafter sometimes referred to individually as "Party" and also collectively as the "Parties."

RECITALS

WHEREAS, the Company owns and has the exclusive right to possess, use and operate the Raytheon Hawker 4000 aircraft bearing manufacturer serial number RC-54 and United States FAA Registration No. N837RE (the "Aircraft"); and

WHEREAS, the Company has entered into an Aircraft Management Agreement, dated as of September 20, 2011 between the Company and Executive Jet Management, Inc. (the "Aircraft Management Agreement"), for Executive Jet Management, Inc. to provide a fully qualified flight crew acceptable to and approved by the Company to operate the Aircraft; and

WHEREAS, the Executive is the Senior Executive Vice President of the Company; and

WHEREAS, the Company and the Executive desire to lease the Aircraft and the flight crew from time to time on a time sharing basis, as defined in Section 91.501(c)(1) of the Federal Aviation Regulations ("FAR").

NOW, THEREFORE, in consideration of the foregoing, and based on the mutual covenants and conditions set forth herein, the Parties agree as follows:

1. Lease of Aircraft. Pursuant to and in accordance with the provisions of Section 91.501(c)(1) of the FAR:

(a) the Company hereby agrees to lease the Aircraft from time to time to the Executive on a time sharing, non-continuous and non-exclusive basis and the Executive hereby agrees to lease the Aircraft from time to time from the Company on a time sharing, non-continuous and non-exclusive basis, during the Term (as defined in Section 8) and subject to the terms and conditions herein contained; and

(b) the Company hereby agrees that any guest of the Executive, regardless whether the Executive is accompanying such guest on a particular flight, and regardless whether such flight is within the scope of, or incidental to, the business of the Company, shall be deemed to be a guest of the Company for purposes of Section 91.501(b)(6) of the FAR.

2. Delivery and Redelivery of Aircraft. Upon the request of the Executive, subject to the availability of the Aircraft as determined by the Company in accordance with Section 3, the Company shall make the Aircraft available to the Executive at such locations as the Executive may reasonably request. The Executive acknowledges that the Company currently bases the Aircraft at Centennial Airport (KAPA), Englewood, Colorado (the "Home Base"). The repositioning, ferry or dead head flights of the Aircraft required in connection with the Executive's flights of the Aircraft under this Agreement, including delivery and/or redelivery of the Aircraft to the Home Base or to such other location as determined by the Company's specific schedule of the Aircraft usage for its intended business or as the Parties may

otherwise agree, shall be deemed to be use of the Aircraft by the Executive and at the Executive's expense subject to the Rent (as defined in Section 4).

3. Availability, Scheduling and Use of Aircraft Flights. The Executive shall advise the Company of his request for flight time and use of the Aircraft under this Agreement by giving the Company advance notice by telephone and/or facsimile and/or electronic mail as far in advance of any given flight as possible, and in any case, at least two (2) business days in advance of the Executive's planned departure (unless the Company agrees to a shorter notice in its sole discretion). The Executive's notice shall provide the customary information required by the Company and its flight crew for each proposed flight, including the following: (i) proposed departure point, (ii) destination, (iii) date and time of flight, (iv) the number and name of the anticipated passengers, (v) the nature and extent of luggage and/or cargo to be carried, (vi) the date and time of return flight, if any, and (vii) any other information concerning the proposed flight that may be pertinent or required by the Company or the Company's flight crew. The Company, in its sole discretion, shall have final authority over the scheduling of the Aircraft and in the event of a scheduling conflict, the Company's plans and decisions shall control.

4. Rent. For each flight, including the repositioning, ferry or dead head flights set forth under Section 2 above, conducted under this Agreement, the Executive shall pay to the Company rent (the "Rent") as may be set by the Company's Board of Directors from time to time for those flight expenses that may be charged in accordance with Section 91.501(d) of the FAR.

5. Rent Limitation. In the unlikely event that the valuation of a flight transporting the Executive and/or his guests on board the Aircraft under this Agreement using the special non-commercial flight valuation rule for a control employee determined under the base aircraft valuation formula (also known as the Standard Industry Fare Level formula, or "SIFL"), in accordance with the applicable provisions of federal income tax regulations, Section 1.61-21(g) of the Treasury regulations (the "Treasury Regulations") promulgated under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), with respect to such flight should exceed the amount of the Rent chargeable for such flight, then such excess difference shall be imputed as taxable compensation to the Executive includable in the Executive's gross income in accordance with the applicable provisions of the Internal Revenue Code and Treasury Regulations promulgated thereunder and correctly treated and documented for income tax and employment tax and reporting purposes.

6. Federal Excise Tax on Transportation by Air. The Executive agrees and accepts that the Executive shall be responsible for paying to the Company the federal excise tax under Section 4261 of the Internal Revenue Code on the Rent paid to the Company in accordance with Section 4.

7. Method of Payment. The Company will pay all expenses related to the operation of the Aircraft when incurred, and will invoice the Executive for the applicable Rent on the last day of the month in which any flight or flights for the account of the Executive occur.

8. Term and Termination. The term of this Agreement (the "Term") shall commence on the date set forth above and shall continue until terminated by either Party on written notice to the other Party, such termination to become effective ten (10) days from the date of the notice; provided, however, that this Agreement may be terminated by the Company on such shorter notice as may be required for the Company to comply with applicable law, regulations, the requirements of any financial institution with a security or other interest in the Aircraft, insurance requirements, or in the event the insurance required hereunder is not in full force and effect. This Agreement shall automatically terminate upon the date that the Executive is no longer employed by the Company.

9. Operational Control and Crew. With respect to each flight undertaken under this Agreement, the Company shall have and retain operational control of the Aircraft as provided in the applicable FAR (as defined in Section 1.1 of the FAR, "operational control" with respect to a flight means the exercise of authority over initiating, conducting, or terminating a flight); and, for federal tax purposes, the Company shall have and retain "possession, command and control" of the Aircraft. The Company shall employ, pay for and provide to the Executive a qualified flight crew for each flight undertaken under this Agreement.

10. Duties and Responsibilities of Crew. In accordance with applicable provisions of the FAR, the qualified flight crew provided by the Company will exercise all of its duties and responsibilities in regard to the safety of each flight conducted hereunder. The Executive specifically agrees that the flight crew, in its sole discretion, may terminate any flight, refuse to commence any flight, or take other action which in the considered judgment of the pilot in command is necessitated by considerations of safety. The pilot in command shall have final and complete authority to cancel any flight for any reason or condition which, in his or her judgment, would compromise the safety of the flight. No such action of the pilot in command shall create or support any liability for loss, injury, damage or delay to the Executive or any other person. The Executive acknowledges and agrees that the Company shall not be liable under any circumstances for delay or failure to furnish the Aircraft and crew pursuant to this Agreement, except in the event of willful misconduct by the Company.

11. Maintenance. The Company shall be solely responsible for securing maintenance, preventive maintenance and required or otherwise necessary inspections on the Aircraft, and shall take such requirements into account in scheduling the Aircraft. No period of maintenance, preventative maintenance or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said maintenance or inspection can be safely conducted at a later time in compliance with all applicable laws and regulations, and within the sound discretion of the pilot in command.

12. Insurance.

(a) Insurance by Company. The Company, at its sole cost, shall maintain in effect during the Term of this Agreement its present liability insurance covering public liability, property damage, including passenger legal liability, and the Company's all-risk hull and engine insurance. The Company's insurance shall be primary and without right of contribution from any other insurance. The Company shall cause the Executive to be an additional named insured with respect to the liability coverage.

(b) Further Insurance. The Company will provide such additional insurance coverage as the Executive shall request or require, provided, however, that the cost of such additional insurance shall be borne by the Executive.

13. Representations and Warranties.

(a) The Company hereby represents and warrants to the Executive the following:

(i) The Company has the full power, authority and legal right to execute, deliver and perform the terms of this Agreement; and

(ii) The Company shall operate and maintain the Aircraft in a prudent and professional manner, in accordance with the flight manual and all recommended manufacturer's operating practices and procedures, and in full compliance with all applicable federal, state or local rules and regulations, and the provisions of the Company's insurance policy.

(b) The Executive hereby represents and warrants that:

(i) He has the full power, authority and legal right to execute, deliver and perform the terms of this Agreement;

(ii) He will use the Aircraft only for and on account of his own business or personal use only, including the transportation of his guests (regardless of whether the Executive accompanies any such guest on the Aircraft), and will not use the Aircraft for the purpose of providing transportation of passengers or cargo in air commerce for compensation or hire;

(iii) He will refrain from incurring any mechanics or other lien in connection with inspection, preventative maintenance, maintenance or storage of the Aircraft, whether permissible or impermissible under this Agreement, nor shall there be any attempt by Executive to convey, mortgage, assign, lease or any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything to take or fail to take any action that might mature into such a lien or security interest attaching to the Aircraft; and

(iv) During the Term of this Agreement, he will, and will cause any guests to, abide by all such laws, governmental and airport orders, rules and regulations, as shall from time to time be in effect relating in any way to the operation and use of the Aircraft by a time sharing lessee.

14. Risk of Loss. The Company assumes and shall bear the entire risk of loss, theft, confiscation, damage to, or destruction of the Aircraft. The Company shall release, indemnify, defend and hold harmless the Executive and his heirs, executors and personal representatives from and against any and all losses, liabilities, claims, judgments, damages, fines, penalties, deficiencies and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred or suffered by the Executive on account of a claim or action made or instituted by a third person arising out of or resulting from operations of the Aircraft hereunder and/or any services provided by the Company to the Executive hereunder, except to the extent attributable to the gross negligence or willful misconduct of the Executive or his guests on the Aircraft.

15. No Warranties or Representations as to Certain Matters. Neither the Company (nor its affiliates) makes, has made or shall be deemed to make or have made any warranty or representation, either express or implied, written or oral, with respect to any Aircraft to be used hereunder or any engine or component thereof including, without limitation, any warranty as to design, compliance with specifications, quality of materials or workmanship, merchantability, fitness for any purpose, use or operation, airworthiness, safety, patent, trademark or copyright infringement or title.

16. Copy of the Agreement in the Aircraft. A copy of this Agreement shall be carried in the Aircraft and available for review at the request of the Federal Aviation Administration on all flights conducted pursuant to this Agreement.

17. No Assignment. Neither this Agreement nor any Party's interest herein shall be assignable to any other party whatsoever. This Agreement shall inure to the benefit of and be binding upon the Parties hereto, and their respective heirs, representatives and successors.

18. Entire Agreement. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes any prior or contemporaneous agreements between the Parties with respect to the subject matter of this Agreement. There are no

representations, warranties, covenants, promises or undertakings, other than those expressly set forth or referred to herein.

19. Further Acts. The Company and the Executive shall, from time to time, perform such other and further acts and execute such other and further instruments as may be required by law or may be reasonably necessary (i) to carry out the intent and purpose of this Agreement, and (ii) to establish, maintain and protect the respective rights and remedies of the other Party.

20. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Colorado.

21. Amendments. This Agreement may not be changed, altered, modified or amended, except in writing signed by all Parties to this Agreement. This Agreement shall be binding upon the Parties hereto and their respective successors and permitted assigns.

22. Counterparts. This Agreement may be executed in one or more counterparts, and by the different Parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

23. Waiver. No purported waiver by any Party of any default by any other party of any term or provision contained herein shall be deemed to be a waiver of such term or provision unless the waiver is in writing and signed by the waiving Party. No such waiver shall in any event be deemed a waiver of any subsequent default under the same or any other term or provision contained herein.

24. Jointly Prepared. This Agreement is to be deemed to have been prepared jointly by the Parties hereto, and any uncertainty or ambiguity existing herein, if any, shall not be interpreted against any Party, but shall be interpreted according to the application of rules of interpretation for arm's-length agreements.

25. No Third Party Rights. Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person other than the Parties hereto and their successors or assigns, any rights or remedies under or by reason of this Agreement.

26. No Joint Venture. Nothing contained in this Agreement shall be deemed or construed by the Parties hereto or by any third person to create the relationship of principal and agent or of partnership or of joint venture.

27. Survival. All representations, warranties, covenants and agreements of the Parties contained in this Agreement, or in any instrument, certificate, exhibit, schedule or other writing provided for in it, shall survive the Term of this Agreement.

28. Truth-in-Leasing Compliance. The Company, on behalf of the Executive, shall (i) deliver a copy of this Agreement to the Federal Aviation Administration, Aircraft Registration Branch, Attn: Technical Section, P. O. Box 25724, Oklahoma City, Oklahoma 73125 within 24 hours of its execution, (ii) notify the appropriate Flight Standards District Office at least 48 hours prior to the first flight under this Agreement of the registration number of the Aircraft, the location of the airport of departure and the departure time for such flight, and (iii) carry a copy of this Agreement onboard the Aircraft at all times when the Aircraft is being operated under this Agreement, as specified in Section 16 of this Agreement.

29. TRUTH-IN-LEASING STATEMENT PURSUANT TO SECTION 91.23 OF THE FEDERAL AVIATION REGULATIONS.

THE COMPANY CERTIFIES THAT THE AIRCRAFT PRESENTLY COMPLIES WITH APPLICABLE FAA MAINTENANCE AND INSPECTION REQUIREMENTS FOR OPERATION TO BE CONDUCTED UNDER THIS AGREEMENT AND THAT THE AIRCRAFT HAS BEEN MAINTAINED AND INSPECTED FOR THE LAST 12 MONTHS AND IN THE FUTURE WILL BE MAINTAINED AND INSPECTED UNDER PART 91 OF THE FEDERAL AVIATION REGULATIONS FOR OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT.

THE COMPANY CERTIFIES THAT THE COMPANY, AND NOT THE EXECUTIVE, IS RESPONSIBLE FOR OPERATION CONTROL OF THE AIRCRAFT UNDER THIS AGREEMENT DURING THE TERM HEREOF AND THE COMPANY WILL BE THE OPERATOR OF THE AIRCRAFT AS PROVIDED HEREIN.

AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE, GENERAL AVIATION DISTRICT OFFICE, OR AIR CARRIER DISTRICT OFFICE.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

UDR, Inc.

By: /s/ Thomas W. Toomey
Name: Thomas W. Toomey
Title: Chief Executive Officer and President

/s/ Warren L. Troupe
Name: Warren L. Troupe

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Section 7: EX-10.24 (EXHIBIT 10.24)

Exhibit 10.24

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated as of January 20, 2017 by and among UDR, Inc., a Maryland corporation (the "Borrower"), each of the Lenders party hereto and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent (the "Administrative Agent").

WHEREAS, the Borrower, the Lenders, the Administrative Agent and certain other parties have entered into that certain Credit Agreement dated as of October 20, 2015 (as in effect immediately prior to the effectiveness hereof, the “Credit Agreement”); and

WHEREAS, the Borrower, the Lenders and the Administrative Agent desire to amend certain provisions of the Credit Agreement on the terms and conditions contained herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto hereby agree as follows:

Section 1. Specific Amendments to Credit Agreement. Upon the effectiveness of this Amendment, the parties hereto agree that the Credit Agreement is amended as follows:

(a) The Credit Agreement is amended by adding the following new definitions to Section 1.1 in the appropriate alphabetical location:

“**Bail-In Action**” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“**Bail-In Legislation**” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“**EEA Financial Institution**” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“**EEA Member Country**” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“**EEA Resolution Authority**” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“**EU Bail-In Legislation Schedule**” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“**Write-Down and Conversion Powers**” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

(b) The Credit Agreement is amended by adding “or (iii) become the subject of a Bail-In Action” immediately prior to the proviso of clause (d) of the definition of “Defaulting Lender” in Section 1.1.

(c) The Credit Agreement is amended by restating the first sentence of Section 2.1(b) in its entirety to read as follows:

Not later than 7:00 a.m. Pacific time on the proposed date of a borrowing of Revolving Loans that are to be Base Rate Loans and not later than 7:00 a.m. Pacific time at least 3 Business Days prior to a borrowing of Revolving Loans that are to be LIBOR Loans, the Borrower shall deliver to the Administrative Agent a Notice of Revolving Borrowing.

(d) The Credit Agreement is amended by restating Section 2.1(c) in its entirety to read as follows:

(c) Funding of Revolving Loans. Promptly after receipt of a Notice of Revolving Borrowing under the immediately preceding subsection (b), the Administrative Agent shall notify each Revolving Lender of the proposed borrowing. Each Revolving Lender shall deposit an amount equal to the Revolving Loan to be made by such Lender to the Borrower with the Administrative Agent at the Principal Office, in immediately available funds not later than (i) in the case of Revolving Loans that are to be Base Rate Loans, 11:00 a.m. Pacific time on the date of such proposed Revolving Loans and (ii) in the case of Revolving Loans that are to be LIBOR Loans, 9:00 a.m. Pacific time on the date of such proposed Revolving Loans. Subject to fulfillment of all applicable conditions set forth herein, the Administrative Agent shall make available to the Borrower in the account specified in the Disbursement Instruction Agreement, the proceeds of such amounts received by the Administrative Agent (x) in the case of Revolving Loans that are to be Base Rate Loans, not later than 1:00 p.m. Pacific time on the date of the requested borrowing of such Revolving Loans and (y) in the case of Revolving Loans that are to be LIBOR Loans, not later than 12:00 noon Pacific time on the date of the requested borrowing of such Revolving Loans.

(e) The Credit Agreement is amended by restating the last sentence of Section 3.9(d) in its entirety to read as follows:

Subject to Section 12.20., no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Revolving Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender’s increased exposure following such reallocation.

(f) The Credit Agreement is amended by restating the parenthetical in Section 5.2(b) in its entirety to read as follows:

(excluding in the case of any Credit Event occurring after the Effective Date, the representations and warranties contained in clause (i) of Section 6.1.(i) and in Section 6.1.(l))

(g) The Credit Agreement is amended by adding the following new Section 12.20 to the end of Article XII:

Section 12.20. Acknowledgement and Consent to Bail-In of EEA Financial Institutions.

Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Amendment or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

Section 2. Conditions Precedent. The effectiveness of this Amendment is subject to receipt by the Administrative Agent of each of the following, each in form and substance satisfactory to the Administrative Agent:

(a) A counterpart of this Amendment duly executed by the Borrower, the Guarantor and Lenders constituting the Requisite Lenders and the Requisite Class Lenders of Revolving Lenders; and

(b) Such other documents, instruments and agreements as the Administrative Agent may reasonably request.

Section 3. Guarantor Reaffirmation. The Guarantor hereby reaffirms its continuing obligations to the Administrative Agent and the Lenders under the Guaranty and agrees that the transactions contemplated by this Amendment shall not in any way affect the validity and enforceability of the Guaranty, or reduce, impair or discharge the obligations of the Guarantor thereunder.

Section 4. Representations. The Borrower represents and warrants to the Administrative Agent and the Lenders that:

(a) Authorization. The Borrower has the right and power, and has taken all necessary action to authorize it, to execute and deliver this Amendment and to perform its obligations hereunder and under the Credit Agreement, as amended by this Amendment, in accordance with their respective terms. This Amendment has been duly executed and delivered by a duly authorized officer of the Borrower and each of this Amendment and the Credit Agreement, as amended by this Amendment, is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its respective terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.

(b) Compliance with Laws, etc. The execution and delivery by the Borrower of this Amendment and the performance by the Borrower of this Amendment and the Credit Agreement, as amended by this Amendment, in accordance with their respective terms, do not and will not, by the passage of time, the giving of notice or otherwise: (i) require any Government Approvals or violate any Applicable Laws relating to the Borrower; (ii) conflict with, result in a breach of or constitute a default under the Borrower's articles of incorporation or by-laws or any indenture, agreement or other instrument to which the Borrower is a party or by which the Borrower or any of its properties may be bound; or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by the Borrower other than Permitted Liens. The Borrower, each Subsidiary and each other Loan Party is in compliance with each Governmental Approval applicable to it and in compliance with all other Applicable Laws (including without limitation, Environmental Laws) relating to the Borrower, a Subsidiary or such

other Loan Party except for noncompliances which, and Governmental Approvals the failure to possess which, would not, individually or in the aggregate, cause a Default or Event of Default or have a Material Adverse Effect.

(c) No Default. No Default or Event of Default has occurred and is continuing as of the date hereof nor will exist immediately after giving effect to this Amendment.

(d) No Guarantors. As of the effective date of this Amendment, no Subsidiary other than United Dominion Realty, L.P. is required to be a Guarantor pursuant to the Credit Agreement.

Section 5. Reaffirmation of Representations by the Borrower. The Borrower hereby repeats and reaffirms all representations and warranties made by it to the Administrative Agent and the Lenders in the Credit Agreement and the other Loan Documents to which it is a party on and as of the date hereof with the same force and effect as if such representations and warranties were set forth in this Amendment in full.

Section 6. Certain References. Each reference to the Credit Agreement in any of the Loan Documents shall be deemed to be a reference to the Credit Agreement as amended by this Amendment.

Section 7. Obligations. The Borrower confirms that all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue under the Loan Documents after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding, are "Obligations" under and as defined in the Credit Agreement.

Section 8. Costs and Expenses. The Borrower shall reimburse the Administrative Agent upon demand for all costs and expenses (including attorneys' fees) incurred by the Administrative Agent in connection with the preparation, negotiation and execution of this Amendment and the other agreements and documents executed and delivered in connection herewith.

Section 9. Benefits. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

Section 10. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 11. Effect. Except as expressly herein amended, the terms and conditions of the Credit Agreement and the other Loan Documents remain in full force and effect. The amendments contained herein shall be deemed to have prospective application only, unless otherwise specifically stated herein. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

Section 12. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns.

Section 13. Definitions. All capitalized terms not otherwise defined herein are used herein with the respective definitions given them in the Credit Agreement.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Credit Agreement to be executed as of the date first above written.

UDR, Inc., a Maryland corporation

By: /s/ J. Abram Claude
Name: J. Abram Claude
Title: VP - Treasurer

UNTIED DOMINION REALTY, L.P., a Delaware
limited
partnership

By: UDR, INC., a Maryland corporation

By: /s/ J. Abram Claude
Name: J. Abram Claude
Title: VP - Treasurer

[Signatures Continue on Next Page]

[Signature Page to First Amendment to Credit Agreement with UDR, Inc.]

WELLS FARGO BANK, NATIONAL ASSOCIATION, in
its
capacity as Administrative Agent and individually as a
Lender

By: /s/ Kevin A. Stacker

Name: Kevin A. Stacker

Title: Senior Vice President

[Signatures Continue on Next Page]

[Signature Page to First Amendment to Credit Agreement with UDR, Inc.]

J.P. Morgan Chase Bank, N.A. as a Lender

By: /s/ Chiara Carter

Name: Chiara Carter

Title: Executive Director

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Section 8: EX-12.1 (EXHIBIT 12.1)

EXHIBIT 12.1

UDR, Inc.

Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

(Dollars in thousands)

	2016	2015	2014	2013	2012
Earnings:					
Income/(loss) from continuing operations	\$109,529	\$105,482	\$ 16,260	\$ 2,340	\$ (46,305)
Add (from continuing operations):					
Interest on indebtedness (a)	123,031	121,875	130,262	125,905	139,069
Portion of rents representative of the interest factor	1,923	1,922	2,224	2,163	2,073
Amortization of capitalized interest	4,599	4,112	3,711	3,374	2,883
Total earnings	\$239,082	\$233,391	\$152,457	\$133,782	\$ 97,720
Fixed charges and preferred stock dividends (from continuing operations):					
Interest on indebtedness (a)	\$123,031	\$121,875	\$130,262	\$125,905	\$139,069
Interest capitalized	16,482	16,105	20,249	29,384	26,368
Portion of rents representative	1,923	1,922	2,224	2,163	2,073

of the interest factor					
Fixed charges	<u><u>\$141,436</u></u>	<u><u>\$139,902</u></u>	<u><u>\$152,735</u></u>	<u><u>\$157,452</u></u>	<u><u>\$167,510</u></u>
Add:					
Preferred stock dividends	\$ 3,717	\$ 3,722	\$ 3,724	\$ 3,724	\$ 6,010
Premium/(discount) on preferred stock redemption or repurchase, net	—	—	—	—	2,791
Combined fixed charges and preferred stock dividends	<u><u>\$145,153</u></u>	<u><u>\$143,624</u></u>	<u><u>\$156,459</u></u>	<u><u>\$161,176</u></u>	<u><u>\$176,311</u></u>
Ratio of earnings to fixed charges	1.69	1.67	— (b)	— (b)	— (b)
Ratio of earnings to combined fixed charges and preferred stock dividends	1.65	1.63	— (c)	— (c)	— (c)

(a) Includes interest expense of consolidated subsidiaries, amortization of deferred loan costs, realized losses related to hedging activities and amortization of premiums and discounts related to indebtedness.

(b) The ratio was less than 1:1 for the years ended December 31, 2014, 2013, and 2012 as earnings were inadequate to cover fixed charges by deficiencies of approximately \$0.3 million, \$23.7 million, and \$69.8 million, respectively.

(c) The ratio was less than 1:1 for the years ended December 31, 2014, 2013, and 2012 as earnings were inadequate to cover combined fixed charges and preferred stock dividends by deficiencies of approximately \$4.0 million, \$27.4 million, and \$78.6 million, respectively.

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Section 9: EX-12.2 (EXHIBIT 12.2)

EXHIBIT 12.2

United Dominion Realty, L.P.

Computation of Ratio of Earnings to Fixed Charges

(Dollars in thousands)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Earnings:					
Income/(loss) from continuing operations	\$ 46,082	\$ 56,940	\$ 33,544	\$ 32,766	\$(13,309)
Add from continuing operations:					
Interest on indebtedness (a)	30,067	40,321	41,717	36,058	45,234

Portion of rents representative of the interest factor	1,826	1,868	1,751	1,705	1,665
Amortization of capitalized interest	744	734	725	580	398
Total earnings	\$ 78,719	\$ 99,863	\$ 77,737	\$ 71,109	\$ 33,988
Fixed charges from continuing operations:					
Interest on indebtedness (a)	\$ 30,067	\$ 40,321	\$ 41,717	\$ 36,058	\$ 45,234
Interest capitalized	206	182	2,890	5,870	3,679
Portion of rents representative of the interest factor	1,826	1,868	1,751	1,705	1,665
Fixed charges	\$ 32,099	\$ 42,371	\$ 46,358	\$ 43,633	\$ 50,578
Ratio of earnings to fixed charges	2.45	2.36	1.68	1.63	— (b)

(a) Includes interest expense of consolidated subsidiaries, amortization of deferred loan costs, realized losses related to hedging activities and amortization of premiums and discounts related to indebtedness.

(b) The ratio was less than 1:1 for the year ended December 31, 2012 as earnings were inadequate to cover fixed charges by deficiencies of approximately \$16.6 million.

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Section 10: EX-21 (EXHIBIT 21)

EXHIBIT 21

The Company has the following subsidiaries. Joint Venture entities are shown in red italics. United Dominion Realty, L.P. is a limited partnership with outside limited partners holding minimal percentage interests. The Company owns general and limited partnership interests in United Dominion Realty, L.P. constituting 95.1% of the aggregate partnership interest. Entities marked with an asterisk are those entities in which United Dominion Realty, L.P. is either a member or a partner. UDR Lighthouse DownREIT L.P. is also a limited partnership with outside limited partners. The Company owns general and limited partnership interests in UDR Lighthouse DownREIT L.P. constituting 50.9% of the aggregate partnership interest. Entities marked with a double asterisk are those entities in which UDR Lighthouse DownREIT L.P. owns an interest. All other entities are wholly owned.

<u>Subsidiary or Organization</u>	<u>State of Incorporation</u>
<i>101 Colorado High-Rise, LP</i>	<i>Delaware</i>
<i>101 Colorado Master Condominium Association, Inc.</i>	<i>Texas</i>
<i>1020 Tower GP LLC</i>	<i>Delaware</i>
<i>1020 Tower, LP</i>	<i>Delaware</i>
<i>1211 S. Olive REIT GP LLC</i>	<i>Delaware</i>
<i>1211 & Olive REIT LP</i>	<i>Delaware</i>
<i>1211 S. Olive Street Development, L.P.</i>	<i>California</i>
<i>1211 S. Olive GP LLC</i>	<i>Delaware</i>
<i>13th And Market Properties LLC</i>	<i>Delaware</i>
1745 LLC	Delaware
20 Lambourne LLC	Delaware
<i>24 Hundred Properties LLC</i>	<i>Delaware</i>

2000 Post Owners Association Delaware
345 Harrison LLC Delaware
399 Fremont LLC Delaware
8th & Republican REIT LP Delaware
8th And Republican, LLC Washington
AAC Funding II, Inc. Delaware
AAC Funding III LLC** Delaware
AAC Funding IV LLC* California
AAC Funding IV, Inc. Delaware
AAC Funding Partnership II* Delaware
AAC Seattle I, Inc. Delaware
AAC/FSC Crown Pointe Investors, LLC Washington
AAC/FSC Hilltop Investors, LLC Washington
AAC/FSC Seattle Properties, LLC* Delaware
Acoma High-Rise, LP Delaware
Andover House LLC Delaware
Andover Member 1 LLC Delaware
Andover Member 2 LLC Delaware
Apartments on Chestnut Limited Partnership Delaware
Ashton at Dublin Station, LLC Delaware
Ashwood Commons, L.L.C. Washington
Ashwood Commons North LLC Washington
ASR Investments Corporation Maryland
Bella Terra Villas LLC Delaware
Bellevue Plaza Development LLC Delaware
CMP-1, LLC Delaware
Cambridge Woods LLC Delaware
Cedar Street High-Rise, L.P. Delaware
Circle Towers LLC** Delaware
CityLine Development Phase I LLC Washington
Coastal Monterey Properties, LLC* Delaware
College Park Holding LLC Delaware

Columbia City Apartments REIT LP Delaware
Columbia City Apartments REIT GP LLC Delaware
Columbus Square 775 LLC Delaware
Columbus Square 795 LLC Delaware
Columbus Square 801 LLC Delaware
Columbus Square 805 LLC Delaware
Columbus Square 808 LLC Delaware
Consolidated-Hampton, LLC Maryland
Coronado South Apartments, L.P.* Delaware
DCO 2400 14th Street LLC Delaware
DCO 2919 Wilshire LLC Delaware
DCO 3032 Wilshire LLC Delaware
DCO 3033 Wilshire LLC Delaware
DCO Addison at Brookhaven LP Delaware
DCO Arbors at Lee Vista LLC Delaware
DCO Beach Walk LLC Delaware
DCO Borgata LLC Delaware
DCO Brookhaven Center LP Delaware
DCO Caroline Development LLC Delaware
DCO Clipper Pointe LP Delaware
DCO College Park LLC Delaware
DCO/CWP 2919 Wilshire LLC Delaware
DCO/CWP 3032 Wilshire LLC Delaware
DCO Fiori LLC Delaware
DCO Garden Oaks LP Delaware
DCO Glenwood Apartments LP Delaware
DCO Highlands LLC Delaware
DCO Market LLC Delaware
DCO Mission Bay LP Delaware
DCO Pacific City LLC Delaware
DCO Pine Avenue LP Delaware
DCO Realty, Inc. Delaware
DCO Realty LP LLC Delaware
DCO Savoye LLC Delaware
DCO Savoye 2 LLC Delaware
DCO Springhaven LP Delaware
DCO Talisker LP Delaware
Domain Mountain View LLC Delaware
Dominion Constant Friendship LLC Delaware
Dominion Eden Brook LLC Delaware
Dominion Kings Place LLC Delaware
Domus SPE General Partner, LLC Delaware
Eastern Residential, Inc. Delaware
Easton Partners I, LP Delaware
FMP Member, Inc. Delaware
Fiori LLC Delaware
Foxborough Lodge Limited Partnership Delaware
Garrison Harcourt Square LLC Delaware
Governour's Square of Columbus Co. Ltd.* Ohio
HPI 2161 Sutter LP Delaware
Hanover Square SPE LLC* Delaware
Harding Park LP LLC Delaware
Hawthorne Apartments LLC Delaware
Heritage Communities LLC** Delaware
Icon Tower, LP Delaware
Inlet Bay at Gateway, LLC Delaware
Inwood Development LLC* Delaware
Jamestown of St. Matthews Limited Partnership* Ohio
Jefferson at Marina del Rey, L.P. Delaware

K/UDR Venture LLC Delaware
Katella Grand GP LLC Delaware
Katella Grand II GP LLC Delaware
Katella Grand II REIT LP Delaware
Katella Grand II REIT GP LLC Delaware
Katella Grand REIT GP LLC Delaware
Katella Grand REIT LP Delaware
Kelvin and Jamboree Properties, LLC Delaware
Kelvin Jamboree LLC Delaware
L.A. Southpark High Rise, LP Delaware
La Jolla Wilshire, LLC Delaware
Lakeside Mill LLC Delaware
Lenox Farms Limited Partnership Delaware
Lightbox LLC Delaware
Lincoln TC II, L.P. Delaware
LJW LLC Delaware
Lodge at Ames Pond Limited Partnership Delaware
Lofts at Charles River Landing, LLC Delaware
LPC Millenia Place Apartments LLC Delaware
MacAlpine Place Apartment Partners, Ltd.* Florida
Management Company Services, Inc. Delaware
MCS Insurance Sub Producer Services LLC Delaware
Ninety Five Wall Street LLC* Delaware
Northbay Properties II, L.P.* California
Olive Way High-Rise LP Delaware
Pacific Los Alisos LLC Delaware
Pier 4 LLC Delaware
Platinum Gateway Development Company, LP California
Platinum Vista Apartments, LP California
Polo Park Apartments LLC* Delaware
Portico Properties, LLC Delaware
Rancho Cucamonga Town Square Owners Association California
Savoye LLC Delaware
Savoye 2 LLC Delaware
Strata Properties, LLC Delaware
Tennessee Colonnade LLC* Delaware
THC/UDR Domain College Park LLC Delaware
The Commons of Columbia, Inc. Virginia
The Domain Condominium Association, Inc. Texas
Thomas Circle Properties LLC Delaware
Town Square Commons, LLC District of Columbia
Towson Holdings, LLC Delaware
Towson Promenade, LLC Delaware
Trilon Townhouses, LLC District of Columbia
TSTW LLC Delaware
UDR 10 Hanover LLC* Delaware
UDR 345 Harrison LLC Delaware
UDR 1818 Platinum LLC Delaware
UDR 1200 East West LLC Delaware
UDR Altamira Place LLC Delaware
UDR Arbor Park LLC** Delaware
UDR Arborview Associates LLC Delaware
UDR Aspen Creek, LLC Virginia
UDR Barton Creek LLC** Delaware
UDR California GP, LLC* Delaware
UDR California GP II, LLC Delaware
UDR California Properties, LLC Virginia
UDR Calvert, LLC* Delaware
UDR Calvert's Walk Associates Limited Partnership Maryland

UDR Calverts Walk GP, LLC Delaware
UDR Carlsbad Apartments, L.P.* Delaware
UDR Carriage Homes, LLC Delaware
UDR Chelsea LLC Delaware
UDR Courts at Dulles LLC** Delaware
UDR Courts at Huntington LLC* Delaware
UDR Crane Brook LLC* Delaware
UDR Delancey at Shirlington LLC** Delaware
UDR Developers, Inc. Virginia
UDR Domain Brewers Hill LLC Delaware
UDR EAS LLC Delaware
UDR Eleven55 Ripley LLC** Delaware
UDR Foxglove Associates L.L.C.* Maryland
UDR Garrison Square LLC Delaware
UDR Harbor Greens, L.P.* Delaware
UDR Holdings, LLC* Virginia
UDR Huntington Vista, L.P.* Delaware
UDR Inwood LLC** Delaware
UDR, Inc. Maryland
UDR/K Venture Member LLC Delaware
UDR Lakeline Villas LLC Delaware
UDR Lakeside Mill, LLC* Virginia
UDR Legacy at Mayland LLC Delaware
UDR Legacy Village LLC** Delaware
UDR Lincoln at Towne Square LLC Delaware
UDR Lincoln at Towne Square II LLC Delaware
UDR Lighthouse DownREIT L.P.* Delaware
UDR Lighthouse EAS LLC** Delaware
UDR MCS EAS LLC Delaware
UDR Marina Pointe LLC Delaware
UDR Maryland Properties, LLC* Virginia
UDR/MetLife G.P. LLC Delaware
UDR/MetLife GP II LLC Delaware
UDR/MetLife Master Limited Partnership Delaware
UDR/MetLife Master Limited Partnership II Delaware
UDR Milehouse LLC Delaware
UDR/ML Venture LLC Delaware
UDR/ML Venture 2 LLC Delaware
UDR Midlands Acquisition, LLC* Delaware
UDR Newport Beach North, L.P.* Delaware
UDR Newport Village LLC** Delaware
UDR Ocean Villa Apartments, L.P.* Delaware
UDR of Tennessee, L.P.* Virginia
UDR Okeehoelee LLC* Delaware
UDR Pinebrook, L.P.* Delaware
UDR Presidential Greens, L.L.C. Delaware
UDR Rancho Cucamonga, L.P. Delaware
UDR Red Stone Ranch LLC Delaware
UDR Ridgewood (II) Garden, LLC* Virginia
UDR Ridge at Blue Hills LLC** Delaware
UDR River Terrace LLC Delaware
UDR Rivergate LLC Delaware
UDR Stone Canyon LLC Delaware
UDR Texas Properties LLC Delaware
UDR Texas Ventures LLC Delaware
UDR The Bradford LLC Delaware
UDR The Cliffs LLC Delaware
UDR The Legend at Park Ten LLC Delaware
UDR The Mandolin LLC Delaware

UDR The Meridian LLC Delaware
 UDR Towers By The Bay LLC Delaware
 UDR TX Fund LLC Delaware
 UDR Villa Venetia Apartments, L.P.* Delaware
 UDR Virginia Properties, LLC Virginia
 UDR Wellington Place LLC Delaware
 UDR Whitmore LLC** Delaware
 UDR Windjammer, L.P.* Delaware
 UDR WJV Member LLC Delaware
 UDR Woodland Apartments II, L.P. Delaware
 UDR Woodland GP, LLC Delaware
 UDR LPEAS LLC* Delaware
 UDRT of Delaware 4 LLC* Delaware
 United Dominion Realty, L.P. Delaware
 View 14 Investments LLC Delaware
VP West 1 LLC Delaware
VPDEV 1 LLC Delaware
VPDEV 2 LLC Delaware
Washington Vue, LP Delaware
 Waterscape Village LLC Delaware
 Waterside Towers, L.L.C. Delaware
 WCH LLC Delaware
West El Camino Real, LLC Delaware
 Western Residential, Inc. Virginia
Wilshire Crescent Heights, LLC Delaware
 Windemere at Sycamore Highlands, LLC Delaware
 Winterland San Francisco Partners* California
WREP II Non-REIT Investments, L.P. Delaware

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Section 11: EX-23.1 (EXHIBIT 23.1)

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of UDR, Inc. and in the related Prospectuses of our reports dated February 21, 2017, with respect to the consolidated financial statements and schedule of UDR, Inc., and the effectiveness of internal control over financial reporting of UDR, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2016:

Registration

Statement

Number	Description
--------	-------------

333-129743	Form S-3, pertaining to the registration of 11,000,000 shares of Common Stock, including rights to purchase Series C Junior Participating Redeemable Preferred Stock, issuable under the Company's Dividend Reinvestment and Stock Purchase Plan.
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- 333-197710 Form S-3, Shelf Registration Statement, pertaining to the registration of an indeterminate amount of Common Stock, Preferred Stock, Depositary Shares, Debt Securities, Guarantees of Debt Securities, Warrants, Subscription Rights, Purchase Contracts and Purchase Units.
- 333-167270 Form S-3, pertaining to the registration of 3,882,187 shares of Common Stock.
- 333-180553 Form S-3, pertaining to the registration of 2,569,606 shares of Common Stock.
- 333-183510 Form S-3, pertaining to the registration of 1,802,239 shares of Common Stock.
- 333-212727 Form S-3, pertaining to the registration of 16,137,973 shares of Common Stock.
- 333-160180 Form S-8, pertaining to the Company's 1999 Long-Term Incentive Plan.
- 333-201192 Form S-8, pertaining to the Company's 1999 Long-Term Incentive Plan.
- 333-75897 Form S-8, pertaining to the Company's 1999 Long-Term Incentive Plan.

/s/ Ernst & Young LLP

Denver, Colorado
February 21, 2017

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Section 12: EX-23.2 (EXHIBIT 23.2)

EXHIBIT 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of UDR, Inc. and related Prospectuses of our report dated February 21, 2017, with respect to the consolidated financial statements and schedule of United Dominion Realty, L.P., included in this Annual Report (Form 10-K) for the year ended December 31, 2016:

Registration Statement Number	Description
333-129743	Form S-3, pertaining to the registration of 11,000,000 shares of Common Stock, including rights to purchase Series C Junior Participating Redeemable Preferred Stock, issuable under the Company's Dividend Reinvestment and Stock Purchase Plan.
333-197710	Form S-3, Shelf Registration Statement, pertaining to the registration of an indeterminate amount of Common Stock, Preferred Stock, Depositary Shares, Debt Securities, Guarantees of Debt Securities, Warrants, Subscription Rights, Purchase Contracts and Purchase Units.

- 333-167270 Form S-3, pertaining to the registration of 3,882,187 shares of Common Stock
- 333-180553 Form S-3, pertaining to the registration of 2,569,606 shares of Common Stock.
- 333-183510 Form S-3, pertaining to the registration of 1,802,239 shares of Common Stock.
- 333-212727 Form S-3, pertaining to the registration of 16,137,973 shares of Common Stock.
- 333-160180 Form S-8, pertaining to the Company's 1999 Long-Term Incentive Plan.
- 333-201192 Form S-8, pertaining to the Company's 1999 Long-Term Incentive Plan.
- 333-75897 Form S-8, pertaining to the Company's 1999 Long-Term Incentive Plan.

/s/ Ernst & Young LLP

Denver, Colorado
February 21, 2017

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Section 13: EX-23.3 (EXHIBIT 23.3)

EXHIBIT 23.3

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements of UDR, Inc. and related Prospectuses of our report dated February 21, 2017, with respect to the combined financial statements of UDR Lighthouse DownREIT L.P., included in this Annual Report (Form 10-K) for the year ended December 31, 2016:

Registration Statement Number	Description
333-129743	Form S-3, pertaining to the registration of 11,000,000 shares of Common Stock, including rights to purchase Series C Junior Participating Redeemable Preferred Stock, issuable under the Company's Dividend Reinvestment and Stock Purchase Plan.
333-197710	Form S-3, Shelf Registration Statement, pertaining to the registration of an indeterminate amount of Common Stock, Preferred Stock, Depositary Shares, Debt Securities, Guarantees of Debt Securities, Warrants, Subscription Rights, Purchase Contracts and Purchase Units.
333-167270	Form S-3, pertaining to the registration of 3,882,187 shares of Common Stock
333-180553	Form S-3, pertaining to the registration of 2,569,606 shares of Common Stock.

- 333-183510 Form S-3, pertaining to the registration of 1,802,239 shares of Common Stock.
- 333-212727 Form S-3, pertaining to the registration of 16,137,973 shares of Common Stock.
- 333-160180 Form S-8, pertaining to the Company's 1999 Long-Term Incentive Plan.
- 333-201192 Form S-8, pertaining to the Company's 1999 Long-Term Incentive Plan.
- 333-75897 Form S-8, pertaining to the Company's 1999 Long-Term Incentive Plan.

/s/ Ernst & Young LLP

Denver, Colorado
February 21, 2017

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Section 14: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

CERTIFICATION

I, Thomas W. Toomey, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: February 21, 2017

/s/ Thomas W. Toomey

Thomas W. Toomey
Chief Executive Officer and President
(Principal Executive Officer)

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Section 15: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATION

I, Joseph D. Fisher, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: February 21, 2017

/s/ Joseph D. Fisher

Joseph D. Fisher
Chief Financial Officer and Senior Vice
President (Principal Financial Officer)

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Section 16: EX-31.3 (EXHIBIT 31.3)

EXHIBIT 31.3

CERTIFICATION

I, Thomas W. Toomey, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: February 21, 2017

/s/ Thomas W. Toomey

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

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Section 17: EX-31.4 (EXHIBIT 31.4)

EXHIBIT 31.4

CERTIFICATION

I, Joseph D. Fisher, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: February 21, 2017

/s/ Joseph D. Fisher

Joseph D. Fisher
Chief Financial Officer and Senior Vice President
(Principal Financial Officer) of UDR, Inc.,
general partner of United Dominion Realty, L.P.

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Section 18: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

CERTIFICATION

In connection with the periodic report of UDR, Inc. (the "Company") on Form 10-K for the year ended December 31, 2016, 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: February 21, 2017

/s/ Thomas W. Toomey

Thomas W. Toomey
Chief Executive Officer and President
(Principal Executive Officer)

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Section 19: EX-32.2 (EXHIBIT 32.2)

EXHIBIT 32.2

CERTIFICATION

In connection with the periodic report of UDR, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission (the “Report”), I, Joseph D. Fisher, Senior Vice President and Chief Financial Officer 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: February 21, 2017

/s/ Joseph D. Fisher

Joseph D. Fisher
Chief Financial Officer and Senior Vice
President (Principal Financial Officer)

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Section 20: EX-32.3 (EXHIBIT 32.3)

EXHIBIT 32.3

CERTIFICATION

In connection with the periodic report of United Dominion Realty, L.P. (the “Operating Partnership”) on Form 10-K for the year ended December 31, 2016, 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: February 21, 2017

/s/ Thomas W. Toomey

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

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Section 21: EX-32.4 (EXHIBIT 32.4)

EXHIBIT 32.4

CERTIFICATION

In connection with the periodic report of United Dominion Realty, L.P. (the “Operating Partnership”) on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission (the “Report”), I, Joseph D. Fisher, Senior Vice President and Chief Financial Officer 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: February 21, 2017

/s/ Joseph D. Fisher

Joseph D. Fisher
Chief Financial Officer and Senior Vice President
(Principal Financial Officer) of UDR, Inc.,
general partner of United Dominion Realty, L.P.

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Section 22: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1

UDR LIGHTHOUSE DOWNREIT L.P.

Financial Statements as of December 31, 2016 (audited) and 2015 (unaudited) and
for the year ended December 31, 2016 (audited) and
for the period from October 5, 2015 through December 31, 2015 (unaudited)
and Independent Auditors' Report

UDR LIGHTHOUSE DOWNREIT L.P.

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Report of Independent Auditors

The Partners
UDR Lighthouse DownREIT L.P.

We have audited the accompanying combined financial statements of UDR Lighthouse DownREIT L.P., which comprise the combined balance sheet as of December 31, 2016, and the related combined statements of operations, comprehensive income/(loss), changes in capital, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of UDR Lighthouse DownREIT L.P. at December 31, 2016, and the combined results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Report on summarized comparative information

We have not audited, reviewed or compiled the summarized combined comparative information presented herein as of December 31, 2015 or for the period from October 5, 2015 to December 31, 2015, and, accordingly, we express no opinion on it.

/s/ Ernst & Young LLP

Denver, Colorado
February 21, 2017

UDR LIGHTHOUSE DOWNREIT L.P.
COMBINED BALANCE SHEETS
(In thousands, except for unit data)

	December 31, 2016	December 31, 2015
	<i>(audited)</i>	<i>(unaudited)</i>
ASSETS		
Real estate owned:		
Real estate held for investment	\$ 1,511,627	\$ 1,475,520
Less: accumulated depreciation	(97,644)	(18,276)
Total real estate owned, net of accumulated depreciation	1,413,983	1,457,244
Cash and cash equivalents	66	89
Restricted cash	334	518
Note receivable from the General Partner	126,500	126,500
Other assets	4,509	36,771
Total assets	\$ 1,545,392	\$ 1,621,122
LIABILITIES AND CAPITAL		
Liabilities:		
Secured debt, net	\$ 443,607	\$ 524,052
Real estate taxes payable	6,832	7,295
Accrued interest payable	1,443	1,554
Security deposits and prepaid rent	3,565	3,903
Distributions payable	9,548	8,982
Accounts payable, accrued expenses, and other liabilities	6,183	3,814
Total liabilities	471,178	549,600
Commitments and contingencies (Note 9)		
Capital:		
Limited partners:		
32,367,380 DownREIT Units outstanding at December 31, 2016 and December 31, 2015	1,022,890	1,106,864
Accumulated other comprehensive income/(loss), net	(46)	(49)
Total partners' capital	1,022,844	1,106,815
Advances (to)/from the General Partner	51,370	(35,293)
Total capital	1,074,214	1,071,522
Total liabilities and capital	\$ 1,545,392	\$ 1,621,122

See accompanying notes to the combined financial statements.

UDR LIGHTHOUSE DOWNREIT L.P.
COMBINED STATEMENTS OF OPERATIONS
(In thousands, except per unit data)

	Year Ended	Period From
	December 31,	October 5, 2015 to
	2016	December 31,
	<u>2016</u>	<u>2015</u>
	<i>(audited)</i>	<i>(unaudited)</i>
REVENUES:		
Rental income	\$ 130,121	\$ 29,933
OPERATING EXPENSES:		
Property operating and maintenance	24,849	5,640
Real estate taxes and insurance	18,603	3,943
Property management	3,578	823
Other operating expenses	195	62
Real estate depreciation and amortization	111,453	28,934
General and administrative	7,503	3,750
Casualty-related charges/(recoveries), net	271	84
Total operating expenses	<u>166,452</u>	<u>43,236</u>
Operating income/(loss)	(36,331)	(13,303)
Interest expense	(14,208)	(3,632)
Interest income on note receivable from the General Partner	4,743	1,131
Net income/(loss) attributable to DownREIT unitholders	<u>\$ (45,796)</u>	<u>\$ (15,804)</u>
Net income/(loss) per weighted average DownREIT Unit - basic and diluted:	\$ (1.41)	\$ (0.49)
Weighted average DownREIT Units outstanding - basic and diluted	32,367	32,367

See accompanying notes to the combined financial statements.

UDR LIGHTHOUSE DOWNREIT L.P.
COMBINED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(In thousands)

	Year Ended December 31, 2016	Period From October 5, 2015 to December 31, 2015
	<i>(audited)</i>	<i>(unaudited)</i>
Net income/(loss) attributable to DownREIT unitholders	\$ (45,796)	\$ (15,804)
Other comprehensive income/(loss), including portion attributable to noncontrolling interests:		
Other comprehensive income/(loss) - derivative instruments:		
Unrealized holding gain/(loss)	(2)	(52)
(Gain)/loss reclassified into earnings from other comprehensive income/(loss)	5	3
Other comprehensive income/(loss)	3	(49)
Comprehensive income/(loss) attributable to DownREIT unitholders	\$ (45,793)	\$ (15,853)

UDR LIGHTHOUSE DOWNREIT L.P.
COMBINED STATEMENTS OF CHANGES IN CAPITAL
(In thousands)

	Limited Partners	UDR, Inc. Limited Partner	Accumulated Other Comprehensive Income/(Loss), net	Total Partners' Capital	Advances (to)/from the General Partner	Total
Beginning balance at October 5, 2015	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Units issued in exchange for Real Estate	564,514	567,713	—	1,132,227	—	1,132,227
Net income/(loss)	4,514	(20,318)	—	(15,804)	—	(15,804)
Distributions	(4,768)	(4,791)	—	(9,559)	—	(9,559)
Adjustment to reflect limited partners' capital at redemption value	42,044	(42,044)	—	—	—	—
Unrealized gain on derivative financial investments	—	—	(49)	(49)	—	(49)
Net change in advances (to)/from the General Partner	—	—	—	—	(35,293)	(35,293)
Balance at December 31, 2015	606,304	500,560	(49)	1,106,815	(35,293)	1,071,522
Net income/(loss)	18,081	(63,877)	—	(45,796)	—	(45,796)
Distributions	(18,921)	(19,257)	—	(38,178)	—	(38,178)
DownREIT Unit redemptions for common shares of UDR	(8,939)	8,939	—	—	—	—
Adjustment to reflect limited partners' capital at redemption value	(17,136)	17,136	—	—	—	—
Unrealized gain on derivative financial investments	—	—	3	3	—	3
Net change in advances (to)/from the General Partner	—	—	—	—	86,663	86,663
Balance at December 31, 2016	\$ 579,389	\$ 443,501	\$ (46)	\$ 1,022,844	\$ 51,370	\$ 1,074,214

See accompanying notes to the combined financial statements.

UDR LIGHTHOUSE DOWNREIT L.P.
COMBINED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended	Period From
	December 31,	October 5, 2015 to
	2016	December 31,
	<u>(audited)</u>	<u>(unaudited)</u>
Operating Activities		
Net income/(loss) attributable to DownREIT unitholders	\$ (45,796)	\$ (15,804)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation and amortization	111,453	28,934
Other	(5,578)	(2,232)
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets	(475)	(1,709)
Increase/(decrease) in operating liabilities	1,549	4,467
Net cash provided by/(used in) operating activities	<u>61,153</u>	<u>13,656</u>
Investing Activities		
Capital expenditures and other major improvements — real estate assets, net of escrow reimbursement	(35,190)	(2,927)
Issuance of note receivable from the General Partner	—	(126,500)
Net cash provided by/(used in) investing activities	<u>(35,190)</u>	<u>(129,427)</u>
Financing Activities		
Advances (to)/from the General Partner, net	67,972	(5,414)
Proceeds from the issuance of secured debt	50,000	127,600
Payments on secured debt	(124,998)	(796)
Distributions paid to partnership unitholders	(18,921)	(4,768)
Payments of financing costs	(39)	(762)
Net cash provided by/(used in) financing activities	<u>(25,986)</u>	<u>115,860</u>
Net increase/(decrease) in cash and cash equivalents	(23)	89
Cash and cash equivalents, beginning of year	89	—
Cash and cash equivalents, end of year	<u>\$ 66</u>	<u>\$ 89</u>

Supplemental Information:

Interest paid during the period, net of amounts capitalized	\$ 19,480	\$ 4,694
Non-cash transactions:		
Contribution of real estate in exchange for DownREIT Units	—	1,132,227
Secured debt assumed in the contribution of real estate in exchange for DownREIT Units	—	366,069
Fair value adjustment of secured debt assumed in the contribution of real estate in exchange for DownREIT Units	—	16,912
Reallocation of credit facilities debt from the General Partner	—	16,798
Development costs and capital expenditures incurred but	1,535	504

not yet paid

Dividends declared but not yet paid

9,548

8,982

See accompanying notes to the combined financial statements.

UDR LIGHTHOUSE DOWNREIT L.P.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. CONSOLIDATION AND BASIS OF PRESENTATION

Basis of Presentation

UDR Lighthouse DownREIT L.P. (the "DownREIT Partnership," "we" or "our"), a Delaware limited partnership, was formed on October 5, 2015 ("inception") to own, acquire, renovate, redevelop, manage and dispose of multifamily apartment communities. The DownREIT Partnership is a subsidiary of UDR, Inc. ("UDR" or the "General Partner"), a self-administered real estate investment trust, or REIT. At December 31, 2016, the DownREIT Partnership's apartment portfolio consisted of 13 communities located in four markets consisting of 6,261 apartment homes.

Interests in the DownREIT Partnership are represented by units of limited partnership interest ("DownREIT Units"). The DownREIT Partnership's net income (or individual items thereof) is allocated to the partners in accordance with the terms of the Agreement of Limited Partnership of UDR Lighthouse DownREIT L.P. (the "DownREIT Partnership Agreement"), which is generally first based on their respective distributions made during the year and secondly, 99% to UDR and 1% to the outside partners. Distributions are made in accordance with the terms of the DownREIT Partnership Agreement first on a per unit basis that is generally equal to the dividend per share on UDR's common stock, which is publicly traded on the New York Stock Exchange ("NYSE") under the ticker symbol "UDR" and secondly, 99% to UDR and 1% to the outside partners.

UDR is the sole general partner and a limited partner of the DownREIT Partnership. As the sole general partner of the DownREIT Partnership, UDR has full, complete and exclusive discretion to manage and control the business of the DownREIT Partnership and to make all decisions affecting the business and assets of the DownREIT Partnership, subject to certain limitations. United Dominion Realty, L.P., a Delaware limited partnership (the "Operating Partnership"), a subsidiary of UDR, is also a limited partner in the DownREIT Partnership. UDR and the Operating Partnership received their limited partnership interests in exchange for their contribution of the properties to the DownREIT Partnership. As of December 31, 2016, UDR and the Operating Partnership owned approximately 9.3% and 41.6%, respectively, of the DownREIT Units.

The Operating Partnership accounts for its ownership interest in the DownREIT Partnership as an equity method investment.

As of December 31, 2016, there were 32,367,380 DownREIT Units outstanding, of which 16,485,014 or 50.9% were owned by UDR and affiliated entities, of which 13,470,651 or 41.6% were held by the Operating Partnership, and 15,882,366 or 49.1% were owned by non-affiliated limited partners. See Note 8, Capital Structure.

The DownREIT Partnership evaluated subsequent events through the date its financial statements were issued. No recognized or non-recognized subsequent events were noted.

2. SIGNIFICANT ACCOUNT POLICIES

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-01, *Business Combinations (Topic 805), Clarifying the Definition of a Business*. The ASU changes the definition of a business to assist entities with evaluating whether a set of transferred assets is a business. As a result, the accounting for acquisitions of real estate could be impacted. The updated standard will be effective for the DownREIT Partnership on January 1, 2018; early adoption is permitted. The ASU will be applied prospectively to any transactions occurring within the period of adoption. The DownREIT Partnership expects that the updated standard will result in fewer acquisitions of real estate meeting the definition of a business and fewer acquisition-related costs being expensed.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. The ASU addresses the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The updated standard will be effective for the DownREIT Partnership on January 1, 2018 and must be applied retrospectively to all periods presented; early adoption is permitted. The DownREIT Partnership does not expect the updated standard to have a material impact on the combined financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. The ASU addresses specific cash flow items with the objective of reducing existing diversity in

UDR LIGHTHOUSE DOWNREIT L.P.
NOTES TO COMBINED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

practice, including the treatment of distributions received from equity method investees. The updated standard will be effective for the DownREIT Partnership on January 1, 2018 and must be applied retrospectively to all periods presented; early adoption is permitted. The DownREIT Partnership elected to early adopt ASU 2016-15 in 2016. The adoption did not have an impact on the DownREIT Partnership's consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The standard requires entities to estimate a lifetime expected credit loss for most financial assets, including trade and other receivables, held-to-maturity debt securities, loans and other financial instruments, and to present the net amount of the financial instrument expected to be collected. The updated standard will be effective for the DownREIT Partnership on January 1, 2020; early adoption is permitted on January 1, 2019. The DownREIT Partnership is currently evaluating the effect that the updated standard will have on the combined financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard amends the existing lease accounting guidance and requires lessees to recognize a lease liability and a right-of-use asset for all leases (except for short-term leases that have a duration of one year or less) on their balance sheets. Lessees will continue to recognize lease expense in a manner similar to current accounting. For lessors, accounting for leases under the new guidance is substantially the same as in prior periods, but eliminates current real estate-specific provisions and changes the treatment of initial direct costs. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparable period presented, with an option to elect certain transition relief. Full retrospective application is prohibited. The standard will be effective for the DownREIT Partnership on January 1, 2019, with early adoption permitted. The DownREIT Partnership is currently evaluating the effect that the updated standard will have on our combined financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective, including industry-specific revenue guidance. The standard specifically excludes lease contracts. The ASU allows for the use of either the full or modified retrospective transition method and will be effective for the DownREIT Partnership on January 1, 2018, at which time the DownREIT Partnership expects to adopt the updated standard using the modified retrospective approach. However, as the majority of the DownREIT Partnership's revenue is from rental income related to leases, the DownREIT Partnership does not expect the ASU to have a material impact on the combined financial statements and related disclosures.

Real Estate

Real estate assets held for investment are carried at historical cost and consist of land, buildings and improvements, furniture, fixtures and equipment and other costs incurred during their development, acquisition and redevelopment.

Expenditures for ordinary repair and maintenance costs are charged to expense as incurred. Expenditures for improvements, renovations, and replacements related to the acquisition and/or improvement of real estate assets are capitalized and depreciated over their estimated useful lives if the expenditures qualify as a betterment or the life of the related asset will be substantially extended beyond the original life expectancy.

The DownREIT Partnership purchases real estate investment properties and records the tangible and identifiable intangible assets and liabilities acquired based on their estimated fair value. The primary, although not only, identifiable intangible asset associated with our portfolio is the value of existing lease agreements. When recording the acquisition of a community, we first assign fair value to the estimated intangible value of the existing lease agreements and then to the estimated value of the land, building and fixtures assuming the community is vacant. The DownREIT Partnership estimates the intangible value of the lease agreements by determining the lost revenue associated with a hypothetical lease-up. Depreciation on the building is based on the expected useful life of the asset and the in-place leases are amortized over their remaining average contractual life. Property acquisition costs are expensed as incurred.

Quarterly or when changes in circumstances warrant, the DownREIT Partnership will assess our real estate properties for indicators of impairment. In determining whether the DownREIT Partnership has indicators of impairment in our real estate assets, we assess whether the long-lived asset's carrying value exceeds the community's undiscounted future cash flows, which is representative of projected net operating income ("NOI") plus the residual value of the community. Our future cash flow estimates are based upon historical results adjusted to reflect our best estimate of future market and operating conditions and

UDR LIGHTHOUSE DOWNREIT L.P.
NOTES TO COMBINED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

our estimated holding periods. If such indicators of impairment are present and the carrying value exceeds the undiscounted cash flows of the community, an impairment loss is recognized equal to the excess of the carrying amount of the asset over its estimated fair value. Our estimates of fair market value represent our best estimate based primarily upon unobservable inputs related to rental rates, operating costs, growth rates, discount rates and capitalization rates, industry trends and reference to market rates and transactions.

For long-lived assets to be disposed of, impairment losses are recognized when the fair value of the asset less estimated cost to sell is less than the carrying value of the asset. Properties classified as real estate held for disposition generally represent properties that are actively marketed or contracted for sale with the closing expected to occur within the next twelve months. Real estate held for disposition is carried at the lower of cost, net of accumulated depreciation, or fair value, less the cost to sell, determined on an asset-by-asset basis. Expenditures for ordinary repair and maintenance costs on held for disposition properties are charged to expense as incurred. Expenditures for improvements, renovations, and replacements related to held for disposition properties are capitalized at cost. Depreciation is not recorded on real estate held for disposition.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets which are 35 to 55 years for buildings, 10 to 35 years for major improvements, and 3 to 10 years for furniture, fixtures, equipment, and other assets.

Predevelopment, development, and redevelopment projects and related costs are capitalized and reported on the Combined Balance Sheets as Total real estate owned, net of accumulated depreciation. The DownREIT Partnership capitalizes costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. These costs, excluding the direct costs of redevelopment and capitalized interest, for the year ended December 31, 2016 and period from inception through December 31, 2015 were \$0.3 million and less than \$0.1 million, respectively. During the year ended December 31, 2016 and period from inception through December 31, 2015, total interest capitalized was \$0.1 million and \$0.0, respectively. As each home in a capital project is completed and becomes available for lease-up, the DownREIT Partnership ceases capitalization on the related portion and depreciation commences over the estimated useful life.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions and short-term, highly liquid investments. We consider all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The majority of the DownREIT Partnership's cash and cash equivalents are held at major commercial banks.

Restricted Cash

Restricted cash consists of escrow deposits held by lenders for real estate taxes, insurance and replacement reserves, and security deposits.

Revenue and Real Estate Sales Gain Recognition

Rental income related to leases is recognized on an accrual basis when due from residents and tenants in accordance with GAAP. Rental payments are generally due on a monthly basis and recognized when earned. The DownREIT Partnership recognizes interest income when earned, fixed and determinable.

For sale transactions meeting the requirements for full accrual profit recognition, we remove the related assets and liabilities from our Combined Balance Sheets and record the gain or loss in the period the transaction closes. For sale transactions that do not meet the full accrual sale criteria due to our continuing involvement, we evaluate the nature of the continuing involvement and account for the transaction under an alternate method of accounting. Unless certain limited criteria are met, non-monetary transactions, including property exchanges, are accounted for at fair value.

UDR LIGHTHOUSE DOWNREIT L.P.
NOTES TO COMBINED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

Sales to entities in which we or our General Partner retain or otherwise own an interest are accounted for as partial sales. If all other requirements for recognizing profit under the full accrual method have been satisfied and no other forms of continuing involvement are present, we recognize profit proportionate to the outside interest in the buyer and defer the gain on the interest we or our General Partner retain. The DownREIT Partnership recognizes any deferred gain when the property is sold to a third party. In transactions accounted for by us as partial sales, we determine if the buyer of the majority equity interest in the venture was provided a preference as to cash flows in either an operating or a capital waterfall. If a cash flow preference has been provided, we recognize profit only to the extent that proceeds from the sale of the majority equity interest exceed costs related to the entire property.

Derivative Financial Instruments

The General Partner utilizes derivative financial instruments to manage interest rate risk and generally designates these financial instruments as cash flow hedges. Derivative financial instruments associated with the DownREIT Partnership's allocation of the General Partner's debt are recorded on our Combined Balance Sheets as either an asset or liability and measured quarterly at their fair value. The changes in fair value for the General Partner's cash flow hedges allocated to the DownREIT Partnership that are deemed effective are reflected in other comprehensive income/(loss) and for non-designated derivative financial instruments in earnings. The ineffective component of cash flow hedges, if any, is recorded in earnings.

Income Taxes

The taxable income or loss of the DownREIT Partnership is reported on the tax returns of the partners. Accordingly, no provision has been made in the accompanying financial statements for federal or state income taxes on income that is passed through to the partners. However, any state or local revenue, excise or franchise taxes that result from the operating activities of the DownREIT Partnership are recorded at the entity level. The DownREIT Partnership's tax returns are subject to examination by federal and state taxing authorities. Net income for financial reporting purposes differs from the net income for income tax reporting purposes primarily due to temporary differences, principally real estate depreciation and the tax deferral of certain gains on property sales. The differences in depreciation result from differences in the book and tax basis of certain real estate assets and the differences in the methods of depreciation and lives of the real estate assets.

The DownREIT Partnership evaluates the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing the DownREIT Partnership's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Management of the DownREIT Partnership is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which include federal and certain states. The DownREIT Partnership has no examinations in progress and none are expected at this time.

Management of the DownREIT Partnership has reviewed all open tax years (2015) of tax jurisdictions and concluded there is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken in future tax returns.

Allocation of General and Administrative Expenses

The DownREIT Partnership is charged directly for general and administrative expenses it incurs. The DownREIT Partnership is also charged with other general and administrative expenses that have been allocated by the General Partner to each of its subsidiaries, including the DownREIT Partnership, based on reasonably anticipated benefits to the parties. (See Note 5, Related Party Transactions.)

Advertising Costs

All advertising costs are expensed as incurred and reported on the Combined Statements of Operations within the line item *Property operating and maintenance*. During the year ended December 31, 2016 and period from inception through December 31, 2015, total advertising expense was \$1.3 million and \$0.3 million, respectively.

Comprehensive Income/(Loss)

Comprehensive income/(loss), which is defined as the change in capital during each period from transactions and other events and circumstances from nonowner sources, including all changes in capital during a period except for those resulting

UDR LIGHTHOUSE DOWNREIT L.P.
NOTES TO COMBINED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

from investments by or distributions to partners, is displayed in the accompanying Combined Statements of Comprehensive Income/(Loss). For the year ended December 31, 2016 and period from inception through December 31, 2015, the DownREIT Partnership's other comprehensive income/(loss) consisted of the gain/(loss) (effective portion) on derivative instruments that are designated as and qualify as cash flow hedges and (gain)/loss reclassified from other comprehensive income/(loss) into earnings. The (gain)/loss reclassified from other comprehensive income/(loss) is included in *Interest expense* on the Combined Statements of Operations. See Note 7, Derivatives and Hedging Activity, for further discussion.

Use of Estimates

The preparation of these financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates.

Market Concentration Risk

The DownREIT Partnership is subject to increased exposure from economic and other competitive factors specific to those markets where it holds a significant percentage of the carrying value of its real estate portfolio at December 31, 2016, the DownREIT Partnership held greater than 10% of the carrying value of its real estate portfolio in the Metropolitan D.C., Boston, Massachusetts and Dallas, Texas markets.

3. REAL ESTATE OWNED

Real estate assets owned by the DownREIT Partnership consist of income producing operating properties. At December 31, 2016, the DownREIT Partnership owned and combined 13 operating communities in two states plus the District of Columbia totaling 6,261 apartment homes. The following table summarizes the carrying amounts for our real estate owned (at cost) as of December 31, 2016 and 2015 (*dollars in thousands*):

	December 31, 2016	December 31, 2015
	<i>(audited)</i>	<i>(unaudited)</i>
Land and land improvements	\$ 266,867	\$ 265,698
Depreciable property — held and used:		
Buildings, improvements, and furniture, fixtures and equipment	1,244,760	1,209,822
Real estate owned	1,511,627	1,475,520
Accumulated depreciation	(97,644)	(18,276)
Real estate owned, net	\$ 1,413,983	\$ 1,457,244

At inception, the DownREIT Partnership received the 13 operating communities noted above in exchange for DownREIT Units with a value of \$1.1 billion and the assumption of \$366.1 million of secured debt. Nine of the communities were contributed by the General Partner and the remaining four were contributed by outside limited partnership holders.

UDR LIGHTHOUSE DOWNREIT L.P.
NOTES TO COMBINED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016

4. DEBT, NET

Our secured debt instruments generally feature either monthly interest and principal or monthly interest-only payments with balloon payments due at maturity. For purposes of classification in the following table, variable rate debt with a derivative financial instrument designated as a cash flow hedge is deemed as fixed rate debt due to the DownREIT Partnership having effectively established the fixed interest rate for the underlying debt instrument. Secured debt consists of the following as of December 31, 2016 and 2015 (*dollars in thousands*):

	Principal Outstanding		For the Year Ended December 31, 2016		
	December 31,		Weighted Average Interest Rate	Weighted Average Years to Maturity	Number of Communities Encumbered
	2016	2015			
	<i>(audited)</i>	<i>(unaudited)</i>			
Fixed Rate Debt					
Mortgage notes payable	\$ 325,991	\$ 406,358	4.13%	6.6	5
Fannie Mae credit facilities	48,292	48,292	4.78%	2.8	2
Deferred financing costs	(1,236)	(1,132)			
Total fixed rate secured debt, net	373,047	453,518	4.22%	6.0	7
Variable Rate Debt					
Fannie Mae credit facilities	70,741	70,741	2.32%	3.8	—
Deferred financing costs	(181)	(207)			
Total variable rate secured debt, net	70,560	70,534	2.32%	3.8	—
Total secured debt, net	\$ 443,607	\$ 524,052	2.73%	5.7	7

As of December 31, 2016, an aggregate commitment of \$119.0 million of the General Partner's secured credit facilities with Fannie Mae was allocated to the DownREIT Partnership based on the ownership of the assets securing the debt. The entire commitment was outstanding at December 31, 2016. The portion of the Fannie Mae credit facilities allocated to the DownREIT Partnership mature at various dates from December 2018 through July 2023 and bear interest at floating and fixed rates. At December 31, 2016, \$48.3 million of the outstanding balance was fixed and had a weighted average interest rate of 4.78% and the remaining balance of \$70.7 million on these facilities had a weighted average variable interest rate of 2.32%. The following information relates to the credit facilities allocated to the DownREIT Partnership (*dollars in thousands*):

	December 31, 2016	December 31, 2015
	<i>(audited)</i>	<i>(unaudited)</i>
Borrowings outstanding	\$ 119,033	\$ 119,033
Weighted average borrowings during the period ended	119,033	119,033
Maximum daily borrowings during the period ended	119,033	119,033
Weighted average interest rate during the period ended	3.2%	3.3%
Interest rate at the end of the period	3.3%	3.1%

Upon the contribution of communities to the DownREIT Partnership, contributed secured debt was recorded at its estimated fair value and the difference between the fair value and par is amortized to interest expense over the life of the underlying debt instrument. As of December 31, 2016 and 2015, the DownREIT Partnership had \$9.7 million and \$15.1 million (*unaudited*), respectively, of unamortized fair value adjustments associated with the fixed rate debt instruments on the DownREIT Partnership's properties.

Fixed Rate Debt

At December 31, 2016, the General Partner had borrowings against its fixed rate facilities of \$355.8 million, of which \$48.3 million was allocated to the DownREIT Partnership based on the ownership of the assets securing the debt. As of

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December 31, 2016, the fixed rate Fannie Mae credit facilities allocated to the DownREIT Partnership had a weighted average fixed interest rate of 4.78%.

Variable Rate Debt

At December 31, 2016, the General Partner had borrowings against its variable rate facilities of \$280.9 million, of which \$70.7 million was allocated to the DownREIT Partnership based on the ownership of the assets securing the debt. As of December 31, 2016, the variable rate borrowings under the Fannie Mae credit facilities allocated to the DownREIT Partnership had a weighted average floating interest rate of 2.32%.

The aggregate maturities of the DownREIT Partnership's secured debt due during each of the next ten calendar years subsequent to December 31, 2016 are as follows (*dollars in thousands*):

	Fixed		Variable	Total
	Mortgage Notes Payable	Secured Credit Facilities	Secured Credit Facilities	
2017	\$ 2,949	\$ —	\$ —	\$ 2,949
2018	3,096	21,128	41,643	65,867
2019	51,960	—	—	51,960
2020	80,664	27,164	—	107,828
2021	—	—	—	—
2022	—	—	—	—
2023	—	—	29,098	29,098
2024	—	—	—	—
2025	127,600	—	—	127,600
2026	50,000	—	—	50,000
Thereafter	—	—	—	—
Subtotal	316,269	48,292	70,741	435,302
Non-cash (a)	8,761	(275)	(181)	8,305
Total	\$ 325,030	\$ 48,017	\$ 70,560	\$ 443,607

(a) Includes the unamortized balance of fair market value adjustments, premiums/discounts, deferred hedge gains, and deferred financing costs. During the year ended December 31, 2016 and period from inception through December 31, 2015, the DownREIT Partnership amortized less than \$0.1 million of deferred financing costs into *Interest expense*.

5. RELATED PARTY TRANSACTIONS

Advances (To)/From the General Partner

The DownREIT Partnership participates in the General Partner's central cash management program, wherein all the DownREIT Partnership's cash receipts are remitted to the General Partner and all cash disbursements are funded by the General Partner. In addition, other miscellaneous costs such as administrative expenses are incurred by the General Partner on behalf of the DownREIT Partnership. As a result of these various transactions between the DownREIT Partnership and the General Partner, the DownREIT Partnership had net *Advances (to)/from the General Partner* of \$51.4 million and \$(35.3) million (*unaudited*) at December 31, 2016 and 2015, respectively, which is reflected as increases/(decreases) of capital on the Combined Balance Sheets.

Note Receivable from the General Partner

On October 6, 2015, the DownREIT Partnership entered into a note receivable with the General Partner with an aggregate commitment of \$126.5 million. As of December 31, 2016 and 2015, the note had a balance of \$126.5 million. Interest is incurred at a rate of 3.75% per annum and is paid monthly. The note matures on October 6, 2025. For the year ended December 31, 2016 and period from inception through December 31, 2015, the DownREIT Partnership recognized \$4.7 million

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and \$1.1 million (*unaudited*), respectively, of interest income from the note.

Allocation of General and Administrative Expenses

The General Partner shares various general and administrative costs, employees and other overhead costs with the DownREIT Partnership including legal assistance, acquisitions analysis, marketing, human resources, IT, accounting, rent, supplies and advertising, and allocates these costs to the DownREIT Partnership first on the basis of direct usage when identifiable, with the remainder allocated based on the reasonably anticipated benefits to the parties. During the year ended December 31, 2016 and period from inception through December 31, 2015, the general and administrative expenses allocated to the DownREIT Partnership by UDR were \$5.7 million and \$1.7 million (*unaudited*), respectively, and are included in *General and administrative* on the Combined Statements of Operations. In the opinion of management, this method of allocation reflects the level of services received by the DownREIT Partnership from the General Partner.

During the year ended December 31, 2016 and period from inception through December 31, 2015, the DownREIT Partnership reimbursed the General Partner \$5.4 million and \$1.5 million (*unaudited*), respectively, for shared services related to corporate level property management costs incurred by the General Partner. These shared cost reimbursements and related party management fees are initially recorded within the line item *General and administrative* on the Combined Statements of Operations, and a portion related to management costs is reclassified to *Property management* on the Combined Statements of Operations. (See further discussion below.)

Shared Services/Management Fee

At inception, the DownREIT Partnership self-managed its own properties and entered into an Inter-Company Employee and Cost Sharing Agreement with the General Partner. This agreement provides for reimbursements to the General Partner for the DownREIT Partnership's allocable share of costs incurred by the General Partner for (a) Shared Services of corporate level property management employees and related support functions and costs, and (b) general and administrative costs. As discussed above, the reimbursement for shared services is classified in *Property management* on the Combined Statements of Operations.

6. FAIR VALUE OF DERIVATIVES AND FINANCIAL INSTRUMENTS

Fair value is based on the price that would be received to sell an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level valuation hierarchy prioritizes observable and unobservable inputs used to measure fair value. The fair value hierarchy consists of three broad levels, which are described below:

- Level 1 — Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2 — Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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The estimated fair values of the DownREIT Partnership's financial instruments either recorded or disclosed on a recurring basis as of December 31, 2016 and 2015 are summarized as follows (*dollars in thousands*):

	Fair Value at December 31, 2016, Using				
	<i>(audited)</i>				
Description:	Total Carrying Amount in Statement of Financial Position at December 31, 2016	Fair Value Estimate at December 31, 2016	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivatives- Interest rate contracts (a)	\$ —	\$ —	\$ —	\$ —	\$ —
Total assets	\$ —	\$ —	\$ —	\$ —	\$ —
Secured debt instruments - fixed rate: (b)					
Mortgage notes payable	\$ 325,991	\$ 310,553	\$ —	\$ —	\$ 310,553
Fannie Mae credit facilities	48,292	49,080	—	—	49,080
Secured debt instruments - variable rate: (b)					
Fannie Mae credit facilities	70,741	70,741	—	—	70,741
Total liabilities	\$ 445,024	\$ 430,374	\$ —	\$ —	\$ 430,374
	Fair Value at December 31, 2015, Using				
	<i>(unaudited)</i>				
Description:	Total Carrying Amount in Statement of Financial Position at December 31, 2015	Fair Value Estimate at December 31, 2015	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivatives - Interest rate contracts (a)	\$ 2	\$ 2	\$ —	\$ 2	\$ —
Total assets	\$ 2	\$ 2	\$ —	\$ 2	\$ —
Secured debt instruments					

- fixed rate: (b)

Mortgage notes payable \$	406,358	\$ 396,290	\$ —	\$ —	\$ 396,290
Fannie Mae credit facilities	48,292	50,055	—	—	50,055

Secured debt instruments

- variable rate: (b)

Fannie Mae credit facilities	70,741	70,741	—	—	70,741
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Total liabilities	<u>\$ 525,391</u>	<u>\$ 517,086</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 517,086</u>
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(a) See Note 7, *Derivatives and Hedging Activity*.

(b) See Note 4, *Debt, Net*.

There were no transfers into or out of each of the levels of the fair value hierarchy.

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Financial Instruments Carried at Fair Value

The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The fair values of interest rate options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities.

The General Partner, on behalf of the DownREIT Partnership, incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the DownREIT Partnership has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the General Partner, on behalf of the DownREIT Partnership, has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2016 and December 31, 2015, the DownREIT Partnership has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the DownREIT Partnership has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. In conjunction with the FASB's fair value measurement guidance, the DownREIT Partnership made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Financial Instruments Not Carried at Fair Value

At December 31, 2016, the fair values of cash and cash equivalents, restricted cash, accounts receivable, prepaids, real estate taxes payable, accrued interest payable, security deposits and prepaid rent, distributions payable and accounts payable approximated their carrying values because of the short term nature of these instruments. The estimated fair values of other financial instruments were determined by the DownREIT Partnership using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the DownREIT Partnership would realize on the disposition of the financial instruments. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

The General Partner estimates the fair value of our debt instruments by discounting the remaining cash flows of the debt instrument at a discount rate equal to the replacement market credit spread plus the corresponding treasury yields. Factors considered in determining a replacement market credit spread include general market conditions, borrower specific credit spreads, time remaining to maturity, loan-to-value ratios and collateral quality (Level 3).

The DownREIT Partnership records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by the future operation and disposition of those assets are less than the net book value of those assets. Cash flow estimates are based upon historical results adjusted to reflect management's best estimate of future market and operating conditions and our estimated holding periods. The net book value of impaired assets is reduced to fair value. The General Partner's estimates of fair value represent management's estimates based upon Level 3 inputs such as industry trends and reference to market rates and transactions.

7. DERIVATIVES AND HEDGING ACTIVITY

Risk Management Objective of Using Derivatives

The DownREIT Partnership is exposed to certain risks arising from both its business operations and economic conditions. The General Partner principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The General Partner manages economic risks, including interest rate, liquidity, and

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credit risk primarily by managing the amount, sources, and duration of its debt funding and through the use of derivative financial instruments. Specifically, the General Partner enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The General Partner's and the DownREIT Partnership's derivative financial instruments are used to manage differences in the amount, timing, and duration of the General Partner's known or expected cash payments principally related to the General Partner's borrowings.

Cash Flow Hedges of Interest Rate Risk

The General Partner's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the General Partner primarily uses interest rate swaps and caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the General Partner making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up front premium.

A portion of the General Partner's interest rate derivatives has been allocated to the DownREIT Partnership based on the General Partner's underlying debt instruments allocated to the DownREIT Partnership. (See Note 4, *Debt, Net.*)

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in *Accumulated other comprehensive income/(loss), net* in the Combined Balance Sheets, and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the year ended December 31, 2016 and period from inception through December 31, 2015, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the year ended December 31, 2016, the DownREIT Partnership recorded no gain or loss from ineffectiveness. For the period from inception through December 31, 2015, the DownREIT Partnership recognized a loss of less than \$0.1 million reclassified from *Accumulated other comprehensive income/(loss), net* to *Interest expense* due to the de-designation of a cash flow hedge and recorded no other ineffectiveness to earnings.

Amounts reported in *Accumulated other comprehensive income/(loss), net* related to derivatives will be reclassified to interest expense as interest payments are made on the General Partner's variable-rate debt that is allocated to the DownREIT Partnership. Through December 31, 2017, we estimate that less than \$0.1 million will be reclassified as an increase to interest expense.

As of December 31, 2016, the DownREIT Partnership had the following outstanding interest rate derivatives designated as cash flow hedges of interest rate risk (*dollars in thousands*):

Product	Number of Instruments	Notional
Interest rate caps	1	\$ 41,643

Derivatives not designated as hedges are not speculative and are used to manage the DownREIT Partnership's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of GAAP. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and resulted in an adjustment to earnings of less than \$0.1 million for the year ended December 31, 2016 and period from inception through December 31, 2015.

As of December 31, 2016, we had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships (*dollars in thousands*):

Product	Number of Instruments	Notional
Interest rate caps	2	\$ 34,175

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Tabular Disclosure of Fair Values of Derivative Instruments on the Combined Balance Sheets

The table below presents the fair value of the DownREIT Partnership's derivative financial instruments as well as their classification on the Combined Balance Sheets as of December 31, 2016 and 2015 (*dollars in thousands*):

	Asset Derivatives (included in <i>Other assets</i>)		Liability Derivatives (Included in <i>Other liabilities</i>)	
	Fair Value at:		Fair Value at:	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	<i>(audited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Derivatives designated as hedging instruments:				
Interest rate products	\$ —	\$ 2	\$ —	\$ —
Derivatives not designated as hedging instruments:				
Interest rate products	\$ —	\$ —	\$ —	\$ —

Tabular Disclosure of the Effect of Derivative Instruments on the Combined Statements of Operations

The tables below present the effect of the derivative financial instruments on the Combined Statements of Operations for the year ended December 31, 2016 and period from inception through December 31, 2015 (*dollars in thousands*):

	Unrealized holding gain/(loss) Recognized in OCI (Effective Portion)		Gain/(Loss) Reclassified from Accumulated OCI into Interest expense (Effective Portion)		Gain/(Loss) Recognized in Interest expense (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Year Ended December 31, 2016	Period From October 5, 2015 to December 31, 2015	Year Ended December 31, 2016	Period From October 5, 2015 to December 31, 2015	Year Ended December 31, 2016	Period From October 5, 2015 to December 31, 2015
	<i>(audited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Derivatives in Cash Flow Hedging Relationships						
Interest rate products	\$ (2)	\$ (52)	\$ (5)	\$ (3)	\$ —	\$ (3)

	Gain/(Loss) Recognized in Interest income and other income/(expense), net	
	Year Ended December 31, 2016	Period From October 5, 2015 to December 31, 2015
	<i>(audited)</i>	<i>(unaudited)</i>
Derivatives Not Designated as Hedging Instruments		
Interest rate products	\$ —	\$ (1)

Credit-risk-related Contingent Features

The General Partner has agreements with some of its derivative counterparties that contain a provision where (1) if the General Partner defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the General Partner could also be declared in default on its derivative obligations; or (2) the General Partner could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the General Partner's default on the indebtedness.

Certain of the General Partner's agreements with its derivative counterparties contain provisions where if there is a change in the General Partner's financial condition that materially changes the General Partner's creditworthiness in an adverse manner, the General Partner may be required to fully collateralize its obligations under the derivative instrument. At

(a) Amounts reconcile to the aggregate fair value of derivative liabilities in the “Tabular Disclosure of Fair Values of Derivative Instruments on the Combined Balance Sheets” located in this footnote.

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8. CAPITAL STRUCTURE

General Partner

The General Partner has complete discretion to manage and control the operations and business of the Operating Partnership, which includes but is not limited to the acquisition and disposition of real property, construction of buildings and making capital improvements, and the borrowing of funds from outside lenders or UDR and its subsidiaries to finance such activities. The General Partner can generally authorize, issue, sell, redeem or purchase any DownREIT Unit or securities of the DownREIT Partnership without the approval of the limited partners. The General Partner can also approve, with regard to the issuances of DownREIT Units, the class or one or more series of classes, with designations, preferences, participating, optional or other special rights, powers and duties including rights, powers and duties senior to limited partnership interests without approval of any limited partners.

UDR, Inc. is the sole general partner of the DownREIT Partnership. Limited partners have no power to remove the general partner. No general partner DownREIT Units have been issued.

Limited Partnership Units

At December 31, 2016 and 2015, there were 32,367,380 limited partnership units outstanding. UDR owned 16,485,014 limited partnership units or 50.9% and 16,229,407 limited partnership units or 50.1% at December 31, 2016 and 2015, respectively, of which, 13,470,651 limited partnership units or 41.6% of all units outstanding were held by the Operating Partnership at December 31, 2016 and 2015. The remaining 15,882,366 or 49.1% and 16,137,973 or 49.9% limited partnership units outstanding were held by non-affiliated partners at December 31, 2016 and 2015, respectively.

Subject to the terms of the DownREIT Partnership Agreement, the limited partners have the right to require the DownREIT Partnership to redeem all or a portion of the DownREIT Units held by the limited partner at a redemption price equal to and in the form of the Cash Amount (as defined in the DownREIT Partnership Agreement), provided that such DownREIT Units have been outstanding for at least one year. UDR, as the general partner of the DownREIT Partnership, may, in its sole discretion, purchase the DownREIT Units by paying to the limited partner either the Cash Amount or the REIT Share Amount (generally one share of common stock of UDR for each DownREIT Unit), as defined in the DownREIT Partnership Agreement.

The non-affiliated limited partners' capital is adjusted to redemption value at the end of each reporting period with the corresponding offset against UDR's limited partner capital account based on the redemption rights noted above. The aggregate value upon redemption of the then-outstanding DownREIT Units held by limited partners was \$579.4 million and \$606.3 million as of December 31, 2016 and 2015, respectively, based on the value of UDR's common stock at each period end. A limited partner has no right to receive any distributions from the DownREIT Partnership on or after the date of redemption of its DownREIT Units.

The following table shows DownREIT Units outstanding and DownREIT Unit activity as of and for the year ended December 31, 2016 and period from inception through December 31, 2015:

	UDR, Inc.			Total
	Limited Partners	Limited Partner	Limited Partner	
Inception, October 5, 2015 <i>(unaudited)</i>	16,137,973	2,758,756	13,470,651	32,367,380
Ending balance at December 31, 2015 <i>(unaudited)</i>	16,137,973	2,758,756	13,470,651	32,367,380
DownREIT redemptions for UDR stock	(255,607)	255,607	—	—
Ending balance at December 31, 2016	15,882,366	3,014,363	13,470,651	32,367,380

Allocation of Profits and Losses

The DownREIT Partnership's net income is allocated to the partners in accordance with the terms of the DownREIT Partnership Agreement, which is generally first based on their respective distributions made during the year and secondly, 99% to UDR and 1% to the Outside Partners. Distributions are made in accordance with the terms of the DownREIT Partnership Agreement first on a per unit basis that is generally equal to the dividend per share on UDR's common stock, which is publicly

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traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “UDR” and secondly, 99% to UDR and 1% to the Outside Partners.

9. COMMITMENTS AND CONTINGENCIES

Commitments

Real Estate Under Redevelopment

The following summarizes the DownREIT Partnership’s real estate commitments at December 31, 2016 (*dollars in thousands*):

	Number of Properties	Costs Incurred to Date (a)	Expected Costs to Complete (unaudited)
Real estate communities — redevelopment	2	\$ 8,370	\$ 9,630

(a) Costs incurred to date include \$0.6 million of accrued fixed assets for redevelopment.

Contingencies

Litigation and Legal Matters

The DownREIT Partnership is subject to various legal proceedings and claims arising in the ordinary course of business. The DownREIT Partnership cannot determine the ultimate liability with respect to such legal proceedings and claims at this time. The General Partner believes that such liability, to the extent not provided for through insurance or otherwise, will not have a material adverse effect on the DownREIT Partnership’s financial condition, results of operations or cash flow.

10. REPORTABLE SEGMENTS

GAAP guidance requires that segment disclosures present the measure(s) used by the chief operating decision maker to decide how to allocate resources and for purposes of assessing such segments’ performance. The DownREIT Partnership has the same chief operating decision maker as that of its parent, the General Partner. The chief operating decision maker consists of several members of UDR’s executive management team who use several generally accepted industry financial measures to assess the performance of the business for our reportable operating segments.

The DownREIT Partnership owns and operates multifamily apartment communities throughout the United States that generate rental and other property related income through the leasing of apartment homes to a diverse base of tenants. The primary financial measures of the DownREIT Partnership’s apartment communities are rental income and NOI, and are included in the chief operating decision maker’s assessment of UDR’s performance on a consolidated basis. Rental income represents gross market rent less adjustments for concessions, vacancy loss and bad debt. NOI is defined as total revenues less direct property operating expenses. Rental expenses include real estate taxes, insurance, personnel, utilities, repairs and maintenance, administrative and marketing. Excluded from NOI are property management costs, which are the DownREIT Partnership’s allocable share of costs incurred by the General Partner for shared services of corporate level property management employees and related support functions and costs. The chief operating decision maker of the General Partner utilizes NOI as the key measure of segment profit or loss.

The DownREIT Partnership’s two reportable segments are *Same-Store Communities* and *Non-Mature Communities/Other*:

- *Same-Store Communities* represent those communities acquired, developed, and stabilized prior to January 1, 2015 and held as of December 31, 2016. A comparison of operating results from the prior year is meaningful as 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 communities are 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.

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No communities held by the DownREIT Partnership as of December 31, 2016 were considered *Same-Store Communities* as the DownREIT Partnership was formed subsequent to January 1, 2015.

- *Non-Mature Communities/Other* represent those communities that do not meet the criteria to be included in *Same-Store Communities*, including, but not limited to, recently acquired, developed and redeveloped communities, and the non-apartment components of mixed use properties.

Management of the General Partner evaluates the performance of each of the DownREIT Partnership's apartment communities on a *Same-Store Community* and *Non-Mature Community/Other* basis, as well as individually and geographically. This is consistent with the aggregation criteria under GAAP as each of our apartment communities generally has similar economic characteristics, facilities, services, and tenants.

All revenues are from external customers and no single tenant or related group of tenants contributed 10% or more of the DownREIT Partnership's total revenues during the year ended December 31, 2016 and period from inception through December 31, 2015.

The following table details rental income and NOI for the DownREIT Partnership's reportable segments during the year ended December 31, 2016 and period from inception through December 31, 2015, and reconciles NOI to *Net income/(loss) attributable to DownREIT unitholders* in the Combined Statements of Operations (*dollars in thousands*):

	Year Ended	Period From
	December 31,	October 5, 2015 to
	2016	December 31,
	(audited)	(unaudited)
Reportable apartment home segment rental income		
Non-Mature Communities/Other	\$ 130,121	\$ 29,933
Reportable apartment home segment NOI		
Non-Mature Communities/Other	86,669	20,350
Reconciling items:		
Property management	(3,578)	(823)
Other operating expenses	(195)	(62)
Real estate depreciation and amortization	(111,453)	(28,934)
General and administrative	(7,503)	(3,750)
Casualty-related recoveries/(charges), net	(271)	(84)
Interest expense	(14,208)	(3,632)
Interest income on note receivable from the General Partner	4,743	1,131
Net income/(loss) attributable to DownREIT unitholders	<u>\$ (45,796)</u>	<u>\$ (15,804)</u>

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The following table details the assets of the DownREIT Partnership's reportable segments as of December 31, 2016 and 2015 (*dollars in thousands*):

	December 31, 2016	December 31, 2015
	<i>(audited)</i>	<i>(unaudited)</i>
Reportable apartment home segment assets		
Non-Mature Communities/Other	\$ 1,511,627	\$ 1,475,520
Accumulated depreciation	(97,644)	(18,276)
Total segment assets - net book value	1,413,983	1,457,244
Reconciling items:		
Cash and cash equivalents	66	89
Restricted cash	334	518
Note receivable from the General Partner	126,500	126,500
Other assets	4,509	36,771
Total combined assets	\$ 1,545,392	\$ 1,621,122

Capital expenditures related to the DownREIT Partnership's *Non-Mature Communities/Other* totaled \$14.9 million and \$2.4 million for the year ended December 31, 2016 and period from inception through December 31, 2015.

11. UNAUDITED SUMMARIZED COMBINED QUARTERLY FINANCIAL DATA

Selected combined quarterly financial data for the year ended December 31, 2016 and period from inception through December 31, 2015 is summarized in the table below (*dollars in thousands, except per share amounts*):

	Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
2016				
Rental income	\$ 31,617	\$ 32,646	\$ 33,004	\$ 32,854
Net income/(loss) attributable to DownREIT unitholders	(15,266)	(13,628)	(14,258)	(2,644)
Net income/(loss) attributable to DownREIT unitholders per weighted average DownREIT Unit — basic and diluted (a)	\$ (0.47)	\$ (0.42)	\$ (0.44)	\$ (0.08)
2015 (b)				
Rental income	\$ —	\$ —	\$ —	\$ 29,933
Net income/(loss) attributable to DownREIT unitholders	—	—	—	(15,804)
Net income/(loss) attributable to DownREIT unitholders per weighted average DownREIT Unit — basic and diluted	\$ —	\$ —	\$ —	\$ (0.49)

(a) Quarterly net income/(loss) per weighted average DownREIT Unit amounts may not total to the annual amounts.

(b) Quarterly information is provided only for the three months ended December 31, 2015 as the DownREIT Partnership was formed in October 2015.

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