

UDR, Inc.  
Form DEF 14A  
April 08, 2015

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

UDR, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11  
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(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the  
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statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

April 8, 2015

Dear Fellow Stockholders:

It is my pleasure to invite you to attend our Annual Meeting of Stockholders. The meeting will be held on May 21, 2015, at 10:00 a.m. local time at the Hotel Teatro, 1100 14th Street, Denver, CO 80202.

The business to be conducted at the meeting is set forth in the formal notice of annual meeting of stockholders and proxy statement that accompany this letter. At the meeting we will also report on the Company's performance and respond to questions.

Your vote is important. Whether or not you plan to attend the meeting, we urge you to vote your shares electronically through the Internet, by telephone or, if you have requested and received a paper copy of the proxy statement, by completing, signing and returning the paper proxy card enclosed with the proxy statement. Voting through the Internet or by telephone will eliminate the need to return your proxy card.

Sincerely,  
UDR, INC.

JAMES D. KLINGBEIL  
Chairman of the Board of Directors

UDR, Inc.

1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado 80129-1540

Tel: 720.283.6120 Fax: 720.283.2451

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NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS

APRIL 8, 2015

DATE AND TIME: May 21, 2015, at 10:00 a.m. local time

PLACE: Hotel Teatro, 1100 14th Street, Denver, CO 80202

- ITEMS OF BUSINESS:
1. To elect eight directors to serve until the next annual meeting of stockholders or until their successors are elected and qualified.
  2. To ratify the appointment of Ernst & Young LLP to serve as independent registered public accounting firm for the year ending December 31, 2015.
  3. To vote to approve, on an advisory basis, the compensation of our named executive officers disclosed in this proxy statement.
  4. To transact such other business as may properly come before the meeting and any adjournment or postponement of the meeting.

RECORD DATE: Monday, March 23, 2015. UDR stockholders of record as of the close of business on that date are entitled to vote at the meeting.

NOTICE: On or about April 8, 2015, we intend to mail to our stockholders of record a notice containing instructions on how to access our 2015 proxy statement and our annual report for the year ended December 31, 2014, and how to vote online. The notice also provides instructions on how you can request a paper copy of these documents if you desire, and how you can enroll in e-delivery. If you received your annual meeting materials via email, the email contains voting instructions and links to our annual report and proxy statement on the Internet.

PROXY VOTING: Your vote is important. Whether or not you plan to attend the meeting, we urge you to vote your shares electronically through the Internet, by telephone or, if you have requested and received a paper copy of the proxy statement, by completing, signing and returning the paper proxy card enclosed with the proxy statement.

By Order of the Board of Directors

WARREN L. TROUPE  
Senior Executive Vice President  
and Corporate Secretary

Important Notice Regarding the Availability of Proxy Materials for UDR, Inc.'s Annual Meeting of Stockholders to be held on May 21, 2015. This Notice of Annual Meeting and Proxy Statement and UDR, Inc.'s Annual Report/Form 10-K for the year ended December 31, 2014 are available on the Internet at the following website:  
[www.proxyvote.com](http://www.proxyvote.com).

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## PROXY SUMMARY

The following is a summary which highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information you should consider, and you are urged to read the entire proxy statement carefully before voting.

## Information About Our 2015 Annual Meeting Of Stockholders

DATE AND TIME: Thursday, May 21, 2015 at 10:00 a.m. local time  
 PLACE: Hotel Teatro, 1100 14th Street, Denver, CO 80202  
 RECORD DATE: Monday, March 23, 2015  
 Voting Matters And Vote Recommendations

Proposal		Board Vote Recommendation	Page Number
Proposal No. 1	To elect eight directors to serve until the next annual meeting of stockholders or until their successors are elected and qualified	ü FOR each Director Nominee	1
Proposal No. 2	Ratification of the appointment of Ernst & Young LLP to serve as independent registered public accounting firm for the year ending December 31, 2015	ü FOR	52
Proposal No. 3	Advisory vote to approve the compensation of our named executive officers as disclosed in this proxy statement	ü FOR	53

## Our Director Nominees (Page 1)

Name	Age	Director Since	Independent	AC	CC	GC	EC
Katherine A. Cattanach	70	2006	Yes				
Robert P. Freeman	69	1998	Yes	C			
Jon A. Grove	70	1998	Yes		C		
James D. Klingbeil <sup>(1)</sup>	79	1998	Yes			C	C
Robert A. McNamara	60	2014	Yes				
Mark R. Patterson	54	2014	Yes				
Lynne B. Sagalyn <sup>(2)</sup>	67	1996	Yes				
Thomas W. Toomey <sup>(3)</sup>	54	2001	No				

(1) Chairman of the Board and ex-officio member of the Audit and Risk Management Committee and Compensation and Management Development Committee

(2) Vice Chair of the Board

(3) Chief Executive Officer, President and Director

KEY: AC = Audit and Risk Management Committee CC = Compensation and Management Development Committee GC = Governance Committee EC = Executive Committee = Member C = Chair

## Information About Our Board And Committees Before the Annual Meeting (Page 14)

	Number of Members	Independent	Number of Meetings During 2014
Full Board of Directors	9	90.0%	7
Audit and Risk Management Committee	4	100.0%	9
Compensation and Management Development Committee	4	100.0%	6
Governance Committee	8	100.0%	4
Executive Committee	3	66.7%	0

## Our Corporate Governance (Page 9)

Size of the Board of Directors after the Annual Meeting	8
Number of Independent Directors after the Annual Meeting	7
Audit, Compensation and Governance Committees Consist Entirely of Independent Directors	Yes
Separate Chairman of the Board and Chief Executive Officer	Yes
Annual Election of All Directors	Yes
Annual Advisory Approval of Named Executive Officer Compensation	Yes
All Directors Attended at Least 75% of Meetings Held	Yes
Independent Directors Meet Regularly in Executive Session	Yes
Annual Board and Committee Self-Evaluations	Yes
Code of Business Conduct and Ethics, and Code of Ethics for Senior Financial Officers	Yes
Stock Ownership Guidelines for Executive Officers and Directors	Yes
Prohibition on Hedging Transactions	Yes
Pledging Transactions Prohibited Without Prior Approval	Yes
Policy on Recoupment of Performance-Based Incentives	Yes
Stockholder Rights Plan (Poison Pill)	No

## Independent Registered Public Accounting Firm (Page 52)

Ernst & Young LLP, independent registered public accounting firm, served as our auditors for fiscal 2014. Our Audit Committee has selected Ernst & Young LLP to audit our financial statements for fiscal 2015. Although it is not required to do so, the board is submitting the Audit Committee's selection of our independent registered public accounting firm for ratification by the stockholders at the annual meeting in order to ascertain the view of our stockholders regarding such selection. Below is summary information about Ernst & Young's fees for services during fiscal years 2014 and 2013:

Description of Services	2014	2013
Audit Fees	\$1,387,500	\$1,270,000
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
<b>TOTAL</b>	<b>\$1,387,500</b>	<b>\$1,270,000</b>

## Executive Compensation Matters (Page 22)

We are requesting your non-binding vote to approve the compensation of our named executive officers as described on pages 22 through 49 of this proxy statement. The goals for our executive compensation

program are to (i) attract, retain and motivate effective executive officers, (ii) align the interests of our executive officers with the interests of the Company and our stockholders, (iii) incentivize our executive officers based on clearly defined performance goals and measures of successful achievement, and (iv) align market competitive compensation with our short-term and long-term performance.

Our Compensation and Management Development Committee, which we refer to as the “Compensation Committee,” determines the form and amount of compensation, as well as the overall structure of our executive compensation program. The Compensation Committee has the sole authority to retain and terminate any compensation consultants to be used to assist in establishing compensation for our executive officers and to approve such consultants’ fees and other retention terms. The Compensation Committee has engaged FPL Advisory Group as its independent compensation consultant.

The compensation of our “named executive officers,” who are identified in “Executive Compensation,” is comprised of a mix of base salary, short-term incentive compensation and long-term incentive compensation, and is determined based on the consideration of a number of factors described in more detail “Executive Compensation - Compensation Discussion and Analysis.” Under our executive compensation program, as an executive officer’s level of responsibility increases with his or her relative ability to impact the long-term performance of the Company as a whole, a greater portion of that executive officer’s compensation is based on performance-based incentive compensation, and less is based on base salary, thereby creating the potential for greater variability in the executive officer’s compensation level from year to year. The mix, level and structure of the components of compensation generally reflect the executive officer’s role and relative impact on business results, as well as competitive market practices.

Our compensation policies and programs are built upon the strong foundation of corporate governance and compensation best practices, including:

**WE DO:**

ü Provide a significant portion of our named executive officers’ total compensation in the form of awards tied to our long-term strategy and our performance relative to key business and personal objectives and performance versus our peers.

ü Require compliance with our Executive Stock Ownership Guidelines, which require that our executive officers own a specified number of shares of the Company’s common stock.

ü Have a Policy on Recoupment of Performance-Based Incentives, which applies to our executive officers, including our named executive officers, and their performance-based incentive compensation.

ü Have a Compensation Committee comprised entirely of independent directors and the Compensation Committee has retained its own independent compensation advisor.

ü Have a Compensation Committee that reviews external market considerations, as well as internal considerations and the long-term interests of our stockholders, when making compensation decisions.

ü

**WE DO NOT:**

X Have any employment agreements with our named executive officers.

X Permit any Company personnel, including our named executive officers, to engage in any short-term, speculative securities transactions, engage in short sales, buying or selling put or call options, trading in options (other than those granted by the Company) and engaging in hedging transactions.

X Permit purchasing securities on margin or pledging securities as collateral without prior approval.

X Provide tax gross-ups for our named executive officers.

X Grant only time-vested restricted stock or options to our named executive officers, other than in limited circumstances such as the appointment of a new executive officer.

X



Have the ongoing consideration and oversight by the Compensation Committee with respect to any potential risks associated with our incentive compensation programs.

Time the grants of stock options, restricted stock and other equity awards to coordinate with the release of material non-public information, or time the release of material non-public information for the purpose of affecting the value of any named executive officer compensation.

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The key components of our named executive officers' compensation are described in more detail in the following table:

Compensation Component	Objectives Associated with the Compensation Component
Base Salary	<ul style="list-style-type: none"> <li>• Designed to reward individual effort associated with job-related duties and to attract and retain talented executive officers for our Company.</li> </ul>
Short-Term Incentive Compensation	<p>Designed to encourage outstanding individual and Company performance by motivating the named executive officers to achieve short-term Company and individual goals by</p> <ul style="list-style-type: none"> <li>• rewarding performance measured against key annual strategic objectives and, for the CEO, using the independent directors' evaluation of his performance towards achieving short-term goals.</li> </ul>
Long-Term Incentive Compensation	<ul style="list-style-type: none"> <li>• Our long-term incentive compensation is designed to foster significant ownership of our common stock by our executive officers, to align the interests of our executive officers with the creation of stockholder value and to motivate our executive officers to achieve long-term growth and success for our Company.</li> </ul>

Our stockholders have consistently supported our executive compensation program. At our 2014 Annual Meeting of Stockholders, over 95% of the votes cast were voted in favor of our resolution seeking advisory approval of our executive compensation. Over the last three years, stockholder support for our advisory vote on executive compensation has averaged 95%. While we have consistently had strong stockholder support for our executive compensation program, we do continue to engage in a dialogue with stockholders on executive compensation issues. We will continue to consider the outcome of future advisory votes on executive compensation when establishing the Company's compensation programs and policies and making compensation decisions regarding our named executive officers.

#### Significant Changes to 2015 Compensation

The Compensation Committee seeks to refine our executive compensation program in order to ensure that our compensation goals are being met and that our compensation programs remain competitive. For 2015, the Compensation Committee has made several significant changes to the executive compensation program to further increase the alignment between the interests of our named executive officers, including our CEO, and our stockholders. These changes, effective for 2015 compensation, are as follows:

Compensation Element	Changes in 2015 Compensation
CEO Short-Term Incentive Compensation	<p>For the purpose of determining the CEO's short-term incentive compensation amount, realigned the relative weighting of the CEO's performance based on quantifiable annual performance metrics and his performance based on individual performance factors from 50/50 in 2014 to 70/30 in 2015, thereby placing greater emphasis on the achievement of quantifiable performance metrics.</p>
Rebalanced CEO Target Compensation Mix	<p>In order to further enhance alignment with long-term stockholder returns, rebalanced the CEO's target compensation mix to place an even greater emphasis on long-term compensation in the form of performance-based restricted stock units awarded under the</p> <ul style="list-style-type: none"> <li>• 2015 Long-Term Incentive Program discussed below ("2015 LTI Program"), as well as reduced the 2015 target annual cash incentive opportunity from 200% of salary to 150% of salary, which better aligns our pay system with our compensation philosophy and that of our newly designed program.</li> </ul>
Named Executive Officer Long-Term Incentive Compensation	<ul style="list-style-type: none"> <li>• Implemented the 2015 LTI Program, for which the outcome is more heavily weighted toward relative total shareholder return, increasing the weighting for this component from 50% in the 2014 Long-Term Incentive Program ("2014 LTI Program") to 67% in the 2015 LTI Program.</li> </ul>

- Incorporated a multiple-year performance metric into the 2015 LTI Program, so that the relative Total Shareholder Return component will be measured over a three-year performance period, which is significantly longer than the one-year performance period incorporated into the 2014 LTI Program.

**Our Use of Abbreviations:** We use a number of abbreviations in this proxy statement. We refer to UDR, Inc. as “UDR,” “the Company,” “we,” “us” or “our” and to our board of directors as “board.” The term “proxy materials” includes this proxy statement, as well as the enclosed proxy card. References to “fiscal 2014” and “fiscal 2015” mean our 2014 fiscal year which began on January 1, 2014 and ended on December 31, 2014, and our 2015 fiscal year which began on January 1, 2015 and will end on December 31, 2015, respectively. We refer to the Audit and Risk Management Committee as the “Audit Committee” and we refer to the Compensation and Management Development Committee as the “Compensation Committee.” We refer to the U.S. Securities and Exchange Commission as the “SEC” and we refer to the New York Stock Exchange as the “NYSE.” Our 2015 Annual Meeting of Stockholders to be held on May 21, 2015 is simply referred to as the “meeting” or the “annual meeting.”

## PROPOSAL NO. 1 ELECTION OF DIRECTORS

The eight individuals listed below, each of whom is currently a member of the board, have been nominated for election to the board at the 2015 annual meeting of stockholders. If any of the nominees is unable or declines to serve as a director at the time of the meeting, the proxies will be voted for any nominee who is designated by the present board to fill the vacancy. It is not expected that any nominee will be unable or will decline to serve as a director. The directors elected will hold their respective offices until the next annual meeting of stockholders or until their successors are elected and qualified.

Each nominee brings a strong and unique background and set of skills to our board, giving the board as a whole competence and experience in a wide variety of areas, including corporate governance and board service, executive management, corporate finance and financial markets, real estate investment and the real estate industry and civic leadership. For each of our director nominees, set forth below are the specific experience, qualifications, attributes or skills that led the board to conclude that the person should serve as a director for the Company. There is no family relationship between any of our directors or executive officers.

Katherine A. Cattanach, Ph.D.

### High Level of Financial Literacy

Has a strong background in both business and academia, and her expertise in investments and finance is recognized nationally and internationally. Has a Ph.D. in Finance and has served on the faculty of the College of Business at the University of Denver and as an Associate Professor of Finance at the University of Denver's Graduate School of Business.

### Relevant Chief Executive Officer/BOD Experience

Has served as a member of several corporate boards and board committees and on several partnership advisory boards. Has executive management experience, having served as Founder and Chief Executive Officer of Sovereign Financial Services, Inc. and as Executive Vice President of Captiva Corporation.

### Other

Extensive civic leadership, including the Colorado Commission on Higher Education, the Governing Board for the Colorado State University System, the Foundation for Metropolitan State College, the Board of Trustees for the Colorado Chapter of the Nature Conservancy and the Board of Trustees for the Yellowstone Association.

Robert P. Freeman

**High Level of Financial Literacy**

Managing Director of Lazard Frères & Co. LLC, a private investment bank, and President of Lazard Frères Real Estate Investors, L.L.C., a real estate investment company, from 1992 to 1999.

**Relevant Chief Executive Officer/BOD Experience**

Has served as Senior Managing Director and Principal of Greyfields Investors LLC, a real estate private equity company, since 2007.

**Extensive Real Estate Experience**

Has been active in real estate related investment, management and development since the 1970s. Currently he is a principal of a real estate private equity company that invests in, restructures and redevelops inefficient real estate and provides turnaround services and capital markets advice, and he founded a privately held real estate merchant bank that sources, structures and invests in real estate assets and securities.

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Jon A. Grove

**Extensive Real Estate Experience**

From 1987 to 1998, he served as the Chairman, President and Chief Executive Officer of a publicly traded real estate investment trust that owned and operated apartment communities.

**Relevant Chief Executive Officer/BOD Experience**

From 1987 to 1998, he served as the Chairman, President and Chief Executive Officer of a publicly traded real estate investment trust that owned and operated apartment communities.

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James D. Klingbeil

**Extensive Real Estate Experience**

Mr. Klingbeil has been active in nearly every aspect of real estate investment, development and management for over 50 years, with a special focus on building, acquiring, managing and/or selling multifamily communities.

**Relevant Chief Executive Officer/BOD Experience**

He was Chairman and Chief Executive Officer of American Apartment Communities II, which had a value of \$800 million when we acquired it in December 1998, and he has demonstrated exceptional leadership abilities as a member of our board since that acquisition.

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Robert A. McNamara

**Extensive Real Estate Experience**

Mr. McNamara is an accomplished senior executive with significant expertise in construction, development and real estate investment.

**Relevant Chief Executive Officer/BOD Experience**

Chief Executive Officer Americas of the Lend Lease Corporation (ASX), an international property and infrastructure firm, from 2010 to August 2014. Prior to this position, Mr. McNamara served as Chairman and Chief Executive Officer of Penhall/LVI International, an environmental remediation, concrete services and infrastructure repair firm, from 2006 to 2010.

**Broad Construction/Development Experience**

He brings to the board over 35 years of experience managing global businesses in the development, design and delivery of projects in the government, institutional, infrastructure and industrial sectors in senior management positions.

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Mark R. Patterson

**High Level of Financial Literacy**

Mr. Patterson has a strong background in real estate finance and investment banking. As Managing Director and Head of Real Estate Global Principal Investments, Mr. Patterson oversaw both direct investments as well as debt and equity investments for Merrill Lynch and its public and private clients.

**Relevant Chief Executive Officer/BOD Experience**

Mr. Patterson has served as a member of the board of directors of Boomerang Systems, Inc., a manufacturer of fully automated, robotic parking systems, since September 2010. Mr. Patterson was also the Chief Executive Officer of Boomerang Systems, Inc. from September 2010 to January 2015. Mr. Patterson serves on the board of directors and is a member of the audit committee and nominating and corporate governance committee of General Growth Properties (NYSE), a REIT focused on regional malls.

**Extensive Real Estate Experience**

Until January 2009, Mr. Patterson was a Managing Director and the Head of Real Estate Global Principal Investments at Merrill Lynch, where he oversaw the real estate principal investing activities of Merrill Lynch.

Lynne B. Sagalyn, Ph.D.

**High Level of Financial Literacy**

Dr. Sagalyn has a strong background in business and academia. She is a specialist in real estate finance and urban development and is widely known as an expert in real estate equity securities and public development finance. Her research and writings on real estate investment, securitization, urban development and public policy have been published in both academic and professional journals. Dr. Sagalyn is the author of *Times Square Roulette: Remaking the City Icon* (MIT Press, 2001), an analysis of the politics, policy and economics of one of the city's largest and longest redevelopment initiatives; *Cases in Real Estate Finance and Investment Strategy* (ULI, 2000); and co-author of *Downtown, Inc.: How America Rebuilds Cities* (MIT Press, 1989), as well as numerous articles for academic and professional publications. She is currently writing a book on the rebuilding of the World Trade Center with grant support from the Russell Sage Foundation.

**Relevant Chief Executive Officer/BOD Experience**

Dr. Sagalyn is a director and Chair of the audit committee of Blackstone Mortgage Trust, Inc. (NYSE), a public real estate investment trust that specializes in real estate lending.

**Other**

Dr. Sagalyn also serves on the audit committee of New York City Planned Parenthood and on the board of the Skyscraper Museum. In addition, she has also served on the New York City Board of Education Chancellor's Commission on the Capital Plan, and the Advisory Board of Goldman Family Enterprises. She also serves on the board of directors of the Regional Plan Association of New York, an independent not-for-profit regional planning organization.

Thomas W. Toomey

**Extensive Real Estate Experience**

Chief Executive Officer of UDR. Prior to heading UDR, Mr. Toomey held various senior positions, including Chief Operating Officer and Chief Financial Officer, with AIMCO (NYSE), a multifamily REIT peer. At AIMCO, Mr. Toomey was instrumental in transforming the company into the largest apartment owner in the U.S., growing its portfolio ten-fold over his tenure. Prior to AIMCO, Mr. Toomey served as a Senior Vice President with Lincoln Property Company, a multifaceted, national real estate firm, for five years.

**Relevant Chief Executive Officer/BOD Experience**

Chief Executive Officer of UDR. Mr. Toomey serves on the board of directors and is a member of the audit committee of The Ryland Group, Inc. (NYSE), a home builder, since December 2013.

**Other**

As a leader in the real estate industry, Mr. Toomey is a member of the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT), is a member of the Executive Committee of the National Multi Housing Council (NMHC), is a member of The Real Estate Roundtable, is a Trustee and Governor of the Urban Land Institute (ULI), serves on the National Geographic International Council of Advisors, and is a former Trustee of the Oregon State University Foundation.

**Vote Required and Board of Directors' Recommendation**

The affirmative vote of a plurality of the votes cast is required for the election of a director, which means that the eight nominees receiving the highest number of affirmative votes cast at the meeting shall be elected as directors.

ü Our board recommends that the stockholders vote "FOR" the director nominees listed above.

## CORPORATE GOVERNANCE MATTERS

### Corporate Governance Overview

We believe that effective and transparent corporate governance is critical to our long-term success and our ability to create value for our stockholders. We frequently review our corporate governance policies, monitor emerging developments in corporate governance and enhance our policies and procedures when our board determines that it would benefit our Company and our stockholders to do so.

We maintain a corporate governance page on our website that includes key information about UDR's corporate governance, including our:

- Statement on Corporate Governance;
- Code of Business Conduct and Ethics;
- Code of Ethics for Senior Financial Officers;
- Related Person Transactions Policy;
- Charter of the Audit Committee;
- Charter of the Compensation Committee; and
- Charter of the Governance Committee.

All of these documents can be found by accessing the "Investor Relations" page on [www.udr.com](http://www.udr.com) and then clicking on "Corporate Governance." The documents noted above will also be provided without charge to any stockholder who requests them. Any changes to these documents, and any waivers granted by us with respect to our Code of Business Conduct and Ethics and our Code of Ethics for Senior Financial Officers, will be posted on our website.

We also monitor our corporate governance policies and practices to maintain compliance with the provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), rules of the SEC and the corporate governance rules of the NYSE. Our policies and practices meet, and in many cases exceed, the listing requirements of the NYSE, applicable SEC rules and the corporate governance requirements of the Sarbanes-Oxley Act and the Dodd-Frank Act, including:

- The board has adopted clear corporate governance policies;
- Eight of our nine board members prior to the annual meeting, and seven of our eight board members after the annual meeting, are independent directors as defined by the NYSE;
- The independent directors meet regularly without the presence of management;
- All members of the Audit Committee, Compensation Committee and Governance Committee are independent directors;
- The Chairman and the Vice-Chairman of the Board are independent directors;
- The charters of the board committees clearly establish their respective roles and responsibilities;
- The board has adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees;

• We have a Code of Ethics for Senior Financial Officers that applies to our senior financial officers; and  
• We have a hotline with a 1-800 number and a third-party anonymous reporting system at [www.mysafeworkplace.com](http://www.mysafeworkplace.com) available to all employees, and our Audit Committee has procedures in place for the anonymous submission of any employee complaint, including those relating to accounting, internal controls or auditing matters. Instructions for making a report are published in the Corporate Governance subsection of the Investor Relations section of the Company's website at [www.udr.com](http://www.udr.com).

#### Our Commitment to Stockholder Engagement

In 2014, we again demonstrated our commitment to stockholder engagement, communication and transparency. During the year, representatives of the Company met with holders of more than a majority of the total number of shares of Common Stock outstanding.

#### Identification and Selection of Nominees for Directors

The Governance Committee serves as our nominating committee. Our Governance Committee works closely with our Chief Executive Officer ("CEO") and the Chairman of the Board (who currently serves as Chairman of the Governance Committee) in recommending to the board criteria for open board positions, taking into account such factors as the Governance Committee deems important, including, among others, the current composition of the board, the range of talents, experiences, expertise and skills that would complement those already represented on the board and those that would help achieve the Company's goals. In evaluating a nominee, the board, acting through our Governance Committee, will consider, among other things, whether a potential director nominee has the time available, in light of other business and personal commitments, to perform the responsibilities required for effective service on the board. The Governance Committee considers candidates that are suggested by members of the board, as well as management, our stockholders and any director search firm retained by the board or the Governance Committee, using the same criteria to evaluate all candidates.

The board believes its effectiveness is enhanced by being comprised of individuals with diverse backgrounds, skills and experience that are relevant to the role of the board and the needs of our business. Accordingly, the board, through the Governance Committee and in consultation with our CEO, will regularly review the changing needs of the business and the skills and experience resident in its members, with the intention that the board will be periodically "renewed" as certain directors rotate off and new directors are recruited. The board's commitment to diversity and renewal will be tempered by the need to balance change with continuity and experience. The board believes that its commitment in this regard has been effective in establishing a board that consists of members with diverse backgrounds, skills and experience that are relevant to the role of the board and the needs of the business, and the board will continue to monitor the effectiveness of these efforts as part of its periodic self-assessment process.

Once a potential director nominee has been identified, the Governance Committee, in consultation with the Chairman of the Board and our CEO, will evaluate the prospective nominee against the specific criteria that has been established, as well as the standards and qualifications contained in our Statement on Corporate Governance. If it is determined based upon a preliminary review that a candidate warrants further consideration, members of the board, as appropriate, will interview the prospective nominee. After completing this evaluation and interview process, the board makes the final determination as to whether to nominate or appoint the new director.

In addition to any other applicable requirements, Section 2.11 of our Amended and Restated Bylaws (as amended on May 12, 2011) sets forth the procedures and requirements relating to nominations of directors by stockholders. Any stockholder who wishes to recommend a prospective nominee for consideration at

our 2016 annual meeting of stockholders must submit specified information, including the following, no sooner than November 10, 2015 and no later than December 10, 2015:

- Biographical information about the candidate, including the name, age, business address and residence address of the person;
- The principal occupation or employment of the candidate, as well as the candidate's previous and/or current memberships on all public company boards of directors;
- The class and number of shares of our stock beneficially owned by the candidate, the date such shares were acquired and the investment intent of such acquisition;
- Information concerning bankruptcy filings, criminal convictions, and certain civil actions by the SEC or other regulatory agencies involving the candidate or his or her affiliates;
- Information regarding any agreements, understandings or arrangements between the candidate and any other person or persons with respect to the candidate's nomination or our capital stock or business;
- Any other information required to be disclosed about the candidate under the SEC's proxy rules (including the candidate's written consent to being named in the proxy statement and to serve as a director, if nominated and elected);
- The names and addresses of the stockholder(s) recommending the candidate for consideration and the class and number of shares of our stock beneficially owned by each, as well as certain information regarding hedge transactions, derivative instruments and other arrangements entered into by such stockholder(s) and certain related persons; and
- Information regarding compensation and other material relationships between or among the nominating stockholder(s), certain related persons, and the proposed candidate.

Each proposed candidate also must submit a written questionnaire, representation and agreement specifically addressing agreements, arrangements or understandings that the candidate has with certain other persons, including with respect to voting commitments and compensation, as well as a representation and agreement to comply with our applicable policies, codes and guidelines. Such information should be sent to the attention of our Corporate Secretary at 1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado 80129-1540.

#### Director Rotation and Retirement

Directors are elected annually to serve for a term until the next annual meeting of stockholders or until their successors are elected and qualified. The board does not impose arbitrary limits on the number of terms a director may serve. However, the Governance Committee will consider various criteria, including a director's contribution to the board, in determining whether or not to recommend a director for re-election. Employee directors are required to resign as a director after ceasing to be an employee, unless the board asks them to continue to serve. The Chairman will refer the resignation to the Governance Committee for review. The board will decide, in light of the circumstances and the recommendation of the Governance Committee, the date at which the resignation will become effective. A vacancy created by a director's retirement may be filled by a majority of the remaining directors in accordance with our bylaws. A director so appointed to fill the vacancy will stand for re-election at the first annual meeting of stockholders following that director's appointment to the board if recommended for re-election by the Governance Committee. In addition, the Company requires that directors tender their resignation when they change employment or other significant organizational affiliations. The board then decides, in light of the circumstances and the recommendation of the Governance Committee, whether to accept such resignation.

## Director Independence

The board's policy is that a significant majority of its members should be independent directors (see our Statement on Corporate Governance, which is available on our website at [www.udr.com](http://www.udr.com)). Each year the board affirmatively determines whether each director has any material relationship with the Company (directly, or as a partner, stockholder or officer of an organization that has such a relationship with the Company), as defined under the NYSE listing standards and the Company's director independence standards. The board has determined that all directors who served in 2014, and the directors who are standing for election at the annual meeting, are independent under both sets of standards, except Mr. Toomey, who is not independent because he is the Company's Chief Executive Officer and President. Additional information about each of the directors standing for election is set forth under Proposal No. 1 in this proxy statement. In making these independence determinations, the board considered information submitted by the directors in response to directors' questionnaires and information obtained from the Company's internal records.

## Director Responsibilities and Obligations

Our directors have specific responsibilities and obligations arising from their service on the board and the Committees of the board, as described in the table below:

Responsibilities of the Board of Directors:	In addition to each director's basic duties of care and loyalty, the board has separate and specific obligations under our Statement on Corporate Governance. Among other things, these obligations require directors to effectively monitor management's capabilities, compensation, risk oversight, leadership and performance, without undermining management's ability to successfully operate the business. In addition, the board and the board's committees have the authority to retain outside legal, accounting or other advisors, as necessary, to carry out their responsibilities. All directors are expected to be knowledgeable about the Company and its industry and to understand their duties and responsibilities as directors. The Company recognizes the importance of continuing education for directors and is committed to supporting continuing director education in order to enhance board and committee performance. We conduct periodic continuing education for directors and, at a director's request, we will arrange for the director's participation in cost-effective continuing education programs offered by third parties that are relevant to the director's role as a board and committee member. All of our independent directors are expected to participate in orientation programs upon the recommendation of our Governance Committee. In addition, orientation sessions are conducted by senior management to familiarize directors with the Company's strategic plans, significant financial, accounting and risk management issues, our compliance programs, our Code of Business Conduct and Ethics, and our principal officers, internal and external auditors.
Director Education:	
Director Evaluations:	The board, acting through the Governance Committee, annually evaluates the effectiveness of the board collectively and of board members individually, and the performance of each standing board committee. The Governance Committee determines the appropriate means for this evaluation.
Committee Evaluations:	Each committee of the board annually evaluates the effectiveness and performance of each respective committee collectively and of the members of each respective committee individually.
Directors' Share Ownership Guidelines:	Our Statement on Corporate Governance provides that each director is expected to develop a meaningful equity stake in our Company over time and that after the fifth anniversary of election to the board, each director is required to own shares of the Company's common stock equivalent to not less than 5 times their respective annual

cash retainer. Each of our directors is in compliance with our share ownership guidelines.

Board Attendance at  
Annual Meeting:

The board has adopted the following policy on director attendance at meetings: Absent extenuating circumstances, directors are expected to attend in person our annual meeting of stockholders, all regularly scheduled board and committee meetings and to participate telephonically in regularly scheduled board and committee meetings when they are unable to attend in person. All of our directors attended our 2014 annual meeting of stockholders.



## Board Leadership Structure and Committees

The leadership structure of the board and information regarding the Audit, Compensation and Governance Committees is provided in the following table:

	<p>We separate the roles of the Chairman of the Board and Chief Executive Officer in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting the strategic direction for the Company and the day to day leadership and performance of the Company, while the Chairman of the Board provides guidance to the Chief Executive Officer, sets the agenda for the board meetings and presides over meetings of the board. The board believes that the Chief Executive Officer offers the Company-specific expertise and extensive industry knowledge that is necessary as we seek to strengthen the quality of our portfolio, grow our cash flow to support dividend growth, increase our balance sheet strength and flexibility and maintain a great place to work and live, while our Chairman of the Board is able at the same time to lead the board's efforts in oversight of the Company and its management.</p>
Board Leadership Structure:	<p>As stated in our Statement on Corporate Governance, the board will exercise its discretion in combining or separating the offices of Chairman of the Board and Chief Executive Officer. The determination will be based on the board's judgment of the best interests of the Company from time to time. If the offices of Chairman of the Board and Chief Executive Officer are combined, or if the Chairman does not qualify as an independent director, the board will designate a Lead Independent Director, who will chair the executive sessions of the board and have such other duties as the board deems appropriate. The name of the Lead Independent Director will be disclosed in our annual proxy statement. The board's administration of its risk oversight function has not affected the board's leadership structure.</p>
Independence of the Audit, Compensation and Governance Committees:	<p>The Audit, Compensation and Governance Committees consist entirely of independent directors, as defined in the NYSE listing standards and the Company's director independence standards. Each member of the Audit Committee and the Compensation Committee also satisfies the additional independence requirements set forth in rules under the Securities Exchange Act of 1934 and the NYSE listing standards.</p>
Audit Committee Financial Expert:	<p>Each member of the Audit Committee is financially literate, and the board has determined that each member of the Audit Committee is an "audit committee financial expert" within the meaning of the SEC's regulations.</p>
Executive Sessions of Independent Directors:	<p>Our independent directors hold regularly scheduled executive sessions at which our independent directors meet without the presence of management. These executive sessions generally occur around regularly scheduled meetings of the board. The Chairman of the Board, or the Vice Chair in the Chairman's absence, presides as chairman of these executive sessions. Both the Chairman of the Board and the Vice Chair are independent directors.</p>
Compensation Committee Interlocks and Insider Participation:	<p>The members of the Compensation Committee in fiscal 2014 were Katherine A. Cattanach, Eric J. Foss, Jon A. Grove (Chairman) and Lynne B. Sagalyn. None of the members of the Compensation Committee during fiscal 2014, or as of the date of this proxy statement, is a former or current officer or employee of the Company or has any interlocking relationships as set forth in applicable SEC rules. In addition, during 2014 and through the date of this</p>

proxy statement, none of our executive officers has served as a member of the board or compensation committee of any other entity that has one or more executive officers serving as a member of our board or Compensation Committee.

#### Role of Compensation Committee and Compensation Consultants

Our Compensation Committee is responsible for developing and administering compensation programs for (1) our directors, (2) our executive officers, including base salaries and short-term and long-term incentive compensation plans, and (3) long-term incentive compensation plans for all of our associates. The members of the Compensation Committee meet each year in executive session, without the CEO present, to evaluate the performance of our CEO. Our CEO makes recommendations to, and consults with, the Compensation Committee with respect to the compensation for the executive officers who report directly to our CEO.

The Compensation Committee has the sole authority to retain and terminate any compensation consultants to be used to assist in establishing compensation for our executive officers and to approve such consultants' fees and other retention terms. The Compensation Committee engaged FPL Advisory Group, or "FPL," as its compensation consultant.

FPL reports directly to the Compensation Committee, and the Compensation Committee is free to replace FPL or to hire additional consultants from time to time. FPL does not have any conflict of interest with the Company, the members of the Compensation Committee or our executive officers. For more information regarding the Compensation Committee's compensation consultants, see "Executive Compensation - Compensation Discussion and Analysis - Compensation Consultants."

#### Board of Directors and Committee Meetings

The board held seven meetings during fiscal 2014, including two meetings that were held by teleconference. No director attended fewer than 75% of the aggregate of (1) the total number of meetings of the board, and (2) the total number of meetings held by all committees of the board on which he or she served during fiscal 2014. The board has standing Audit, Compensation, Governance and Executive Committees to assist it in discharging its duties.

Information regarding each committee is set forth below:

Committee	Members on 12/31/2014 <sup>(1)</sup>	Key Functions	Number of Meetings in 2014
Audit	Robert P. Freeman <sup>(2)</sup> Katherine A. Cattanach Robert A. McNamara Mark R. Patterson	<ul style="list-style-type: none"> <li>Assists the board in its general oversight of our accounting</li> <li>• financial reporting process, audits of our financial statements, internal controls and internal audit functions</li> <li>• Appointment, compensation and oversight of our independent auditors</li> <li>• Represents and assists the board in its oversight of: <ul style="list-style-type: none"> <li>• the quality or integrity of our financial statements;</li> <li>• our compliance with legal and regulatory requirements; and</li> <li>• the performance of our internal audit department and independent auditors</li> </ul> </li> <li>• Discusses the adequacy and effectiveness of our internal controls over financial reporting</li> <li>• Oversees our compliance with procedures and processes pertaining to corporate ethics and standards of business conduct</li> <li>• Establishes procedures for the receipt, retention and treatment of complaints received concerning accounting, auditing, internal controls and financial reporting matters</li> <li>• Oversees risk management policies and risk assessment</li> <li>• Pre-approves all non-audit services to be provided to the Company by the independent auditors</li> </ul>	9
Compensation	Jon A. Grove <sup>(2)</sup> Katherine A. Cattanach Eric J. Foss <sup>(3)</sup> Lynne B. Sagalyn	<ul style="list-style-type: none"> <li>• Administers and approves general compensation policies applicable to our key executive officers</li> <li>• Reviews and approves compensation for the board and its committees</li> <li>• Reviews and ensures the appropriate administration of our compensation and benefit plans, programs and policies</li> <li>• Determines and approves the compensation of our CEO</li> <li>• Sets annual objectives for, and evaluates the performance of, our CEO, with input from the board</li> <li>• Reviews and recommends to the board short- and long-term compensation for the principal officers of the Company who report directly to our CEO</li> <li>• Approves all employment and severance agreements for senior vice presidents and above</li> </ul>	6

- Develops and administers the contributions and awards, if any, under the 401(k) and profit sharing plans and management incentive programs and other management compensation, if any, including the long-term incentive plan
- Appoint and provide oversight of independent compensation consultants

Committee	Members on 12/31/2014 <sup>(1)</sup>	Key Functions	Number of Meetings in 2014
Governance	James D. Klingbeil <sup>(2)</sup> Katherine A. Cattanach Eric J. Foss <sup>(3)</sup> Robert P. Freeman Jon A. Grove Robert A. McNamara Mark R. Patterson Lynne B. Sagalyn	<ul style="list-style-type: none"> <li>• Exercises general oversight of board governance matters</li> <li>• Reviews the size, role, composition and structure of our board and its committees</li> <li>• Reviews and evaluates the board and its members</li> <li>• Serves as the nominating committee for board members</li> <li>• Reviews and updates our Corporate Governance Policies</li> <li>• Considers, develops and makes recommendations to the board regarding matters related to corporate governance</li> <li>• Ensures that each committee conducts an annual as</li> </ul>	4