

APARTMENT INVESTMENT & MANAGEMENT CO

Form S-4

October 12, 2010

**Table of Contents**

**As filed with the Securities and Exchange Commission on October 12, 2010**  
**Registration No. 333-**

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

**Form S-4**

**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

**APARTMENT INVESTMENT AND MANAGEMENT COMPANY**  
*(Exact name of registrant as specified in its charter)*

<b>Maryland</b> <i>(State of other jurisdiction of incorporation or organization)</i>	<b>6798</b> <i>(Primary standard industrial classification code number)</i>	<b>84-1259577</b> <i>(IRS Employer Identification Number)</i>
----------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------	----------------------------------------------------------------------

**AIMCO PROPERTIES, L.P.**  
*(Exact name of registrant as specified in its charter)*

<b>Delaware</b> <i>(State of other jurisdiction of incorporation or organization)</i>	<b>6513</b> <i>(Primary standard industrial classification code number)</i>	<b>84-1275621</b> <i>(IRS Employer Identification Number)</i>
----------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------	----------------------------------------------------------------------

**4582 South Ulster Street Parkway, Suite 1100**  
**Denver, Colorado 80237**  
**(303) 757-8101**  
*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

**John Bezzant**  
**Senior Vice President**  
**Apartment Investment and Management Company**  
**4582 South Ulster Street Parkway, Suite 1100**  
**Denver, Colorado 80237**  
**(303) 757-8101**  
*(Name, address, including zip code and telephone number, including area code of agent for service)*

***Copies to:***

**Jonathan Friedman, Esq.**  
**Skadden, Arps, Slate, Meagher & Flom LLP**  
**300 South Grand Avenue, Suite 3400**  
**Los Angeles, CA 90071**  
**Telephone: (213) 687-5396**  
**Fax: (213) 621-5396**

**Joseph Coco, Esq.**  
**Skadden, Arps, Slate, Meagher & Flom LLP**  
**Four Times Square**  
**New York, NY 10036**  
**Telephone: (212) 735-3050**  
**Fax: (917) 777-3050**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement is declared effective and all other conditions to the merger as described in the enclosed information statement/prospectus are satisfied or waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

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):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
 (Do not check if a smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered(1)</b>	<b>Proposed Maximum Offering Price per Unit(1)</b>	<b>Proposed Maximum Aggregate Offering Price(2)</b>	<b>Amount of Registration Fee</b>
Partnership Common Units of Aimco Properties, L.P.			\$888,181.80	\$63.33

Common Stock of Apartment  
Investment and Management  
Company(2)

- (1) Omitted in reliance on Rule 457(o) under the Securities Act of 1933.
- (2) Represents shares of Common Stock issuable upon redemption of Partnership Common Units issued hereunder.

**The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants will file a further amendment which specifically states that this Registration Statement will thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement will become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

---

**Table of Contents**

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED OCTOBER 12, 2010**

**INFORMATION STATEMENT/PROSPECTUS**

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

U.S. Realty Partners Limited Partnership, or USRP, has entered into an agreement and plan of merger with a wholly owned subsidiary of Aimco Properties, L.P., or Aimco OP. Under the merger agreement, the Aimco Subsidiary, AIMCO USRP Merger Sub LLC, will be merged with and into USRP, with USRP as the surviving entity. The Aimco Subsidiary was formed for the purpose of effecting this transaction and does not have any assets or operations. In the merger, each unit of limited partnership interest of USRP, or each USRP Unit, will be converted into the right to receive, at the election of the holder of such USRP Unit, either:

\$2.76 in cash, or

\$2.76 in partnership common units of Aimco OP, or OP Units.

The number of OP Units offered for each USRP Unit will be calculated by dividing \$2.76 by the average closing price of common stock of Apartment Investment and Management Company, or Aimco, as reported on the New York Stock Exchange, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger. For example, as of October 6, 2010, the average closing price of Aimco common stock over the preceding ten consecutive trading days was \$21.65, which would have resulted in .13 OP Units offered for each USRP Unit. However, if AIMCO OP determines that the law of the state or other jurisdiction in which a limited partner resides would prohibit the issuance of OP Units in that state or other jurisdiction (or that registration or qualification in that state or jurisdiction would be prohibitively costly), then such limited partner will not be entitled to elect OP Units, and will receive cash.

In the merger, Aimco OP's interest in the Aimco Subsidiary will be converted into USRP Units. As a result, after the merger, Aimco OP will be the sole limited partner of USRP and will own all of the outstanding USRP Units.

Within ten days after the effective time of the merger, Aimco OP will prepare and mail to you an election form pursuant to which you can elect to receive cash or OP Units. You may elect your form of consideration by completing and returning the election form in accordance with its instructions. If the information agent does not receive a properly completed election form from you before 5:00 p.m., New York time, on the 30th day after the merger, you will be deemed to have elected to receive cash. You may also use the election form to elect to receive, in lieu of the merger consideration, the appraised value of your USRP Units, determined through an arbitration proceeding.

In addition and separate from the merger consideration, you may elect to receive an additional cash payment of \$0.31 in exchange for executing a waiver and release of certain claims. In order to receive such additional payment, you must complete the relevant section of the election form, execute the waiver and release that is attached to the election form and return both the election form and the executed waiver and release to the information agent as described above.

Under Delaware law, the merger must be approved by all general partners of USRP and a majority in interest of the USRP Units. Both USRP's corporate general partner, U.S. Realty I Corporation, or the Corporate General Partner, and USRP's other general partner, Aimco OP, or the Other General Partner (and, together with the Corporate General Partner, the General Partners), have determined that the merger is advisable and in the best interests of USRP and its limited partners and have approved the merger and the merger agreement. As of October 7, 2010, there were issued and outstanding 1,222,000 USRP Units, and Aimco OP and its affiliates owned 900,195 of those certificates, or approximately 73.67% of the number of USRP Units outstanding. Aimco OP and its affiliates have indicated that they intend to take action by written consent, as permitted under the partnership agreement, to approve the merger on or about \_\_\_\_\_, 2010. **As a result, approval of the merger is assured, and your consent to the merger is not required.**

**WE ARE NOT ASKING YOU FOR A PROXY AND  
YOU ARE REQUESTED NOT TO SEND US A PROXY**

This information statement/prospectus contains information about the merger and the securities offered hereby, and the reasons that the general partners of USRP have decided that the merger is in the best interests of USRP and its limited partners. The general partners of USRP have conflicts of interest with respect to the merger that are described in greater detail herein. Please read this information statement/prospectus carefully, including the section entitled "Risk Factors" beginning on page 7. It provides you with detailed information about the merger and the securities offered hereby. The merger agreement is attached to this information statement/prospectus as Annex A.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger or determined if this information statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

*This information statement/prospectus is dated, \_\_\_\_\_, 2010, and is first being mailed to limited partners on or about \_\_\_\_\_, 2010.*

---

**Table of Contents**

**WE ARE CURRENTLY SEEKING QUALIFICATION TO ALLOW ALL HOLDERS OF USRP UNITS THE ABILITY TO ELECT TO RECEIVE OP UNITS IN CONNECTION WITH THE MERGER. HOWEVER, AT THE PRESENT TIME, IF YOU ARE A RESIDENT OF ONE OF THE FOLLOWING STATES, YOU ARE NOT PERMITTED TO ELECT TO RECEIVE OP UNITS IN CONNECTION WITH THE MERGER:**

**CALIFORNIA  
MASSACHUSETTS  
NEW YORK**

**THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.**

**ADDITIONAL INFORMATION**

This information statement/prospectus incorporates important business and financial information about Aimco and Aimco OP from documents that they have filed with the Securities and Exchange Commission but that have not been included in or delivered with this information statement/prospectus. For a listing of documents incorporated by reference into this information statement/prospectus, please see [Where You Can Find Additional Information](#) beginning on page 85 of this information statement/prospectus.

Aimco will provide you with copies of such documents relating to Aimco and Aimco OP (excluding all exhibits unless Aimco or Aimco OP has specifically incorporated by reference an exhibit in this information statement/prospectus), without charge, upon written or oral request to:

ISTC Corporation  
P.O. Box 2347  
Greenville, South Carolina 29602  
(864) 239-1029

If you have any questions or require any assistance, please contact our information agent, Eagle Rock Proxy Advisors, LLC, by mail at 12 Commerce Drive, Cranford, New Jersey 07016; by fax at (908) 497-2349; or by telephone at (800) 217-9608.

**ABOUT THIS INFORMATION STATEMENT/PROSPECTUS**

This information statement/prospectus, which forms a part of a registration statement on Form S-4 filed with the Securities and Exchange Commission by Aimco and Aimco OP, constitutes a prospectus of Aimco OP under Section 5 of the Securities Act of 1933, as amended, or the Securities Act, with respect to the OP Units that may be issued to holders of USRP Units in connection with the merger, and a prospectus of Aimco under Section 5 of the Securities Act with respect to shares of Aimco common stock that may be issued in exchange for such OP Units tendered for redemption by the holder thereof. This document also constitutes an information statement under Section 14(c) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, with respect to the action to be taken by written consent to approve the merger.

---

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>SUMMARY</u></b>	1
<u>Information about Aimco, Aimco OP and the Aimco Subsidiary (page 18)</u>	1
<u>Information about U.S. Realty Partners Limited Partnership (page 19)</u>	2
<u>Comparison of USRP Units and Aimco OP Units (page 51)</u>	2
<u>Background and Reasons for the Merger (page 23)</u>	2
<u>The Merger (page 23)</u>	3
<u>Determination of Merger Consideration (page 25)</u>	3
<u>Risk Factors (page 7)</u>	3
<u>Fairness of the Transaction (page 24)</u>	4
<u>Conflicts of Interest (page 26)</u>	5
<u>Waiver and Release and Additional Consideration (page 27)</u>	5
<u>Regulatory Matters (page 31)</u>	5
<u>Appraisal Rights (page 31)</u>	5
<u>Termination of the Merger Agreement (page 33)</u>	5
<u>Summary of Material United States Federal Income Tax Consequences of the Merger (page 57)</u>	5
<u>Accounting Treatment of the Merger (page 31)</u>	6
 <b><u>RISK FACTORS</u></b>	 7
<u>Risks Related to the Merger</u>	7
<u>Risks Related to an Investment in Aimco or Aimco OP</u>	8
<u>Risks Related to an Investment in OP Units</u>	8
<u>Certain United States Tax Risks Associated with an Investment in the OP Units</u>	10
 <b><u>SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF APARTMENT INVESTMENT AND MANAGEMENT COMPANY</u></b>	 12
 <b><u>SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF AIMCO PROPERTIES, L.P.</u></b>	 14
 <b><u>SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF U.S. REALTY PARTNERS LIMITED PARTNERSHIP</u></b>	 16
 <b><u>COMPARATIVE PER SHARE DATA</u></b>	 17
 <b><u>INFORMATION ABOUT AIMCO, AIMCO OP AND THE AIMCO SUBSIDIARY</u></b>	 18
 <b><u>INFORMATION ABOUT U.S. REALTY PARTNERS LIMITED PARTNERSHIP</u></b>	 19
<u>Distributions to Limited Partners</u>	20
<u>Certain Relationships and Related Transactions</u>	20
<u>Directors, Executive Officers and Corporate Governance</u>	21
<u>Security Ownership of Certain Beneficial Owners and Management</u>	22
<u>Additional Information</u>	22
 <b><u>THE MERGER</u></b>	 23



<u>Background and Reasons for the Merger</u>	23
<u>Alternatives Considered</u>	24
<u>Reasons for the Merger; Fairness of the Transaction</u>	24
<u>Determination of Merger Consideration</u>	25
<u>Conflicts of Interest</u>	26

---

**Table of Contents**

	<b>Page</b>
<u>Waiver and Release and Additional Consideration</u>	27
<u>The Appraisal</u>	28
<u>Future Plans for the Property</u>	31
<u>Material United States Federal Income Tax Consequences of the Merger</u>	31
<u>Regulatory Matters</u>	31
<u>Accounting Treatment of the Merger</u>	31
<u>Appraisal Rights</u>	31
<u>Expenses and Fees and Source of Funds</u>	32
<u>Approvals Required</u>	32
<u>THE MERGER AGREEMENT</u>	33
<u>The Merger</u>	33
<u>Conditions to Obligations to Complete the Merger</u>	33
<u>Termination of the Merger Agreement</u>	33
<u>Amendment</u>	33
<u>Governing Law</u>	33
<u>Appraisal Rights</u>	34
<u>Election Forms</u>	34
<u>DESCRIPTION OF AIMCO OP UNITS; SUMMARY OF AIMCO OP PARTNERSHIP AGREEMENT</u>	35
<u>General</u>	35
<u>Purpose And Business</u>	35
<u>Management By The General Partner</u>	35
<u>Outstanding Classes Of Units</u>	36
<u>Distributions</u>	37
<u>Allocations Of Net Income And Net Loss</u>	38
<u>Withholding</u>	38
<u>Return Of Capital</u>	39
<u>Redemption Rights Of Qualifying Parties</u>	39
<u>Partnership Right To Call Limited Partner Interests</u>	39
<u>Transfers And Withdrawals</u>	39
<u>Amendment of the Partnership Agreement</u>	41
<u>Procedures for Actions and Consents of Partners</u>	41
<u>Records and Accounting; Fiscal Year</u>	41
<u>Reports</u>	41
<u>Tax Matters Partner</u>	42
<u>Dissolution and Winding Up</u>	42
<u>DESCRIPTION OF AIMCO COMMON STOCK</u>	43
<u>General</u>	43
<u>Outstanding Classes Of Preferred Stock</u>	44
<u>COMPARISON OF AIMCO OP UNITS AND AIMCO COMMON STOCK</u>	49
<u>COMPARISON OF USRP UNITS AND AIMCO OP UNITS</u>	51
<u>Compensation and Distributions</u>	55

CERTAIN UNITED STATES FEDERAL INCOME TAX MATTERS

57

ii

---

**Table of Contents**

	<b>Page</b>
<u>United States Federal Income Tax Consequences Relating to the Merger</u>	57
<u>Taxation of Aimco OP and OP Unitholders</u>	59
<u>Taxation of Aimco and Aimco Stockholders</u>	65
<u>Other Tax Consequences</u>	80
 <u>FEES AND EXPENSES</u>	 82
 <u>LEGAL MATTERS</u>	 83
 <u>EXPERTS</u>	 84
 <u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	 85
 <b>Annexes</b>	
<u>Annex A Agreement and Plan of Merger</u>	A-1
<u>Annex B Appraisal Rights of Limited Partners</u>	B-1
<u>Annex C Officers and Directors</u>	C-1
<u>Annex D USRP s Annual Report on Form 10-K for the year ended December 31, 2009</u>	D-1
<u>Annex E USRP s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010</u>	E-1
<u>EX-5.1</u>	
<u>EX-5.2</u>	
<u>EX-8.1</u>	
<u>EX-23.1</u>	
<u>EX-23.2</u>	
<u>EX-23.3</u>	
<u>EX-23.7</u>	
<u>EX-99.1</u>	

**Table of Contents**

**SUMMARY**

*This summary highlights selected information from this information statement/prospectus. It may not contain all of the information that is important to you. You are urged to carefully read the entire information statement/prospectus and the other documents referred to in this information statement/prospectus, including the merger agreement, because the information in this section does not provide all the information that might be important to you with respect to the merger agreement, the merger and the other matters described herein. For more information about Aimco, Aimco OP and USRP, see *Where You Can Find Additional Information* beginning on page 85. Each item in this summary refers to the pages of this information statement/prospectus on which that subject is discussed in more detail.*

**Information about Aimco, Aimco OP and the Aimco Subsidiary (page 18)**

***Apartment Investment and Management Company***

4582 South Ulster Street Parkway, Suite 1100  
Denver, Colorado 80237  
(303) 757-8101

Apartment Investment and Management Company, or Aimco, is a Maryland corporation incorporated on January 10, 1994. Aimco is a self-administered and self-managed real estate investment trust, or REIT, focused on the ownership and management of quality apartment communities located in the 20 largest markets in the United States (as measured by total market capitalization, which is the total market value of institutional-grade apartment properties in a particular market). Aimco upgrades the quality of its portfolio through the sale of communities with rents below average market rents and the reinvestment of capital within these 20 target markets through redevelopment and acquisitions. Aimco's apartment properties are generally financed with property-level, non-recourse, long-dated, fixed-rate, amortizing debt. Aimco's common stock is listed and traded on the New York Stock Exchange, or NYSE, under the symbol AIV. Aimco is one of the largest owners and operators of apartment properties in the United States. As of June 30, 2010, Aimco owned or managed 817 apartment properties containing 129,350 units located in 43 states, the District of Columbia and Puerto Rico. Additional information about Aimco and its subsidiaries is included in documents incorporated by reference into this information statement/prospectus. See *Where You Can Find Additional Information* beginning on page 85.

***AIMCO Properties, L.P.***

4582 South Ulster Street Parkway, Suite 1100  
Denver, Colorado 80237  
(303) 757-8101

AIMCO Properties, L.P., or Aimco OP, is a Delaware limited partnership formed on May 16, 1994, to act as Aimco's operating partnership. Aimco OP, through its operating divisions and subsidiaries, holds substantially all of Aimco's assets and manages the daily operations of Aimco's business and assets. Under the Aimco OP partnership agreement, Aimco is required to contribute all proceeds from offerings of its securities to Aimco OP. In addition, substantially all of Aimco's assets must be owned through Aimco OP. Therefore, Aimco generally is required to contribute all assets acquired to Aimco OP. Through its wholly owned subsidiaries, AIMCO-GP, Inc., the general partner of Aimco OP, or AIMCO-GP, and AIMCO-LP Trust, Aimco owns a majority of the ownership interests in, Aimco OP. As of June 30, 2010, Aimco held approximately 93% of the outstanding partnership common units of Aimco OP, or OP Units, and equivalents. Additional information about Aimco OP and its subsidiaries is included in documents incorporated by reference into this information statement/prospectus. See *Where You Can Find Additional Information* beginning on page 85.

***AIMCO USRP Merger Sub LLC***

4582 South Ulster Street Parkway, Suite 1100

Denver, Colorado 80237

(303) 757-8101

## **Table of Contents**

AIMCO USRP Merger Sub LLC, or the Aimco Subsidiary, is a Delaware limited liability company formed on September 29, 2010, for the purpose of consummating the merger with USRP. The Aimco Subsidiary has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement. The Aimco Subsidiary is a direct wholly owned subsidiary of Aimco OP.

### **Information about U.S. Realty Partners Limited Partnership (page 19)**

#### ***U.S. Realty Partners Limited Partnership***

55 Beattie Place, P.O. Box 1089  
Greenville, South Carolina 29602  
(864) 239-1000

U.S. Realty Partners Limited Partnership, or USRP, is a Delaware limited partnership formed on January 23, 1986. USRP is engaged in the business of operating and holding real estate property for investment. USRP presently owns and operates one investment property, Twin Lakes Apartments, a 262 unit apartment project located in Palm Harbor, Florida. Additional information about USRP is included in documents included in this information statement/prospectus. See [Where You Can Find Additional Information](#) beginning on page 85.

### **Comparison of USRP Units and Aimco OP Units (page 51)**

There are a number of significant differences between USRP Units and Aimco OP Units relating to, among other things, the nature of the investment, voting rights, distributions and liquidity and transferability/redemption. Aimco OP has a more diversified property portfolio than USRP, which currently owns only one property. In addition, limited partners of USRP have certain voting rights that are not afforded to Aimco OP limited partners. USRP limited partners holding a majority of the outstanding USRP Units may remove the Corporate General Partner, although Aimco OP and its affiliates owned approximately 73.67% of the number of USRP Units outstanding as of October 7, 2010. Holders of Aimco OP Units cannot remove the general partner of Aimco OP. Moreover, the process for making distributions to limited partners is different for each partnership. See [Comparison of USRP Units and Aimco OP Units](#) beginning on page 51 for more information.

### **Background and Reasons for the Merger (page 23)**

In early 2010, the Corporate General Partner began to consider strategic alternatives for USRP and its remaining property, Twin Lakes Apartments. The Corporate General Partner considered the costs of operating USRP, including audit, tax and SEC reporting costs. The Corporate General Partner looked at these costs, among other things, in light of Aimco's significant ownership percentage. The Corporate General Partner also considered past loans and advances that had been made by Aimco OP to USRP, including an aggregate of approximately \$2,036,000 between 2007 and early 2010 to help fund operating expenses at Twin Lakes Apartments. Aimco OP has indicated an unwillingness to make additional advances to USRP.

In March 10, 2010, officers of Aimco and the Corporate General Partner met to discuss strategic alternatives for Twin Lakes Apartments, and agreed to explore the possibility of Aimco OP acquiring the property through a transaction that would provide the unaffiliated limited partners with the opportunity to defer tax gain through an exchange of USRP Units for OP Units. The Corporate General Partner decided to obtain an appraisal to determine the value of Twin Lakes Apartments and to evaluate the proceeds and tax consequences to limited partners in such a transaction. In April, 2010, the Corporate General Partner engaged Cogent Realty Advisors, LLC, or CRA, an independent real estate appraisal firm, to appraise Twin Lakes Apartments. In October, 2010, after receiving an appraisal of Twin Lakes Apartments, the Corporate General Partner's board of directors held a meeting and decided to approve and effect a

transaction with Aimco OP that would give Aimco OP indirect ownership of Twin Lakes Apartments. The Corporate General Partner considered a number of possible alternatives to the proposed transaction with the Aimco Subsidiary, as described in greater detail below. However, the Corporate General Partner ultimately determined that the proposed transaction with the Aimco Subsidiary is in the best interests of USRP and its limited partners.



## **Table of Contents**

### **The Merger (page 23)**

USRP has entered into an agreement and plan of merger with the Aimco Subsidiary and Aimco OP. Under the merger agreement, at the effective time of the merger, the Aimco Subsidiary will be merged with and into USRP, with USRP as the surviving entity. In the merger, each USRP Unit outstanding immediately prior to consummation of the merger will be converted into the right to receive, at the election of the holder of such USRP Unit, either \$2.76 in cash or equivalent value in OP Units, except in those jurisdictions where the law prohibits the offer of OP Units (or registration would be prohibitively costly).

In the merger, Aimco OP's interests in the Aimco Subsidiary will be converted into USRP Units. After the merger, Aimco OP will be the sole limited partner in USRP, and will own all of the outstanding USRP Units. The Corporate General Partner, the Other General Partner and USRP's partnership agreement in effect immediately prior to the merger will remain unchanged after the merger.

A copy of the merger agreement is attached as Annex A to this information statement/prospectus. You are encouraged to read the merger agreement carefully in its entirety because it is the legal agreement that governs the merger.

### **Determination of Merger Consideration (page 25)**

In the merger, each USRP Unit will be converted into the right to receive, at the election of the holder of such USRP Unit, either \$2.76 in cash or equivalent value in OP Units. Because Aimco owns the Corporate General Partner, the merger consideration has not been determined in an arm's-length negotiation. In order to arrive at a fair consideration, Cogent Realty Advisors, LLC, or CRA, an independent real estate appraisal firm, was engaged to perform an appraisal of Twin Lakes Apartments. The per USRP Unit cash merger consideration payable to each holder of USRP Units is greater than the Corporate General Partner's estimate of the proceeds that would be available for distribution to limited partners (following the repayment of debt and other liabilities) if the property was sold at a price equal to its appraised value, given that the Corporate General Partner did not deduct certain amounts that would be payable upon an immediate sale of Twin Lake Apartments, such as prepayment penalties on the mortgage debt of the property.

The number of OP Units issuable with respect to each USRP Unit will be calculated by dividing the \$2.76 per USRP Unit cash merger consideration by the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger. Although there is no public market for OP Units, after a one year holding period, each OP Unit is generally redeemable at the option of the holder for cash in an amount equal to the value of a share of Aimco common stock at the time, subject to Aimco's right to acquire the OP Unit in exchange for one share of Aimco common stock (subject to antidilution adjustments). Therefore, the trading price of Aimco common stock is considered a reasonable estimate of the fair market value of an OP Unit. As of October 6, 2010, the average closing price of Aimco common stock over the preceding ten consecutive trading days was \$21.65, which would have resulted in OP Unit consideration of .13 OP Units per USRP Unit.

For a full description of the determination of the merger consideration, see "The Merger - Determination of Merger Consideration" beginning on page 25.

### **Risk Factors (page 7)**

In evaluating the merger agreement and the merger, USRP limited partners should carefully read this information statement/prospectus and especially consider the factors discussed in the section entitled "Risk Factors" beginning on

page 7. Some of the risk factors associated with the merger are summarized below:

There are a number of significant differences between USRP Units and Aimco OP Units relating to, among other things, the nature of the investment, voting rights, distributions and liquidity and transferability/redemption. For more information regarding those differences, see Comparison of USRP Units and Aimco OP Units, beginning on page 51.

**Table of Contents**

Aimco owns the Corporate General Partner. As a result, the Corporate General Partner has a conflict of interest. A transaction with a third party in the absence of this conflict could result in better terms or greater consideration to the limited partners.

USRP limited partners may elect to receive OP Units as merger consideration, and there are risks related to an investment in OP Units, including the fact that there are restrictions on transferability of OP Units; there is no public market for OP Units; and there is no assurance as to the value that might be realized upon a future redemption by a holder of OP Units.

**Fairness of the Transaction (page 24)**

The Corporate General Partner believes the merger is fair to all of the limited partners of USRP in view of a number of factors, including, but not limited to:

The cash merger consideration is greater than the Corporate General Partner's estimate of the proceeds that would be available for distribution to limited partners (following the repayment of debt and other liabilities) if Twin Lakes Apartments was sold at a price equal to its appraised value, given that the Corporate General Partner did not deduct certain amounts that would be payable upon an immediate sale of the property, such as prepayment penalties on the mortgage debt of the property that USRP would incur if the property was sold to a third party, currently estimated to be \$2,892,958.

Limited partners are given a choice of merger consideration, and may elect to receive either cash or OP Units in the merger, except in those jurisdictions where the law prohibits the offer of OP Units (or registration would be prohibitively costly). Accordingly, limited partners may elect the merger consideration they deem most beneficial to them.

Limited partners who elect to receive cash consideration will receive \$2.76 per USRP Unit, which will provide immediate liquidity with respect to their investment.

Limited partners who elect to receive cash consideration and who recognize taxable gain in the merger will be taxed at current capital gains rates. The maximum long term federal capital gains rate, currently at 15%, is scheduled to increase to 20% in 2011.

Limited partners may defer recognition of taxable gain by electing to receive OP Units in the merger.

Limited partners who elect to receive OP Units in the merger will have the opportunity to participate in Aimco OP, which has a more diversified property portfolio than USRP.

Although limited partners are not entitled to dissenters' appraisal rights under Delaware law, the merger agreement provides them with contractual dissenters' appraisal rights that are similar to the dissenters' appraisal rights that are available to stockholders in a corporate merger under Delaware law.

The cash consideration payable to limited partners in the merger was determined based on an independent third party appraisal of the property that USRP presently owns and operates.

The number of OP Units issuable to limited partners in the merger was determined based on the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger.

Although the merger agreement may be terminated by either side at any time, the Corporate General Partner determined that Aimco OP and the Aimco Subsidiary are likely to complete the merger on a timely basis.

Unlike a typical property sale agreement, the merger agreement contains no indemnification provisions, so there is no risk of reduction of the proceeds to limited partners.

In contrast to a sale of the property to a third party, which would involve costs associated with marketing and documenting the transaction, Aimco OP has agreed to pay all expenses associated with the merger.

**Table of Contents**

**Conflicts of Interest (page 26)**

The Corporate General Partner is indirectly wholly owned by Aimco. Therefore, it has a conflict of interest with respect to the merger. The Corporate General Partner has fiduciary duties to its sole stockholder, which is wholly owned by Aimco, on the one hand, and to USRP and its limited partners, on the other hand. The duties of the Corporate General Partner to USRP and its limited partners conflict with its duties to its sole stockholder, which could result in the Corporate General Partner approving a transaction that is more favorable to Aimco than might be the case absent such conflict of interest. The Corporate General Partner's desire to seek the best possible terms for USRP's limited partners conflicts with Aimco's interest in obtaining the best possible terms for Aimco OP.

**Waiver and Release and Additional Consideration (page 27)**

In addition to and separate from the merger consideration, each limited partner unaffiliated with Aimco OP or its affiliates may elect to receive an additional cash payment of \$0.31 per USRP Unit in exchange for executing a waiver and release of potential claims such unaffiliated limited partner may have had in the past, may now have or may have in the future (through and including the date of the consummation of the merger) against USRP, the General Partners, Aimco OP or its affiliates and certain other persons and entities, including but not limited to claims related to the merger agreement and the transactions contemplated thereby.

**Regulatory Matters (page 31)**

No material federal or state regulatory requirements must be satisfied or approvals obtained in connection with the merger, except (1) filing a registration statement that includes this information statement/prospectus with the SEC and obtaining the SEC's declaration that the registration statement is effective under the Securities Act, (2) registration or qualification of the issuance of OP Units under state securities laws, and (3) filing a certificate of merger with the Secretary of State of the State of Delaware.

**Appraisal Rights (page 31)**

Limited partners are not entitled to dissenters' appraisal rights under applicable law or USRP's partnership agreement in connection with the merger. However, pursuant to the terms of the merger agreement, Aimco OP will provide each limited partner with contractual dissenters' appraisal rights that are similar to the dissenters' appraisal rights available to a stockholder of a corporation in a merger under Delaware law. These contractual appraisal rights will enable a limited partner to obtain an appraisal of the value of the limited partner's USRP Units in connection with the merger. Prosecution of these contractual appraisal rights will involve an arbitration proceeding, and the consideration paid to a limited partner after the prosecution of such contractual appraisal rights, which will take a period of time that cannot be predicted with accuracy, will be a cash payment, resulting in a taxable event to such limited partner. A description of the appraisal rights being provided, and the procedures that a limited partner must follow to seek such rights, is attached to this information statement/prospectus as Annex B.

**Termination of the Merger Agreement (page 33)**

The merger agreement may be terminated, and the merger may be abandoned, at any time prior to consummation of the merger, without liability to any party to the merger agreement, by USRP, Aimco OP or the Aimco Subsidiary, in each case, acting in its sole discretion and for any reason or for no reason, notwithstanding the approval of the merger agreement by any of the partners of USRP or the member of the Aimco Subsidiary.

**Summary of Material United States Federal Income Tax Consequences of the Merger (page 57)**

The merger will generally be treated as a partnership merger for Federal income tax purposes. In general, any payment of cash for USRP Units will be treated as a sale of such USRP Units by such holder, and any exchange of USRP Units for OP Units under the terms of the merger agreement will be treated, in accordance with Sections 721 and 731 of the Internal Revenue Code of 1986, as amended, or the Code, as a tax free transaction, except to the extent described in

Certain United States Federal Income Tax Matters    Taxation of Aimco OP and OP Unitholders    United States Federal Income Tax Consequences Relating to the Merger.

**Table of Contents**

**The foregoing is a general discussion of the United States federal income tax consequences of the merger. This summary does not discuss all aspects of federal income taxation that may be relevant to you in light of your specific circumstances or if you are subject to special treatment under the federal income tax laws. The particular tax consequences of the merger to you will depend on a number of factors related to your tax situation. You should review Certain United States Federal Income Tax Matters, herein and consult your tax advisors for a full understanding of the tax consequences to you of the merger.**

**Accounting Treatment of the Merger (page 31)**

Aimco and Aimco OP will treat the merger as a purchase of noncontrolling interests for financial accounting purposes. This means that Aimco and Aimco OP will recognize any difference between the purchase price for these noncontrolling interests and the carrying amount of such noncontrolling interests in Aimco and Aimco OP's consolidated financial statements as an adjustment to the amounts of consolidated equity and partners' capital attributed to Aimco and Aimco OP, respectively.

**Table of Contents**

**RISK FACTORS**

**Risks Related to the Merger**

*Conflicts of Interest.* The Corporate General Partner is indirectly wholly owned by Aimco. Therefore, it has a conflict of interest with respect to the merger. The Corporate General Partner has fiduciary duties to its sole stockholder, which is wholly owned by Aimco, on the one hand, and to USRP and its limited partners, on the other hand. The duties of the Corporate General Partner to USRP and its limited partners conflict with its duties to its sole stockholder, which could result in the Corporate General Partner approving a transaction that is more favorable to Aimco than might be the case absent such conflict of interest. The Corporate General Partner's desire to seek the best possible terms for USRP's limited partners conflicts with Aimco's interest in obtaining the best possible terms for Aimco OP.

*No independent representative was engaged to represent the limited partners of USRP in negotiating the terms of the merger.* If an independent advisor had been engaged, it is possible that such advisor could have negotiated better terms for USRP's limited partners.

*The terms of the merger have not been determined in arm's-length negotiations.* The terms of the merger, including the merger consideration, were determined through discussions between officers and directors of USRP, on the one hand, and officers of Aimco, on the other. All of the officers and directors of USRP are also officers of Aimco. If the terms of the merger had been determined through arm's-length negotiations, the terms might be more favorable to USRP and its limited partners.

*Alternative valuations of USRP's property might exceed the appraised value relied on to determine the merger consideration.* Aimco determined the merger consideration in reliance on the appraised value of USRP's property. See, *The Merger – The Appraisal*, beginning on page 28, for more information about the appraisal. Although an independent appraiser was engaged to perform a complete appraisal of the property, valuation is not an exact science. There are a number of other methods available to value real estate, each of which may result in different valuations of a property. Also, others using the same valuation methodology could make different assumptions and judgments, and obtain different results. As of June 30, 2010, Aimco internally valued Twin Lakes Apartments at \$16,500,000.

*The actual sales price of USRP's property could exceed the appraised value that Aimco relied on to determine the merger consideration.* No recent attempt has been made to market Twin Lakes Apartments to unaffiliated third parties. There can be no assurance that Twin Lakes Apartments could not be sold for a value higher than the appraised value used to determine the merger consideration if it was marketed to third-party buyers interested in a property of this type.

*The merger consideration may not represent the price USRP limited partners could obtain for their USRP Units in an open market.* There is no established or regular trading market for USRP Units, nor is there another reliable standard for determining the fair market value of the USRP Units. The merger consideration does not necessarily reflect the price that USRP limited partners would receive in an open market for their USRP Units. Such prices could be higher than the aggregate value of the merger consideration.

*No opinion has been obtained from an independent financial advisor that the merger is fair to USRP limited partners.* While the Corporate General Partner believes that the terms of the merger are fair to USRP limited partners for the reasons discussed in *The Merger – Fairness of the Transaction*, beginning on page 24, the Corporate General Partner has not obtained an opinion as to whether the merger is fair to the limited partners of USRP from a financial point of view.



*USRP limited partners may recognize taxable gain in the merger, and that gain could exceed the merger consideration. Limited partners who elect to receive cash in the merger will recognize gain or loss equal to the difference between their amount realized and their adjusted tax basis in the USRP Units sold. The resulting tax liability could exceed the value of the cash received in the merger.*

*The merger agreement does not require approval of the merger by a majority of the limited partners unaffiliated with the Corporate General Partner or Aimco OP. Under the provisions of the USRP partnership*

## **Table of Contents**

agreement and applicable Delaware law, the merger must be approved by a majority in interest of the USRP Units. As of October 7, 2010, Aimco OP and its affiliates owned approximately 73.67% of the outstanding USRP Units, enabling them to approve the merger without the consent or approval of any unaffiliated limited partners.

*Limited partners in certain jurisdictions will not be able to elect OP Units.* In those states or jurisdictions where the issuance of the OP Units hereby is not permitted (or the registration or qualification of OP Units in that state or jurisdiction would be prohibitively costly), residents of those states will receive only the cash consideration in the merger.

### **Risks Related to an Investment in Aimco or Aimco OP**

For a description of risks related to an investment in Aimco and Aimco OP, please see the information set forth under Part I Item 1A. Risk Factors in the Annual Reports on Form 10-K for the year ended December 31, 2009 of each of Aimco and Aimco OP, which documents are incorporated herein by reference and are available electronically through the SEC's website, [www.sec.gov](http://www.sec.gov), or by request to Aimco.

### **Risks Related to an Investment in OP Units**

*There are restrictions on the ability to transfer OP Units, and there is no public market for Aimco OP Units.* The Aimco OP partnership agreement restricts the transferability of OP Units. Until the expiration of a one-year holding period, subject to certain exceptions, investors may not transfer OP Units without the consent of Aimco OP's general partner. Thereafter, investors may transfer such OP Units subject to the satisfaction of certain conditions, including the general partner's right of first refusal. There is no public market for the OP Units. Aimco OP has no plans to list any OP Units on a securities exchange. It is unlikely that any person will make a market in the OP Units, or that an active market for the OP Units will develop. If a market for the OP Units develops and the OP Units are considered readily tradable on a secondary market (or the substantial equivalent thereof), Aimco OP would be classified as a publicly traded partnership for United States Federal income tax purposes, which could have a material adverse effect on Aimco OP.

*Cash distributions by Aimco OP are not guaranteed and may fluctuate with partnership performance.* Aimco OP makes quarterly distributions to holders of OP Units (on a per unit basis) that generally are equal to dividends paid on the Aimco common stock (on a per share basis). However, such distributions will not necessarily continue to be equal to such dividends. Although Aimco OP makes quarterly distributions on its OP Units, there can be no assurance regarding the amounts of available cash that Aimco OP will generate or the portion that its general partner will choose to distribute. The actual amounts of available cash will depend upon numerous factors, including profitability of operations, required principal and interest payments on our debt, the cost of acquisitions (including related debt service payments), its issuance of debt and equity securities, fluctuations in working capital, capital expenditures, adjustments in reserves, prevailing economic conditions and financial, business and other factors, some of which may be beyond Aimco OP's control. Cash distributions depend primarily on cash flow, including from reserves, and not on profitability, which is affected by non-cash items. Therefore, cash distributions may be made during periods when Aimco OP records losses and may not be made during periods when it records profits. The Aimco OP partnership agreement gives the general partner discretion in establishing reserves for the proper conduct of the partnership's business that will affect the amount of available cash. Aimco is required to make reserves for the future payment of principal and interest under its credit facilities and other indebtedness. In addition, Aimco OP's credit facility limits its ability to distribute cash to holders of OP Units. As a result of these and other factors, there can be no assurance regarding actual levels of cash distributions on OP Units, and Aimco OP's ability to distribute cash may be limited during the existence of any events of default under any of its debt instruments.

*Holders of OP Units are limited in their ability to effect a change of control.* The limited partners of Aimco OP are unable to remove the general partner of Aimco OP or to vote in the election of Aimco's directors unless they own shares of Aimco. In order to comply with specific REIT tax requirements, Aimco's charter has restrictions on the ownership of its equity securities. As a result, Aimco OP limited partners and Aimco stockholders are limited in their ability to effect a change of control of Aimco OP and Aimco, respectively.

**Table of Contents**

*Holders of OP Units have limited voting rights.*  Aimco OP is managed and operated by its general partner. Unlike the holders of common stock in a corporation, holders of OP Units have only limited voting rights on matters affecting Aimco OP's business. Such matters relate to certain amendments of the partnership agreement and certain transactions such as the institution of bankruptcy proceedings, an assignment for the benefit of creditors and certain transfers by the general partner of its interest in Aimco OP or the admission of a successor general partner. Holders of OP Units have no right to elect the general partner on an annual or other continuing basis, or to remove the general partner. As a result, holders of OP Units have limited influence on matters affecting the operation of Aimco OP, and third parties may find it difficult to attempt to gain control over, or influence the activities of, Aimco OP.

*Holders of OP Units are subject to dilution.*  Aimco OP may issue an unlimited number of additional OP Units or other securities for such consideration and on such terms as it may establish, without the approval of the holders of OP Units. Such securities could have priority over the OP Units as to cash flow, distributions and liquidation proceeds. The effect of any such issuance may be to dilute the interests of holders of OP Units.

*Holders of OP Units may not have limited liability in specific circumstances.*  The limitations on the liability of limited partners for the obligations of a limited partnership have not been clearly established in some states. If it were determined that Aimco OP had been conducting business in any state without compliance with the applicable limited partnership statute, or that the right or the exercise of the right by the OP Unitholders as a group to make specific amendments to the agreement of limited partnership or to take other action under the agreement of limited partnership constituted participation in the control of Aimco OP's business, then a holder of OP Units could be held liable under specific circumstances for Aimco OP's obligations to the same extent as the general partner.

*Aimco may have conflicts of interest with holders of OP Units.*  Conflicts of interest have arisen and could arise in the future as a result of the relationships between the general partner of Aimco OP and its affiliates (including Aimco), on the one hand, and Aimco OP or any partner thereof, on the other. The directors and officers of the general partner have fiduciary duties to manage the general partner in a manner beneficial to Aimco, as the sole stockholder of the general partner. At the same time, as the general partner of Aimco OP, it has fiduciary duties to manage Aimco OP in a manner beneficial to Aimco OP and its limited partners. The duties of the general partner of Aimco OP to Aimco OP and its partners may therefore come into conflict with the duties of the directors and officers of the general partner to its sole stockholder, Aimco. Such conflicts of interest might arise in the following situations, among others:

Decisions of the general partner with respect to the amount and timing of cash expenditures, borrowings, issuances of additional interests and reserves in any quarter will affect whether or the extent to which there is available cash to make distributions in a given quarter.

Under the terms of the Aimco OP partnership agreement, Aimco OP will reimburse the general partner and its affiliates for costs incurred in managing and operating Aimco OP, including compensation of officers and employees.

Whenever possible, the general partner seeks to limit Aimco OP's liability under contractual arrangements to all or particular assets of Aimco OP, with the other party thereto having no recourse against the general partner or its assets.

Any agreements between Aimco OP and the general partner and its affiliates will not grant to the OP Unitholders, separate and apart from Aimco OP, the right to enforce the obligations of the general partner and such affiliates in favor of Aimco OP. Therefore, the general partner, in its capacity as the general partner of Aimco OP, will be primarily responsible for enforcing such obligations.

Under the terms of the Aimco OP partnership agreement, the general partner is not restricted from causing Aimco OP to pay the general partner or its affiliates for any services rendered on terms that are fair and reasonable to Aimco OP or entering into additional contractual arrangements with any of such entities on behalf of Aimco OP. Neither the Aimco OP partnership agreement nor any of the other agreements, contracts and arrangements between Aimco OP, on the one hand, and the general partner of Aimco OP and its affiliates, on the other, are or will be the result of arm's-length negotiations.

## **Table of Contents**

*Provisions in the Aimco OP partnership agreement may limit the ability of a holder of OP Units to challenge actions taken by the general partner.* Delaware law provides that, except as provided in a partnership agreement, a general partner owes the fiduciary duties of loyalty and care to the partnership and its limited partners. The Aimco OP partnership agreement expressly authorizes the general partner to enter into, on behalf of Aimco OP, a right of first opportunity arrangement and other conflict avoidance agreements with various affiliates of Aimco OP and the general partner, on such terms as the general partner, in its sole and absolute discretion, believes are advisable. The latitude given in the Aimco OP partnership agreement to the general partner in resolving conflicts of interest may significantly limit the ability of a holder of OP Units to challenge what might otherwise be a breach of fiduciary duty. The general partner believes, however, that such latitude is necessary and appropriate to enable it to serve as the general partner of Aimco OP without undue risk of liability.

The Aimco OP partnership agreement limits the liability of the general partner for actions taken in good faith. Aimco OP's partnership agreement expressly limits the liability of the general partner by providing that the general partner, and its officers and directors, will not be liable or accountable in damages to Aimco OP, the limited partners or assignees for errors in judgment or mistakes of fact or law or of any act or omission if the general partner or such director or officer acted in good faith. In addition, Aimco OP is required to indemnify the general partner, its affiliates and their respective officers, directors, employees and agents to the fullest extent permitted by applicable law, against any and all losses, claims, damages, liabilities, joint or several, expenses, judgments, fines and other actions incurred by the general partner or such other persons, provided that Aimco OP will not indemnify for (i) willful misconduct or a knowing violation of the law or (ii) for any transaction for which such person received an improper personal benefit in violation or breach of any provision of the partnership agreement. The provisions of Delaware law that allow the common law fiduciary duties of a general partner to be modified by a partnership agreement have not been resolved in a court of law, and the general partner has not obtained an opinion of counsel covering the provisions set forth in the Aimco OP partnership agreement that purport to waive or restrict the fiduciary duties of the general partner that would be in effect under common law were it not for the partnership agreement.

### **Certain United States Tax Risks Associated with an Investment in the OP Units**

The following are among the United States Federal income tax considerations to be taken into account in connection with an investment in OP Units. For a general discussion of certain United States Federal income tax consequences resulting from acquiring, holding, exchanging, and otherwise disposing of OP Units, see *Certain United States Federal Income Tax Matters – Taxation of Aimco OP and OP Unitholders*.

*Aimco OP may be treated as a publicly traded partnership taxable as a corporation.* If Aimco OP were treated as a publicly traded partnership taxed as a corporation for United States Federal income tax purposes, material adverse consequences to the partners and their owners would result. In addition, Aimco would not qualify as a REIT for United States Federal income tax purposes, which would have a material adverse impact on Aimco and its shareholders. Aimco believes and intends to take the position that Aimco OP should not be treated as a publicly traded partnership or taxable as a corporation. No assurances can be given that the Internal Revenue Service, or the IRS, would not assert, or that a court would not sustain a contrary position. Accordingly, each prospective investor is urged to consult his tax advisor regarding the classification and treatment of Aimco OP as a partnership for United States Federal income tax purposes.

*The limited partners may recognize gain on the transaction.* If a limited partner receives or is deemed to receive cash or consideration other than OP Units in connection with the merger, the receipt of such cash or other consideration would be taxable to the limited partner either as boot or under the disguised sale rules. Subject to certain exceptions, including exceptions applicable to periodic distributions of operating cash flow, any transfer or deemed transfer of cash by Aimco OP to the limited partner (or its owners), including cash paid at closing, within two years before or

after a contribution of property that has an adjusted tax basis in excess of its fair market value, will generally be treated as part of a disguised sale. The application of the disguised sale rules is complex and depends, in part, upon the facts and circumstances applicable to the limited partner (and its owners), which Aimco has not undertaken to review. Accordingly, limited partners and their owners are particularly urged to consult with their tax advisors concerning the extent to which the disguised sale rules would apply.

**Table of Contents**

*A contribution of appreciated or depreciated property may result in special allocations to the contributing partner.* If property is contributed to Aimco OP, and the adjusted tax basis of the property differs from its fair market value, then Aimco OP tax items must be specially allocated, for United States Federal income tax purposes, in a manner chosen by Aimco OP such that the contributing partner is charged with and must recognize the unrealized gain, or benefits from the unrealized loss, associated with the property at the time of the contribution. As a result of such special allocations, the amount of net taxable income allocated to a contributing partner is likely to exceed the amount of cash distributions, if any, to which such contributing partner is entitled.

*The Aimco OP general partner could take actions that would impose tax liability on a contributing partner.* There are a variety of transactions that Aimco OP may in its sole discretion undertake following a property contribution that could cause the transferor (or its partners) to incur a tax liability without a corresponding receipt of cash. Such transactions include, but are not limited to, the sale or distribution of a particular property and a reduction in nonrecourse debt, or certain tax elections made by Aimco OP. In addition, future economic, market, legal, tax or other considerations may cause Aimco OP to dispose of the contributed property or to reduce its debt. As permitted by the Aimco OP partnership agreement, the general partner intends to make decisions in its capacity as general partner of Aimco OP so as to maximize the profitability of Aimco OP as a whole, independent of the tax effects on individual holders of OP Units.

*An investor's tax liability from OP Units could exceed the cash distributions received on such OP Units.* A holder of OP Units will be required to pay United States Federal income tax on such holder's allocable share of Aimco OP's income, even if such holder receives no cash distributions from Aimco OP. No assurance can be given that a holder of OP Units will receive cash distributions equal to such holder's allocable share of taxable income from Aimco OP or equal to the tax liability to such holder resulting from that income. Further, upon the sale, exchange or redemption of any OP Units, a reduction in nonrecourse debt, or upon the special allocation at the liquidation of Aimco OP, an investor may incur a tax liability in excess of the amount of cash received.



**Table of Contents**

**SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF  
APARTMENT INVESTMENT AND MANAGEMENT COMPANY**

The following tables set forth Aimco's selected summary historical financial data as of the dates and for the periods indicated. Aimco's historical consolidated statements of income data set forth below for each of the five fiscal years in the period ended December 31, 2009 and the historical consolidated balance sheet data for each of the five fiscal year-ends in the period ended December 31, 2009, are derived from information included in Aimco's Current Report on Form 8-K filed with the SEC on September 10, 2010. Aimco's historical consolidated statements of income data set forth below for each of the six months ended June 30, 2010 and 2009, and the historical consolidated balance sheet data as of June 30, 2010, are derived from Aimco's unaudited interim Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.

You should read this information together with Management's Discussion and Analysis of Financial Condition and Results of Operations and with the consolidated financial statements and notes to the consolidated financial statements included in Aimco's Current Report on Form 8-K filed with the SEC on September 10, 2010 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed with the SEC on July 30, 2010, which are incorporated by reference in this information statement/prospectus. See Where You Can Find Additional Information in this information statement/prospectus.

	<b>For the Six Months Ended June 30,</b>		<b>For the Years Ended December 31,</b>				
	<b>2010</b>	<b>2009(1)</b>	<b>2009(1)</b>	<b>2008(1)</b>	<b>2007(1)</b>	<b>2006(1)</b>	<b>2005(1)</b>
	<b>(Unaudited)</b>		<b>(Dollar amounts in thousands, except per share data)</b>				
<b>Consolidated</b>							
<b>Statements of</b>							
<b>Income:</b>							
Total revenues	\$ 584,475	\$ 581,447	\$ 1,165,641	\$ 1,213,170	\$ 1,145,922	\$ 1,057,177	\$ 878,084
Total operating expenses(2)	(520,057)	(518,406)	(1,061,474)	(1,162,893)	(967,670)	(888,390)	(739,863)
Operating income(2)	64,418	63,041	104,167	50,277	178,252	168,787	138,221
Loss from continuing operations(2)	(74,296)	(79,640)	(198,765)	(120,533)	(49,071)	(44,613)	(36,797)
Income from discontinued operations, net(3)	47,366	39,440	153,965	747,535	174,577	331,635	162,149
Net (loss) income	(26,930)	(40,200)	(44,800)	627,002	125,506	287,022	125,352
Net income attributable to noncontrolling interests	(8,413)	(2,779)	(19,474)	(214,995)	(95,595)	(110,234)	(54,370)
Net income attributable to preferred stockholders	(23,050)	(24,643)	(50,566)	(53,708)	(66,016)	(81,132)	(87,948)

Net (loss) income attributable to Aimco Common Stockholders	(58,393)	(67,622)	(114,840)	351,314	(40,586)	93,710	(21,223)
Earnings (loss) per Common share - basic and diluted:							
Loss from continuing operations attributable to Aimco Common Stockholders	\$ (0.74)	\$ (0.72)	\$ (1.74)	\$ (2.14)	\$ (1.41)	\$ (1.48)	\$ (1.33)
Net (loss) income attributable to Aimco Common Stockholders	\$ (0.50)	\$ (0.60)	\$ (1.00)	\$ 3.96	\$ (0.43)	\$ 0.98	\$ (0.23)
<b>Consolidated Balance Sheets:</b>							
Real estate, net of accumulated depreciation	\$ 6,810,113		\$ 6,861,247	\$ 7,021,643	\$ 6,797,518	\$ 6,334,853	\$ 5,639,155
Total assets	7,707,801		7,906,468	9,441,870	10,617,681	10,292,587	10,019,160
Total indebtedness	5,643,911		5,602,216	5,984,016	5,599,523	4,905,622	4,243,381
Total equity	1,453,319		1,534,703	1,646,749	2,048,546	2,650,182	3,060,969
<b>Other Information:</b>							
Dividends declared per common share	\$ 0.10	\$ 0.10	\$ 0.40	\$ 7.48	\$ 4.31	\$ 2.40	\$ 3.00
Total consolidated properties (end of period)	427	485	426	514	657	703	619
Total consolidated apartment units (end of period)	94,506	111,054	95,202	117,719	153,758	162,432	158,548
Total unconsolidated properties (end of period)	59	82	77	85	94	102	264
Total unconsolidated apartment units (end of period)	6,943	8,915	8,478	9,613	10,878	11,791	35,269
Units managed (end of period)(4)	26,175	32,241	31,974	35,475	38,404	42,190	46,667

**Table of Contents**

- (1) Certain reclassifications have been made to conform to the June 30, 2010 financial statement presentation, including retroactive adjustments to reflect additional properties sold or classified as held for sale as of June 30, 2010, as discontinued operations (see Note 3 to the condensed consolidated financial statements in Item 1 Financial Statements in Aimco's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, and Note 13 to the consolidated financial statements in Item 8 Financial Statements and Supplementary Data in Aimco's Current Report on Form 8-K, filed with the SEC on September 10, 2010, which are incorporated by reference in this information statement/prospectus.).
- (2) Total operating expenses, operating income and loss from continuing operations for the year ended December 31, 2008, include a \$91.1 million pre-tax provision for impairment losses on real estate development assets, which is discussed further in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in Aimco's Current Report on Form 8-K filed with the SEC on September 10, 2010, which is incorporated by reference in this information statement/prospectus.
- (3) Income from discontinued operations for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 includes \$221.8 million, \$800.3 million, \$117.6 million, \$337.1 million and \$162.7 million in gains on disposition of real estate, respectively. Income from discontinued operations for 2009, 2008 and 2007 is discussed further in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in Aimco's Current Report on Form 8-K filed with the SEC on September 10, 2010, which is incorporated by reference in this information statement/prospectus.
- (4) Units managed represents units in properties for which Aimco provides asset management services only, although in certain cases Aimco may indirectly own generally less than one percent of the economic interest in such properties through a partnership syndication or other fund.

**Table of Contents****SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF AIMCO PROPERTIES, L.P.**

The following table sets forth Aimco OP's selected summary historical financial data as of the dates and for the periods indicated. Aimco OP's historical consolidated statements of income data set forth below for each of the five fiscal years in the period ended December 31, 2009 and the historical consolidated balance sheet data for each of the five fiscal year-ends in the period ended December 31, 2009, are derived from information included in Aimco OP's Current Report on Form 8-K filed with the SEC on September 10, 2010. Aimco OP's historical consolidated statements of income data set forth below for each of the six months ended June 30, 2010 and 2009, and the historical consolidated balance sheet data as of June 30, 2010, are derived from Aimco OP's unaudited interim Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.

You should read this information together with Management's Discussion and Analysis of Financial Condition and Results of Operations and with the consolidated financial statements included in Aimco OP's Current Report on Form 8-K filed with the SEC on September 10, 2010, and Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed with the SEC on July 30, 2010, which are incorporated by reference in this information statement/prospectus. See Where You Can Find Additional Information in this information statement/prospectus.

	<b>For the Six Months Ended June 30,</b>		<b>For the Years Ended December 31,</b>				<b>2005(1)</b>
	<b>2010</b>	<b>2009(1)</b>	<b>2009(1)</b>	<b>2008(1)</b>	<b>2007(1)</b>	<b>2006(1)</b>	
	<b>(Unaudited)</b>						
	<b>(Dollar amounts in thousands, except per unit data)</b>						
<b>Consolidated Statements of Income:</b>							
Total revenues	\$ 584,475	\$ 581,447	\$ 1,165,641	\$ 1,213,170	\$ 1,145,922	\$ 1,057,177	\$ 878,084
Total operating expenses(2)	(520,057)	(518,406)	(1,061,474)	(1,162,893)	(967,670)	(888,390)	(739,863)
Operating income(2)	64,418	63,041	104,167	50,277	178,252	168,787	138,221
Loss from continuing operations(2)	(73,870)	(79,232)	(197,945)	(119,747)	(48,322)	(41,653)	(32,339)
Income from discontinued operations, net(3)	47,366	39,440	153,965	747,535	174,577	331,635	162,149
Net (loss) income	(26,504)	(39,792)	(43,980)	627,788	126,255	289,982	129,810
Net income attributable to noncontrolling interests	(9,418)	(5,411)	(22,442)	(155,749)	(92,138)	(92,917)	(49,064)
Net income attributable to preferred unitholders	(26,426)	(27,458)	(56,854)	(61,354)	(73,144)	(90,527)	(98,946)
Net (loss) income attributable to the partnership's common	(62,348)	(72,661)	(123,276)	403,700	(43,508)	104,592	(22,458)

Unit holders														
Earnings (loss) per common unit - basic and diluted:														
Loss from continuing operations attributable to the partnership's common unit holders	\$	(0.74)	\$	(0.72)	\$	(1.75)	\$	(1.99)	\$	(1.40)	\$	(1.47)	\$	(1.32)
Net (loss) income attributable to the partnership's common unit holders	\$	(0.50)	\$	(0.60)	\$	(1.00)	\$	4.11	\$	(0.42)	\$	0.99	\$	(0.21)
<b>Consolidated Balance Sheets:</b>														
Real estate, net of accumulated depreciation	\$	6,810,618			\$	6,861,752	\$	7,022,148	\$	6,798,023	\$	6,335,358	\$	5,639,660
Total assets		7,723,898				7,922,139		9,456,721		10,631,746		10,305,903		10,031,761
Total indebtedness		5,643,911				5,602,216		5,984,016		5,599,523		4,905,622		4,243,381
Total partners' capital		1,469,416				1,550,374		1,661,600		2,152,326		2,753,617		3,164,111
<b>Other Information:</b>														
Distributions declared per common unit	\$	0.10	\$	0.10	\$	0.40	\$	7.48	\$	4.31	\$	2.40	\$	3.00
Total consolidated properties (end of period)		427				485		426		514		657		703
Total consolidated apartment units (end of period)		94,506				111,054		95,202		117,719		153,758		162,432
Total unconsolidated properties (end of period)		59				82		77		85		94		102
Total unconsolidated apartment units (end of period)		6,943				8,915		8,478		9,613		10,878		11,791
Units managed (end of period)(4)		26,175				32,241		31,974		35,475		38,404		42,190

**Table of Contents**

- (1) Certain reclassifications have been made to conform to the June 30, 2010 financial statement presentation, including retroactive adjustments to reflect additional properties sold or classified as held for sale as of June 30, 2010, as discontinued operations (see Note 3 to the condensed consolidated financial statements in Item 1 Financial Statements in Aimco OP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, and Note 13 to the consolidated financial statements in Item 8 Financial Statements and Supplementary Data in Aimco OP's Current Report on Form 8-K, filed with the SEC on September 10, 2010, which are incorporated by reference in this information statement/prospectus.).
- (2) Total operating expenses, operating income and loss from continuing operations for the year ended December 31, 2008, include a \$91.1 million pre-tax provision for impairment losses on real estate development assets, which is discussed further in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in Aimco OP's Current Report on Form 8-K, filed with the SEC on September 10, 2010, which is incorporated by reference in this information statement/prospectus.
- (3) Income from discontinued operations for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 includes \$221.8 million, \$800.3 million, \$117.6 million, \$337.1 million and \$162.7 million in gains on disposition of real estate, respectively. Income from discontinued operations for 2009, 2008 and 2007 is discussed further in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in Aimco OP's Current Report on Form 8-K, filed with the SEC on September 10, 2010, which is incorporated by reference in this information statement/prospectus.
- (4) Units managed represents units in properties for which Aimco OP provides asset management services only, although in certain cases Aimco OP may indirectly own generally less than one percent of the economic interest in such properties through a partnership syndication or other fund.

**Table of Contents****SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF  
U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

The following table sets forth USRP's selected summary historical financial data as of the dates and for the periods indicated. USRP's historical statements of income and cash flow data set forth below for each of the two fiscal years in the period ended December 31, 2009 and the historical balance sheet data as of December 31, 2009 and 2008, are derived from USRP's financial statements included in USRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. USRP's historical statements of income and cash flow data set forth below for each of the six months ended June 30, 2010 and 2009, and the historical balance sheet data as of June 30, 2010, are derived from USRP's unaudited interim Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.

You should read this information together with Management's Discussion and Analysis of Financial Condition and Results of Operations and with the financial statements and notes to the financial statements for the fiscal year ended December 31, 2009 included in USRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 filed with the SEC on August 11, 2010, which are attached to this information statement/prospectus. See Where You Can Find Additional Information in this information statement/prospectus.

	<b>For the Six Months</b>		<b>For the Years Ended</b>	
	<b>Ended June 30,</b>	<b>2009</b>	<b>2009</b>	<b>December 31,</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>
	<b>(Unaudited)</b>			
	<b>(Dollar amounts in thousands, except per unit data)</b>			
<b>Operating Data:</b>				
Total revenues	\$ 1,275	\$ 1,248	\$ 2,515	\$ 2,550
Loss from continuing operations	(258)	(297)	(546)	(553)
Net loss	(258)	(297)	(546)	(553)
Net loss per depository unit certificate	(0.21)	(0.24)	(0.44)	(0.45)
Distributions per depository unit certificate				
Deficit of earnings to fixed charges	(258)	(297)	(546)	(554)
<b>Balance Sheet Data:</b>				
Cash and Cash Equivalents	152	132	101	44
Real Estate, Net of Accumulated Depreciation	6,782	7,419	7,087	7,602
Total Assets	7,366	8,030	7,561	8,162
Mortgage Notes Payable	10,538	10,665	10,604	10,727
Due to Affiliates	1,827	1,828	1,764	1,646
General Partners' Deficit	(16)	(12)	(14)	(9)
Limited Partners' Deficit	(5,306)	(4,803)	(5,050)	(4,509)
Total Partners' Deficit	(5,322)	(4,815)	(5,064)	(4,518)
Total Distributions				
Book value per depository unit certificate	(4.34)	(3.93)	(4.13)	(3.69)
<b>Cash Flow Data:</b>				
Net increase (decrease) in cash and cash equivalents	51	88	57	(61)
Net cash provided by operating activities	174	118	190	260





**Table of Contents****COMPARATIVE PER SHARE DATA**

Aimco common stock trades on the NYSE under the symbol AIV. The OP Units are not listed on any securities exchange and do not trade in an active secondary market. However, as described below, the trading price of Aimco common stock is considered a reasonable estimate of the fair market value of an OP Unit.

The OP Units are not listed on any securities exchange nor do they trade in an active secondary market. However, after a one-year holding period, OP Units are redeemable for shares of Aimco common stock (on a one-for-one basis) or cash equal to the value of such shares, as Aimco elects. As a result, the trading price of Aimco common stock is considered a reasonable estimate of the fair market value of an OP Unit. The number of OP Units offered in the merger with respect to each USRP Unit was calculated by dividing the per USRP Unit cash merger consideration by the average closing price of Aimco common stock, as reported on the NYSE over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger. The closing price of Aimco common stock as reported on the NYSE on October 7, 2010, the last trading day before the merger agreement was entered into, was \$22.38.

The USRP Units are not listed on any securities exchange nor do they trade in an active secondary market. The per unit cash merger consideration payable to each holder of USRP Units is greater than the Corporate General Partner's estimate of the proceeds that would be available for distribution to limited partners (following the repayment of debt and other liabilities) if Twin Lakes Apartments was sold at a price equal to its appraised value, given that the Corporate General Partner did not deduct certain amounts that would be payable upon an immediate sale of the property, such as prepayment penalties on the mortgage debt of the property.

The following tables summarize the historical per share information for Aimco, Aimco OP and USRP for the periods indicated:

	<b>Six Months Ended June 30, 2010</b>	<b>2009</b>	<b>Fiscal Year Ended December 31,</b>	
			<b>2008</b>	<b>2007</b>
<b>Cash dividends declared per share/unit/unit certificate</b>				
Aimco Common Stock	\$ 0.10	\$ 0.40	\$ 2.40	\$ 2.40
Aimco OP Units	\$ 0.10	\$ 0.40	\$ 2.40	\$ 2.40
USRP Units				\$ 3.55
<b>Loss per common share/unit/unit certificate from continuing operations</b>				
Aimco Common Stock	\$ (0.74)	\$ (1.74)	\$ (2.14)	\$ (1.41)
Aimco OP Units	\$ (0.74)	\$ (1.75)	\$ (1.99)	\$ (1.40)
USRP Units	\$ (0.21)	\$ (0.44)	\$ (0.45)	\$ (0.22)
		<b>June 30, 2010</b>	<b>December 31, 2009</b>	

**Book value per share/unit/unit certificate**

Aimco Common Stock(1)	\$	9.74	\$	10.64
Aimco OP Units(2)		8.99		9.88
USRP Units		(4.34)		(4.13)

(1) Based on 117.0 million and 116.5 millions shares of common stock outstanding at June 30, 2010 and December 31, 2009, respectively.

(2) Based on 125.4 million and 124.9 million common OP Units and equivalents outstanding at June 30, 2010 and December 31, 2009, respectively.

**Table of Contents**

**INFORMATION ABOUT AIMCO, AIMCO OP AND THE AIMCO SUBSIDIARY**

Aimco is a Maryland corporation incorporated on January 10, 1994. Aimco is a self-administered and self-managed real estate investment trust, or REIT, focused on the ownership and management of quality apartment communities located in the 20 largest markets in the United States (as measured by total market capitalization, which is the total market value of institutional-grade apartment properties in a particular market). Aimco upgrades the quality of its portfolio through the sale of communities with rents below average market rents and the reinvestment of capital within these 20 target markets through redevelopment and acquisitions. Aimco's apartment properties are generally financed with property-level, non-recourse, long-dated, fixed-rate, amortizing debt. Aimco's common stock is listed and traded on the NYSE under the symbol AIV. As of June 30, 2010, Aimco owned or managed 817 apartment properties containing 129,350 units located in 43 states, the District of Columbia and Puerto Rico. Aimco is one of the largest owners and operators of apartment properties in the United States.

As of June 30, 2010, Aimco:

owned an equity interest in 232 conventional real estate properties with 71,909 units;

owned an equity interest in 254 affordable real estate properties with 29,540 units; and

provided services for or managed 27,901 units in 331 properties, primarily pursuant to long-term asset management agreements. In certain cases, Aimco may indirectly own generally less than one percent of the operations of such properties through a syndication or other fund.

Of these properties, Aimco consolidated 230 conventional properties with 70,605 units and 197 affordable properties with 23,901 units.

Through its wholly owned subsidiaries, AIMCO-GP, the general partner of Aimco OP, and AIMCO-LP Trust, Aimco owns a majority of the ownership interests in Aimco OP. As of June 30, 2010, Aimco held approximately 93% of the common partnership units and equivalents of Aimco OP. Aimco conducts substantially all of its business and owns substantially all of its assets through Aimco OP. Interests in Aimco OP that are held by limited partners other than Aimco include partnership common units or OP Units, partnership preferred units and high performance partnership units, or HPUs. Aimco OP's income is allocated to holders of OP Units and equivalents based on the weighted average number of OP Units and equivalents outstanding during the period. The holders of the OP Units receive distributions, prorated from the date of issuance, in an amount equivalent to the dividends paid to holders of Aimco common stock. Holders of OP Units may redeem such units for cash or, at Aimco OP's option, Aimco common stock. Partnership preferred units entitle the holders thereof to a preference with respect to distributions or upon liquidation. At June 30, 2010, after elimination of shares held by consolidated subsidiaries, 117,039,659 shares of Aimco common stock were outstanding and Aimco OP had 8,330,534 OP Units and equivalents outstanding for a combined total of 125,370,193 shares of Aimco common stock and Aimco OP Units outstanding (excluding partnership preferred units).

Aimco owns all of the outstanding common stock of the Corporate General Partner.

AIMCO USRP Merger Sub LLC, or the Aimco Subsidiary, is a Delaware limited liability company formed on September 29, 2010, for the purpose of consummating the merger with USRP. The Aimco Subsidiary is a direct wholly owned subsidiary of Aimco OP. The Aimco Subsidiary has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement.

The names, positions and business addresses of the directors and executive officers of Aimco, Aimco OP, AIMCO-GP, the Corporate General Partner and the Aimco Subsidiary, as well as a biographical summary of the experience of such persons for the past five years or more, are set forth on Annex C attached hereto and are incorporated in this information statement/prospectus by reference. Additional information about Aimco and Aimco OP is included in documents incorporated by reference into this information statement/prospectus. See Where You Can Find Additional Information.

**Table of Contents****INFORMATION ABOUT U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

U.S. Realty Partners Limited Partnership is a Delaware limited partnership organized on January 23, 1986. USRP is engaged in the business of operating and holding real estate property for investment. It commenced operations on August 26, 1986 and acquired its first property, a newly constructed apartment property, on August 28, 1986. Subsequently, it acquired an existing apartment property, a newly constructed shopping center and an existing shopping center. The shopping centers were sold on February 1, 1999 and July 2, 1999, respectively, and one of the apartment properties was sold on December 20, 2006.

Commencing on August 26, 1986, USRP delivered 1,222,000 depositary unit certificates, or DUCs, to Wheat First Securities, Inc. and received \$30,550,000 (\$25.00 per DUC) in proceeds. The DUCs were offered by several underwriters in minimum investment amounts of 100 DUCs (\$25.00 per DUC). Since its initial offering, USRP has not received, nor are its limited partners required to make, any additional contributions. USRP also received \$16,369,000 as proceeds from a contemporaneous private bond offering. It used substantially all of the proceeds from these offerings to acquire its initial four operating properties. On April 1, 1993, USRP filed for protection under Chapter 11 of the Federal Bankruptcy Code. The filing was made due to the partnership's inability to repay its secured debt due to an insurance company. Subsequently, on April 23, 1993, USRP filed a reorganization plan with the United States Bankruptcy Court for the District of South Carolina, the significant provision of which involved the refinancing of the secured debt. On July 23, 1993, the court entered an order confirming USRP's plan of reorganization, and on January 27, 1994, closed the case.

USRP's partnership agreement provides that the partnership is to terminate on December 31, 2021 unless terminated prior to such date. The Corporate General Partner is a wholly owned subsidiary of Aimco.

At June 30, 2010, USRP owned and operated one property, Twin Lakes Apartments, a 262 unit apartment project located in Palm Harbor, Florida.

The average annual rental rates for each of the five years ended December 31, 2009 for the property are as follows:

Property	Average Annual Rental Rates				
	2009	2008	2007	2006	2005
Twin Lakes Apartments	\$ 8,819/unit	\$ 9,251/unit	\$ 9,334/unit	\$ 9,039/unit	\$ 8,381/unit

The average occupancy for each of the five years ended December 31, 2009 and for the six months ended June 30, 2010 and 2009 for the property is as follows:

Property	Average Occupancy						
	For the Six Months Ended June 30,		For the Years Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
Twin Lakes Apartments	97%	92%	94%	94%	91%	95%	96%

The real estate industry is highly competitive. USRP's property is subject to competition from other residential apartment complexes in the area. The Corporate General Partner believes that the property is adequately insured. The property is an apartment complex which leases units for terms of one year or less. No residential tenant leases 10% or more of the available rental space.

USRP regularly evaluates the capital improvement needs of the property. While USRP has no material commitments for property improvements and replacements, certain routine capital expenditures are anticipated during 2010. Such capital expenditures will depend on the physical condition of the property as well as anticipated cash flow generated by the property. The property is in good condition, subject to normal depreciation and deterioration as is typical for assets of this type and age.

**Table of Contents**

The following table sets forth certain information relating to the mortgages encumbering Twin Lakes Apartments at June 30, 2010.

	<b>Principal, Balance at June 30, 2010 (In thousands)</b>	<b>Interest Rate(1)</b>	<b>Period Amortized</b>	<b>Maturity Date</b>	<b>Principal Balance Due at Maturity(2) (In thousands)</b>
1st mortgage	\$ 6,091	8.23%	120 months	12/01/15	\$ 5,685
2nd mortgage	3,378	5.62%	120 months	12/01/15	3,025
3rd mortgage	1,069	5.56%	98 months	12/01/15	963
	<b>\$ 10,538</b>				<b>\$ 9,673</b>

(1) Fixed rate mortgages.

(2) See Note B Mortgage Notes Payable to the financial statements included in Item 8. Financial Statements and Supplementary Data in USRP's Annual Report on Form 10-K for the year ended December 31, 2009 attached hereto as Annex D for information with respect to USRP's ability to prepay these mortgages and other specific details about the mortgages.

**Distributions to Limited Partners**

USRP presently has only USRP Units issued and outstanding. The USRP Units are entitled to allocations of profit and loss, and distributions, relating to USRP's interest in Twin Lakes Apartments. As of October 7, 2010, there were 1,222,000 USRP Units outstanding, and Aimco OP and its affiliates owned 900,195 of those certificates, or approximately 73.67% of the number of USRP Units outstanding.

There were no distributions made by USRP during the years ended December 31, 2009 and 2008 or during the six months ended June 30, 2010. Future cash distributions will depend on the levels of net cash generated from operations, the timing of debt maturity, property sale and/or refinancings. USRP's cash available for distribution is reviewed on a monthly basis. In light of the amounts accrued and payable to affiliates at June 30, 2010, it is unlikely that the partnership will generate sufficient funds from operations, after capital improvement expenditures and repayment of amounts accrued and payable to affiliates, to permit distributions to its partners during 2010 or subsequent periods.

**Certain Relationships and Related Transactions**

USRP has no employees and depends on the Corporate General Partner and its affiliates for the management and administration of all partnership activities. The USRP partnership agreement provides that the Corporate General Partner and its affiliates receive certain payments for services and reimbursement of certain expenses incurred on behalf of USRP.

The USRP partnership agreement also provides that the Corporate General Partner and its affiliates receive 5% of gross receipts from USRP's property as compensation for providing property management services. USRP was charged by affiliates approximately \$123,000 and \$126,000 for the years ended December 31, 2009 and 2008, respectively, and approximately \$63,000 and \$60,000 for the six months ended June 30, 2010 and 2009, respectively.

Affiliates of the Corporate General Partner charged USRP for reimbursement of accountable administrative expenses amounting to approximately \$85,000 and \$206,000 for the years ended December 31, 2009 and 2008, respectively. A portion of these reimbursements for the years ended December 31, 2009 and 2008 are for construction management services provided by an affiliate of the Corporate General Partner of approximately \$57,000 and \$158,000, respectively.

Affiliates of the Corporate General Partner charged USRP for reimbursement of accountable administrative expenses amounting to approximately \$17,000 and \$70,000 for the six months ended June 30, 2010 and 2009, respectively. A portion of these reimbursements for the six months ended June 30, 2010 and 2009 are for



## **Table of Contents**

construction management services provided by an affiliate of the Corporate General Partner of approximately \$2,000 and \$55,000, respectively.

During the years ended December 31, 2009 and 2008, Aimco OP advanced USRP approximately \$365,000 and \$1,222,000, respectively, to fund capital improvements and real estate taxes at Twin Lakes Apartments. During the year ended December 31, 2009, USRP repaid Aimco OP approximately \$285,000, which included approximately \$142,000 of accrued interest. No such payments were made during the year ended December 31, 2008. In accordance with the USRP partnership agreement, interest was charged at the prime rate plus 2% per annum. Interest expense was approximately \$91,000 and \$58,000 for the years ended December 31, 2009 and 2008, respectively.

During the six months ended June 30, 2010 and 2009, Aimco OP advanced USRP approximately \$137,000 and \$205,000, respectively, to fund operating expenses and capital improvements, respectively, at Twin Lakes Apartments. During the six months ended June 30, 2010, USRP repaid Aimco OP \$120,000 of principal and accrued interest. No such payments were made during the six months ended June 30, 2009. In accordance with the USRP partnership agreement, interest was charged at the prime rate plus 2% (5.25% at June 30, 2010) per annum. Interest expense was approximately \$46,000 and \$4,000 for the six months ended June 30, 2010 and 2009, respectively. At June 30, 2010, the total of outstanding advances and accrued interest due to Aimco OP was approximately \$1,827,000. USRP may receive additional advances of funds from Aimco OP although Aimco OP is not obligated to provide such advances. For more information on Aimco OP, see [Where You Can Find Additional Information](#), beginning on page 85 of this information statement/prospectus.

USRP insures its property up to certain limits through coverage provided by Aimco, which generally is self-insured for a portion of losses and liabilities related to workers' compensation, property casualty, general liability and vehicle liability. USRP insures its property above the Aimco limits through insurance policies obtained by Aimco from insurers unaffiliated with the Corporate General Partner. During the years ended December 31, 2009 and 2008, USRP was charged by Aimco and its affiliates approximately \$77,000 and \$57,000, respectively, for insurance coverage and fees associated with policy claims administration. During the six months ended June 30, 2010, USRP was charged by Aimco and its affiliates approximately \$85,000 for insurance coverage and fees associated with policy claims administration. Additional charges will be incurred by USRP during 2010 as other insurance policies renew later in the year.

In addition to its indirect ownership of the general partner interests in USRP, Aimco and its affiliates owned 900,195 USRP Units representing approximately 73.67% of the number of USRP Units outstanding, at October 7, 2010. Pursuant to the USRP partnership agreement, limited partners holding a majority of the USRP Units are entitled to take action with respect to a variety of matters that include voting on certain amendments to the USRP partnership agreement and voting to remove the Corporate General Partner. As a result of its ownership of 73.67% of the outstanding USRP Units, Aimco and its affiliates are in a position to control all voting decisions with respect to USRP. Although the Corporate General Partner owes fiduciary duties to USRP's limited partners, it also owes fiduciary duties to its sole stockholder, which is wholly owned by Aimco. As a result, the duties of the Corporate General Partner to USRP and its limited partners may come into conflict with the duties of the Corporate General Partner to its sole stockholder.

## **Directors, Executive Officers and Corporate Governance**

USRP has no directors or executive officers of its own. The names and ages of, as well as the positions and offices held by, the present directors and officers of the Corporate General Partner as of June 30, 2010 are set forth in [Annex C](#) to this information statement/prospectus. One or more of those persons are also directors and/or officers of a general partner (or general partner of a general partner) of limited partnerships which either have a class of securities registered pursuant to Section 12(g) of the Exchange Act, or are subject to the reporting requirements of Section 15(d)

of the Exchange Act. Further, one or more of those persons are also officers of Aimco and the general partner of Aimco OP, entities that have a class of securities registered pursuant to Section 12(g) of the Exchange Act, or are subject to the reporting requirements of Section 15(d) of the Exchange Act. There are no family relationships between or among any officers or directors. No remuneration was paid to USRP nor its directors or officers during the year ended December 31, 2009.

**Table of Contents**

The board of directors of the Corporate General Partner does not have a separate audit committee. As such, the board of directors of the Corporate General Partner fulfills the functions of an audit committee. The board of directors has determined that Steven D. Cordes meets the requirement of an audit committee financial expert.

The directors and officers of the Corporate General Partner with authority over USRP are all employees of subsidiaries of Aimco. Aimco has adopted a code of ethics that applies to such directors and officers that is posted on Aimco's website (www.aimco.com). Aimco's website is not incorporated by reference to this filing.

**Security Ownership of Certain Beneficial Owners and Management**

The General Partners own all of the outstanding general partner interests in USRP, which constitute 2% of the total interests in the partnership. USRP has no directors or executive officers of its own. The Corporate General Partner is a South Carolina corporation, which is indirectly wholly owned by Aimco. The Other General Partner is an affiliate of the Corporate General Partner and Aimco. None of the Corporate General Partner or any of its directors or executive officers owns any of the USRP Units. The following table sets forth certain information as of October 7, 2010 with respect to the ownership by any person (including any group, as that term is used in Section 13(d)(3) of the Exchange Act) known to us to be the beneficial owner of more than 5% of the USRP Units.

<b>Entity Name and Address</b>	<b>Approximate Number of Units</b>	<b>Approximate Percent of Class</b>
AIMCO Properties, L.P.(1) 4582 South Ulster Street Parkway, Suite 1100 Denver, CO 80237	900,195	73.67%

- (1) AIMCO-GP, Inc., a Delaware corporation, is the sole general partner of AIMCO Properties, L.P., and owns approximately a 1% general partner interest in AIMCO Properties, L.P. AIMCO-GP, Inc. is wholly owned by Apartment Investment and Management Company. As of October 7, 2010, AIMCO-LP Trust, a Delaware trust wholly owned by Apartment Investment and Management Company, owns approximately a 92% interest in the OP Units and equivalents of AIMCO Properties, L.P.

**Additional Information**

For additional information about USRP and its property and operating data related to this property, see USRP's Annual Report on Form 10-K for the year ended December 31, 2009, attached hereto as [Annex D](#) and USRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, attached hereto as [Annex E](#).

**Table of Contents**

**THE MERGER**

**Background and Reasons for the Merger**

The Corporate General Partner regularly evaluates USRP's property by considering various factors, such as the partnership's financial position and real estate and capital markets conditions. The Corporate General Partner monitors the property's specific locale and sub-market conditions (including stability of the surrounding neighborhood), evaluating current trends, competition, new construction and economic changes. It oversees the operating performance of the property and continuously evaluates the physical improvement requirements. In addition, the financing structure for the property (including any prepayment penalties), tax implications to limited partners, availability of attractive mortgage financing to a purchaser, and the investment climate are all considered. Any of these factors, and possibly others, can potentially contribute to any decision by the Corporate General Partner to sell, refinance, upgrade with capital improvements or hold USRP's property.

In early 2010, the Corporate General Partner began to consider strategic alternatives for USRP and its sole property, Twin Lakes Apartments. The Corporate General Partner considered the costs of operating USRP, including audit, tax and SEC reporting costs. The Corporate General Partner looked at these costs, among other things, in light of Aimco's significant ownership percentage. The Corporate General Partner also considered past loans and advances that had been made by Aimco OP to USRP, including an aggregate of approximately \$2,036,000 between 2007 and early 2010 to help fund operating expenses at Twin Lakes Apartments. Aimco OP has indicated an unwillingness to make additional advances to USRP.

On March 10, 2010, Mr. Terry Considine, Chairman and Chief Executive Officer of Aimco, and Mr. Derek McCandless, Senior Vice President, Assistant General Counsel and Assistant Secretary of Aimco and the Corporate General Partner, met to discuss strategic alternatives for the Twin Lakes Apartments. Messrs. Considine and McCandless agreed to explore the possibility of Aimco OP acquiring the property through a transaction that would provide the unaffiliated limited partners with the opportunity to defer tax gain through an exchange of USRP Units for OP Units.

During March and April 2010, Mr. McCandless sought advice from outside legal and tax counsel to determine whether a transaction would be feasible that would result in Aimco OP's ownership of Twin Lakes Apartments while also providing potential tax deferral to the unaffiliated limited partners. Subsequently, the Corporate General Partner decided to obtain an appraisal to determine the value of Twin Lakes Apartments and to evaluate the proceeds and tax consequences to limited partners in such a transaction.

Also during March and April 2010, Mr. McCandless spoke with different appraisers regarding the possibility of appraising Twin Lakes Apartments for purposes of a potential acquisition by Aimco OP. On April 13, 2010, the Corporate General Partner engaged CRA to appraise Twin Lakes Apartments.

On May 26, 2010, CRA informed Mr. McCandless that it had valued Twin Lakes Apartments at \$15.9 million. During the following two weeks, Mr. McCandless discussed CRA's assumptions and valuation with Mr. John Bezzant, Senior Vice President - Transactions of Aimco and a Director and Senior Vice President of the Corporate General Partner; and Mr. Nikhil Venkatesh, Vice President - Portfolio Strategy of Aimco and Vice President of the Corporate General Partner. Mr. Bezzant reviewed the \$15.9 million value in light of fiduciary duties owed to unaffiliated limited partners and Aimco OP's investment criteria. Mr. Bezzant determined that Aimco OP would pay the appraised value for Twin Lakes Apartments.

On October 8, 2010, the Corporate General Partner's board of directors held a meeting to discuss the proposed transaction. The board decided to approve and effect a transaction with Aimco OP that would give Aimco OP indirect ownership of Twin Lakes Apartments. On October 8, 2010, the Corporate General Partner authorized and approved the transactions. The Corporate General Partner considered a number of possible alternatives to the proposed transaction with the Aimco Subsidiary, as described in greater detail below. However, the Corporate General Partner ultimately determined that the proposed transaction with the Aimco Subsidiary is in the best interests of USRP and its limited partners.

## **Table of Contents**

### **Alternatives Considered**

The Corporate General Partner considered the alternatives to the merger described below, but ultimately determined that the proposed merger with the Aimco Subsidiary is in the best interests of USRP and its limited partners.

*Sale of the property to a third party for cash.* The Corporate General Partner considered selling USRP's property to a third party or third parties for cash, and distributing the net cash proceeds to USRP's limited partners. The primary advantage of such a transaction would be that the sale price would reflect arm's-length negotiations and might therefore be higher than the appraised value which has been used to determine the merger consideration. The Corporate General Partner rejected this alternative because of: (i) the risk that a third party might not be found at a satisfactory price or at all; (ii) the costs imposed on USRP in connection with marketing and selling the property; (iii) the fact that limited partners would recognize taxable gain on the sale without the option of deferring that gain; and (iv) prepayment penalties upon a sale.

*Contribution of the property to Aimco.* The Corporate General Partner considered a contribution of USRP's property to Aimco OP in exchange for OP Units. The primary advantage of such a transaction would be that USRP limited partners would not recognize taxable gain. The Corporate General Partner rejected this alternative because it would not offer an opportunity for immediate liquidity to the limited partners.

### **Reasons for the Merger; Fairness of the Transaction**

The Corporate General Partner considered the above alternatives to the merger and determined that the proposed merger with the Aimco Subsidiary is in the best interests of USRP and its limited partners. The Corporate General Partner took into account a number of positive considerations in determining to proceed with the merger, including those described below:

The cash merger consideration is greater than the Corporate General Partner's estimate of the proceeds that would be available for distribution to limited partners (following the repayment of debt and other liabilities) if Twin Lakes Apartments was sold at a price equal to its appraised value, given that the Corporate General Partner did not deduct certain amounts that would be payable upon an immediate sale of the property, such as prepayment penalties on the mortgage debt of the property that USRP would incur if the property was sold to a third party, currently estimated to be \$2,892,958.

Limited partners are given a choice of merger consideration, and may elect to receive either cash or OP Units in the merger, except in those jurisdictions where the law prohibits the offer of OP Units (or registration would be prohibitively costly). Accordingly, limited partners may elect the merger consideration they deem most beneficial to them.

Limited partners who elect to receive cash consideration will receive \$2.76 per USRP Unit, which will provide immediate liquidity with respect to their investment.

Limited partners who elect to receive cash consideration and who recognize taxable gain in the merger will be taxed at current capital gains rates. The maximum long term federal capital gains rate, currently at 15%, is scheduled to increase to 20% in 2011.

Limited partners may defer recognition of taxable gain by electing to receive OP Units in the merger.

Limited partners who elect to receive OP Units in the merger will have the opportunity to participate in Aimco OP, which has a more diversified property portfolio than USRP.

Although limited partners are not entitled to dissenters' appraisal rights under Delaware law, the merger agreement provides them with contractual dissenters' appraisal rights that are similar to the dissenters' appraisal rights that are available to stockholders in a corporate merger under Delaware law.

The cash consideration payable to limited partners in the merger was determined based on an independent third party appraisal of USRP's property by CRA, an independent valuation firm.

**Table of Contents**

The number of OP Units issuable to limited partners in the merger was determined based on the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger.

Although the merger agreement may be terminated by either side at any time, the Corporate General Partner determined that Aimco OP and the Aimco Subsidiary are very likely to complete the merger on a timely basis.

Unlike a typical property sale agreement, the merger agreement contains no indemnification provisions, so there is no risk of reduction of the proceeds to limited partners.

In contrast to a sale of the property to a third party, which would involve costs associated with marketing, Aimco OP has agreed to pay all expenses associated with the merger.

The Corporate General Partner also considered, and balanced against the foregoing factors, a number of countervailing factors concerning the merger, including those described below:

The Corporate General Partner is indirectly wholly owned by Aimco, and therefore has conflicts of interest. The terms of the merger were determined without an arm's-length negotiation. Limited partners might obtain greater consideration in a sale of USRP's property to a third party or parties in arm's-length negotiations.

In negotiating the merger agreement, no one separately represented the interests of the limited partners. The Corporate General Partner did not appoint, or ask the limited partners to appoint, a third party to represent only their interests. If an independent advisor had been engaged, it is possible that such advisor could have negotiated better terms for USRP's limited partners.

Limited partners who elect to receive OP Units in the merger will be subject to the risks related to an investment in OP Units, as described in greater detail under the heading "Risk Factors - Risks Related to an Investment in OP Units."

The merger agreement was not approved by a majority of the USRP limited partners not affiliated with the Corporate General Partner or Aimco OP.

No opinion has been obtained from an independent financial advisor that the merger is fair to the USRP limited partners.

Limited partners who elect to receive cash consideration may recognize taxable gain in the merger and that gain could exceed the merger consideration.

The fact that CRA has performed work for Aimco OP and its affiliates in the past and that this pre-existing relationship between CRA and Aimco OP could negatively impact CRA's independence.

Limited partners who receive OP Units in the merger could recognize taxable gain if Aimco subsequently sells the property.

The Corporate General Partner took into account all of the foregoing considerations and concluded that the proposed merger is fair to the USRP limited partners from a substantive and procedural perspective.



The foregoing discussion of the factors considered by the Corporate General Partner is not intended to be exhaustive, but rather includes the material factors considered by the Corporate General Partner. The Corporate General Partner did not assign relative weights to the above factors or the other factors it considered. In addition, the Corporate General Partner did not reach any specific conclusion on each factor considered but conducted an overall review of these factors.

**Determination of Merger Consideration**

In the merger, each USRP Unit outstanding immediately prior to consummation of the merger will be converted into the right to receive, at the election of the holder of such USRP Unit, either \$2.76 in cash or equivalent value in Aimco OP Units, except in those jurisdictions where the law prohibits the offer of OP Units in this

**Table of Contents**

transaction (or registration would be prohibitively costly). Because Aimco wholly owns the Corporate General Partner, the merger consideration has not been determined in an arm's-length negotiation. In order to arrive at a fair consideration, CRA, an independent real estate appraisal firm, was engaged to perform a complete appraisal of USRP's property. For more detailed information about the independent appraiser's determination of the estimated value of the property, see The Merger The Appraisal. The per USRP Unit cash merger consideration payable to each holder of USRP units is greater than the Corporate General Partner's estimate of the proceeds that would be available for distribution to limited partners (following the repayment of debt and other liabilities of USRP) if the property was sold at a price equal to its appraised value. The Corporate General Partner did not deduct certain amounts that would be payable upon an immediate sale of USRP's property, such as prepayment penalties on the mortgage debt of the property (currently estimated to be \$2,892,958). The Corporate General Partner calculated the equity of USRP by (i) adding to the appraised value the value of any other non-real estate assets of USRP that would not be included in the appraisal; and (ii) deducting certain liabilities, including mortgage debt, debt owed to the Corporate General Partner or its affiliates, accounts payable and accrued expenses and certain other costs. The amount of liabilities deducted includes an estimate of \$104,800 for expenses attributable to the property that would be incurred prior to the merger but payable after the merger. This calculation, which is summarized below, resulted in per USRP unit cash merger consideration of \$2.76.

Appraised value of Twin Lakes Apartments	\$ 15,900,000
Plus: Cash and cash equivalents	48,563
Plus: Other assets	129,480
Less: Mortgage debt, including accrued interest	(10,588,011)
Less: Loans from affiliates of the general partner	(1,735,139)
Less: Accounts payable and accrued expenses owed to third parties	(197,609)
Less: Other liabilities	(82,623)
Less: Estimated trailing payables	(104,800)
Net partnership equity	\$ 3,369,861
Percentage of net partnership equity allocable to limited partners	100%
Net partnership equity allocable to limited partners	\$ 3,369,861
Total number of Units	1,222,000
Cash consideration per Unit	\$ 2.76

The number of OP Units offered per USRP Unit was calculated by dividing the per USRP Unit cash merger consideration by the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger. Although there is no public market for OP Units, after a one-year holding period, each OP Unit is generally redeemable for cash in an amount equal to the value of one share of Aimco common stock at the time, subject to Aimco's right to acquire each OP Unit in exchange for one share of Aimco common stock (subject to antidilution adjustments). Therefore, the Corporate General Partner considers the trading price of Aimco common stock to be a reasonable estimate of the fair market value of an OP Unit. As of October 6, 2010, the average closing price of Aimco common stock over the preceding ten consecutive trading days was \$21.65, which would have resulted in OP Unit consideration of .13 OP Units per USRP Unit.

**Conflicts of Interest**

The Corporate General Partner is indirectly wholly owned by Aimco. Therefore, it has a conflict of interest with respect to the merger. The Corporate General Partner has fiduciary duties to its sole stockholder, which is wholly owned by Aimco, on the one hand, and to USRP and its limited partners, on the other hand. The duties of the Corporate General Partner to USRP and its limited partners conflict with its duties to its sole stockholder, which could result in the Corporate General Partner approving a transaction that is more favorable to Aimco than might be the case absent such conflict of interest. The Corporate General Partner's desire to seek the best possible terms for USRP's limited partners conflicts with Aimco's interest in obtaining the best possible terms for Aimco OP.

**Table of Contents**

**Waiver and Release and Additional Consideration**

In addition to and separate from the merger consideration, each limited partner unaffiliated with Aimco OP may elect to receive an additional cash payment of \$0.31 per USRP Unit in exchange for executing a waiver and release of potential claims such limited partner may have against the Releasees (as defined below). Unaffiliated limited partners may elect to receive the additional consideration by completing the election form, executing the waiver and release that is attached to the election form and returning the election form and the executed waiver and release in accordance with the instructions provided. In executing the waiver and release, the limited partner, on behalf of himself, his heirs, estate, executor, administrator, successors and assigns, will release Aimco OP and its predecessors, successors and assigns and its present and former parents, subsidiaries, affiliates, investors, insurers, reinsurers, officers, directors, employees, agents, administrators, auditors, attorneys, accountants, information and solicitation agents, investment bankers, and other representatives, including, but not limited to, Aimco and the General Partners (collectively, the Releasees ), from any and all claims and causes of action, whether brought individually, on behalf of a class, or derivatively, demands, rights, or liabilities, including, but not limited to, claims for negligence, gross negligence, fraud, breach of fiduciary duty (including, but not limited to, duties of care, loyalty or candor), mismanagement, corporate waste, misrepresentation, whether intentional or negligent, misstatements and omissions to disclose, breach of contract, violations of any state or federal statutes, rules or regulations, whether known claims or unknown claims, whether past claims, present claims or future claims through and including the date of the consummation of the merger, including, but not limited to, those claims that have arisen or arise, directly or indirectly, out of or relate, directly or indirectly, to (a) the merger agreement and the transactions contemplated thereby (excluding only such unaffiliated limited partner's rights, if any, under the merger agreement), (b) any other circumstance, agreement, activity, action, omission, event or matter occurring or existing on or prior to the date of the consummation of the merger, (c) the ownership of any limited partnership interest in USRP, including, but not limited to, any and all claims related to the management of USRP or the properties owned by USRP (whether currently or previously), the payment of management fees or other monies to the General Partners and to affiliates of USRP and prior sales of properties, or (d) the purchase, acquisition, holding, sale or voting of one or more limited partnership interests in USRP (collectively, the Released Claims ).

Each unaffiliated limited partner who elects to execute the waiver and release and to receive the additional cash payment will expressly waive and relinquish, to the fullest extent permitted by law and consistent with the release, the provisions, rights and benefits of Section 1542 of the Civil Code of California, or Section 1542, which provides:

**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.**

Each unaffiliated limited partner who elects to execute the waiver and release and to receive the additional cash payment will waive any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, that is similar, comparable or equivalent to Section 1542. Each unaffiliated limited partner who elects to execute the waiver and release and to receive the additional cash payment will acknowledge and agree that he may later discover facts in addition to or different from those which he or she now knows or believes to be true with respect to the subject matter of the Released Claims, but such unaffiliated limited partner will be deemed to have fully, finally and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, that now exist or may arise in the future through and including the date of the consummation of the merger under any theory of law or equity now existing, including, but not limited to, conduct that is negligent, intentional, with malice, or a breach of any duty, law or rule, without regard to the subsequent discovery of the existence of such different or additional facts.

Each unaffiliated limited partner who elects to execute the waiver and release and to receive the additional cash payment will agree that the release is intended to include the Released Claims which such unaffiliated limited partner may have and which such unaffiliated limited partner does not know or suspect to exist in its favor against the Releasees, and that the release extinguishes those claims. Each unaffiliated limited partner who elects to execute the waiver and release and to receive the additional cash payment will represent and warrant to the Releasees that such unaffiliated limited partner has not assigned or otherwise transferred or subrogated any interest in the Released Claims.

**Table of Contents**

**The Appraisal**

*Selection and Qualifications of Independent Appraiser.* The Corporate General Partner retained the services of CRA to appraise the market value of USRP's property. CRA is an experienced independent valuation consulting firm that has performed appraisal services for Aimco OP and its affiliates in the past. Aimco OP believes that its relationship with CRA had no negative impact on its independence in conducting the appraisal related to the merger.

*Factors Considered.* CRA performed a complete appraisal of Twin Lakes Apartments. CRA has represented that its report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Standards Board of the Appraisal Foundation and in accordance with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. USRP furnished CRA with all of the necessary information requested by CRA in connection with the appraisal. The appraisal was not prepared in conjunction with a request for a specific value or a value within a given range or predicated upon loan approval. In preparing its valuation of the property, CRA, among other things:

Inspected the property and its environs;

Reviewed demographic and other socioeconomic trends pertaining to the city and region where the property is located;

Examined regional apartment market conditions, with special emphasis on the property's apartment submarket;

Investigated lease and sale transactions involving comparable properties in the influencing market;

Reviewed the existing rent roll and discussed the leasing status with the building manager and leasing agent. In addition, CRA reviewed the property's recent operating history and those of competing properties;

Utilized appropriate appraisal methodology to derive estimates of value; and

Reconciled the estimates of value into a single value conclusion.

*Summary of Approaches and Methodologies Employed.* The following summary describes the approaches and analyses employed by CRA in preparing the appraisal. CRA principally relied on two approaches to valuation: (i) the income capitalization approach and (ii) the sales comparison approach.

The income capitalization approach is based on the premise that value is derived by converting anticipated benefits into property value. Anticipated benefits include the present value of the net income and the present value of the net proceeds resulting from the re-sale of the property. CRA reported that the property has an adequate operations history to determine its income-producing capabilities over the near future. In addition, performance levels of competitive properties served as an adequate check as to the reasonableness of the property's actual performance. As such, the income capitalization approach was utilized in the appraisal of the property.

As part of the income capitalization approach, CRA used the direct capitalization method to estimate a value for Twin Lakes Apartments. According to CRA's report, the basic steps in the direct capitalization analysis to valuing the property are as follows: (i) calculate potential gross income from all sources that a competent owner could legally generate; (ii) estimate and deduct an appropriate vacancy and collection loss factor to arrive at effective gross income; (iii) estimate and deduct operating expenses that would be expected during a stabilized year to arrive at a probable net

operating income; (iv) develop an appropriate overall capitalization rate to apply to the net operating income; and (v) estimate value by dividing the net operating income by the overall capitalization rate. In addition, any adjustments to account for differences between the current conditions and stabilized conditions are also considered.

The sales comparison approach is an estimate of value based upon a process of comparing recent sales of similar properties in the surrounding or competing areas to the subject property. Inherent in and central to this approach is the principle of substitution. This comparative process involves judgment as to the similarity of the subject property and the comparable sales with respect to many value factors such as location, contract rent levels, quality of construction, reputation and prestige, age and condition, and the interest transferred, among others. The value estimated through this approach represents the probable price at which the subject property would be sold by a

**Table of Contents**

willing seller to a willing and knowledgeable buyer as of the date of value. The reliability of this technique is dependent upon the availability of comparable sales data, the verification of the sales data, the degree of comparability and extent of adjustment necessary for differences, and the absence of atypical conditions affecting the individual sales prices. CRA reported that, although the volume of sales activity is down as a result of market conditions, its research revealed adequate sales activity to form a reasonable estimation of the subject property's market value pursuant to the sales comparison approach. According to CRA's report, the basic steps in processing the sales comparison approach are as follows: (i) research the market for recent sales transactions, listings, and offers to purchase or sell of properties similar to the subject property; (ii) select a relevant unit of comparison and develop a comparative analysis; (iii) compare comparable sale properties with the subject property using the elements of comparison and adjust the price of each comparable to the subject property; and (iv) reconcile the various value indications produced by the analysis of the comparables.

The final step in the appraisal process is to reconcile the various value indicators into a single final estimate. CRA reviewed each approach in order to determine its appropriateness relative to the property. The accuracy of the data available and the quantity of evidence were weighted in each approach. For the appraisal of Twin Lakes Apartments, CRA relied principally on the income capitalization approach to valuation, and the direct capitalization method was given greatest consideration in the conclusion of value under this approach. CRA relied secondarily on the sales comparison approach, and reported that the value conclusion derived pursuant to the sales comparison approach was supportive of the conclusion derived pursuant to the income capitalization approach.

*Summary of Independent Appraisal of Twin Lakes Apartments.* CRA performed a complete appraisal of Twin Lakes Apartments. The appraisal report of Twin Lakes Apartments was dated in May 21, 2010 and provides an estimate of the property's market value as of April 26, 2010. The summary set forth below describes the material conclusions reached by CRA based on the value determined under the valuation approaches and subject to the assumptions and limitations described below. According to CRA's report, the estimated aggregate market value of Twin Lakes Apartments was \$15,900,000 as of April 26, 2010. The following is a summary of the appraisal report dated May 21, 2010:

*Valuation Under Income Capitalization Approach.* Using the income capitalization approach, CRA performed a direct capitalization analysis to derive a value for Twin Lakes Apartments.

The direct capitalization analysis resulted in a valuation conclusion for Twin Lakes Apartments of approximately \$15,900,000.

The assumptions employed by CRA to determine the value of Twin Lakes Apartments under the income capitalization approach using a direct capitalization analysis included:

- potential gross income from apartment unit rentals of \$214,488 per month or \$2,573,856 for the appraised year;
- no allowance attributable to loss for lease;
- rent concessions of 4.0% of the gross rent potential;
- a combined vacancy and collection loss allowance of 7.0%;
- estimated utility recovery of \$715 per unit in 2010;
- other income of \$600 per unit for the appraised fiscal year;



projected total expenses (including reserves) of \$1,363,258;

capitalization rate of 8.0%.

Using a direct capitalization analysis, CRA calculated the value of Twin Lakes Apartments by dividing the stabilized net operating income (including an allowance for reserves) by the concluded capitalization rate of 8.0%.

CRA calculated the value conclusion of Twin Lakes Apartments under the income capitalization approach of approximately \$15,900,000 as of April 26, 2010.

*Valuation Under Sales Comparison Approach.* CRA estimated the property value of Twin Lakes Apartments under the sales comparison approach by analyzing sales from the influencing market that were most similar to Twin

**Table of Contents**

Lakes Apartments in terms of age, size, tenant profile and location. CRA reported that adequate sales existed to formulate a defensible value for Twin Lakes Apartments under the sales comparison approach.

The sales comparison approach resulted in a valuation conclusion for Twin Lakes Apartments of approximately \$15,500,000.

In reaching a valuation conclusion for Twin Lakes Apartments, CRA examined and analyzed comparable sales of five properties in the influencing market. The sales reflected unadjusted sales prices ranging from \$42,460 to \$71,759 per unit. After adjustment, the comparable sales illustrated a value range of \$55,198 to \$60,995 per unit, with mean and median adjusted sale prices of \$58,761 and \$59,018 per unit, respectively. CRA reported that three of the comparable sales required the least adjustment and were accorded most significance in the analysis, and that the adjusted sales prices for these properties ranged from \$58,594 to \$60,000 per unit. CRA estimated a value of \$59,000 per unit for Twin Lakes Apartments. Applied to Twin Lakes Apartments' 262 units, this resulted in CRA's total value estimate for Twin Lakes Apartments of approximately \$15,500,000.

CRA also performed an effective gross income multiplier (EGIM) analysis, which resulted in an indicated EGIM of approximately 5.9 on a stabilized basis. CRA reported that the indicated EGIM was aligned toward the middle of the range exhibited by the most recent transactions (5.4 to 6.4 with an average of 5.8), which is considered reasonable. CRA reported that the indicator suggested that the value concluded for the property via comparative analysis was reasonable based on the income-producing characteristics of Twin Lakes Apartments.

*Reconciliation of Values and Conclusion of Appraisal.* For the appraisal of Twin Lakes Apartments, CRA relied principally on the income capitalization approach to valuation, and the direct capitalization method was given greatest consideration in the conclusion of value under this approach. CRA relied secondarily on the sales comparison approach, and reported that the value conclusion derived pursuant to the sales comparison approach was supportive of the conclusion derived pursuant to the income capitalization approach. The income capitalization approach using a direct capitalization method resulted in a value of \$15,900,000, and the sales comparison approach resulted in a value of \$15,500,000. CRA concluded that the market value of Twin Lakes Apartments as of April 26, 2010 was \$15,900,000.

*Assumptions, Limitations and Qualifications of CRA's Valuation.* CRA's appraisal report was subject to the following assumptions and limiting conditions: no responsibility was assumed for the legal description or for matters including legal or title considerations, and title to the property was assumed to be good and marketable unless otherwise stated; the property was appraised free and clear of any or all liens or encumbrances unless otherwise stated; responsible ownership and competent property management were assumed; the information furnished by others was believed to be reliable, and no warranty was given by CRA for the accuracy of such information; all engineering was assumed to be correct; there were no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable, and no responsibility was assumed for such conditions or for arranging for engineering studies that may be required to discover them; there was full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance was stated, defined, and considered in the appraisal report; all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity had been stated, defined, and considered in the appraisal report; all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in the appraisal report was based; the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the appraisal report; the distribution, if any, of the total valuation in the appraisal report between land and improvements applies only under the stated program of utilization; unless otherwise stated in the appraisal report, the existence of hazardous substances, including without limitation, asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the

property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection, and the appraiser had no knowledge of the existence of such materials on or in the property unless otherwise stated; the appraiser has not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the Americans with Disabilities Act; and former personal property items such as kitchen and bathroom appliances were, at the time of the appraisal report,

## **Table of Contents**

either permanently affixed to the real estate or were implicitly part of the real estate in that tenants expected the use of such items in exchange for rent and never gained any of the rights of ownership, and the intention of the owners was not to remove the articles which are required under the implied or express warranty of habitability.

*Compensation of Appraiser.* CRA's fee for the appraisal was approximately \$6,862. Aimco OP paid for the costs of the appraisal. In addition to the appraisal performed in connection with the merger, during the prior two years, CRA has been paid approximately \$106,931 for appraisal services by Aimco OP and its affiliates. Except as set forth above, during the prior two years, no material relationship has existed between CRA and USRP or Aimco OP or any of their affiliates. Aimco OP believes that its relationship with CRA had no negative impact on its independence in conducting the appraisal.

*Availability of Appraisal Reports.* You may obtain a full copy of CRA's appraisal upon request, without charge, by contacting Eagle Rock Proxy Advisors, LLC, by mail at 12 Commerce Drive, Cranford, New Jersey 07016; by fax at (908) 497-2349; or by telephone at (800) 217-9608. In addition, the appraisal report has been filed with the SEC. For more information about how to obtain a copy of the appraisal report see [Where You Can Find Additional Information](#).

## **Future Plans for the Property**

After the merger, Aimco OP will be the sole limited partner in USRP, and will own all of the outstanding USRP Units. The Corporate General Partner, the Other General Partner, and USRP's partnership agreement in effect immediately prior to the merger will remain unchanged after the merger. Aimco OP intends to retain the USRP Units after the merger. After the merger, Aimco will evaluate the capital improvement needs of the property, and anticipates making certain routine capital expenditures with respect to the property during the remainder of 2010.

## **Material United States Federal Income Tax Consequences of the Merger**

For a discussion of the material United States federal income tax consequences of the merger, see [Certain United States Federal Income Tax Matters](#) [United States Federal Income Tax Consequences Relating to the Merger](#).

## **Regulatory Matters**

No material federal or state regulatory requirements must be satisfied or approvals obtained in connection with the merger, except (1) filing a registration statement that includes this information statement/prospectus with the SEC and obtaining the SEC's declaration that the registration statement is effective under the Securities Act, (2) registration or qualification of the issuance of OP Units under state securities laws, and (3) filing a certificate of merger with the Secretary of State of the State of Delaware.

## **Accounting Treatment of the Merger**

Aimco and Aimco OP will treat the merger as a purchase of noncontrolling interests for financial accounting purposes. This means that Aimco and Aimco OP will recognize any difference between the purchase price for these noncontrolling interests and the carrying amount of such noncontrolling interests in Aimco and Aimco OP's consolidated financial statements as an adjustment to the amounts of consolidated equity and partners' capital attributed to Aimco and Aimco OP, respectively.

## **Appraisal Rights**

Limited partners are not entitled to dissenters' appraisal rights under applicable law or USRP's partnership agreement in connection with the merger. However, pursuant to the terms of the merger agreement, Aimco OP will provide each

limited partner with contractual dissenters appraisal rights that are similar to the dissenters appraisal rights available to a stockholder of a corporation in a merger under Delaware law. These contractual appraisal rights will enable a limited partner to obtain an appraisal of the value of the limited partner s USRP Units in connection with the merger. Prosecution of these contractual appraisal rights will involve an arbitration proceeding, and the consideration paid to a limited partner after the prosecution of such contractual appraisal rights, which will take a

## **Table of Contents**

period of time that cannot be predicted with accuracy, will be a cash payment, resulting in a taxable event to such limited partner. A description of the appraisal rights being provided, and the procedures that a limited partner must follow to seek such rights, is attached to this information statement/prospectus as Annex B.

## **Expenses and Fees and Source of Funds**

The costs of planning and implementing the merger, including the cash merger consideration and the preparation of this information statement/prospectus, will be borne by Aimco OP without regard to whether the merger is effectuated. The estimated amount of these costs is approximately \$1,142,942 (assuming all limited partners elect to receive the cash merger consideration and all limited partners unaffiliated with Aimco OP elect to receive an additional cash payment in exchange for executing a waiver and release). Aimco OP is paying for the costs of the merger with funds on hand or from drawings under its revolving credit facility.

## **Approvals Required**

Under Delaware law, the merger must be approved by the General Partners and a majority in interest of the USRP Units. The General Partners have determined that the merger is advisable and in the best interests of USRP and its limited partners and have approved the merger and the merger agreement. As of October 7, 2010, there were issued and outstanding 1,222,000 USRP Units, and Aimco OP and its affiliates owned 900,195 of those certificates, or approximately 73.67% of the outstanding USRP Units. Aimco OP and its affiliates have indicated that they intend to take action by written consent, as permitted under the partnership agreement, to approve the merger on or about 2010. **As a result, approval of the merger is assured, and your consent to the merger is not required.** Aimco OP has approved the merger on behalf of the Aimco Subsidiary.

**Table of Contents**

**THE MERGER AGREEMENT**

*The following is a summary of the material terms of the merger agreement and is qualified in its entirety by reference to the merger agreement, which is attached to this information statement/prospectus as Annex A. You should read the merger agreement carefully in its entirety as it is the legal document that governs this merger.*

**The Merger**

USRP has entered into an agreement and plan of merger with the Aimco Subsidiary and Aimco OP. The Aimco Subsidiary is a wholly owned subsidiary of Aimco OP and was formed for the purpose of effecting the merger with USRP. Aimco indirectly wholly owns the Corporate General Partner and, together with its affiliates, owns a majority of USRP's outstanding USRP Units.

Under the merger agreement, at the effective time of the merger, the Aimco Subsidiary will be merged with and into USRP, with USRP as the surviving entity. In the merger, each USRP Unit outstanding immediately prior to consummation of the merger will be converted into the right to receive, at the election of the holder of such USRP Unit, either \$2.76 in cash or equivalent value in Aimco OP Units (calculated by dividing \$2.76 by the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger); *provided, however*, that if Aimco OP determines that the law of the state or other jurisdiction in which a limited partner resides would prohibit the issuance of Aimco OP Units in that state or other jurisdiction (or that registration or qualification in that state or jurisdiction would be prohibitively costly), then such limited partner will only be entitled to receive \$2.76 in cash for each USRP Unit. Aimco OP's interest in the Aimco Subsidiary will be converted into USRP Units. As a result, after the merger, Aimco OP will be the sole limited partner of USRP and will own all of the outstanding USRP Units.

The Corporate General Partner's and the Other General Partner's general partner interest in USRP will remain unchanged after the merger, and the agreement of limited partnership of USRP as in effect immediately prior to the consummation of the merger will be the agreement of limited partnership of USRP after the merger, until thereafter amended in accordance with the provisions thereof and applicable law.

**Conditions to Obligations to Complete the Merger**

None of the parties to the merger agreement are required to consummate the merger if any third party consent, authorization or approval that any of the parties deems necessary or desirable in connection with the merger agreement, and the consummation of the transactions contemplated thereby, has not been obtained or received.

**Termination of the Merger Agreement**

The merger agreement may be terminated and the merger may be abandoned at any time prior to consummation of the merger, without liability to any party to the merger agreement, by USRP, Aimco OP or the Aimco Subsidiary, in each case, acting in its sole discretion and for any reason or for no reason, notwithstanding the approval of the merger agreement by any of the partners of USRP or the member of the Aimco Subsidiary.

**Amendment**

Subject to applicable law, the merger agreement may be amended, modified or supplemented by written agreement of the parties at any time prior to the consummation of the merger with respect to any of the terms contained therein.

**Governing Law**

The merger agreement is governed by and construed in accordance with the laws of the State of Delaware, without reference to the conflict of law provisions thereof.



**Table of Contents**

**Appraisal Rights**

Limited partners are not entitled to dissenters' appraisal rights under applicable law or USRP's partnership agreement in connection with the merger. However, pursuant to the terms of the merger agreement, Aimco OP will provide each limited partner with contractual dissenters' appraisal rights that are similar to the dissenters' appraisal rights available to a stockholder of a corporation in a merger under Delaware law. These contractual appraisal rights will enable a limited partner to obtain an appraisal of the value of the limited partner's USRP Units in connection with the merger. Prosecution of these contractual appraisal rights will involve an arbitration proceeding, and the consideration paid to a limited partner after the prosecution of such contractual appraisal rights, which will take a period of time that cannot be predicted with accuracy, will be a cash payment, resulting in a taxable event to such limited partner. A description of the appraisal rights being provided, and the procedures that a limited partner must follow to seek such rights, is attached to this information statement/prospectus as Annex B.

**Election Forms**

Within ten (10) days after the effective time of the merger, Aimco OP will prepare and mail to the former holders of USRP Units an election form pursuant to which such holders can elect to receive cash or OP Units. Limited partners may also elect appraisal of their USRP Units pursuant to the election form. Holders of USRP Units may elect their form of consideration by completing and returning the election form in accordance with its instructions. If the information agent does not receive a properly completed election form from a holder before 5:00 p.m., New York time on the 30th day after the merger, the holder will be deemed to have elected to receive the cash consideration. Former holders of USRP Units may also use the election form to elect to receive, in lieu of the merger consideration, the appraised value of their USRP Units, determined through an arbitration proceeding.

In addition, limited partners who are not affiliated with Aimco OP may elect to receive an additional cash payment of \$0.31 per USRP Unit in exchange for executing a waiver and release of certain claims. In order to receive such additional consideration, limited partners must complete the election form, execute the waiver and release that is attached to the election form and return both the election form and the executed waiver and release to the information agent as described above.

**Table of Contents**

**DESCRIPTION OF AIMCO OP UNITS; SUMMARY OF AIMCO OP PARTNERSHIP AGREEMENT**

The following description sets forth some general terms and provisions of the Aimco OP partnership agreement. The following description of the Aimco OP partnership agreement is qualified in its entirety by the terms of the agreement.

**General**

Aimco OP is a limited partnership organized under the provisions of the Delaware Revised Uniform Limited Partnership Act, as amended from time to time, or any successor to such statute, or the Delaware Act, and upon the terms and subject to the conditions set forth in its agreement of limited partnership. AIMCO-GP, a Delaware corporation and wholly owned subsidiary of Aimco, is the sole general partner of Aimco OP. Another wholly owned subsidiary of Aimco, AIMCO-LP Trust, a Delaware trust, or the special limited partner, is a limited partner in Aimco OP. The term of Aimco OP commenced on May 16, 1994, and will continue in perpetuity, unless Aimco OP is dissolved sooner under the provisions of the partnership agreement or as otherwise provided by law.

**Purpose And Business**

The purpose and nature of Aimco OP is to conduct any business, enterprise or activity permitted by or under the Delaware Act, including, but not limited to, (i) to conduct the business of ownership, construction, development and operation of multifamily rental apartment communities, (ii) to enter into any partnership, joint venture, business trust arrangement, limited liability company or other similar arrangement to engage in any business permitted by or under the Delaware Act, or to own interests in any entity engaged in any business permitted by or under the Delaware Act, (iii) to conduct the business of providing property and asset management and brokerage services, whether directly or through one or more partnerships, joint ventures, subsidiaries, business trusts, limited liability companies or other similar arrangements, and (iv) to do anything necessary or incidental to the foregoing; provided, however, such business and arrangements and interests may be limited to and conducted in such a manner as to permit Aimco, in the sole and absolute discretion of the general partner, at all times to be classified as a REIT.

**Management By The General Partner**

Except as otherwise expressly provided in the Aimco OP partnership agreement, all management powers over the business and affairs of Aimco OP are exclusively vested in the general partner. No limited partner of Aimco OP or any other person to whom one or more OP Units have been transferred (each, an assignee) may take part in the operations, management or control (within the meaning of the Delaware Act) of Aimco OP's business, transact any business in Aimco OP's name or have the power to sign documents for or otherwise bind Aimco OP. The general partner may not be removed by the limited partners with or without cause, except with the consent of the general partner. In addition to the powers granted to a general partner of a limited partnership under applicable law or that are granted to the general partner under any other provision of the Aimco OP partnership agreement, the general partner, subject to the other provisions of the Aimco OP partnership agreement, has full power and authority to do all things deemed necessary or desirable by it to conduct the business of Aimco OP, to exercise all powers of Aimco OP and to effectuate the purposes of Aimco OP. Aimco OP may incur debt or enter into other similar credit, guarantee, financing or refinancing arrangements for any purpose (including, without limitation, in connection with any acquisition of properties) upon such terms as the general partner determines to be appropriate. The general partner is authorized to execute, deliver and perform specific agreements and transactions on behalf of Aimco OP without any further act, approval or vote of the limited partners.

*Restrictions on General Partner's Authority.* The general partner may not take any action in contravention of the Aimco OP partnership agreement. The general partner may not, without the prior consent of the limited partners, undertake, on behalf of Aimco OP, any of the following actions or enter into any transaction that would have the effect of such transactions: (i) except as provided in the partnership agreement, amend, modify or terminate the partnership agreement other than to reflect the admission, substitution, termination or withdrawal of partners; (ii) make a general assignment for the benefit of creditors or appoint or acquiesce in the appointment of a custodian, receiver or trustee for all or any part of the assets of Aimco OP; (iii) institute any proceeding for bankruptcy on

**Table of Contents**

behalf of Aimco OP; or (iv) subject to specific exceptions, approve or acquiesce to the transfer of Aimco OP interest of the general partner, or admit into Aimco OP any additional or successor general partners.

*Additional Limited Partners.* The general partner is authorized to admit additional limited partners to Aimco OP from time to time, on terms and conditions and for such capital contributions as may be established by the general partner in its reasonable discretion. The net capital contribution need not be equal for all partners. No action or consent by the limited partners is required in connection with the admission of any additional limited partner. The general partner is expressly authorized to cause Aimco OP to issue additional interests (i) upon the conversion, redemption or exchange of any debt, OP Units or other securities issued by Aimco OP, (ii) for less than fair market value, so long as the general partner concludes in good faith that such issuance is in the best interests of the general partner and Aimco OP, and (iii) in connection with any merger of any other entity into Aimco OP if the applicable merger agreement provides that persons are to receive interests in Aimco OP in exchange for their interests in the entity merging into Aimco OP. Subject to Delaware law, any additional partnership interests may be issued in one or more classes, or one or more series of any of such classes, with such designations, preferences and relative, participating, optional or other special rights, powers and duties as shall be determined by the general partner, in its sole and absolute discretion without the approval of any limited partner, and set forth in a written document thereafter attached to and made an exhibit to the partnership agreement. Without limiting the generality of the foregoing, the general partner has authority to specify (a) the allocations of items of partnership income, gain, loss, deduction and credit to each such class or series of partnership interests; (b) the right of each such class or series of partnership interests to share in distributions; (c) the rights of each such class or series of partnership interests upon dissolution and liquidation of Aimco OP; (d) the voting rights, if any, of each such class or series of partnership interests; and (e) the conversion, redemption or exchange rights applicable to each such class or series of partnership interests. No person may be admitted as an additional limited partner without the consent of the general partner, which consent may be given or withheld in the general partner's sole and absolute discretion.

**Outstanding Classes Of Units**

As of June 30, 2010, Aimco OP had issued and outstanding the following partnership interests:

Class	Units	Quarterly Distribution per Unit	Liquidation Preference
	Outstanding		(per Unit)
Partnership Common Units (OP Units)	123,030,243	\$	N/A
Class G Partnership Preferred Units(1)	4,050,000	\$ 0.586	\$ 25.00
Class T Partnership Preferred Units	6,000,000	\$ 0.50	\$ 25.00
Class U Partnership Preferred Units	8,000,000	\$ 0.484	\$ 25.00
Class V Partnership Preferred Units	3,450,000	\$ 0.50	\$ 25.00
Class Y Partnership Preferred Units	3,450,000	\$ 0.492	\$ 25.00
Series A CRA Perpetual Partnership Preferred Units(2)	114	\$ 4,274.17(3)	\$ 500,000.00
Class One Partnership Preferred Units(4)	90,000	\$ 2.00	\$ 91.43
Class Two Partnership Preferred Units(4)	23,700	\$ 0.115	\$ 25.00
Class Three Partnership Preferred Units(4)	1,366,771	\$ 0.4923	\$ 25.00
Class Four Partnership Preferred Units(4)	755,999	\$ 0.50	\$ 25.00
Class Five Partnership Preferred Units(5)	68,671	\$	N/A
Class Six Partnership Preferred Units(4)	796,668	\$ 0.53125	\$ 25.00

Edgar Filing: APARTMENT INVESTMENT & MANAGEMENT CO - Form S-4

Class Seven Partnership Preferred Units(4)	27,960	\$	0.5938	\$	25.00
Class Eight Partnership Preferred Units(5)	6,250	\$			N/A
Class I High Performance Partnership Units (HPUs)(5)	2,339,950	\$			N/A

- (1) Includes 10,000 units held by a consolidated subsidiary that are eliminated in consolidation.
- (2) During 2006, Aimco sold 200 shares of its Series A Community Reinvestment Act Perpetual Preferred Stock, \$0.01 par value per share, or the CRA Preferred Stock, with a liquidation preference of \$500,000 per share, for

## **Table of Contents**

net proceeds of \$97.5 million. The Series A Community Reinvestment Act Perpetual Partnership Preferred Units, or the CRA Preferred Units, have substantially the same terms as the CRA Preferred Stock. Holders of the CRA Preferred Units are entitled to cumulative cash dividends payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year, when and as declared, beginning on September 30, 2006. For the period from the date of original issuance through March 31, 2015, the distribution rate is a variable rate per annum equal to the Three-Month LIBOR Rate (as defined in the articles supplementary designating the CRA Preferred Stock) plus 1.25%, calculated as of the beginning of each quarterly dividend period. The rate at June 30, 2010 was 1.54%. Upon liquidation, holders of the CRA Preferred Stock are entitled to a preference of \$500,000 per share, plus an amount equal to accumulated, accrued and unpaid dividends, whether or not earned or declared. The CRA Preferred Units rank prior to Common OP Units and on the same level as Aimco OP's other Preferred OP Units, with respect to the payment of distributions and the distribution of amounts upon liquidation, dissolution or winding up. The CRA Preferred Units are not redeemable prior to June 30, 2011, except in limited circumstances related to Aimco's REIT qualification. On and after June 30, 2011, the CRA Preferred Units are redeemable for cash, in whole or from time to time in part, upon the redemption, at Aimco's option, of its CRA Preferred Stock at a price per share equal to the liquidation preference, plus accumulated, accrued and unpaid distributions, if any, to the redemption date.

- (3) Amount per unit based on 114 units outstanding for the entire period. 20 units were repurchased in May 2010 and received \$1,980 in dividends through the date of purchase.
- (4) The Class One, Class Two, Class Three, Class Four, Class Six and Class Seven preferred OP Units are redeemable, at the holders' option. Aimco OP, at its sole discretion, may settle such redemption requests in cash or shares of Aimco's Class A Common Stock in a value equal to the redemption preference. In the event Aimco OP requires Aimco to issue shares to settle a redemption request, it would issue to Aimco a corresponding number of common OP Units. Aimco OP has a redemption policy that requires cash settlement of redemption requests for the redeemable preferred OP Units, subject to limited exceptions.
- (5) The holders of Class Five preferred OP Units, Class Eight preferred OP Units and HPUs receive the same amount of distributions that are paid to holders of an equivalent number of Aimco OP's outstanding common OP Units.

## **Distributions**

Subject to the rights of holders of any outstanding partnership preferred units, the Aimco OP partnership agreement requires the general partner to cause Aimco OP to distribute quarterly all, or such portion as the general partner may in its sole and absolute discretion determine, of Available Cash (as defined in the partnership agreement) generated by Aimco OP during such quarter to the general partner, the special limited partner, the other holders of OP Units and holders of HPUs on the record date established by the general partner with respect to such quarter, in accordance with their respective interests in Aimco OP on such record date. Holders of any partnership preferred units issued in the future may have priority over the general partner, the special limited partner, holders of OP Units and holders of HPUs with respect to distributions of Available Cash, distributions upon liquidation or other distributions.

Distributions payable with respect to any interest in Aimco OP that was not outstanding during the entire quarterly period in respect of which any distribution is made will be prorated based on the portion of the period that such interest was outstanding. The general partner in its sole and absolute discretion may distribute to the limited partners Available Cash on a more frequent basis and provide for an appropriate record date. The partnership agreement requires the general partner to take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with the requirements for qualification as a REIT, to cause Aimco OP to distribute sufficient amounts to enable the general partner to transfer funds to Aimco and enable Aimco to pay stockholder dividends that will

(i) satisfy the requirements, or the REIT Requirements, for qualifying as a REIT under the Code and the applicable Treasury Regulations and (ii) avoid any United States Federal income or excise tax liability of Aimco.

While some of the debt instruments to which Aimco OP is a party, including its credit facilities, contain restrictions on the payment of distributions to OP Unitholders, the debt instruments allow Aimco OP to distribute sufficient amounts to enable the general partner and special limited partner to transfer funds to Aimco which are

## **Table of Contents**

then used to pay stockholder dividends thereby allowing Aimco to meet the requirements for qualifications as a REIT under the Code.

*Distributions in Kind.* No OP Unitholder has any right to demand or receive property other than cash as provided in the partnership agreement. The general partner may determine, in its sole and absolute discretion, to make a distribution in kind of partnership assets to the OP Unitholders, and such assets will be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with the Aimco OP partnership agreement.

*Distributions Upon Liquidation.* Subject to the rights of holders of any outstanding partnership preferred units, net proceeds from the sale or other disposition of all or substantially all of its assets in a transaction that will lead to a liquidation of Aimco OP or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of Aimco OP, or a Terminating Capital Transaction, and any other cash received or reductions in reserves made after commencement of the liquidation of Aimco OP, will be distributed to the OP Unitholders in accordance with the Aimco OP partnership agreement.

*Restricted Distributions.* The Aimco OP partnership agreement prohibits Aimco OP and the general partner, on behalf of Aimco OP, from making a distribution to any OP Unitholder on account of its interest in OP Units if such distribution would violate Section 17-607 of the Delaware Act or other applicable law.

## **Allocations Of Net Income And Net Loss**

*OP Units and HPUs.* Net Income (as defined in the Aimco OP partnership agreement) and Net Loss (as defined in the Aimco OP partnership agreement) of Aimco OP will be determined and allocated with respect to each fiscal year of Aimco OP as of the end of each such year. Except as otherwise provided in the Aimco OP partnership agreement, an allocation to an OP Unitholder of a share of Net Income or Net Loss will be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss. Except as otherwise provided in the Aimco OP partnership agreement and subject to the terms of any outstanding partnership preferred units, Net Income and Net Loss will be allocated to the holders of OP Units and holders of HPUs in accordance with their respective interests at the end of each fiscal year. The Aimco OP partnership agreement contains provisions for special allocations intended to comply with certain regulatory requirements, including the requirements of Treasury Regulations Sections 1.704-1(b) and 1.704-2. Except as otherwise provided in the Aimco OP partnership agreement and subject to the terms of any outstanding partnership preferred units, for United States Federal income tax purposes under the Code and the Treasury Regulations, each partnership item of income, gain, loss and deduction will be allocated among the OP Unitholders in the same manner as its correlative item of book income, gain, loss or deduction is allocated under the Aimco OP partnership agreement.

*Partnership Preferred Units.* Net income will be allocated to the holders of partnership preferred units for any fiscal year (and, if necessary, subsequent fiscal years) to the extent that the holders of partnership preferred units receive a distribution on any partnership preferred units (other than an amount included in any redemption of partnership preferred units). If any partnership preferred units are redeemed, for the fiscal year that includes such redemption (and, if necessary, for subsequent fiscal years) (i) gross income and gain (in such relative proportions as the general partner in its discretion will determine) will be allocated to the holders of partnership preferred units to the extent that the redemption amounts paid or payable with respect to the partnership preferred units so redeemed exceeds the aggregate capital contributions (net of liabilities assumed or taken subject to by Aimco OP) per partnership preferred units allocable to the partnership preferred units so redeemed and (ii) deductions and losses (in such relative proportions as the general partner in its discretion will determine) will be allocated to the holders of partnership preferred units to the extent that the aggregate capital contributions (net of liabilities assumed or taken subject to by Aimco OP) per partnership preferred units allocable to the partnership preferred units so redeemed exceeds the redemption amount



paid or payable with respect to the partnership preferred units so redeemed.

**Withholding**

Aimco OP is authorized to withhold from or pay on behalf of or with respect to each limited partner any amount of Federal, state, local or foreign taxes that the general partner determines that Aimco OP is required to

## **Table of Contents**

withhold or pay with respect to any amount distributable or allocable to such limited partner under the Aimco OP partnership agreement. The Aimco OP partnership agreement also provides that any withholding tax amount paid on behalf of or with respect to a limited partner constitutes a loan by Aimco OP to such limited partner. This loan is required to be repaid within 15 days after notice to the limited partner from the general partner, and each limited partner grants a security interest in its partnership interest to secure its obligation to pay any partnership withholding tax amounts paid on its behalf or with respect to such limited partner. In addition, under the Aimco OP partnership agreement, the partnership may redeem the partnership interest of any limited partner who fails to pay partnership withholding tax amounts paid on behalf of or with respect to such limited partner. Also, the general partner has authority to withhold, from any amounts otherwise distributable, allocable or payable to a limited partner, the general partner's estimate of further taxes required to be paid by such limited partner.

## **Return Of Capital**

No partner is entitled to interest on its capital contribution or on such partner's capital account. Except (i) under the rights of redemption set forth in the Aimco OP partnership agreement, (ii) as provided by law, or (iii) under the terms of any outstanding partnership preferred units, no partner has any right to demand or receive the withdrawal or return of its capital contribution from Aimco OP, except to the extent of distributions made under the Aimco OP partnership agreement or upon termination of Aimco OP. Except to the extent otherwise expressly provided in the Aimco OP partnership agreement and subject to the terms of any outstanding partnership preferred units, no limited partner or assignee will have priority over any other limited partner or Assignee either as to the return of capital contributions or as to profits, losses or distributions.

## **Redemption Rights Of Qualifying Parties**

After the first anniversary of becoming a holder of OP Units, each OP Unitholder and some assignees have the right, subject to the terms and conditions set forth in the Aimco OP partnership agreement, to require Aimco OP to redeem all or a portion of the OP Units held by such party in exchange for shares of Aimco common stock or a cash amount equal to the value of such shares, as Aimco OP may determine. On or before the close of business on the fifth business day after a holder of OP Units gives the general partner a notice of redemption, Aimco OP may, in its sole and absolute discretion but subject to the restrictions on the ownership of Aimco stock imposed under Aimco's charter and the transfer restrictions and other limitations thereof, elect to cause Aimco to acquire some or all of the tendered OP Units from the tendering party in exchange for Aimco common stock, based on an exchange ratio of one share of Aimco common stock for each OP Unit, subject to adjustment as provided in the Aimco OP partnership agreement. The Aimco OP partnership agreement does not obligate Aimco or the general partner to register, qualify or list any Aimco common stock issued in exchange for OP Units with the SEC, with any state securities commissioner, department or agency, or with any stock exchange. Aimco common stock issued in exchange for OP Units under the Aimco OP partnership agreement will contain legends regarding restrictions under the Securities Act and applicable state securities laws as Aimco in good faith determines to be necessary or advisable in order to ensure compliance with securities laws. In the event of a change of control of Aimco, holders of HPUs will have redemption rights similar to those of holders of OP Units.

## **Partnership Right To Call Limited Partner Interests**

Notwithstanding any other provision of the Aimco OP partnership agreement, on and after the date on which the aggregate percentage interests of the limited partners, other than the special limited partner, are less than one percent (1%), Aimco OP will have the right, but not the obligation, from time to time and at any time to redeem any and all outstanding limited partner interests (other than the special limited partner's interest) by treating any limited partner as if such limited partner had tendered for redemption under the Aimco OP partnership agreement the amount of OP Units specified by the general partner, in its sole and absolute discretion, by notice to the limited partner.

**Transfers And Withdrawals**

*Restrictions On Transfer.* The Aimco OP partnership agreement restricts the transferability of OP Units. Any transfer or purported transfer of an OP Unit not made in accordance with the Aimco OP partnership agreement will

**Table of Contents**

be null and void ab initio. Until the expiration of one year from the date on which an OP Unitholder acquired OP Units, subject to some exceptions, such OP Unitholder may not transfer all or any portion of its OP Units to any transferee without the consent of the general partner, which consent may be withheld in its sole and absolute discretion. After the expiration of one year from the date on which an OP Unitholder acquired OP Units, such OP Unitholder has the right to transfer all or any portion of its OP Units to any person, subject to the satisfaction of specific conditions specified in the Aimco OP partnership agreement, including the general partner's right of first refusal.

It is a condition to any transfer (whether or not such transfer is effected before or after the one year holding period) that the transferee assumes by operation of law or express agreement all of the obligations of the transferor limited partner under the Aimco OP partnership agreement with respect to such OP Units, and no such transfer (other than under a statutory merger or consolidation wherein all obligations and liabilities of the transferor partner are assumed by a successor corporation by operation of law) will relieve the transferor partner of its obligations under the Aimco OP partnership agreement without the approval of the general partner, in its sole and absolute discretion.

In connection with any transfer of OP Units, the general partner will have the right to receive an opinion of counsel reasonably satisfactory to it to the effect that the proposed transfer may be effected without registration under the Securities Act, and will not otherwise violate any federal or state securities laws or regulations applicable to Aimco OP or the OP Units transferred.

No transfer by a limited partner of its OP Units (including any redemption or any acquisition of OP Units by the general partner or by Aimco OP) may be made to any person if (i) in the opinion of legal counsel for Aimco OP, it would result in Aimco OP being treated as an association taxable as a corporation, or (ii) such transfer is effectuated through an established securities market or a secondary market (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code.

*HPUs.* HPUs are subject to different restrictions on transfer. Individuals may not transfer HPUs except to a family member (or a family-owned entity) or in the event of their death.

*Substituted Limited Partners.* No limited partner will have the right to substitute a transferee as a limited partner in its place. A transferee of the interest of a limited partner may be admitted as a substituted limited partner only with the consent of the general partner, which consent may be given or withheld by the general partner in its sole and absolute discretion. If the general partner, in its sole and absolute discretion, does not consent to the admission of any permitted transferee as a substituted limited partner, such transferee will be considered an assignee for purposes of the Aimco OP partnership agreement. An assignee will be entitled to all the rights of an assignee of a limited partnership interest under the Delaware Act, including the right to receive distributions from Aimco OP and the share of Net Income, Net Losses and other items of income, gain, loss, deduction and credit of Aimco OP attributable to the OP Units assigned to such transferee and the rights to transfer the OP Units provided in the Aimco OP partnership agreement, but will not be deemed to be a holder of OP Units for any other purpose under the Aimco OP partnership agreement, and will not be entitled to effect a consent or vote with respect to such OP Units on any matter presented to the limited partners for approval (such right to consent or vote, to the extent provided in the Aimco OP partnership agreement or under the Delaware Act, fully remaining with the transferor limited partner).

*Withdrawals.* No limited partner may withdraw from Aimco OP other than as a result of a permitted transfer of all of such limited partner's OP Units in accordance with the Aimco OP partnership agreement, with respect to which the transferee becomes a substituted limited partner, or under a redemption (or acquisition by Aimco) of all of such limited partner's OP Units.

*Restrictions on the general partner.* The general partner may not transfer any of its general partner interest or withdraw from Aimco OP unless (i) the limited partners consent or (ii) immediately after a merger of the general partner into another entity, substantially all of the assets of the surviving entity, other than the general partnership interest in Aimco OP held by the general partner, are contributed to Aimco OP as a capital contribution in exchange for OP Units.

## **Table of Contents**

### **Amendment of the Partnership Agreement**

*By the General Partner Without the Consent of the Limited Partners.* The general partner has the power, without the consent of the limited partners, to amend the Aimco OP partnership agreement as may be required to facilitate or implement any of the following purposes: (1) to add to the obligations of the general partner or surrender any right or power granted to the general partner or any affiliate of the general partner for the benefit of the limited partners; (2) to reflect the admission, substitution or withdrawal of partners or the termination of Aimco OP in accordance with the partnership agreement; (3) to reflect a change that is of an inconsequential nature and does not adversely affect the limited partners in any material respect, or to cure any ambiguity, correct or supplement any provision in the partnership agreement not inconsistent with law or with other provisions, or make other changes with respect to matters arising under the partnership agreement that will not be inconsistent with law or with the provisions of the partnership agreement; (4) to satisfy any requirements, conditions or guidelines contained in any order, directive, opinion, ruling or regulation of a federal or state agency or contained in federal or state law; (5) to reflect such changes as are reasonably necessary for Aimco to maintain its status as a REIT; and (6) to modify the manner in which capital accounts are computed (but only to the extent set forth in the definition of *Capital Account* in the Aimco OP partnership agreement or contemplated by the Code or the Regulations).

*With the Consent of the Limited Partners.* Amendments to the Aimco OP partnership agreement may be proposed by the general partner or by holders of a majority of the outstanding OP Units and other classes of units that have the same voting rights as holders of OP Units, excluding the special limited partner. Following such proposal, the general partner will submit any proposed amendment to the limited partners. The general partner will seek the written consent of a majority in interest of the limited partners on the proposed amendment or will call a meeting to vote thereon and to transact any other business that the general partner may deem appropriate.

### **Procedures for Actions and Consents of Partners**

Meetings of the partners may be called by the general partner and will be called upon the receipt by the general partner of a written request by a majority in interest of the limited partners. Notice of any such meeting will be given to all partners not less than seven (7) days nor more than thirty (30) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Each meeting of partners will be conducted by the general partner or such other person as the general partner may appoint under such rules for the conduct of the meeting as the general partner or such other person deems appropriate in its sole and absolute discretion. Whenever the vote or consent of partners is permitted or required under the partnership agreement, such vote or consent may be given at a meeting of partners or may be given by written consent. Any action required or permitted to be taken at a meeting of the partners may be taken without a meeting if a written consent setting forth the action so taken is signed by partners holding a majority of outstanding OP Units (or such other percentage as is expressly required by the Aimco OP partnership agreement for the action in question).

### **Records and Accounting; Fiscal Year**

The Aimco OP partnership agreement requires the general partner to keep or cause to be kept at the principal office of Aimco OP those records and documents required to be maintained by the Delaware Act and other books and records deemed by the general partner to be appropriate with respect to Aimco OP's business. The books of Aimco OP will be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles, or on such other basis as the general partner determines to be necessary or appropriate. To the extent permitted by sound accounting practices and principles, Aimco OP, the general partner and Aimco may operate with integrated or consolidated accounting records, operations and principles. The fiscal year of Aimco OP is the

calendar year.

**Reports**

As soon as practicable, but in no event later than one hundred and five (105) days after the close of each calendar quarter and each fiscal year, the general partner will make available to limited partners (which may be done by filing a report with the SEC) a report containing financial statements of Aimco OP, or of Aimco if such statements are prepared solely on a consolidated basis with Aimco, for such calendar quarter or fiscal year, as the

## **Table of Contents**

case may be, presented in accordance with generally accepted accounting principles, and such other information as may be required by applicable law or regulation or as the general partner determines to be appropriate. Statements included in quarterly reports are not audited. Statements included in annual reports are audited by a nationally recognized firm of independent public accountants selected by the general partner.

## **Tax Matters Partner**

The general partner is the tax matters partner of Aimco OP for United States Federal income tax purposes. The tax matters partner is authorized, but not required, to take certain actions on behalf of Aimco OP with respect to tax matters. In addition, the general partner will arrange for the preparation and timely filing of all returns with respect to partnership income, gains, deductions, losses and other items required of Aimco OP for United States Federal and state income tax purposes and will use all reasonable effort to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by limited partners for United States Federal and state income tax reporting purposes. The limited partners will promptly provide the general partner with such information as may be reasonably requested by the general partner from time to time.

## **Dissolution and Winding Up**

*Dissolution.* Aimco OP will dissolve, and its affairs will be wound up, upon the first to occur of any of the following (each a liquidating event): (i) an event of withdrawal, as defined in the Delaware Act (including, without limitation, bankruptcy), of the sole general partner unless, within ninety (90) days after the withdrawal, a majority in interest (as such phrase is used in Section 17-801(3) of the Delaware Act) of the remaining partners agree in writing, in their sole and absolute discretion, to continue the business of Aimco OP and to the appointment, effective as of the date of withdrawal, of a successor general partner; (ii) an election to dissolve Aimco OP made by the general partner in its sole and absolute discretion, with or without the consent of the limited partners; (iii) entry of a decree of judicial dissolution of Aimco OP under the provisions of the Delaware Act; (iv) the occurrence of a Terminating Capital Transaction; or (v) the redemption (or acquisition by Aimco, the general partner and/or the special limited partner) of all OP Units other than OP Units held by the general partner or the special limited partner.

*Winding Up.* Upon the occurrence of a liquidating event, Aimco OP will continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets and satisfying the claims of its creditors and partners. The general partner (or, in the event that there is no remaining general partner or the general partner has dissolved, become bankrupt within the meaning of the Delaware Act or ceased to operate, any person elected by a majority in interest of the limited partners) will be responsible for overseeing the winding up and dissolution of Aimco OP and will take full account of Aimco OP's liabilities and property, and Aimco OP property will be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (which may, to the extent determined by the general partner, include Aimco stock) will be applied and distributed in the following order: (i) first, to the satisfaction of all of Aimco OP's debts and liabilities to creditors other than the partners and their assignees (whether by payment or the making of reasonable provision for payment thereof); (ii) second, to the satisfaction of all Aimco OP's debts and liabilities to the general partner (whether by payment or the making of reasonable provision for payment thereof), including, but not limited to, amounts due as reimbursements under the partnership agreement; (iii) third, to the satisfaction of all of Aimco OP's debts and liabilities to the other partners and any assignees (whether by payment or the making of reasonable provision for payment thereof); (iv) fourth, to the satisfaction of all liquidation preferences of outstanding Partnership Preferred Units, if any; and (v) the balance, if any, to the general partner, the limited partners and any assignees in accordance with and in proportion to their positive capital account balances, after giving effect to all contributions, distributions and allocations for all periods. In the event of a liquidation, holders of HPU's will be specially allocated items of income and gain in an amount sufficient to cause the capital account of such holder to be equal to that of a holder of an equal number of OP Units.





**Table of Contents****DESCRIPTION OF AIMCO COMMON STOCK****General**

Aimco's charter authorizes the issuance of up to 422,157,736 shares of common stock. As of October 6, 2010, 117,033,718 shares were issued and outstanding. The Aimco common stock is traded on the NYSE under the symbol AIV. Computershare Limited serves as transfer agent and registrar of the Aimco common stock. On October 6, 2010, the closing price of the Aimco common stock on the NYSE was \$22.26. The following table shows the high and low reported sales prices and dividends paid per share of Aimco's common stock in the periods indicated.

<b>Quarter Ended</b>	<b>High</b>	<b>Low</b>	<b>Dividends</b>
December 31, 2010 (through October 6, 2010)	\$ 22.46	\$ 21.22	\$ 0.00
September 30, 2010	22.82	18.12	0.10
June 30, 2010	24.21	18.14	0.10
March 31, 2010	19.17	15.01	0.00
December 31, 2009	17.09	11.80	0.20
September 30, 2009	15.91	7.36	0.10
June 30, 2009	11.10	5.18	0.10
March 31, 2009	12.89	4.57	0.00
December 31, 2008(1)	43.67	7.01	3.88
September 30, 2008(1)	42.28	29.25	3.00
June 30, 2008	41.24	33.33	0.60
March 31, 2008	41.11	29.91	0.00

- (1) During 2008, Aimco's Board of Directors declared special dividends which were paid part in cash and part in shares of Common Stock as further discussed in Note 11 to the consolidated financial statements in Item 8 of Aimco's Current Report on Form 8-K, dated September 10, 2010 and filed with the SEC on September 10, 2010, which is incorporated herein by reference. Aimco's Board of Directors declared the dividends to address taxable gains from 2008 property sales.

Aimco adopted the Apartment Investment and Management Company 1997 Stock Award and Incentive Plan, or the 1997 Plan, to attract and retain officers, key employees and independent directors. The 1997 Plan reserved for issuance a maximum of 20 million shares, which may be in the form of incentive stock options, non-qualified stock options and restricted stock, or other types of awards as authorized under the 1997 Plan. The 1997 Plan expired on April 24, 2007. On April 30, 2007, the 2007 Stock Award and Incentive Plan, or the 2007 Plan, was approved as successor to the 1997 Plan. The 2007 Plan reserves for issuance a maximum of 4.1 million shares, which may be in the form of incentive stock options, non-qualified stock options and restricted stock, or other types of awards as authorized under the 2007 Plan.

Holders of Aimco common stock are entitled to receive dividends, when and as declared by Aimco's board of directors, out of funds legally available therefor. The holders of shares of common stock, upon any liquidation, dissolution or winding up of Aimco, are entitled to receive ratably any assets remaining after payment in full of all liabilities of Aimco and the liquidation preferences of preferred stock. The shares of common stock possess ordinary voting rights for the election of directors and in respect of other corporate matters, each share entitling the holder

thereof to one vote. Holders of shares of common stock do not have cumulative voting rights in the election of directors, which means that holders of more than 50% of the shares of common stock voting for the election of directors can elect all of the directors if they choose to do so and the holders of the remaining shares cannot elect any directors. Holders of shares of common stock do not have preemptive rights, which means they have no right to acquire any additional shares of common stock that may be issued by Aimco at a subsequent date.

**Table of Contents****Outstanding Classes Of Preferred Stock**

Aimco's charter authorizes 84,429,764 shares of preferred stock with a par value of \$0.01 per share. Aimco is authorized to issue shares of preferred stock in one or more classes or subclasses, with such designations, preferences, conversion and other rights, voting powers, restriction, limitations as to dividends, qualifications and terms and conditions of redemption, in each case, if any as are permitted by Maryland law and as the Aimco Board of Directors may determine by resolution. As of June 30, 2010, Aimco had issued and outstanding the following classes of preferred stock:

Class	Shares Authorized	Shares Outstanding	Quarterly Dividend per Share	Liquidation Preference per Share	Conversion Price
Class G Cumulative Preferred Stock(1)	4,050,000	4,050,000	\$ 0.586	\$ 25	NA
Class T Cumulative Preferred Stock	6,000,000	6,000,000	\$ 0.50	\$ 25	NA
Class U Cumulative Preferred Stock	8,000,000	8,000,000	\$ 0.484	\$ 25	NA
Class V Cumulative Preferred Stock	3,450,000	3,450,000	\$ 0.50	\$ 25	NA
Class Y Cumulative Preferred Stock	3,450,000	3,450,000	\$ 0.492	\$ 25	NA
Series A CRA Perpetual Preferred Stock(2)	240	114	\$ 4,274.17(3)	\$ 500,000	NA

- (1) Includes 10,000 shares held by a consolidated subsidiary that are eliminated in consolidation.
- (2) During 2006, Aimco sold 200 shares of Series A Community Reinvestment Act Perpetual Preferred Stock, \$0.01 par value per share, or the CRA Preferred Stock, with a liquidation preference of \$500,000 per share, for net proceeds of \$97.5 million. For the period from the date of original issuance through March 31, 2015, the dividend rate is a variable rate per annum equal to the Three-Month LIBOR Rate (as defined in the articles supplementary designating the CRA Preferred Stock) plus 1.25%, calculated as of the beginning of each quarterly dividend period. The rate at June 30, 2010 was 1.54%. Upon liquidation, holders of the CRA Preferred Stock are entitled to a preference of \$500,000 per share, plus an amount equal to accumulated, accrued and unpaid dividends, whether or not earned or declared. The CRA Preferred Stock ranks prior to the Aimco common stock and on the same level as Aimco's outstanding shares of preferred stock with respect to the payment of dividends and the distribution of amounts upon liquidation, dissolution or winding up. The CRA Preferred Stock is not redeemable prior to June 30, 2011, except in limited circumstances related to REIT qualification. On and after June 30, 2011, the CRA Preferred Stock is redeemable for cash, in whole or from time to time in part, at Aimco's option, at a price per share equal to the liquidation preference, plus accumulated, accrued and unpaid dividends, if any, to the redemption date.
- (3) Amount per share is based on 114 shares outstanding for the entire period. 20 shares were repurchased in May 2010 and received \$1,980 in dividends through the date of purchase.

*Ranking.* Each authorized class of preferred stock ranks, with respect to dividend rights and rights upon liquidation, dissolution or winding up of Aimco, (a) prior or senior to the common stock and any other class or series of capital stock of Aimco if the holders of that class of preferred stock are entitled to the receipt of dividends or amounts distributable upon liquidation, dissolution or winding-up in preference or priority to the holders of shares of such class or series ( Junior Stock ); (b) on a parity with the other authorized classes of preferred stock and any other class or series of capital stock of Aimco if the holders of such class or series of stock and that class of preferred stock are entitled to receive dividends and amounts distributable upon liquidation, dissolution or winding-up in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority of one over the other ( Parity Stock ); and (c) junior to any class or series of capital stock of Aimco if the holders of such class or series are entitled to receive dividends and amounts distributable upon liquidation, dissolution or winding-up in preference or priority to the holders of that class of preferred stock ( Senior Stock ).

*Dividends.* Holders of each authorized class of preferred stock are entitled to receive, when and as declared by Aimco s board of directors, out of funds legally available for payment, quarterly cash dividends in the amount per share set forth in the table above under the heading, Quarterly Dividend Per Share. The dividends are

**Table of Contents**

cumulative from the date of original issue, whether or not in any dividend period or periods Aimco declares any dividends or have funds legally available for the payment of such dividend. Holders of preferred stock are not entitled to receive any dividends in excess of cumulative dividends on the preferred stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the preferred stock that may be in arrears.

When dividends are not paid in full upon any class of preferred stock, or a sum sufficient for such payment is not set apart, all dividends declared upon that class of preferred stock and any shares of Parity Stock will be declared ratably in proportion to the respective amounts of dividends accumulated, accrued and unpaid on that class of preferred stock and accumulated, accrued and unpaid on such Parity Stock. Except as set forth in the preceding sentence, unless dividends on each class of preferred stock equal to the full amount of accumulated, accrued and unpaid dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for such payment, for all past dividend periods, no dividends may be declared or paid or set apart for payment by Aimco and no other distribution of cash or other property may be declared or made, directly or indirectly, by Aimco with respect to any shares of Parity Stock. Unless dividends equal to the full amount of all accumulated, accrued and unpaid dividends on each class of preferred stock have been declared and paid, or declared and a sum sufficient for the payment thereof has been set apart for such payment, for all past dividend periods, no dividends (other than dividends or distributions paid in shares of Junior Stock or options, warrants or rights to subscribe for or purchase shares of Junior Stock) may be declared or paid or set apart for payment by Aimco and no other distribution of cash or other property may be declared or made, directly or indirectly, by Aimco with respect to any shares of Junior Stock, nor may any shares of Junior Stock be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of common stock made for purposes of an employee incentive or benefit plan of Aimco or any subsidiary) for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any shares of any such stock), directly or indirectly, by Aimco (except by conversion into or exchange for shares of Junior Stock, or options, warrants or rights to subscribe for or purchase shares of Junior Stock), nor shall any other cash or other property be paid or distributed to or for the benefit of holders of shares of Junior Stock. Notwithstanding the foregoing provisions of this paragraph, Aimco is not prohibited from (1) declaring or paying or setting apart for payment any dividend or distribution on any shares of Parity Stock or (2) redeeming, purchasing or otherwise acquiring any Parity Stock, in each case, if such declaration, payment, redemption, purchase or other acquisition is necessary to maintain Aimco's qualification as a REIT.

*Liquidation Preference.* Upon any voluntary or involuntary liquidation, dissolution or winding up of Aimco, before it makes or sets apart any payment or distribution for the holders of any shares of Junior Stock, the holders of each class of preferred stock are entitled to receive a liquidation preference per share in the amount set forth above under the heading, *Liquidation Preference Per Share*, plus an amount equal to all accumulated, accrued and unpaid dividends (whether or not formed or declared) to the date of final distribution to such holders. Holders of each class of preferred stock are not entitled to any further payment. Until the holders of each class of preferred stock have been paid their respective liquidation preferences in full, plus an amount equal to all accumulated, accrued and unpaid dividends (whether or not earned or declared) to the date of final distribution to such holders, no payment may be made to any holder of Junior Stock upon the liquidation, dissolution or winding up of Aimco. If, upon any liquidation, dissolution or winding up of Aimco, its assets, or proceeds thereof, distributable among the holders of preferred stock are insufficient to pay in full the preference described above for any class of preferred stock and any liquidating payments on any other shares of any class or series of Parity Stock, then such proceeds shall be distributed among the holders of such class of preferred stock and holders of all other shares of any class or series of Parity Stock ratably in the same proportion as the respective amounts that would be payable on such class of preferred stock and any such Parity Stock if all amounts payable thereon were paid in full. A voluntary or involuntary liquidation, dissolution or winding up of Aimco does not include its consolidation or merger with one or more corporations, a sale or transfer of all or substantially all of its assets, or a statutory share exchange. Upon any liquidation, dissolution or winding up of Aimco, after payment shall have been made in full to the holders of preferred stock, any other series or class or classes of

Junior Stock shall be entitled to receive any and all assets remaining to be paid or distributed, and the holders of each class of preferred stock and any Parity Stock shall not be entitled to share therein.

**Table of Contents**

*Redemption.* Except as described below and in certain limited circumstances, including circumstances relating to maintaining Aimco's ability to qualify as a REIT, Aimco may not redeem the shares of preferred stock. On or after the dates set forth in the table below, Aimco may, at its option, redeem shares of the classes of preferred stock set forth below, in whole or from time to time in part, at a cash redemption price equal to the percentage of the liquidation preference for that class of preferred stock indicated under the heading, "Price," plus all accumulated, accrued and unpaid dividends, if any, to the date fixed for redemption. The redemption price for each class of non-convertible preferred stock (other than any portion thereof consisting of accumulated, accrued and unpaid dividends) is payable solely with the proceeds from the sale of equity securities by Aimco or Aimco OP (whether or not such sale occurs concurrently with such redemption). For purposes of the preceding sentence, "capital shares" means any common stock, preferred stock, depositary shares, partnership or other interests, participations or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable at the option of the holder for equity securities (unless and to the extent such debt securities are subsequently converted into capital stock)) or options to purchase any of the foregoing securities issued by Aimco or Aimco OP.

<b>Class</b>	<b>Date</b>	<b>Price</b>
Class G Cumulative Preferred Stock	July 15, 2008	100%
Class T Cumulative Preferred Stock	July 31, 2008	100%
Class U Cumulative Preferred Stock	March 24, 2009	100%
Class V Cumulative Preferred Stock	September 29, 2009	100%
Class Y Cumulative Preferred Stock	December 21, 2009	100%
Series A CRA Perpetual Preferred Stock	June 30, 2011	100%

Except as otherwise described in this information statement/prospectus, none of the authorized classes of preferred stock have any stated maturity or are subject to any sinking fund or mandatory redemption provisions.

*Conversion.* The shares of convertible preferred stock are convertible at any time, at the option of the holder, into a number of shares of common stock obtained by dividing its liquidation preference (excluding any accumulated, accrued and unpaid dividends) by the conversion price set forth in the table above. In the case of shares called for redemption, conversion rights will terminate at the close of business on the date fixed for such redemption, unless Aimco defaults in making such redemption payment. Each conversion will be deemed to have been effected immediately prior to the close of business on the date on which the holder surrenders certificates representing shares of preferred stock and Aimco receives notice and any applicable instruments of transfer and any required taxes. The conversion will be at the conversion price in effect at such time and on such date unless the stock transfer books of Aimco are closed on that date, in which event such person or persons will be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion will be at the conversion price in effect on the date on which such shares were surrendered and such notice received by Aimco. No fractional shares of common stock or scrip representing fractions of a share of common stock will be issued upon conversion of shares of preferred stock. Instead of any fractional interest in a share of common stock that would otherwise be deliverable upon the conversion of any share of preferred stock, Aimco will pay to the holder of such shares an amount in cash based upon the closing price of the common stock on the trading day immediately preceding the date of conversion. If more than one share of preferred stock is surrendered for conversion at one time by the same holder, the number of full shares of common stock issuable upon conversion thereof will be computed on the basis of the aggregate number of shares of preferred stock so converted. Except as otherwise required, Aimco will make no payment or allowance for unpaid dividends, whether or not in arrears, on converted shares or for dividends (other than dividends on the common stock the record date for which is after the conversion date and which Aimco shall pay in the ordinary course to the record holder as of the record date) on the common stock issued upon such conversion. Holders of preferred stock at the close of business on a record date for



the payment of dividends on the preferred stock will be entitled to receive an amount equal to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the conversion of such shares following such record date.

Each conversion price is subject to adjustment upon the occurrence of certain events, including: (i) if Aimco (A) pays a dividend or makes a distribution on its capital stock in shares of common stock, (B) subdivides its outstanding common stock into a greater number of shares, (C) combines its outstanding common stock into a

**Table of Contents**

smaller number of shares or (D) issues any shares of capital stock by reclassification of its outstanding common stock; (ii) if Aimco issues rights, options or warrants to holders of common stock entitling them to subscribe for or purchase common stock at a price per share less than the fair market value thereof; and (iii) if Aimco makes a distribution on its common stock other than in cash or shares of common stock.

Conversion of preferred stock will be permitted only to the extent that such conversion would not result in a violation of the ownership restrictions set forth in Aimco's charter.

*Voting Rights.* Holders of shares of the authorized classes of preferred stock do not have any voting rights, except as set forth below and except as otherwise required by applicable law.

If and whenever dividends on any shares of any class of preferred stock or any series or class of Parity Stock are in arrears for six or more quarterly periods, whether or not consecutive, the number of directors then constituting Aimco's board of directors will be increased by two, if not already increased by reason of similar types of provisions with respect to shares of Parity Stock of any other class or series which is entitled to similar voting rights (the "Voting Preferred Stock"), and the holders of shares of that class of preferred stock, together with the holders of shares of all other Voting Preferred Stock then entitled to exercise similar voting rights, voting as a single class regardless of series, will be entitled to vote for the election of the two additional directors of Aimco at any annual meeting of stockholders or at a special meeting of the holders of that class of preferred stock and of the Voting Preferred Stock called for that purpose. Whenever dividends in arrears on outstanding shares of Voting Preferred Stock shall have been paid and dividends thereon for the current quarterly dividend period have been paid or declared and set apart for payment, then the right of the holders of the Voting Preferred Stock to elect the additional two directors shall cease and the terms of office of the directors shall terminate and the number of directors constituting Aimco's board of directors shall be reduced accordingly. Holders of Class W Cumulative Convertible Preferred Stock, voting as a single class, are also entitled to elect one director of Aimco if and whenever (i) for two consecutive quarterly dividend periods, Aimco fails to pay at least \$0.45 per share in dividends on the common stock or (ii) Aimco fails to pay a quarterly dividend on that class of preferred stock, whether or not earned or declared.

The affirmative vote or consent of at least 66 $\frac{2}{3}$ % of the votes entitled to be cast by the holders of the outstanding shares of each class of preferred stock and the holders of all other classes or series of Parity Stock entitled to vote on such matters, voting as a single class, will be required to (1) authorize, create, increase the authorized amount of, or issue any shares of any class of Senior Stock or any security convertible into shares of any class of Senior Stock, or (2) amend, alter or repeal any provision of, or add any provision to, Aimco's charter or by-laws, if such action would materially adversely affect the voting powers, rights or preferences of the holders of that class of preferred stock or, with respect to the Class W Cumulative Convertible Preferred Stock, would convert such preferred stock into cash or any other security other than Preferred Stock with terms and provisions equivalent to those set forth in the articles supplementary for such class of preferred stock (including any amendment, alteration or repeal effected pursuant to a merger, consolidation, or similar transaction); provided, however, that no such vote of the holders of that class of preferred stock shall be required if, at or prior to the time such amendment, alteration or repeal is to take effect or the issuance of any such Senior Stock or convertible security is to be made, as the case may be, provisions are made for the redemption of all outstanding shares of that class of preferred stock. The amendment of or supplement to Aimco's charter to authorize, create, increase or decrease the authorized amount of or to issue Junior Stock, or any shares of any class of Parity Stock shall not be deemed to materially adversely affect the voting powers, rights or preferences of any class of preferred stock.

*Transfer.* For Aimco to qualify as a REIT under the Code, not more than 50% in value of its outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year and the shares of common stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year.

Because the Aimco board of directors believes that it is essential for Aimco to meet the REIT Requirements, the board of directors has adopted, and the stockholders have approved, provisions of Aimco's charter restricting the acquisition of shares of common stock.

Subject to specific exceptions specified in Aimco's charter, no holder may own, or be deemed to own by virtue of various attribution and constructive ownership provisions of the Code and Rule 13d-3 under the Exchange Act,

**Table of Contents**

more than 8.7% (or 15% in the case of specific pension trusts described in the Code, investment companies registered under the Investment Company Act of 1940, as amended, and Mr. Considine) of the outstanding shares of common stock (the Ownership Limit). The board of directors may waive the Ownership Limit if evidence satisfactory to the board of directors and Aimco's tax counsel is presented that such ownership will not then or in the future jeopardize Aimco's status as a REIT. However, in no event may such holder's direct or indirect ownership of common stock exceed 9.8% of the total outstanding shares of common stock. As a condition of such waiver, the board of directors may require opinions of counsel satisfactory to it and/or an undertaking from the applicant with respect to preserving the REIT status of Aimco. The foregoing restrictions on transferability and ownership will not apply if the board of directors determines that it is no longer in the best interests of Aimco to attempt to qualify, or to continue to qualify as a REIT and a resolution terminating Aimco's status as a REIT and amending Aimco's charter to remove the foregoing restrictions is duly adopted by the board of directors and a majority of Aimco's stockholders. If shares of common stock in excess of the Ownership Limit, or shares of common stock which would cause the REIT to be beneficially owned by fewer than 100 persons, or which would result in Aimco being closely held, within the meaning of Section 856(h) of the Code, or which would otherwise result in Aimco failing to qualify as a REIT, are issued or transferred to any person, such issuance or transfer shall be null and void to the intended transferee, and the intended transferee would acquire no rights to the stock. Shares of common stock transferred in excess of the Ownership Limit or other applicable limitations will automatically be transferred to a trust for the exclusive benefit of one or more qualifying charitable organizations to be designated by Aimco. Shares transferred to such trust will remain outstanding, and the trustee of the trust will have all voting and dividend rights pertaining to such shares. The trustee of such trust may transfer such shares to a person whose ownership of such shares does not violate the Ownership Limit or other applicable limitation. Upon a sale of such shares by the trustee, the interest of the charitable beneficiary will terminate, and the sales proceeds would be paid, first, to the original intended transferee, to the extent of the lesser of (a) such transferee's original purchase price (or the original market value of such shares if purportedly acquired by gift or devise) and (b) the price received by the trustee, and, second, any remainder to the charitable beneficiary. In addition, shares of stock held in such trust are purchasable by Aimco for a 90 day period at a price equal to the lesser of the price paid for the stock by the original intended transferee (or the original market value of such shares if purportedly acquired by gift or devise) and the market price for the stock on the date that Aimco determines to purchase the stock. The 90 day period commences on the date of the violative transfer or the date that the board of directors determines in good faith that a violative transfer has occurred, whichever is later. All certificates representing shares of common stock bear a legend referring to the restrictions described above.

All persons who own, directly or by virtue of the attribution provisions of the Code and Rule 13d-3 under the Exchange Act, more than a specified percentage of the outstanding shares of common stock must file an affidavit with Aimco containing the information specified in Aimco's charter within 30 days after January 1 of each year. In addition, each stockholder shall upon demand be required to disclose to Aimco in writing such information with respect to the direct, indirect and constructive ownership of shares as the board of directors deems necessary to comply with the provisions of the Code applicable to a REIT or to comply with the requirements of any taxing authority or governmental agency.

The ownership limitations may have the effect of precluding acquisition of control of Aimco by specific parties unless the board of directors determines that maintenance of REIT status is no longer in the best interests of Aimco.

**Table of Contents**

**COMPARISON OF AIMCO OP UNITS AND AIMCO COMMON STOCK**

Set forth below is a comparison of the OP Units to the Aimco common stock.

**OP Units**

**Common Stock**

**Nature of Investment**

The OP Units constitute equity interests entitling each holder to his or her pro rata share of cash distributions made from Available Cash (as such term is defined in the Aimco OP partnership agreement) to the partners of Aimco OP, a Delaware limited partnership.

The common stock constitutes equity interests in Aimco, a Maryland corporation.

**Voting Rights**

Under the Aimco OP partnership agreement, limited partners have voting rights only with respect to certain limited matters such as certain amendments of the partnership agreement and certain transactions such as the institution of bankruptcy proceedings, an assignment for the benefit of creditors and certain transfers by the general partner of its interest in Aimco OP or the admission of a successor general partner.

Each outstanding share of common stock entitles the holder thereof to one vote on all matters submitted to stockholders for a vote, including the election of directors. Holders of common stock have the right to vote on, among other things, a merger of Aimco, amendments to the Aimco charter and the dissolution of Aimco. Certain amendments to the Aimco charter require the affirmative vote of not less than two-thirds of votes entitled to be cast on the matter. The Aimco charter permits the Aimco Board of Directors to classify and issue capital stock in one or more series having voting power which may differ from that of the common stock.

Under Maryland law, a consolidation, merger, share exchange or transfer of all or substantially all of the assets of Aimco requires the affirmative vote of not less than two-thirds of all of the votes entitled to be cast on the matter. With respect to each of these transactions, only the holders of common stock are entitled to vote on the matters. No approval of the stockholders is required for the sale of less than all or substantially all of Aimco's assets.

Maryland law provides that the Aimco Board of Directors must obtain the affirmative vote of at least two-thirds of the votes entitled to be cast on the matter in order to dissolve Aimco. Only the holders of common stock are entitled to vote on Aimco's dissolution.

**Distributions/Dividends**

Subject to the rights of holders of any outstanding partnership preferred units, the Aimco OP partnership

Holders of the common stock are entitled to receive dividends when and as declared by the Aimco Board of

agreement requires the general partner to cause Aimco OP to distribute quarterly all, or such portion as the general partner may in its sole and absolute discretion determine, of Available Cash (as such term is defined in the partnership agreement) generated by Aimco OP during such quarter to the general partner, the Special Limited Partner and the holders of OP Units and HPUs on the record date established by the general partner with respect to such quarter, in accordance with their respective interests in Aimco OP on such record date. Holders of any Partnership Preferred Units currently issued and which may be issued in the future may have priority over the general partner, the special limited

Directors, out of funds legally available therefor. Under the REIT rules, Aimco is required to distribute dividends (other than capital gain dividends) to its stockholders in an amount at least equal to (A) the sum of (i) 90% of Aimco's REIT taxable income (computed without regard to the dividends paid deduction and Aimco's net capital gain) and (ii) 90% of the net income (after tax), if any, from foreclosure property, minus (B) the sum of certain items of noncash income. See Certain United States Federal Income Tax Matters.

**Table of Contents**

**OP Units**

**Common Stock**

partner and holders of OP Units and HPUs with respect to distributions of Available Cash, distributions upon liquidation or other distributions. See Description of OP Units Distributions. The general partner in its sole and absolute discretion may distribute to the holders of OP Units and HPUs Available Cash on a more frequent basis and provide for an appropriate record date. The partnership agreement requires the general partner to take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with the REIT Requirements, to cause Aimco OP to distribute sufficient amounts to enable the general partner to transfer funds to Aimco and enable Aimco to pay stockholder dividends that will(i) satisfy the requirements for qualifying as a REIT under the Code, and the Treasury Regulations and (ii) avoid any United States Federal income or excise tax liability of Aimco. See Description of OP Units Distributions.

**Liquidity and Transferability/Redemption**

There is no public market for the OP Units and the OP Units are not listed on any securities exchange.

The common stock is transferable subject to the Ownership Limit set forth in the Aimco charter. The common stock is listed on the NYSE.

Under the Aimco OP partnership agreement, until the expiration of one year from the date on which a holder acquired OP Units, subject to certain exceptions, such OP Unitholder may not transfer all or any portion of its OP Units to any transferee without the consent of the general partner, which consent may be withheld in its sole and absolute discretion. After the expiration of one year, such OP Unitholder has the right to transfer all or any portion of its OP Units to any person, subject to the satisfaction of certain conditions specified in the partnership agreement, including the general partner's right of first refusal. See Description of OP Units Transfers and Withdrawals. After the first anniversary of becoming a holder of OP Units, a holder has the right, subject to the terms and conditions of the partnership agreement, to require Aimco OP to redeem all or a portion of such holder's OP Units in exchange for shares of common stock or a cash amount equal to the value of such shares, as Aimco OP may elect. See Description of OP Units Redemption Rights of Qualifying Parties. Upon receipt of a notice of redemption, Aimco OP may, in its sole and absolute discretion but subject to the restrictions on the ownership of common stock imposed under the Aimco charter and the transfer restrictions and

other limitations thereof, elect to cause Aimco to acquire some or all of the tendered OP Units in exchange for common stock, based on an exchange ratio of one share of common stock for each OP Unit, subject to adjustment as provided in the partnership agreement.



**Table of Contents**

**COMPARISON OF USRP UNITS AND AIMCO OP UNITS**

The rights of USRP limited partners are currently governed by the Delaware Act and the USRP partnership agreement. The rights of the limited partners of Aimco OP are currently governed by the Delaware Act and the Aimco OP partnership agreement.

The information below highlights a number of the significant differences between USRP Units and Aimco OP Units. These comparisons are intended to assist USRP limited partners in understanding how their investment will be changed after completion of the merger, if they elect to receive OP Units in lieu of cash with respect to the merger.

**UNITS**

**OP Units**

**Nature of Investment**

The USRP Units constitute equity interests entitling each partner to its pro rata share of distributions to be made to the partners of USRP.

The OP Units constitute equity interests entitling each holder to his or her pro rata share of cash distributions made from Available Cash (as such term is defined in the partnership agreement) to the partners of Aimco OP.

**Voting Rights**

With limited exceptions, the USRP partnership agreement may be amended upon the vote of limited partners holding more than 50% of the outstanding limited partnership units. Limited partners holding more than fifty percent of the units may remove a general partner. If a general partner withdraws or is otherwise removed, USRP will be dissolved, unless (a) the remaining general partner elects to continue USRP's business and either (i) limited partners holding more than fifty percent of the limited partnership units elect a substitute general partner that meets the requirements for continued qualification of USRP as a partnership for Federal income tax purposes or (ii) the remaining general partner certifies to the limited partners that USRP will meet the requirements for continued qualification as a partnership for Federal income tax purposes without the admission of a substitute general partner, or (b) if there is no remaining general partner, all of the partners agree in writing to continue the business of USRP. An affiliate of the general partner of USRP currently owns a majority of USRP's Units.

Under the Aimco OP partnership agreement, limited partners have voting rights only with respect to certain limited matters such as certain amendments of the partnership agreement and certain transactions such as the institution of bankruptcy proceedings, an assignment for the benefit of creditors and certain transfers by the general partner of its interest in Aimco OP or the admission of a successor general partner.

Under the Aimco OP partnership agreement, the general partner has the power to effect the acquisition, sale, transfer, exchange or other disposition of any assets of Aimco OP (including, but not limited to, the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by Aimco OP) or the merger,

consolidation, reorganization or other combination of Aimco OP with or into another entity, all without the consent of the OP Unitholders.

**Table of Contents**

**UNITS**

**OP Units**

The general partner may cause the dissolution of Aimco OP by an event of withdrawal, as defined in the Delaware Act (including, without limitation, bankruptcy), unless, within 90 days after the withdrawal, holders of a majority in interest, as defined in the Delaware Act, agree in writing, in their sole and absolute discretion, to continue the business of Aimco OP and to the appointment of a successor general partner. The general partner may elect to dissolve Aimco OP in its sole and absolute discretion, with or without the consent of the OP Unitholders. OP Unitholders cannot remove the general partner of Aimco OP with or without cause.

**Distributions**

All Net Cash from Operations (as such term is defined in the USRP partnership agreement) of USRP for each fiscal year will be distributed quarterly in the manner specified in the USRP partnership agreement. Subject to certain exceptions set forth in the USRP partnership agreement, all Sale or Refinancing Proceeds (as such term is defined in the USRP partnership agreement) will be distributed within 135 days of the sale or refinancing in the manner specified in the USRP partnership agreement.

Subject to the rights of holders of any outstanding partnership preferred units, the Aimco OP partnership agreement requires the general partner to cause Aimco OP to distribute quarterly all, or such portion as the general partner may in its sole and absolute discretion determine, of Available Cash (as such term is defined in the partnership agreement) generated by Aimco OP during such quarter to the general partner, the special limited partner and the holders of OP Units and HPUs on the record date established by the general partner with respect to such quarter, in accordance with their respective interests in Aimco OP on such record date. Holders of any partnership preferred units currently issued and which may be issued in the future may have priority over the general partner, the special limited partner and holders of OP Units and HPUs with respect to distributions of Available Cash, distributions upon liquidation or other distributions. See Description of OP Units Distributions. The general partner in its sole and absolute discretion may distribute to the holders of OP Units and HPUs Available Cash on a more frequent basis and provide for an appropriate record date. The partnership agreement requires the general partner to take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with the REIT requirements, to cause Aimco OP to distribute sufficient amounts to enable the general partner to transfer funds to Aimco and enable Aimco to pay stockholder dividends that will (i) satisfy the requirements for qualifying as a REIT under the Code, and the Treasury Regulations and (ii) avoid any United

States Federal income or excise tax liability of Aimco.  
See Description of OP Units Distributions.

**Liquidity and Transferability/Redemption**

There is a limited market for the USRP Units and the  
USRPs Units are not listed on any securities exchange.

There is no public market for the OP Units and the OP  
Units are not listed on any securities exchange.

**Table of Contents****UNITS**

Under the USRP partnership agreement, except with the prior written consent of the Corporate General Partner or by operation of law and unless deposited with the Depositary (as such term is defined in the USRP partnership agreement) under the Depositary Agreement (as such term is defined in the USRP partnership agreement), certificates of limited partnership interest, or any interest evidenced thereby, may not be transferred. The Corporate General Partner's consent to such transfer will not be withheld unless the Corporate General Partner reasonably determines that a transfer would result in an adverse change in the tax status of USRP or would violate Federal or state securities laws. Depositary receipts evidencing USRP Units are transferable in the manner and subject to the conditions provided in the Depositary Agreement. Upon valid transfer and registration of transfer pursuant to the Depositary Agreement of any depositary receipt or any USRP Units represented thereby, the certificates of limited partnership interest represented thereby (and the interest evidenced by such certificates) will be deemed to have been assigned from the transferor to the transferee of all or a portion of such depositary receipt. Notwithstanding the foregoing, no transfer or assignment of any interest may be made (a) if counsel for USRP is of the opinion that the transfer would be in violation of any state securities or blue sky laws or requirements of the National Association of Securities Dealers, Inc. applicable to USRP, or (b) if it would result in USRP being treated as a corporation for tax purposes. Any registered owner of USRP Units may deliver to the Depositary such documents and certificates as are required under the Depositary Agreement and a duly executed and acknowledged instrument evidencing the written.

**OP Units**

Under the Aimco OP partnership agreement, until the expiration of one year from the date on which a holder acquired OP Units, subject to certain exceptions, such OP Unitholder may not transfer all or any portion of its OP Units to any transferee without the consent of the general partner, which consent may be withheld in its sole and absolute discretion. After the expiration of one year, such OP Unitholder has the right to transfer all or any portion of its OP Units to any person, subject to the satisfaction of certain conditions specified in the partnership agreement, including the general partner's right of first refusal. See Description of OP Units Transfers and Withdrawals. After the first anniversary of becoming a holder of OP Units, a holder has the right, subject to the terms and conditions of the partnership agreement, to require Aimco OP to redeem all or a portion of such holder's OP Units in exchange for shares of common stock or a cash amount equal to the value of such shares, as Aimco OP may elect. See Description of OP Units Redemption Rights of Qualifying Parties. Upon receipt of a notice of redemption, Aimco OP may, in its sole and absolute discretion but subject to the restrictions on the ownership of common stock imposed under the Aimco charter and the transfer restrictions and other limitations thereof, elect to cause Aimco to acquire some or all of the tendered OP Units in exchange for common stock, based on an exchange ratio of one share of common stock for each OP Unit, subject to adjustment as provided in the partnership agreement.

**Table of Contents****UNITS**

acceptance by such registered owner of all the terms and provisions of the USRP partnership agreement and may become a substitute limited partner when such registered owner(a) signs such number of counterpart signature pages to the USRP partnership agreement or a power of attorney to the Corporate General Partner therefor and such other instrument or instruments, and in such manner, as the Corporate General Partner determines,(b) pays any and all taxes or governmental charges due in respect of such substitution, and(c) pays to the Depository or USRP an amount equal to the lesser of(i) the actual, reasonable and necessary costs and expenses incurred in connection with his substitution as a limited partner, or (ii) \$200 (or such other amount specified in a notice provided by USRP to the limited partner). Any person who is an assignee or an interest evidenced by a limited partnership certificate not deposited with the Depository and who has satisfied certain other conditions specified in the USRP partnership agreement may become a substitute limited partner when such person fulfills the requirements specified in clauses(a) through(c) in the foregoing sentence. Subject to certain exceptions specified in the USRP partnership agreement, USRP need not recognize for any purpose any purported transfer of all or any part of the interest of a limited partner or all or any part of the USRP Units of an assignee. The USRP partnership agreement contains no redemption rights.

**OP Units****Fiduciary Duty**

Delaware law provides that, except as provided in a partnership agreement, a general partner owes the fiduciary duties of loyalty and care to the partnership and its limited partners. The USRP partnership agreement provides that the Corporate General Partner has a fiduciary responsibility for the safekeeping and use of all funds of the partnership, whether or not in its immediate possession or control, and shall not employ or permit another to employ such funds or assets in any manner except for the exclusive benefit of the partnership. The General Partners may purchase limited partnership units or USRP Units for their own account from USRP or from limited partners or assignees or other holders of limited partnership units of USRP Units and become limited partners or assignees in respect of such units or USRP Units. The USRP partnership agreement expressly limits the liability of the General Partners by providing that the General Partners

Delaware law provides that, except as provided in a partnership agreement, a general partner owes the fiduciary duties of loyalty and care to the partnership and its limited partners. The Aimco OP partnership agreement expressly authorizes the general partner to enter into, on behalf of Aimco OP, a right of first opportunity arrangement and other conflict avoidance agreements with various affiliates of Aimco OP and the general partner, on such terms as the general partner, in its sole and absolute discretion, believes are advisable. The Aimco OP partnership agreement expressly limits the liability of the general partner by providing that the general partner, and its officers and directors, will not be liable or accountable in damages to Aimco OP, the limited partners or assignees for errors in judgment or mistakes of fact or law or of any act or omission if the general partner or such director or officer acted in good

will have not liability to USRP or the limited partners for any loss suffered by USRP that arises out of any action of inaction of the General Partners if the General Partners, in good faith, determined that such course of conduct was in the best interests of USRP and such course of conduct did not constitute negligence or misconduct of the General Partners.

**Table of Contents****UNITS****OP Units****Investment Policy**

USRP is engaged in the business of operating and holding real estate property for investment. In general, the Corporate General Partner regularly evaluates USRP's property by considering various factors, such as the partnership's financial position and real estate and capital markets conditions. The Corporate General Partner monitors the property's specific locale and sub-market conditions (including stability of the surrounding neighborhood), evaluating current trends, competition, new construction and economic changes. It oversees the operating performance of the property and evaluates the physical improvement requirements. In addition, the financing structure for the property (including any prepayment penalties), tax implications, availability of attractive mortgage financing to a purchaser, and the investment climate are all considered. Any of these factors, and possibly others, could potentially contribute to any decision by the Corporate General Partner to sell, refinance, upgrade with capital improvements or hold the property.

Aimco OP was formed to engage in the acquisition, ownership, management and redevelopment of apartment properties. Although it holds all of its properties for investment, Aimco OP may sell properties when they do not meet its investment criteria or are located in areas that it believes do not justify a continued investment when compared to alternative uses for capital. Its portfolio management strategy includes property acquisitions and dispositions to concentrate its portfolio in its target markets. It may market for sale certain properties that are inconsistent with this long-term investment strategy. Additionally, from time to time, Aimco OP may market certain properties that are consistent with this strategy but offer attractive returns. Aimco OP may use its share of the net proceeds from such dispositions to, among other things, reduce debt, fund capital expenditures on existing assets, fund acquisitions, and for other operating needs and corporate purposes.

**Compensation and Distributions**

*USRP.* USRP has no employees and depends on the Corporate General Partner and its affiliates for the management and administration of all partnership activities. The USRP partnership agreement provides that the Corporate General Partner and its affiliates receive 5% of gross receipts from all of USRP's properties as compensation for providing property management services, and also provides that the Corporate General Partner and its affiliates receive certain payments for other services and reimbursement of certain expenses incurred on behalf of USRP.

In addition, under the USRP partnership agreement, (a) Net Cash From Operations (as defined in the USRP partnership agreement) of USRP for each fiscal year is distributed quarterly within 45 days after the close of each fiscal quarter in the following order of priority: (i) first, 1.6% to the Corporate General Partner, 0.4% to the Other General Partner, and 98% to the limited partners until the limited partners have received cumulative distributions for such fiscal year equal to 10% per annum of their daily weighted average Adjusted Capital Value (as defined in the USRP partnership agreement) for such fiscal quarter and each preceding quarter of such fiscal year; (ii) second, to the Corporate General Partner until the General Partners have received distributions for such fiscal year equal to 7% of the aggregate Net Cash from Operations distributed to the partners for such fiscal year; (iii) third, to repay any loans made to USRP by the General Partners; and (iv) fourth, 94% to the limited partners, 6.6% to the Corporate General Partner, and 0.4% to the Other General Partner, and (b) Sales or Refinancing Proceeds (as defined in the USRP partnership agreement) is distributed within 135 days of the sale or refinancing in the following order of priority: (i) first, to the limited partners until each limited partner has received an amount equal to his Adjusted Capital Contribution (as defined in the USRP partnership agreement) immediately prior to the distribution; (ii) second, to each limited partner who has a Preferred Return Shortfall (as defined in the USRP partnership agreement) until all limited partners Preferred Return Shortfalls have been eliminated; (iii) third, in the case of a sale with respect to which the General Partners, or affiliates of the General Partners, acted as a broker (subject to the limitations set forth in the USRP



partnership agreement), to the General Partners, or affiliates of the General Partners, until they have received an amount equal to 1% of the Selling Price (as defined in the USRP partnership agreement) of each property sold on or before the date of such distribution, reduced by the aggregate of any prior distributions of Sale or Refinancing Proceeds; (iv) fourth, to the General Partners, or affiliates of the General Partners, in repayment of principal and interest with respect to loans that General Partners are required to make under the USRP partnership agreement, to the extent that principal or interest accrued on such loans remains unpaid, and (v) fifth, the balance 93% to the limited partners and 7% to the General Partners.

**Table of Contents**

A description of the compensation paid to the Corporate General Partner and its affiliates during the years ended December 31, 2009 and 2008, and during the six months ended June 30, 2010 and 2009, can be found under the heading "Certain Relationships and Related Transactions" in this information statement/prospectus. In addition, for more information, see "Note D Transactions with Affiliated Parties" in the notes to the financial statements appearing in USRP's Annual Report on Form 10-K for the year ended December 31, 2009, which is included as Annex D to this information statement/prospectus, and "Note B Transactions with Affiliated Parties" in the notes to the financial statements appearing in USRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, which is included as Annex E to this information statement/prospectus.

*Aimco OP.* The Aimco OP partnership agreement provides that Aimco OP's general partner shall not be compensated for its services as a general partner, other than the compensation it receives with respect to distributions and allocations in accordance with the partnership agreement. Subject to certain provisions of the partnership agreement, Aimco OP will reimburse the general partner for all sums expended in connection with the partnership's business.

In addition, subject to the rights of holders of any outstanding preferred OP Units, the Aimco OP partnership agreement requires the general partner to cause Aimco OP to distribute quarterly all, or such portion of, as the general partner may in its sole and absolute discretion determine, Available Cash (as such term is defined in the partnership agreement) generated by Aimco OP during such quarter to the general partner, the special limited partner and the holders of common OP Units and HPUs on the record date established by the general partner with respect to such quarter, in accordance with their respective interests in Aimco OP on such record date. The partnership agreement requires the general partner to take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with the REIT Requirements, to cause Aimco OP to distribute sufficient amounts to enable the general partner to transfer funds to Aimco and enable Aimco to pay stockholder dividends that will (i) satisfy the requirements for qualifying as a REIT under the Code and the Treasury Regulations and (ii) avoid any United States Federal income or excise tax liability of Aimco.

**Table of Contents**

**CERTAIN UNITED STATES FEDERAL INCOME TAX MATTERS**

The following is a summary of certain United States Federal income tax consequences of the merger, and an investment in Aimco OP Units and Aimco stock. This discussion is based upon the Internal Revenue Code of 1986, as amended (the Internal Revenue Code ), regulations promulgated by the U.S. Treasury Department (the Treasury Regulations ), rulings issued by the IRS, and judicial decisions, all in effect as of the date of this information statement/prospectus and all of which are subject to change or differing interpretations, possibly with retroactive effect. This summary is also based on the assumptions that the operation of Aimco, Aimco OP and the limited liability companies and limited partnerships in which they own controlling interests (collectively, the Subsidiary Partnerships ) and any affiliated entities will be in accordance with their respective organizational documents and partnership agreements. This summary is for general information only and does not purport to discuss all aspects of United States Federal income taxation which may be important to a particular investor, or to certain types of investors subject to special tax rules (including financial institutions, broker-dealers, regulated investment companies, holders that receive Aimco stock through the exercise of stock options or otherwise as compensation, insurance companies, persons holding Aimco stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment, and, except to the extent discussed below, tax-exempt organizations and foreign investors, as determined for United States Federal income tax purposes). This summary assumes that investors will hold their OP Units and Aimco stock as capital assets (generally, property held for investment). No opinion of counsel or advance ruling from the IRS has been or will be sought regarding the tax status of Aimco or Aimco OP, or the tax consequences relating to Aimco or Aimco OP or an investment in OP Units or Aimco stock. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below.

THE FEDERAL INCOME TAX TREATMENT OF A PARTICULAR HOLDER DEPENDS UPON DETERMINATIONS OF FACT AND INTERPRETATIONS OF COMPLEX PROVISIONS OF UNITED STATES FEDERAL INCOME TAX LAW FOR WHICH NO CLEAR PRECEDENT OR AUTHORITY MAY BE AVAILABLE. ACCORDINGLY, EACH HOLDER IS URGED TO CONSULT ITS TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE MERGER, OF ACQUIRING, HOLDING, EXCHANGING, OR OTHERWISE DISPOSING OF OP UNITS AND AIMCO STOCK, AND OF AIMCO'S ELECTION TO BE SUBJECT TO TAX, FOR FEDERAL INCOME TAX PURPOSES, AS A REAL ESTATE INVESTMENT TRUST.

**United States Federal Income Tax Consequences Relating to the Merger**

***Tax Consequences of the Transaction to USRP, Aimco, and Aimco OP***

When the assets or operations of two partnerships such as USRP and Aimco OP are combined in a transaction pursuant to which one of the partnerships ceases to exist as a partnership (the terminated partnership ) for Federal income tax purposes, and the members of the terminated partnership become members of the surviving partnership (the resulting partnership ), that combined transaction is generally treated as a partnership merger.

In general, USRP would be treated as contributing all of its assets, and assigning all of its liabilities, to Aimco OP in exchange for interests in Aimco OP and any other consideration issued by Aimco OP in connection with the transaction, including cash or an assumption of liability, which may result in gain recognition under the rules described below. Immediately thereafter, USRP is treated as distributing all of its assets to its partners in complete liquidation.

Aimco is not expected to recognize any gain or loss on the transaction.

***Tax Consequences of Exchanging USRP Units Solely for Cash***

For Federal income tax purposes, any payment of cash for USRP Units will be treated as a sale of such USRP Units by such holder. Each such holder of USRP Units who accepts cash must explicitly agree and consent to treat the payment of cash for USRP Units as a sale of such units, in accordance with the terms of the merger agreement.

## **Table of Contents**

If a holder of USRP Units sells such units for cash, such holder will recognize gain or loss on the sale of his units equal to the difference between (i) such holder's amount realized on the sale and (ii) such holder's adjusted tax basis in the USRP Units sold. The amount realized with respect to a USRP Unit will be equal to the sum of the amount of cash such holder receives for his units plus the amount of liabilities of USRP allocable to such USRP Units as determined under section 752 of the Internal Revenue Code.

### ***Tax Consequences of Exchanging USRP Units Solely for OP Units***

Generally, section 721 of the Internal Revenue Code provides that neither a contributing partner nor the partnership will recognize a gain or loss, for United States Federal income tax purposes, upon a contribution of property to such partnership in exchange for solely OP Units, except to the extent described below. Each such holder of USRP Units who accepts OP Units must explicitly agree and consent to such treatment, in accordance with the terms of the merger agreement.

If a holder of USRP Units contributes such units to Aimco OP in exchange for solely OP Units, such holder may recognize gain upon such exchange if, immediately prior to such exchange, the amount of liabilities of USRP allocable to the USRP Units transferred exceeds the amount of the Aimco OP partnership liabilities allocable to such holder immediately after such exchange. In that case the excess would be treated as a deemed distribution of cash to such holder from Aimco OP. This deemed cash distribution would be treated as a nontaxable return of capital to the extent such holder's adjusted tax basis in his OP Units and thereafter as taxable gain.

### ***Tax Consequences of Receipt of Cash Payment for Waiver and Release***

As discussed in The Merger Waiver and Additional Consideration, each limited partner unaffiliated with Aimco OP may elect to receive an additional cash payment in exchange for executing a waiver and release of certain claims. The United States Federal income tax treatment of such additional cash payment is uncertain. Aimco OP intends to treat the additional cash payment as a payment made for the waiver and release of certain claims, and not as additional Merger Consideration, and intends to report the additional cash payment accordingly. No assurance can be given that the IRS would not assert that the additional cash payment should be treated as part of the Merger Consideration. Holders that elect to receive the additional cash payment in exchange for executing a waiver and release should consult their tax advisors concerning the tax treatment of such payment.

### ***Information Reporting Requirements And Backup Withholding***

#### *United States Holders*

In general, backup withholding and information reporting will apply to all payments made to a United States Holder pursuant to the Merger. A United States Holder will generally be subject to backup withholding (at a rate of 28%, through 2010) with respect to payments made pursuant to the Merger unless such holder, among other conditions, provides a correct taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules, or otherwise establishes a basis for exemption from backup withholding. Exempt United States Holders (including, among others, all corporations) are not subject to these backup withholding and information reporting requirements. A holder who does not provide Aimco OP with his correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the holder's income tax liability.

#### *Non-United States Holders*

Information reporting may apply to payments made to a Non-United States Holder pursuant to the Merger. Copies of information returns reporting such amounts and any withholding also may be made available by the IRS to the tax authorities in the country in which a Non-United States Holder is resident under the provision of an applicable income tax treaty or other agreement. Non-United States Holders that receive OP Units as Merger Consideration should see Taxation of Aimco OP and OP Unitholders Taxation of Foreign OP Unitholders, below.

## **Table of Contents**

In general, backup withholding will not apply to payments made a Non-United States Holder pursuant to the Merger, if, among other conditions, such Non-United States Holder certifies as to its non-United States status under penalties of perjury or otherwise establishes an exemption, provided that neither Aimco OP nor our withholding agent has actual knowledge, or reason to know, that the Non-United States Holder is a United States person or that the conditions of any other exemption are not in fact satisfied. In order to claim an exemption from or reduction of withholding tax, the Non-United States Holder must deliver a properly executed IRS Form W-8ECI, as applicable, claiming such exemption or reduction. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or credit against such Non-United States Holder's United States Federal income tax liability if the Non-United States Holder follows the required procedures.

Because the tax treatment of the receipt of an additional cash payment in exchange for executing a waiver and release of certain claims is unclear under United States Federal income tax law, Aimco OP intends to withhold United States Federal income tax at a rate of 30% from any additional cash payment paid to a Non-U.S. Holder, unless an exemption from or reduction of withholding tax is applicable. In order to claim an exemption from or reduction of withholding tax, the Non-United States Holder must deliver a properly executed IRS Form W-8ECI, as applicable, claiming such exemption or reduction. Non-U.S. Holders are urged to consult their tax advisors regarding the possibility of claiming a refund with respect to the receipt of an additional cash payment in exchange for executing a waiver and release.

## **Taxation of Aimco OP and OP Unitholders**

### ***Partnership Status***

Aimco believes that Aimco OP is classified as a partnership, and not as an association taxable as a corporation or as a publicly traded partnership taxable as a corporation for United States Federal income tax purposes. If Aimco OP were treated as a publicly traded partnership taxed as a corporation for United States Federal income tax purposes, material adverse consequences to the Transferor and its owners would result. In addition, classification of Aimco OP as an association or publicly traded partnership taxable as a corporation would also result in the termination of Aimco's status as a REIT for United States Federal income tax purposes, which would have a material adverse impact on Aimco. See *Certain United States Federal Income Tax Matters – Taxation of Aimco and Aimco Stockholders – Tax Aspects of Aimco's Investments in Partnerships*. The following discussion assumes that Aimco OP is, and will continue to be, classified and taxed as a partnership (and not as a publicly traded partnership) for United States Federal income tax purposes.

### ***Taxation Of OP Unitholders***

In general, a partnership is treated as a pass-through entity for United States Federal income tax purposes and is not itself subject to United States Federal income taxation. Each partner of a partnership, however, is subject to tax on his allocable share of partnership tax items, including partnership income, gains, losses, deductions, and expenses ( Partnership Tax Items ) for each taxable year of the partnership ending within or with such taxable year of the partner, regardless of whether he receives any actual distributions from the partnership during the taxable year. Generally, the characterization of any particular Partnership Tax Item is determined at the partnership, rather than at the partner level, and the amount of a partner's allocable share of such item is governed by the terms of the partnership agreement. An OP Unitholder's allocable share of Aimco OP's taxable income may exceed the cash distributions to the OP Unitholder for any year if Aimco OP retains its profits rather than distributing them.

### ***Allocations Of Aimco OP Profits And Losses***

For United States Federal income tax purposes, an OP Unitholder's allocable share of Aimco OP's Partnership Tax Items will be determined by Aimco OP's partnership agreement if such allocations either have substantial economic effect or are determined to be in accordance with the OP Unitholder's interests in Aimco OP. If the allocations provided by Aimco OP's agreement of limited partnership were successfully challenged by the IRS, the redetermination of the allocations to a particular OP Unitholder for United States Federal income tax purposes may be less favorable than the allocation set forth in Aimco OP's agreement of limited partnership.



**Table of Contents**

***Tax Basis Of A Partnership Interest***

A partner's adjusted tax basis in his partnership interest is relevant, among other things, for determining (i) gain or loss upon a taxable disposition of his partnership interest, (ii) gain upon the receipt of partnership distributions, and (iii) the limitations imposed on the use of partnership deductions and losses allocable to such partner. Generally, the adjusted tax basis of an OP Unitholder's interest in Aimco OP is equal to (A) the sum of the adjusted tax basis of the property contributed by the OP Unitholder to Aimco OP in exchange for an interest in Aimco OP and the amount of cash, if any, contributed by the OP Unitholder to Aimco OP, (B) reduced, but not below zero, by the OP Unitholder's allocable share of Aimco OP partnership distributions, deductions, and losses, (C) increased by the OP Unitholder's allocable share of Aimco OP partnership income and gains, and (D) increased by the OP Unitholder's allocable share of Aimco OP partnership liabilities and decreased by the OP Unitholder's liabilities assumed by Aimco OP.

***Cash Distributions***

Cash distributions received from a partnership do not necessarily correlate with income earned by the partnership as determined for United States Federal income tax purposes. Thus, an OP Unitholder's United States Federal income tax liability in respect of his allocable share of Aimco OP taxable income for a particular taxable year may exceed the amount of cash, if any, received by the OP Unitholder from Aimco OP during such year.

If cash distributions, including a deemed cash distribution as discussed below, received by an OP Unitholder in any taxable year exceed his allocable share of Aimco OP taxable income for the year, the excess will generally constitute, for United States Federal income tax purposes, a return of capital to the extent of such OP Unitholder's adjusted tax basis in his Aimco OP interest. Such return of capital will not be includible in the taxable income of the OP Unitholder, for United States Federal income tax purposes, but it will reduce, but not below zero, the adjusted tax basis of Aimco OP interests held by the OP Unitholder. If an OP Unitholder's tax basis in his Aimco OP interest is reduced to zero, a subsequent cash distribution received by the OP Unitholder will be subject to tax as capital gain and/or ordinary income, but only if, and to the extent that, such distribution exceeds the subsequent positive adjustments, if any, to the tax basis of the OP Unitholder's Aimco OP interest as determined at the end of the taxable year during which such distribution is received. A decrease in an OP Unitholder's share of Aimco OP liabilities resulting from the payment or other settlement, or reallocation of such liabilities is generally treated, for United States Federal income tax purposes, as a deemed cash distribution. The Transaction documents permit Aimco to make such debt payments. A decrease in an OP Unitholder's percentage interest in Aimco OP because of the issuance by Aimco OP of additional OP Units or otherwise, may decrease an OP Unitholder's share of nonrecourse liabilities of Aimco OP and thus, may result in a corresponding deemed distribution of cash. A deemed distribution of cash resulting from the payment, settlement, or other reduction or reallocation of Aimco OP liabilities formerly allocated to an OP Unitholder will result in taxable gain to such OP Unitholder to the extent such deemed distribution of cash exceeds the OP Unitholder's basis in his OP Units.

A non-pro rata distribution (or deemed distribution) of money or property may result in ordinary income to an OP Unitholder, regardless of such OP Unitholder's tax basis in his OP Units, if the distribution reduces such OP Unitholder's share of Aimco OP's Section 751 Assets. Section 751 Assets are defined by the Internal Revenue Code to include unrealized receivables or inventory items. Among other things, unrealized receivables include amounts attributable to previously claimed depreciation deductions on certain types of property. To the extent that such a reduction in an OP Unitholder's share of Section 751 Assets occurs, Aimco OP will be deemed to have distributed a proportionate share of the Section 751 Assets to the OP Unitholder followed by a deemed exchange of such assets with Aimco OP in return for the non-pro rata portion of the actual distribution made to such OP Unitholder. This deemed exchange will generally result in the realization of ordinary income by the OP Unitholder. Such income will equal the excess of (1) the non-pro rata portion of such distribution over (2) the OP Unitholder's tax basis in such OP Unitholder's share of such Section 751 Assets deemed relinquished in the exchange.



**Table of Contents*****Tax Consequences Relating To Contributed Assets and Transferred Liabilities***

Generally, section 721 of the Internal Revenue Code provides that neither the contributing partner nor Aimco OP will recognize a gain or loss, for United States Federal income tax purposes, upon a contribution of property to Aimco OP solely in exchange for OP Units. If, however, in connection with such a contribution of property, the investor receives, or is deemed to receive, cash or other consideration in addition to OP Units, the receipt or deemed receipt of such cash or other consideration may be treated as part of a disguised sale. In that case, the investor would be treated as having sold, in a taxable transaction, a portion of the contributed property to Aimco OP in exchange for such cash or other consideration; the balance of the contributed property would, however, remain subject to the tax-free contribution treatment described above. Subject to certain exceptions, including exceptions that apply to distributions of operating cash flow, any transfer or deemed transfer (such as a debt pay down which is permitted under the transaction documents), of cash by Aimco OP to the contributing partner within two years before or after such contribution, including cash paid at closing, will be treated as part of a taxable disguised sale. In addition, the IRS may assert that any redemption or exchange transaction involving the OP Units issued in connection with the Transaction that occurs within several years after such transaction constitutes an integrated disguised sale that may result in taxation (without the receipt of cash) for OP Unitholders who do not dispose of their OP Units.

The disguised sale rules may also apply, and give rise to taxable income without a corresponding receipt of cash where, for example, the holder of USRP Units contributes property to Aimco OP subject to one or more liabilities, where liabilities are assumed or paid by Aimco OP or where a redemption or exchange involving the OP Units issued in connection with the Transaction occurs within several years after the Transaction. The application of the disguised sale rules is complex and depends, in part, upon the facts and circumstances applicable to the holders of USRP Units, which Aimco has not undertaken to review. Accordingly, investors are particularly urged with their tax advisors concerning the extent to which the disguised sale rules would apply.

If an investor transfers property to Aimco OP in exchange for an OP Unit, and the adjusted tax basis of such property differs from its fair market value, Partnership Tax Items must be allocated in a manner such that the contributing partner is charged with, or benefits from, the unrealized gain or unrealized loss associated with such property at the time of the contribution. This may result in a tax liability without a corresponding receipt of cash. Where a partner contributes cash to a partnership that holds appreciated property, Treasury Regulations provide for a similar allocation of such items to the other partners. These rules may apply to a contribution by Aimco to Aimco OP of cash proceeds received by Aimco from the offering of its stock. Such allocations are solely for United States Federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the OP Unitholders. The general purpose underlying this provision is to specially allocate certain Partnership Tax Items in order to place both the noncontributing and contributing partners in the same tax position that they would have been in had the contributing partner contributed property with an adjusted tax basis equal to its fair market value. Treasury Regulations provide Aimco OP with several alternative methods and allow Aimco OP to adopt any other reasonable method to make allocations to reduce or eliminate these book-tax differences. The general partner, in its sole and absolute discretion and in a manner consistent with Treasury Regulations, will select and adopt a method of allocating Partnership Tax Items for purposes of eliminating such disparities. The method selected by Aimco OP in its sole discretion could cause the transferor (or its partners) to incur a tax liability without a corresponding receipt of cash. Each prospective investor is urged to consult his tax advisor regarding the tax consequences of any special allocations of Partnership Tax Items resulting from the contribution of property to Aimco OP.

***Disguised Sales Rules***

As described above, if a contributing partner receives or is deemed to receive for United States Federal income tax purposes, cash or other consideration in addition to OP Units upon the contribution of property to Aimco OP or within two years before or after such consideration (other than certain safe harbor distributions), the transaction will likely be

treated as part contribution of property and part sale of property under the disguised sale rules. The disguised sale rules may also apply where property is transferred to Aimco OP subject to certain liabilities. In such event, the contributing partner will recognize gain or loss with respect to the portion of the property that is deemed to be sold to Aimco OP. If the disguised sale rules apply, all or a portion of the liabilities associated with

**Table of Contents**

the contributed property may be treated as consideration received by the contributing partner in a sale of the property to Aimco OP. The disguised sale rules may apply if, for example, the issuance of OP Units to USRP limited partners in connection with the merger is integrated with any other acquisition between Aimco and any OP Unitholder or any related party. For example, the IRS may assert that any redemption or exchange for several years between Aimco OP and any OP Unitholder who receives OP Units in the current transaction constitutes an integrated disguised sale that may result in taxation (without receipt of cash) for OP Unitholders who do not dispose of their OP Units. No assurances can be given that the IRS would not be successful in such an assertion. Each prospective investor is urged to consult his tax advisor regarding the application of the disguised sale rules.

***Limitations On Deductibility Of Losses***

*Basis Limitation.* To the extent that an OP Unitholder's allocable share of Aimco OP partnership deductions and losses exceeds his adjusted tax basis in his Aimco OP interest at the end of the taxable year in which the losses and deductions flow through, the excess losses and deductions cannot be utilized, for United States Federal income tax purposes, by the OP Unitholder in such year. The excess losses and deductions may, however, be utilized in the first succeeding taxable year in which, and to the extent that, there is an increase in the tax basis of Aimco OP interest held by such OP Unitholder, but only to the extent permitted under the at risk and passive activity loss rules discussed below.

*At Risk Limitation.* Under the at risk rules of section 465 of the Internal Revenue Code, a noncorporate taxpayer and a closely held corporate taxpayer are generally not permitted to claim a deduction, for United States Federal income tax purposes, in respect of a loss from an activity, whether conducted directly by the taxpayer or through an investment in a partnership, to the extent that the loss exceeds the aggregate dollar amount which the taxpayer has at risk in such activity at the close of the taxable year. To the extent that losses are not permitted to be used in any taxable year, such losses may be carried over to subsequent taxable years and may be claimed as a deduction by the taxpayer if, and to the extent that, the amount which the taxpayer has at risk is increased. Provided certain requirements are met, a taxpayer is considered at risk for the taxpayer's share of any nonrecourse financing which is secured by real property used in any activity that constitutes the holding of real property, which activity should be the case for a limited partner of a common OP Unit generally should constitute.

*Passive Activity Loss Limitation.* The passive activity loss rules of section 469 of the Internal Revenue Code limit the use of losses derived from passive activities, which generally includes an investment in limited partnership interests such as the OP Units. If an investment in an OP Unit is treated as a passive activity, an OP Unitholder who is an individual investor, as well as certain other types of investors, would not be able to use losses from Aimco OP to offset nonpassive activity income, including salary, business income, and portfolio income (e.g., dividends, interest, royalties, and gain on the disposition of portfolio investments) received during the taxable year. Passive activity losses that are disallowed for a particular taxable year may, however, be carried forward to offset passive activity income earned by the OP Unitholder in future taxable years. In addition, such disallowed losses may be claimed as a deduction, subject to the basis and at risk limitations discussed above, upon a taxable disposition of an OP Unitholder's entire interest in Aimco OP, regardless of whether such OP Unitholder has received any passive activity income during the year of disposition.

If Aimco OP were characterized as a publicly traded partnership, each OP Unitholder would be required to treat any loss derived from Aimco OP separately from any income or loss derived from any other publicly traded partnership, as well as from income or loss derived from other passive activities. In such case, any net losses or credits attributable to Aimco OP which are carried forward may only be offset against future income of Aimco OP. Moreover, unlike other passive activity losses, suspended losses attributable to Aimco OP would only be allowed upon the complete disposition of the OP Unitholder's entire interest in Aimco OP.

***Section 754 Election***

Aimco OP has made the election permitted by section 754 of the Internal Revenue Code. Such election is irrevocable without the consent of the IRS. The election will generally permit a purchaser of OP Units, such as Aimco when it acquires Aimco OP Units from OP Unitholders, to adjust its share of the basis in Aimco OP's properties pursuant to section 743(b) of the Internal Revenue Code to fair market value (as reflected by the value of

## **Table of Contents**

consideration paid for the OP Units), as if such purchaser had acquired a direct interest in Aimco OP assets. The section 743(b) adjustment is attributed solely to a purchaser of OP Units and is not added to the bases of Aimco OP's assets associated with all of the OP Unitholders in Aimco OP.

### ***Depreciation***

Section 168(i)(7) of the Internal Revenue Code provides that in the case of property transferred to a partnership in a section 721 transaction, the transferee shall be treated as the transferor for purposes of computing the depreciation deduction with respect to so much of the basis in the hands of the transferee as does not exceed the adjusted basis in the hands of the transferor. The effect of this rule would be to continue the historic basis, placed in service dates and methods with respect to the depreciation of the properties being contributed by a Contributing Partner to Aimco OP in exchange for OP Units. However, an acquirer of OP Units that obtains a section 743(b) adjustment by reason of such acquisition (see Section 754 Election, above) generally will be allowed depreciation with respect to such adjustment beginning as of the date of the exchange as if it were new property placed in service as of that date.

### ***Sale, Redemption, Exchange or Abandonment of OP Units***

An OP Unitholder will recognize a gain or loss upon a sale of an OP Unit, a redemption of an OP Unit for cash, an exchange of an OP Unit for shares of common stock or other taxable disposition of an OP Unit. Gain or loss recognized upon a sale or exchange of an OP Unit will be equal to the difference between (i) the amount realized in the transaction (i.e., the sum of the cash and the fair market value of any property received for the OP Unit plus the amount of Aimco OP liabilities allocable to the OP Unit at such time) and (ii) the OP Unitholder's tax basis in the OP Unit disposed of, which tax basis will be adjusted for the OP Unitholder's allocable share of Aimco OP's income or loss for the taxable year of the disposition. The tax liability resulting from the gain recognized on a disposition of an OP Unit could exceed the amount of cash and the fair market value of property received.

If Aimco OP redeems an OP Unitholder's OP Units for cash (which is not contributed by Aimco to effect the redemption), the tax consequences generally would be the same as described in the preceding paragraphs, except that if Aimco OP redeems less than all of an OP Unitholder's OP Units, the OP Unitholder would recognize taxable gain only to the extent that the cash, plus the amount of Aimco OP liabilities allocable to the redeemed OP Units, exceeded the OP Unitholder's adjusted tax basis in all of such OP Unitholder's OP Units immediately before the redemption.

Capital gains recognized by individuals and certain other noncorporate taxpayers upon the sale or disposition of an OP Unit will be subject to a maximum United States Federal income tax rate of 15% (through 2010) if the OP Unit is held for more than 12 months and will be taxed at ordinary income tax rates if the OP Unit is held for 12 months or less. Generally, gain or loss recognized by an OP Unitholder on the sale or other taxable disposition of an OP Unit will be taxable as capital gain or loss. However, to the extent that the amount realized upon the sale or other taxable disposition of an OP Unit attributable to an OP Unitholder's share of unrealized receivables of Aimco OP exceeds the basis attributable to those assets, such excess will be treated as ordinary income. Among other things, unrealized receivables include amounts attributable to previously claimed depreciation deductions on certain types of property. In addition, the maximum United States Federal income tax rate for net capital gains attributable to the sale of depreciable real property (which may be determined to include an interest in a partnership such as Aimco OP) held for more than 12 months is currently 25% (rather than 15%) to the extent of previously claimed depreciation deductions that would not be treated as unrealized receivables. See also Disguised Sales Rules above for sales integrated with the contribution of property for OP Units.

The law is currently uncertain regarding the treatment of an abandoned interest in a partnership, and whether an abandonment gives rise to a deductible loss is a question of fact. Even if an investor were able to successfully abandon his interest in an OP Unit and thereby recognized loss to the extent of his basis in such OP Unit, under authority

recently issued by the IRS, it is likely that such loss would be capital, rather than ordinary, in nature. Prospective investors are urged to consult their tax advisors regarding the application, effect and method of abandoning an interest in an OP Unit.



## **Table of Contents**

### ***Alternative Minimum Tax***

The Internal Revenue Code contains different sets of minimum tax rules applicable to corporate and noncorporate investors. The discussion below relates only to the alternative minimum tax applicable to noncorporate taxpayers. Accordingly, corporate investors should consult with their tax advisors with respect to the effect of the corporate minimum tax provisions that may be applicable to them. Noncorporate taxpayers are subject to an alternative minimum tax to the extent the tentative minimum tax ( TMT ) exceeds the regular income tax otherwise payable. In general, alternative minimum taxable income ( AMTI ) consists of the taxpayer's taxable income, determined with certain adjustments, plus his items of tax preference. For example, alternative minimum taxable income is calculated using an alternative cost recovery (depreciation) system that is not as favorable as the methods provided for under section 168 of the Internal Revenue Code which Aimco OP will use in computing its income for regular United States Federal income tax purposes. Accordingly, an OP Unitholder's AMTI derived from Aimco OP may be higher than such OP Unitholder's share of Aimco OP's net taxable income. Prospective investors should consult their tax advisors as to the impact of an investment in OP Units on their liability for the alternative minimum tax.

### ***Information Returns and Audit Procedures***

Aimco OP will use all reasonable efforts to furnish to each OP Unitholder as soon as possible after the close of each taxable year of Aimco OP, certain tax information, including a Schedule K-1, which sets forth each OP Unitholder's allocable share of Aimco OP's Partnership Tax Items. In preparing this information the general partner will use various accounting and reporting conventions to determine the respective OP Unitholder's allocable share of Partnership Tax Items. The general partner cannot assure a current or prospective OP Unitholder that the IRS will not successfully contend in court that such accounting and reporting conventions are impermissible.

No assurance can be given that Aimco OP will not be audited by the IRS or that tax adjustments will not be made. Further, any adjustments in Aimco OP's tax returns will lead to adjustments in OP Unitholders' tax returns and may lead to audits of their returns and adjustments of items unrelated to Aimco OP. Each OP Unitholder would bear the cost of any expenses incurred in connection with an examination of such OP Unitholder's personal tax return.

The tax treatment of Partnership Tax Items generally is determined at the partnership level in a unified partnership proceeding rather than in separate proceedings with the partners. The Internal Revenue Code provides for one partner to be designated as the Tax Matters Partner for these purposes.

The Tax Matters Partner is authorized, but not required, to take certain actions on behalf of Aimco OP and OP Unitholders and can extend the statute of limitations for assessment of tax deficiencies against OP Unitholders with respect to Aimco OP Tax Items. The Tax Matters Partner may bind an OP Unitholder with less than a 1% profits interest in Aimco OP to a settlement with the IRS, unless such OP Unitholder elects, by filing a statement with the IRS, not to give such authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review (to which all the OP Unitholders are bound) of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, such review may be sought by any OP Unitholder having at least a 1% interest in the profits of Aimco OP or by OP Unitholders having in the aggregate at least a 5% profits interest. However, only one action for judicial review will go forward, and each OP Unitholder with an interest in the outcome may participate.

### ***Tax Return Disclosure and Investor List Requirements***

Treasury Regulations require participants in a reportable transaction to disclose certain information about the transaction to the IRS with their tax returns and retain certain information relating to the transaction (the Disclosure Requirement ). In addition, organizers, sellers, and certain advisors of a reportable transaction are required to maintain

certain records, including lists identifying the investors in a transaction, and to furnish those records, as well as detailed information regarding the transaction, to the IRS upon demand (the List Maintenance Requirement ). While the Disclosure Requirement and the List Maintenance Requirement are directed towards tax shelters, the regulations are written quite broadly, and apply to transactions that would not typically be considered tax shelters. There are significant penalties for failure to comply with these requirements.

## **Table of Contents**

A transaction may be a reportable transaction based upon any of several indicia, including, among other things, losses. Characterization of this transaction as a reportable transaction could increase the likelihood of an audit by the IRS. You would be required to attach a completed IRS Form 8886, the Reportable Transaction Disclosure Statement, to your tax return for the taxable year of the transaction, as well as provide a copy of this form to the Office of Tax Shelter Analysis at the same time that such statement is first filed with the IRS. You should consult your tax advisors concerning these disclosure obligations with respect to the receipt or disposition of Common OP Units, or transactions that might be undertaken directly or indirectly by Aimco OP. Moreover, you should be aware that Aimco OP and other participants in the transactions involving Aimco OP (including their advisors) would be subject to the Disclosure Requirement and/or the List Maintenance Requirement if this transaction were to be classified as a reportable transaction.

### ***Taxation Of Foreign OP Unitholders***

A Non-U.S. Holder (as defined below under Certain United States Federal Income Tax Matters Taxation of Aimco and Aimco Stockholders Taxation of Foreign Stockholders) will generally be considered to be engaged in a United States trade or business on account of its ownership of an OP Unit. As a result, a Non-U.S. Holder will be required to file United States Federal income tax returns with respect to its allocable share of Aimco OP's income which is effectively connected to its trade or business. A Non-U.S. Holder that is a corporation may also be subject to United States branch profit tax at a rate of 30%, in addition to regular United States Federal income tax, on its allocable share of such income. Such a tax may be reduced or eliminated by an income tax treaty between the United States and the country with respect to which the Non-U.S. Holder is resident for tax purposes. Non-U.S. Holders are advised to consult their tax advisors regarding the effects an investment in Aimco OP may have on information return requirements and other United States and non-United States tax matters, including the tax consequences of an investment in Aimco OP for the country or other jurisdiction of which such Non-U.S. Holder is a citizen or in which such Non-U.S. Holder resides or is otherwise located.

### **Taxation of Aimco and Aimco Stockholders**

#### ***Taxation of Aimco***

The REIT provisions of the Internal Revenue Code are highly technical and complex. The following summary sets forth certain aspects of the provisions of the Internal Revenue Code that govern the United States Federal income tax treatment of a REIT and its stockholders. This summary is qualified in its entirety by the applicable Internal Revenue Code provisions, Treasury Regulations, and administrative and judicial interpretations thereof, all of which are subject to change, possibly with retroactive effect.

Aimco has elected to be taxed as a REIT under the Internal Revenue Code commencing with its taxable year ended December 31, 1994, and Aimco intends to continue such election. Although Aimco believes that, commencing with the Aimco's initial taxable year ended December 31, 1994, Aimco was organized in conformity with the requirements for qualification as a REIT, and its actual method of operation has enabled, and its proposed method of operation will enable, it to meet the requirements for qualification and taxation as a REIT under the Internal Revenue Code, no assurance can be given that Aimco has been or will remain so qualified. Such qualification and taxation as a REIT depends upon Aimco's ability to meet, on a continuing basis, through actual annual operating results, asset ownership, distribution levels, requirements regard diversity of stock ownership, and the various qualification tests imposed under the Internal Revenue Code as discussed below. No assurance can be given that the actual results of Aimco's operation for any one taxable year will satisfy such requirements. See Certain United States Federal Income Tax Matters Taxation of Aimco and Aimco Stockholders Failure to Qualify. No assurance can be given that the IRS will not challenge Aimco's eligibility for taxation as a REIT.

*Taxation of REITs in General*

Provided Aimco qualifies as a REIT, it will generally be entitled to a deduction for dividends that it pays and therefore will not be subject to United States Federal corporate income tax on its net income that is currently distributed to its stockholders. This deduction for dividends paid substantially eliminates the double taxation of corporate income (i.e., taxation at both the corporate and stockholder levels) that generally results from investment

**Table of Contents**

in a corporation. Rather, income generated by a REIT is generally taxed only at the stockholder level upon a distribution of dividends by the REIT.

The rates at which individual stockholders are taxed on corporate dividends have been reduced from a maximum of 38.6% (as ordinary income) to a maximum of 15% (the same as long-term capital gains) through 2010. With limited exceptions, however, dividends received by stockholders from Aimco or from other entities that are taxed as REITs are generally not eligible for the reduced rates, and will continue to be taxed at rates applicable to ordinary income, which, will be as high as 35% through 2010. See Taxation of Aimco and Aimco Stockholders Taxation of Stockholders Taxation of Taxable Domestic Stockholders Distributions.

Net operating losses, foreign tax credits and other tax attributes of a REIT generally do not pass through to the stockholders of the REIT, subject to special rules for certain items such as capital gains recognized by REITs. See Taxation of Aimco and Aimco Stockholders Taxation of Stockholders.

If Aimco qualifies as a REIT, it will nonetheless be subject to Federal income tax in the following circumstances:

Aimco will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains.

A 100% excise tax may be imposed on some items of income and expense that are directly or constructively paid between Aimco and its taxable REIT subsidiaries (as described below) if and to the extent that the IRS successfully asserts that the economic arrangements between Aimco and its taxable REIT subsidiaries are not comparable to similar arrangements between unrelated parties.

If Aimco has net income from prohibited transactions, which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, other than foreclosure property, such income will be subject to a 100% tax.

If we elect to treat property that we acquire in connection with a foreclosure of a mortgage loan or certain leasehold terminations as foreclosure property, we may thereby avoid the 100% prohibited transactions tax on gain from a resale of that property (if the sale would otherwise constitute a prohibited transaction), but the income from the sale or operation of the property may be subject to corporate income tax at the highest applicable rate (currently 35%). We do not anticipate receiving any income from foreclosure property.

If Aimco should fail to satisfy the 75% gross income test or the 95% gross income test (as discussed below), but has nonetheless maintained its qualification as a REIT because certain other requirements have been met, it will be subject to a 100% tax on an amount based on the magnitude of the failure adjusted to reflect the profit margin associated with Aimco's gross income.

Similarly, if Aimco should fail to satisfy the asset or other requirements applicable to REITs, as described below, yet nonetheless maintain its qualification as a REIT because there is reasonable cause for the failure and other applicable requirements are met, it may be subject to an excise tax. In that case, the amount of the tax will be at least \$50,000 per failure, and, in the case of certain asset test failures, will be determined as the amount of net income generated by the assets in question multiplied by the highest corporate tax rate (currently 35%) if that amount exceeds \$50,000 per failure.

If Aimco should fail to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain net income for such year, and (iii) any undistributed taxable income from prior periods, Aimco would be required to pay a 4% excise tax on the excess of the

required distribution over the sum of (a) the amounts actually distributed, plus (b) retained amounts on which income tax is paid at the corporate level.

Aimco may be required to pay monetary penalties to the IRS in certain circumstances, including if it fails to meet the record keeping requirements intended to monitor its compliance with rules relating to the composition of a REIT's stockholders, as described below in Taxation of Aimco and Aimco Stockholders Requirements for Qualification General.

**Table of Contents**

If Aimco acquires appreciated assets from a corporation that is not a REIT (i.e., a subchapter C corporation) in a transaction in which the adjusted tax basis of the assets in the hands of Aimco is determined by reference to the adjusted tax basis of the assets in the hands of the subchapter C corporation, Aimco may be subject to tax on such appreciation at the highest corporate income tax rate then applicable if Aimco subsequently recognizes gain on the disposition of any such asset during the ten-year period following its acquisition from the subchapter C corporation.

Certain earnings of Aimco's subsidiaries are subchapter C corporations, the earnings of which could be subject to Federal corporate income tax.

Aimco may be subject to the alternative minimum tax on its items of tax preference, including any deductions of net operating losses.

Aimco and its subsidiaries may be subject to a variety of taxes, including state, local and foreign income taxes, property taxes and other taxes on their assets and operations. Aimco could also be subject to tax in situations and on transactions not presently contemplated.

*Requirements for Qualification*

The Internal Revenue Code defines a REIT as a corporation, trust or association:

1. that is managed by one or more trustees or directors;
2. the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;
3. that would be taxable as a domestic corporation, but for the special Internal Revenue Code provisions applicable to REITs;
4. that is neither a financial institution nor an insurance company subject to certain provisions of the Internal Revenue Code;
5. the beneficial ownership of which is held by 100 or more persons;
6. in which, during the last half of each taxable year, not more than 50% in value of the outstanding stock is owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities); and
7. that meets other tests described below (including with respect to the nature of its income and assets).

The Internal Revenue Code provides that conditions (1) through (4) must be met during the entire taxable year, and that the condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year.

Aimco believes that it has been organized, has operated and has issued sufficient shares of stock to satisfy conditions (1) through (7) inclusive. Aimco's articles of incorporation provide certain restrictions regarding transfers of its shares, which are intended to assist Aimco in satisfying the share ownership requirements described in conditions (5) and (6) above. These restrictions, however, may not ensure that Aimco will, in all cases, be able to satisfy the share

ownership requirements described in (5) and (6) above.

To monitor Aimco's compliance with the share ownership requirements, Aimco is generally required to maintain records regarding the actual ownership of its shares. To do so, Aimco must demand written statements each year from the record holders of certain percentages of its stock in which the record holders are to disclose the actual owners of the shares (i.e., the persons required to include in gross income the dividends paid by Aimco). A list of those persons failing or refusing to comply with this demand must be maintained as part of Aimco's records. Failure by Aimco to comply with these record keeping requirements could subject it to monetary penalties. A stockholder who fails or refuses to comply with the demand is required by the Treasury Regulations to submit a statement with its tax return disclosing the actual ownership of the shares and certain other information.



## **Table of Contents**

In addition, a corporation generally may not elect to become a REIT unless its taxable year is the calendar year. Aimco satisfies this requirement.

The Internal Revenue Code provides relief from violations of the REIT gross income requirements, as described below under *Income Tests*, in cases where a violation is due to reasonable cause and not willful neglect, and other requirements are met, including the payment of a penalty tax that is based upon the magnitude of the violation. In addition, the Internal Revenue Code extends similar relief in the case of certain violations of the REIT asset requirements (see *Asset Tests* below) and other REIT requirements, again provided that the violation is due to reasonable cause and not willful neglect, and other conditions are met, including the payment of a penalty tax. If Aimco fails to satisfy any of the various REIT requirements, there can be no assurance that these relief provisions would be available to enable it to maintain its qualification as a REIT, and, if available, the amount of any resultant penalty tax could be substantial.

### *Effect of Subsidiary Entities*

*Ownership of Partnership Interests.* In the case of a REIT that is a partner in a partnership, the Treasury Regulations provide that the REIT is deemed to own its proportionate share of the partnership's assets and to earn its proportionate share of the partnership's income for purposes of the asset and gross income tests applicable to REITs as described below. Similarly, the assets and gross income of the partnership are deemed to retain the same character in the hands of the REIT. Thus, Aimco's proportionate share of the assets, liabilities and items of income of the Subsidiary Partnerships will be treated as assets, liabilities and items of income of Aimco for purposes of applying the REIT requirements described below. A summary of certain rules governing the Federal income taxation of partnerships and their partners is provided below in *Taxation of Aimco and Aimco Stockholders* *Tax Aspects of Investments in Affiliated Entities* *Partnerships*.

*Disregarded Subsidiaries.* Aimco's indirect interests in Aimco OP and other Subsidiary Partnerships are held through wholly owned corporate subsidiaries of Aimco organized and operated as qualified REIT subsidiaries within the meaning of the Internal Revenue Code. A qualified REIT subsidiary is any corporation, other than a taxable REIT subsidiary as described below, that is wholly owned by a REIT, or by other disregarded subsidiaries, or by a combination of the two. If a REIT owns a qualified REIT subsidiary, that subsidiary is disregarded for Federal income tax purposes, and all assets, liabilities and items of income, deduction and credit of the subsidiary are treated as assets, liabilities and items of income, deduction and credit of the REIT itself, including for purposes of the gross income and asset tests applicable to REITs as summarized below. Each qualified REIT subsidiary, therefore, is not subject to Federal corporate income taxation, although it may be subject to state or local taxation. Other entities that are wholly owned by a REIT, including single member limited liability companies, are also generally disregarded as separate entities for Federal income tax purposes, including for purposes of the REIT income and asset tests. Disregarded subsidiaries, along with partnerships in which Aimco holds an equity interest, are sometimes referred to herein as pass-through subsidiaries.

In the event that a disregarded subsidiary of Aimco ceases to be wholly owned—for example, if any equity interest in the subsidiary is acquired by a person other than Aimco or another disregarded subsidiary of Aimco—the subsidiary's separate existence would no longer be disregarded for Federal income tax purposes. Instead, it would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect Aimco's ability to satisfy the various asset and gross income requirements applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the securities of another corporation. See *Taxation of Aimco and Aimco Stockholders* *Asset Tests* and *Taxation of Aimco and Aimco Stockholders* *Income Tests*.

*Taxable Subsidiaries.* A REIT, in general, may jointly elect with subsidiary corporations, whether or not wholly owned, to treat the subsidiary corporation as a taxable REIT subsidiary ( TRS ). A TRS also includes any corporation, other than a REIT, with respect to which a TRS in which a REIT owns an interest, owns securities possessing 35% of the total voting power or total value of the outstanding securities of such corporation. The separate existence of a TRS or other taxable corporation, unlike a disregarded subsidiary as discussed above, is not ignored for Federal income tax purposes. As a result, a parent REIT is not treated as holding the assets of a TRS or as receiving any income that the TRS earns. Rather, the stock issued by the TRS is an asset in the hands of the parent

## **Table of Contents**

REIT, and the REIT recognizes as income, the dividends, if any, that it receives from the subsidiary. This treatment can affect the income and asset test calculations that apply to the REIT, as described below. Because a parent REIT does not include the assets and income of such subsidiary corporations in determining the parent's compliance with the REIT requirements, such entities may be used by the parent REIT to indirectly undertake activities that the REIT rules might otherwise preclude it from doing directly or through pass-through subsidiaries (for example, activities that give rise to certain categories of income such as management fees or foreign currency gains). As a taxable corporation, a TRS is required to pay regular Federal income tax, and state and local income tax where applicable.

Certain of Aimco's operations (including certain of its property management, asset management, risk, etc.) are conducted through its taxable REIT subsidiaries. Because Aimco is not required to include the assets and income of such taxable REIT subsidiaries in determining Aimco's compliance with the REIT requirements, Aimco uses its taxable REIT subsidiaries to facilitate its ability to offer services and activities to its residents that are not generally considered as qualifying REIT services and activities. If Aimco fails to properly structure and provide such nonqualifying services and activities through its taxable REIT subsidiaries, its ability to satisfy the REIT gross income requirement, and also its REIT status, may be jeopardized.

A TRS may generally engage in any business except the operation or management of a lodging or health care facility. The operation or management of a health care or lodging facility precludes a corporation from qualifying as a TRS. If any of Aimco's taxable REIT subsidiaries were deemed to operate or manage a health care or lodging facility, such taxable REIT subsidiaries would fail to qualify as taxable REIT subsidiaries, and Aimco would fail to qualify as a REIT. Aimco believes that none of its taxable REIT subsidiaries operate or manage any health care or lodging facilities. However, the statute provides little guidance as to the definition of a health care or lodging facility. Accordingly, there can be no assurance that the IRS will not contend that any of Aimco's taxable REIT subsidiaries operate or manage a health care or lodging facility, disqualifying it from treatment as a TRS, thereby resulting in the disqualification of Aimco as a REIT.

Several provisions of the Internal Revenue Code regarding arrangements between a REIT and a TRS ensure that a TRS will be subject to an appropriate level of Federal income taxation. For example, a TRS is limited in its ability to deduct interest payments made to its REIT owner. In addition, Aimco would be obligated to pay a 100% penalty tax on some payments that it receives from, or on certain expenses deducted by, its taxable REIT subsidiaries, if the IRS were to successfully assert that the economic arrangements between Aimco and its taxable REIT subsidiaries are not comparable to similar arrangements among unrelated parties. See *Taxation of REITs in General* Penalty Tax.

### *Income Tests*

In order to maintain qualification as a REIT, Aimco annually must satisfy two gross income requirements:

First, at least 75% of Aimco's gross income for each taxable year, excluding gross income from sales of inventory or dealer property in prohibited transactions, must be derived from investments relating to real property or mortgages on real property, including rents from real property, dividends received from other REITs, interest income derived from mortgage loans secured by real property, and gains from the sale of real estate assets, as well as certain types of temporary investments.

Second, at least 95% of Aimco's gross income for each taxable year, excluding gross income from prohibited transactions, must be derived from some combination of such income from investments in real property (i.e., income that qualifies under the 75% income test described above), as well as other dividends, interest and gains from the sale or disposition of stock or securities, which need not have any relation to real property.

Rents received by Aimco directly or through the Subsidiary Partnerships will qualify as rents from real property in satisfying the gross income requirements described above, only if several conditions are met, including the following. If rent is partly attributable to personal property leased in connection with a lease of real property, the portion of the total rent attributable to the personal property will not qualify as rents from real property unless it constitutes 15% or less of the total rent received under the lease. Moreover, for rents received to qualify as rents from real property, the REIT generally must not operate or manage the property (subject to certain exceptions) or furnish or render services to the tenants of such property, other than through an independent contractor from

**Table of Contents**

which the REIT derives no revenue. Aimco and its affiliates are permitted, however, to directly perform services that are usually or customarily rendered in connection with the rental of space for occupancy only and are not otherwise considered rendered to the occupant of the property. In addition, Aimco and its affiliates may directly or indirectly provide non-customary services to tenants of its properties without disqualifying all of the rent from the property if the payment for such services does not exceed 1% of the total gross income from the property. For purposes of this test, the income received from such non-customary services is deemed to be at least 150% of the direct cost of providing the services. Moreover, Aimco is generally permitted to provide services to tenants or others through a TRS without disqualifying the rental income received from tenants for purposes of the REIT income requirements.

Aimco manages apartment properties for third parties and affiliates through its taxable REIT subsidiaries. These taxable REIT subsidiaries receive management fees and other income. A portion of such fees and other income accrue to Aimco through distributions from the taxable REIT subsidiaries that are classified as dividend income to the extent of the earnings and profits of the taxable REIT subsidiaries. Such distributions will generally qualify for purposes of the 95% gross income test but not for purposes of the 75% gross income test. Any dividends received by us from a REIT will be qualifying income in our hands for purposes of both the 95% and 75% income tests.

Any income or gain derived by Aimco directly or through its Subsidiary Partnerships from instruments that hedge certain risks, such as the risk of changes in interest rates, will not constitute gross income for purposes of the 75% or 95% gross income test, provided that specified requirements are met. Such requirements include that the instrument hedges risks associated with indebtedness issued by Aimco or its Subsidiary Partnerships that is incurred to acquire or carry real estate assets (as described below under *Taxation of Aimco and Aimco Stockholders Asset Tests*), and the instrument is properly identified as a hedge, along with the risk that it hedges, within prescribed time periods.

If Aimco fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for the year if it is entitled to relief under certain provisions of the Internal Revenue Code. These relief provisions will be generally available if Aimco's failure to meet these tests was due to reasonable cause and not due to willful neglect, Aimco attaches a schedule of the sources of its income to its tax return, and any incorrect information on the schedule was not due to fraud with intent to evade tax. It is not possible to state whether Aimco would be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions are inapplicable to a particular set of circumstances involving Aimco, Aimco will not qualify as a REIT. As discussed above under *Taxation of Aimco and Aimco Stockholders Taxation of REITs in General*, even where these relief provisions apply, a tax is imposed based upon the amount by which Aimco fails to satisfy the particular gross income test.

*Asset Tests*

Aimco, at the close of each calendar quarter of its taxable year, must also satisfy four tests relating to the nature of its assets:

First, at least 75% of the value of the total assets of Aimco total assets must be represented by some combination of real estate assets, cash, cash items, U.S. government securities, and under some circumstances, stock or debt instruments purchased with new capital. For this purpose, real estate assets include interests in real property, such as land, buildings, leasehold interests in real property, stock of other corporations that qualify as REITs, and some kinds of mortgage backed securities and mortgage loans. Assets that do not qualify for purposes of the 75% test are subject to the additional asset tests described below.

Second, not more than 25% of Aimco's total assets may be represented by securities other than those in the 75% asset class.

Third, of the investments included in the 25% asset class, the value of any one issuer's securities owned by Aimco may not exceed 5% of the value of Aimco's total assets, Aimco may not own more than 10% of any one issuer's outstanding voting securities, and Aimco may not own more than 10% of the total value of the

**Table of Contents**

outstanding securities of any one issuer. The 5% and 10% asset tests do not apply to securities of taxable REIT subsidiaries.

Fourth, the aggregate value of all securities of taxable REIT subsidiaries held by Aimco may not exceed 25% of the value of Aimco's total assets.

Aimco believes that the value of the securities held by Aimco in its taxable REIT subsidiaries will not exceed, in the aggregate, 25% of the value of Aimco's total assets and that Aimco's ownership interests in its taxable REIT subsidiaries qualify under the asset tests set forth above.

Notwithstanding the general rule that a REIT is treated as owning its share of the underlying assets of a subsidiary partnership for purposes of the REIT income and asset tests, if a REIT holds indebtedness issued by a partnership, the indebtedness will be subject to, and may cause a violation of, the asset tests, resulting in loss of REIT status, unless it is a qualifying mortgage asset satisfies the rules for straight debt, or is sufficiently small so as not to otherwise cause an asset test violation. Similarly, although stock of another REIT is a qualifying asset for purposes of the REIT asset tests, non-mortgage debt held by Aimco that is issued by another REIT may not so qualify.

The Internal Revenue Code contains a number of provisions applicable to REITs, including relief provisions that make it easier for REITs to satisfy the asset requirements, or to maintain REIT qualification notwithstanding certain violations of the asset and other requirements.

One such provision allows a REIT which fails one or more of the asset requirements to nevertheless maintain its REIT qualification if (a) it provides the IRS with a description of each asset causing the failure, (b) the failure is due to reasonable cause and not willful neglect, (c) the REIT pays a tax equal to the greater of (i) \$50,000 per failure, and (ii) the product of the net income generated by the assets that caused the failure multiplied by the highest applicable corporate tax rate (currently 35%), and (d) the REIT either disposes of the assets causing the failure within 6 months after the last day of the quarter in which it identifies the failure, or otherwise satisfies the relevant asset tests within that time frame.

A second relief provision contained in the Internal Revenue Code applies to de minimis violations of the 10% and 5% asset tests. A REIT may maintain its qualification despite a violation of such requirements if (a) the value of the assets causing the violation do not exceed the lesser of 1% of the REIT's total assets, and \$10,000,000, and (b) the REIT either disposes of the assets causing the failure within 6 months after the last day of the quarter in which it identifies the failure, or the relevant tests are otherwise satisfied within that time frame.

The Internal Revenue Code also provides that certain securities will not cause a violation of the 10% value test described above. Such securities include instruments that constitute straight debt, which now has an expanded definition and includes securities having certain contingency features. A restriction, however, precludes a security from qualifying as straight debt where a REIT (or a controlled TRS of the REIT) owns other securities of the issuer of that security which do not qualify as straight debt, unless the value of those other securities constitute, in the aggregate, 1% or less of the total value of that issuer's outstanding securities. In addition to straight debt, the Internal Revenue Code provides that certain other securities will not violate the 10% value test. Such securities include (a) any loan made to an individual or an estate, (b) certain rental agreements in which one or more payments are to be made in subsequent years (other than agreements between a REIT and certain persons related to the REIT), (c) any obligation to pay rents from real property, (d) securities issued by governmental entities that are not dependent in whole or in part on the profits of (or payments made by) a non-governmental entity, (e) any security issued by another REIT, and (f) any debt instrument issued by a partnership if the partnership's income is of a nature that it would satisfy the 75% gross income test described above under Income Tests. The Internal Revenue Code also provides that in applying the 10% value test, a debt security issued by a partnership is not taken into account to the extent, if any, of the REIT's

proportionate equity interest in that partnership.

Aimco believes that its holding of securities and other assets comply, and will continue to comply, with the foregoing REIT asset requirements, and it intends to monitor compliance on an ongoing basis. No independent appraisals have been obtained, however, to support Aimco's conclusions as to the value of its assets, including Aimco OP's total assets and the value of Aimco OP's interest in the taxable REIT subsidiaries. Moreover, values of some assets may not be susceptible to a precise determination, and values are subject to change in the future.



**Table of Contents**

Furthermore, the proper classification of an instrument as debt or equity for Federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT asset requirements. Accordingly, there can be no assurance that the IRS will not contend that Aimco's interests in its subsidiaries or in the securities of other issuers will cause a violation of the REIT asset requirements and loss of REIT status.

If we should fail to satisfy the asset tests at the end of a calendar quarter, such a failure would not cause us to lose our REIT status if we (1) satisfied the asset tests at the close of the preceding calendar quarter and (2) the discrepancy between the value of our assets and the asset test requirements was not wholly or partly caused by an acquisition of non-qualifying assets, but instead arose from changes in the market value of our assets. If the condition described in (2) were not satisfied, we still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

*Annual Distribution Requirements*

In order for Aimco to qualify as a REIT, Aimco is required to distribute dividends (other than capital gain dividends) to its stockholders in an amount at least equal to:

the sum of

(a) 90% of Aimco's REIT taxable income (computed without regard to the deduction for dividends paid and net capital gain of Aimco), and

(b) 90% of the net income, if any, from foreclosure property (as described below), minus

the sum of certain items of noncash income.

These distributions must be paid in the taxable year to which they relate, or in the following taxable year if they are declared in October, November, or December of the taxable year, are payable to stockholders of record on a specified date in any such month, and are actually paid before the end of January of the following year. In order for distributions to be counted for this purpose, and to give rise to a tax deduction by Aimco, they must not be preferential dividends. A dividend is not a preferential dividend if it is pro rata among all outstanding shares of stock within a particular class, and is in accordance with the preferences among different classes of stock as set forth in Aimco's organizational documents.

To the extent that Aimco distributes at least 90%, but less than 100%, of its REIT taxable income, as adjusted, it will be subject to tax thereon at ordinary corporate tax rates. In any year, Aimco may elect to retain, rather than distribute, its net capital gain and pay tax on such gain. In such a case, Aimco's stockholders would include their proportionate share of such undistributed long-term capital gain in income and receive a corresponding credit for their share of the tax paid by Aimco. Aimco's stockholders would then increase the adjusted basis of their Aimco shares by the difference between the designated amounts included in their long-term capital gains and the tax deemed paid with respect to their shares.

To the extent that a REIT has available net operating losses carried forward from prior tax years, such losses may reduce the amount of distributions that it must make in order to comply with the REIT distribution requirements. Such losses, however, will generally not affect the character, in the hands of stockholders, of any distributions that are actually made by the REIT, which are generally taxable to stockholders to the extent that the REIT has current or accumulated earnings and profits. See Taxation of Aimco and Aimco Stockholders Taxation of Stockholders Taxation of Taxable Domestic Stockholders Distributions.

If Aimco should fail to distribute during each calendar year at least the sum of:

85% of its REIT ordinary income for such year,

(c) 95% of its REIT capital gain net income for such year (excluding retained net capital gain), and

(d) any undistributed taxable income from prior periods,

Aimco would be subject to a 4% excise tax on the excess of such required distribution over the sum of (x) the amounts actually distributed, and (y) the amounts of income retained on which it has paid corporate income tax.

## **Table of Contents**

It is possible that Aimco, from time to time, may not have sufficient cash to meet the 90% distribution requirement due to timing differences between (i) the actual receipt of cash (including receipt of distributions from Aimco OP) and (ii) the inclusion of certain items in income by Aimco for Federal income tax purposes. In the event that such timing differences occur, in order to meet the distribution requirements, Aimco may find it necessary to arrange for short-term, or possibly long-term, borrowings, or to pay dividends in the form of taxable in-kind distributions of property.

Under certain circumstances, Aimco may be able to rectify a failure to meet the distribution requirement for a year by paying deficiency dividends to stockholders in a later year, which may be included in Aimco's deduction for dividends paid for the earlier year. In this case, Aimco may be able to avoid losing its REIT status or being taxed on amounts distributed as deficiency dividends; however, Aimco will be required to pay interest and a penalty based on the amount of any deduction taken for deficiency dividends.

### *Failure to Qualify*

If Aimco fails to qualify for taxation as a REIT in any taxable year, and the relief provisions do not apply, Aimco will be subject to tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates. Distributions to stockholders in any year in which Aimco fails to qualify will not be deductible by Aimco nor will they be required to be made. In such event, to the extent of current and accumulated earnings and profits, all distributions to stockholders that are individuals will generally be taxable at a rate of 15% (through 2010) and, subject to certain limitations of the Internal Revenue Code, corporate distributees may be eligible for the dividends received deduction. Unless Aimco is entitled to relief under specific statutory provisions, Aimco would also be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether, in all circumstances, Aimco would be entitled to this statutory relief.

### *Prohibited Transactions*

Net income derived by a REIT from a prohibited transaction is subject to a 100% excise tax. The term "prohibited transaction" generally includes a sale or other disposition of property (other than foreclosure property) that is held primarily for sale to customers in the ordinary course of a trade or business. Aimco intends to conduct its operations so that no asset owned by Aimco or its pass-through subsidiaries will be held for sale to customers, and that a sale of any such asset will not be in the ordinary course of Aimco's business. Whether property is held primarily for sale to customers in the ordinary course of a trade or business depends, however, on the particular facts and circumstances. No assurance can be given that any property sold by Aimco will not be treated as property held for sale to customers, or that Aimco can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent the imposition of the 100% excise tax. The 100% tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates.

### *Penalty Tax*

Aimco will be subject to a 100% penalty tax on the amount of certain non-arm's length payments received from, or certain expenses deducted by, its taxable REIT subsidiaries if the IRS were to successfully assert that the economic arrangements between Aimco and its taxable REIT subsidiaries are not comparable to similar transaction between unrelated parties. Such amounts may include rents from real property that are overstated as a result of services furnished by a TRS to tenants of Aimco and amounts that are deducted by a TRS for payments made to Aimco that are in excess of the amounts that would have been charged by an unrelated party.

Aimco believes that the fees paid to its taxable REIT subsidiaries for tenant services are comparable to the fees that would be paid to an unrelated third party negotiating at arm's-length. This determination, however, is inherently factual, and the IRS may assert that the fees paid by Aimco do not represent arm's-length amounts. If the IRS successfully made such an assertion, Aimco would be required to pay a 100% penalty tax on the excess of an arm's-length fee for tenant services over the amount actually paid.

**Table of Contents*****Tax Aspects Of Aimco's Investments In Partnerships****General*

Substantially all of Aimco's investments are held indirectly through Aimco OP. In general, partnerships are pass-through entities that are not subject to Federal income tax. Rather, partners are allocated their proportionate shares of the items of income, gain, loss, deduction and credit of a partnership, and are potentially subject to tax on these items, without regard to whether the partners receive a distribution from the partnership. Aimco will include in its income its proportionate share of the foregoing partnership items for purposes of the various REIT income tests and in the computation of its REIT taxable income. Moreover, for purposes of the REIT asset tests, Aimco will include its proportionate share of assets held by the Subsidiary Partnerships. See [Taxation of Aimco and Aimco Stockholders](#) [Taxation of Aimco](#) [Effect of Subsidiary Entities](#) [Ownership of Partnership Interests](#).

*Entity Classification.*

Aimco's direct and indirect investment in partnerships involves special tax considerations, including the possibility of a challenge by the IRS of the tax status of any of the Subsidiary Partnerships as a partnership, as opposed to as an association taxable as a corporation, for Federal income tax purposes. If any of these entities were treated as an association for Federal income tax purposes, it would be taxable as a corporation and therefore could be subject to an entity-level tax on its income. In such a situation, the character of Aimco's assets and items of gross income would change and could preclude Aimco from satisfying the REIT asset tests and gross income tests (see [Taxation of Aimco and Aimco Stockholders](#) [Taxation of Aimco](#) [Asset Tests](#) and [Taxation of Aimco and Aimco Stockholders](#) [Taxation of Aimco](#) [Income Tests](#) ), and in turn could prevent Aimco from qualifying as a REIT unless Aimco is eligible for relief from the violation pursuant to relief provisions described above. See [Taxation of Aimco and Aimco Stockholders](#) [Taxation of Aimco](#) [Failure to Qualify](#) above for a summary of the effect of Aimco's failure to satisfy the REIT tests for a taxable year, and of the relief provisions. In addition, any change in the status of any of the Subsidiary Partnerships for tax purposes might be treated as a taxable event, in which case Aimco might incur a tax liability without any related cash distributions.

*Tax Allocations With Respect To The Properties.*

Under the Internal Revenue Code and the Treasury Regulations, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for tax purposes in a manner such that the contributing partner is charged with, or benefits from the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution, and the adjusted tax basis of such property at the time of contribution (a [Book Tax Difference](#) ). Such allocations are solely for Federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. Aimco OP was formed by way of contributions of appreciated property. Consequently, allocations must be made in a manner consistent with these requirements. Where a partner contributes cash to a partnership at a time that the partnership holds appreciated (or depreciated) property, the Treasury Regulations provide for a similar allocation of these items to the other (i.e., non-contributing) partners. These rules apply to the contribution by Aimco to Aimco OP of the cash proceeds received in any offerings of its stock.

In general, certain unitholders will be allocated lower amounts of depreciation deductions for tax purposes and increased taxable income and gain on the sale by Aimco OP or other Subsidiary Partnerships of the contributed properties. This will tend to eliminate the Book-Tax Difference over the life of these partnerships. However, the special allocations do not always entirely rectify the Book-Tax Difference on an annual basis or with respect to a

specific taxable transaction such as a sale. Thus, the carryover basis of the contributed properties in the hands of Aimco OP or other Subsidiary Partnerships may cause Aimco to be allocated lower depreciation and other deductions, and possibly greater amounts of taxable income in the event of a sale of such contributed assets in excess of the economic or book income allocated to it as a result of such sale. This may cause Aimco to recognize, over time, taxable income in excess of cash proceeds, which might adversely affect Aimco's ability to comply with

## **Table of Contents**

the REIT distribution requirements. See *Taxation of Aimco and Aimco Stockholders* *Taxation of Aimco* *Annual Distribution Requirements*.

With respect to any property purchased or to be purchased by any of the Subsidiary Partnerships (other than through the issuance of units) subsequent to the formation of Aimco, such property will initially have a tax basis equal to its fair market value and the special allocation provisions described above will not apply.

### *Sale Of The Properties.*

Aimco's share of any gain realized by Aimco OP or any other Subsidiary Partnership on the sale of any property held as inventory or primarily for sale to customers in the ordinary course of business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. See *United States Federal Income Taxation of Aimco and Aimco Stockholder* *Taxation of Aimco* *Prohibited Transactions*. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a partnership's trade or business is a question of fact that depends on all the facts and circumstances with respect to the particular transaction. Aimco OP and the other Subsidiary Partnerships intend to hold their properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing, owning and operating the properties and to make such occasional sales of the properties, including peripheral land, as are consistent with Aimco's investment objectives.

### *Taxation of Taxable REIT Subsidiaries*

A portion of the amounts to be used to fund distributions to stockholders may come from distributions made by Aimco's taxable REIT subsidiaries to Aimco OP, and interest paid by the taxable REIT subsidiaries on certain notes held by Aimco OP. In general, taxable REIT subsidiaries pay Federal, state and local income taxes on their taxable income at normal corporate rates. Any Federal, state or local income taxes that Aimco's taxable REIT subsidiaries are required to pay will reduce Aimco's cash flow from operating activities and its ability to make payments to holders of its securities.

### *Taxation of Stockholders*

#### *Taxable Domestic Stockholders*

*Distributions.* Provided that Aimco qualifies as a REIT, distributions made to Aimco's taxable domestic stockholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) will generally be taken into account by them as ordinary income (35% maximum Federal rate through 2010) and will not be eligible for the dividends received deduction for corporations. With limited exceptions, dividends received from REITs are not eligible for taxation at the preferential income tax rates (15% maximum Federal rate through 2010) for qualified dividends received by individuals from taxable C corporations. Stockholders that are individuals, however, are taxed at the preferential rates on dividends designated by and received from REITs to the extent that the dividends are attributable to (i) income retained by the REIT in the prior taxable year on which the REIT was subject to corporate level income tax (less the amount of tax), (ii) dividends received by the REIT from taxable REIT subsidiaries or other taxable C corporations, or (iii) income in the prior taxable year from the sales of built-in gain property acquired by the REIT from C corporations in carryover basis transactions (less the amount of corporate tax on such income).

Distributions (and retained net capital gains) that are designated as capital gain dividends will generally be taxed to stockholders as long-term capital gains, to the extent that they do not exceed Aimco's actual net capital gain for the taxable year, without regard to the period for which the stockholder has held its stock. However, corporate stockholders may be required to treat up to 20% of certain capital gain dividends as ordinary income. Long-term capital gains are generally taxable at maximum Federal rates of 15% (through 2010) in the case of stockholders who

are individuals, and 35% in the case of stockholders that are corporations. Capital gains attributable to the sale of depreciable real property held for more than 12 months are subject to a 25% maximum Federal income tax rate for taxpayers who are individuals, to the extent of previously claimed depreciation deductions.



**Table of Contents**

In determining the extent to which a distribution constitutes a dividend for tax purposes, Aimco's earnings and profits generally will be allocated first to distributions with respect to preferred stock prior to allocating any remaining earnings and profits to distributions on Aimco's common stock. If Aimco has net capital gains and designates some or all of its distributions as capital gain dividends to that extent, the capital gain dividends will be allocated among different classes of stock in proportion to the allocation of earnings and profits as described above.

Distributions in excess of current and accumulated earnings and profits will not be taxable to a stockholder to the extent that they do not exceed the adjusted basis of the stockholder's shares in respect of which the distributions were made, but rather will reduce the adjusted basis of such shares. To the extent that such distributions exceed the adjusted basis of a stockholder's shares, they will be included in income as long-term capital gain, or short-term capital gain if the shares have been held for one year or less. In addition, any dividend declared by Aimco in October, November or December of any year and payable to a stockholder of record on a specified date in any such month will be treated as both paid by Aimco and received by the stockholder on December 31 of such year, *provided* that the dividend is actually paid by Aimco before the end of January of the following calendar year.

To the extent that a REIT has available net operating losses and capital losses carried forward from prior tax years, such losses may reduce the amount of distributions that must be made in order to comply with the REIT distribution requirements. See *Taxation of Aimco and Aimco Stockholders* *Taxation of Aimco* *Annual Distribution Requirements*. Such losses, however, are not passed through to stockholders and do not offset income of stockholders from other sources, nor would they affect the character of any distributions that are actually made by a REIT, which are generally subject to tax in the hands of stockholders to the extent that the REIT has current or accumulated earnings and profits.

*Dispositions of Aimco Stock.* A stockholder will realize gain or loss upon the sale, redemption or other taxable disposition of stock in an amount equal to the difference between the sum of the fair market value of any property and cash received in such disposition, and the stockholder's adjusted tax basis in the stock at the time of the disposition. In general, a stockholder's tax basis will equal the stockholder's acquisition cost, increased by the excess of net capital gains deemed distributed to the stockholder (as discussed above), less tax deemed paid on such net capital gains, and reduced by returns of capital. In general, capital gains recognized by individuals upon the sale or disposition of shares of Aimco stock will be subject to a maximum Federal income tax rate of 15% (through 2010) if the Aimco stock is held for more than 12 months, and will be taxed at ordinary income rates (of up to 35% through 2010) if the Aimco stock is held for 12 months or less. Gains recognized by stockholders that are corporations are subject to Federal income tax at a maximum rate of 35%, whether or not classified as long-term capital gains. Capital losses recognized by a stockholder upon the disposition of Aimco stock held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the stockholder but not ordinary income (except in the case of individuals, who may offset up to \$3,000 of ordinary income each year). In addition, any loss upon a sale or exchange of shares of Aimco stock by a stockholder who has held the shares for six months or less, after applying holding period rules, will be treated as a long-term capital loss to the extent of distributions received from Aimco that are required to be treated by the stockholder as long-term capital gain.

A redemption of Aimco stock (including preferred stock or equity stock) will be treated under Section 302 of the Internal Revenue Code as a dividend subject to tax at ordinary income tax rates (to the extent of Aimco's current or accumulated earnings and profits), unless the redemption satisfies certain tests set forth in Section 302(b) of the Internal Revenue Code enabling the redemption to be treated as a sale or exchange of the stock. The redemption will satisfy such test if it (i) is substantially disproportionate with respect to the holder (which will not be the case if only the stock is redeemed, since it generally does not have voting rights), (ii) results in a complete termination of the holder's stock interest in Aimco, or (iii) is not essentially equivalent to a dividend with respect to the holder, all within the meaning of Section 302(b) of the Internal Revenue Code. In determining whether any of these tests have been met, shares considered to be owned by the holder by reason of certain constructive ownership rules set forth in the Internal

Revenue Code, as well as shares actually owned, must generally be taken into account. Because the determination as to whether any of the alternative tests of Section 302(b) of the Internal Revenue Code is satisfied with respect to any particular holder of the stock will depend upon the facts and circumstances as of the time the determination is made, prospective investors are advised to consult their own tax advisors to determine such tax treatment. If a redemption of the stock is treated as a distribution that is taxable as a dividend, the amount of

## **Table of Contents**

the distribution would be measured by the amount of cash and the fair market value of any property received by the stockholders. The stockholder's adjusted tax basis in such redeemed stock would be transferred to the holder's remaining stockholdings in Aimco. If, however, the stockholder has no remaining stockholdings in Aimco, such basis may, under certain circumstances, be transferred to a related person or it may be lost entirely.

If an investor recognizes a loss upon a subsequent disposition of stock or other securities of Aimco in an amount that exceeds a prescribed threshold, it is possible that the provisions of the Treasury Regulations involving reportable transactions could apply, with a resulting requirement to separately disclose the loss generating transaction to the IRS. While these Treasury Regulations are directed towards tax shelters, they are written quite broadly, and apply to transactions that would not typically be considered tax shelters. In addition, the Internal Revenue Code imposes penalties for failure to comply with these requirements. Prospective investors should consult your tax advisors concerning any possible disclosure obligation with respect to the receipt or disposition of stock or securities of Aimco, or transactions that might be undertaken directly or indirectly by Aimco. Moreover, prospective investors should be aware that Aimco and other participants in the transactions involving Aimco (including their advisors) might be subject to disclosure or other requirements pursuant to these Treasury Regulations.

### *Taxation Of Foreign Stockholders*

The following is a summary of certain anticipated U.S. Federal income and estate tax consequences of the ownership and disposition of securities applicable to Non-U.S. Holders of securities. A Non-U.S. Holder is generally any person other than (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organized in the United States or under the laws of the United States or of any state thereof or the District of Columbia, (iii) an estate whose income is includable in gross income for U.S. Federal income tax purposes regardless of its source or (iv) a trust if a United States court is able to exercise primary supervision over the administration of such trust and one or more United States fiduciaries have the authority to control all substantial decisions of such trust. The discussion is based on current law and is for general information only. The discussion addresses only certain and not all aspects of U.S. Federal income and estate taxation.

*Ordinary Dividends.* The portion of dividends received by Non-U.S. Holders payable out of Aimco's earnings and profits which are not attributable to capital gains of Aimco and which are not effectively connected with a U.S. trade or business of the Non-U.S. Holder will be subject to U.S. withholding tax at the rate of 30% (unless reduced by treaty and the Non-U.S. Holder provides appropriate documentation regarding its eligibility for treaty benefits). In general, Non-U.S. Holders will not be considered engaged in a U.S. trade or business solely as a result of their ownership of securities. In cases where the dividend income from a Non-U.S. Holder's investment in securities is, or is treated as, effectively connected with the Non-U.S. Holder's conduct of a U.S. trade or business, the Non-U.S. Holder generally will be subject to U.S. tax at graduated rates, in the same manner as domestic stockholders are taxed with respect to such dividends, such income must generally be reported on a U.S. income tax return filed by or on behalf of the non-U.S. holder, and the income may also be subject to the 30% branch profits tax in the case of a Non-U.S. Holder that is a corporation.

*Non-Dividend Distributions.* Unless Aimco stock constitutes a United States real property interest (a USRPI) within the meaning of the Foreign Investment in Real Property Tax Act of 1980 ( FIRPTA ), distributions by Aimco which are not dividends out of the earnings and profits of Aimco will not be subject to U.S. income tax. If it cannot be determined at the time at which a distribution is made whether or not the distribution will exceed current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to dividends. However, the Non-U.S. Holder may seek a refund from the IRS of any amounts withheld if it is subsequently determined that the distribution was, in fact, in excess of current and accumulated earnings and profits of Aimco. If Aimco stock constitutes a USRPI, distributions by Aimco in excess of the sum of its earnings and profits plus the stockholder's basis in its Aimco stock will be taxed under the FIRPTA at the rate of tax, including any applicable

capital gains rates, that would apply to a domestic stockholder of the same type (e.g., an individual or a corporation, as the case may be), and the collection of the tax will be enforced by a refundable withholding at a rate of 10% of the amount by which the distribution exceeds the stockholder's share of Aimco's earnings and profits.

**Table of Contents**

*Capital Gain Dividends.* Under FIRPTA, a distribution made by Aimco to a Non-U.S. Holder, to the extent attributable to gains from dispositions of USRPIs held by Aimco directly or through pass-through subsidiaries ( USRPI Capital Gains ), will, except as described below, be considered effectively connected with a U.S. trade or business of the Non-U.S. Holder and will be subject to U.S. income tax at the rates applicable to U.S. individuals or corporations, without regard to whether the distribution is designated as a capital gain dividend. In addition, Aimco will be required to withhold tax equal to 35% of the amount of dividends to the extent such dividends constitute USRPI Capital Gains. Distributions subject to FIRPTA may also be subject to a 30% branch profits tax in the hands of a Non-U.S. Holder that is a corporation. A distribution is not a USRPI capital gain if Aimco held the underlying asset solely as a creditor. Capital gain dividends received by a non-U.S. holder from a REIT that are attributable to dispositions by that REIT of assets other than USRPIs are generally not subject to U.S. income or withholding tax.

A capital gain dividend by Aimco that would otherwise have been treated as a USRPI capital gain will not be so treated or be subject to FIRPTA, will generally not be treated as income that is effectively connected with a U.S. trade or business, and will instead be treated the same as an ordinary dividend from Aimco (see Taxation of Foreign Stockholders Ordinary Dividends ), provided that (1) the capital gain dividend is received with respect to a class of stock that is regularly traded on an established securities market located in the United States, and (2) the recipient non-U.S. holder does not own more than 5% of that class of stock at any time during the one year period ending on the date on which the capital gain dividend is received.

*Dispositions of Aimco Stock.* Unless Aimco stock constitutes a USRPI, a sale of the stock by a Non-U.S. Holder generally will not be subject to U.S. taxation under FIRPTA. The stock will be treated as a USRPI if 50% or more of Aimco's assets throughout a prescribed testing period consist of interests in real property located within the United States, excluding, for this purpose, interests in real property solely in a capacity as a creditor. Even if the foregoing test is met, Aimco stock nonetheless will not constitute a USRPI if Aimco is a domestically controlled qualified investment entity. A domestically controlled qualified investment entity is a REIT in which, at all times during a specified testing period, less than 50% in value of its shares is held directly or indirectly by Non-U.S. Holders. Aimco believes that it is, and it expects to continue to be, a domestically controlled qualified investment entity. If Aimco is, and continues to be, a domestically controlled qualified investment entity, the sale of Aimco stock should not be subject to taxation under FIRPTA. Because most classes of stock of Aimco are publicly traded, however, no assurance can be given that Aimco is or will continue to be a domestically controlled qualified investment entity.

Even if Aimco does not constitute a domestically controlled qualified investment entity, a Non-U.S. Holder's sale of stock generally nonetheless will generally not be subject to tax under FIRPTA as a sale of a USRPI provided that:

the stock is of a class that is regularly traded (as defined by applicable Treasury Regulations) on an established securities market (e.g., the NYSE, on which Aimco stock is listed), and

the selling Non-U.S. Holder held 5% or less of such class of Aimco's outstanding stock at all times during a specified testing period.

If gain on the sale of stock of Aimco were subject to taxation under FIRPTA, the Non-U.S. Holder would be subject to the same treatment as a U.S. stockholder with respect to such gain (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals) and the purchaser of the stock could be required to withhold 10% of the purchase price and remit such amount to the IRS.

Gain from the sale of Aimco stock that would not otherwise be subject to taxation under FIRPTA will nonetheless be taxable in the United States to a Non-U.S. Holder in two cases. First, if the Non-U.S. Holder's investment in the Aimco stock is effectively connected with a U.S. trade or business conducted by such Non-U.S. Holder, the Non-U.S. Holder will be subject to the same treatment as a U.S. stockholder with respect to such gain. Second, if the Non-U.S. Holder

is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a tax home in the United States, the nonresident alien individual will be subject to a 30% tax on the individual's capital gain.

## **Table of Contents**

### *Estate Tax*

Aimco stock owned or treated as owned by an individual who is not a citizen or resident (as specially defined for U.S. Federal estate tax purposes) of the United States at the time of death will be includible in the individual's gross estate for U.S. Federal estate tax purposes, unless an applicable estate tax treaty provides otherwise. Such individual's estate may be subject to U.S. Federal estate tax on the property includible in the estate for U.S. Federal estate tax purposes.

### ***Information Reporting Requirements And Backup Withholding***

Aimco will report to its U.S. stockholders and to the IRS the amount of distributions paid during each calendar year, and the amount of tax withheld, if any. Under the backup withholding rules, a stockholder may be subject to backup withholding at the rate of 28% (through 2010) with respect to distributions paid unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact or (ii) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules. A stockholder who does not provide Aimco with his correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability. In addition, Aimco may be required to withhold a portion of capital gain distributions to any Non-U.S. Holders. The IRS has issued final Treasury Regulations regarding the withholding, backup withholding and information reporting rules as applied to Non-U.S. Holders. Prospective investors in securities should consult their tax advisors regarding the application of these Treasury Regulations.

### ***Tax Return Disclosure and Investor List Requirements***

Treasury Regulations require participants in a reportable transaction to disclose certain information about the transaction to the IRS with their tax returns and retain certain information relating to the transaction (the Disclosure Requirement). In addition, organizers, sellers, and certain advisors of a reportable transaction are required to maintain certain records, including lists identifying the investors in a transaction, and to furnish those records, as well as detailed information regarding the transaction, to the IRS upon demand (the List Maintenance Requirement).

While the Disclosure Requirement and the List Maintenance Requirement are directed towards tax shelters, the regulations are written quite broadly, and apply to transactions that would not typically be considered tax shelters. There are significant penalties for failure to comply with these requirements.

A transaction may be a reportable transaction based upon any of several indicia, including, among other things, if it could result in tax losses or book-tax differences in excess of prescribed thresholds. The transaction contemplated herein may result in book-tax differences in excess of prescribed thresholds and as such, could be a reportable transaction under the Treasury Regulations involving tax shelters. Characterization of this transaction as a reportable transaction could increase the likelihood of an audit by the IRS. If this transaction were to be classified as a reportable transaction, you would be required to attach a completed IRS Form 8886, the Reportable Transaction Disclosure Statement, to your tax return for the taxable year of the transaction, as well as provide a copy of this form to the Office of Tax Shelter Analysis at the same time that such statement is first filed with the IRS. You should consult your tax advisors concerning these disclosure obligations with respect to the receipt or disposition of Aimco Stock, or transactions that might be undertaken directly or indirectly by the Aimco. Moreover, you should be aware that Aimco and other participants in the transactions involving Aimco (including their advisors) would be subject to the Disclosure Requirement and/or the List Maintenance Requirement if this transaction were to be classified as a reportable transaction.

***Taxation of Tax-Exempt Stockholders***

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from Federal income taxation. However, they are subject to taxation on their unrelated business taxable income ( UBTI ). While many investments in real estate may generate UBTI, the IRS has ruled that dividend distributions from a REIT to a tax-exempt entity do not constitute UBTI. Based on that



## **Table of Contents**

ruling, and provided that (1) a tax-exempt stockholder has not held its Aimco stock as debt financed property within the meaning of the Internal Revenue Code (i.e., where the acquisition or holding of the property is financed through a borrowing by the tax-exempt stockholder), and (2) the Aimco stock is not otherwise used in an unrelated trade or business, Aimco believe that distributions from Aimco and income from the sale of the Aimco stock should not give rise to UBTI to a tax-exempt stockholder.

Tax-exempt stockholder that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans that are exempt from taxation under paragraphs (7), (9), (17) and (20), respectively, of Section 501(c) of the Internal Revenue Code are subject to different UBTI rules, which generally will require them to characterize distributions from Aimco as UBTI.

In addition, in certain circumstances, a pension trust that owns more than 10% of Aimco's stock could be required to treat a percentage of the dividends from Aimco as UBTI (the UBTI Percentage). The UBTI Percentage is the gross income derived by Aimco from an unrelated trade or business (determined as if Aimco were a pension trust) divided by the gross income of Aimco for the year in which the dividends are paid. The UBTI rule applies to a pension trust holding more than 10% of Aimco's stock only if:

the UBTI Percentage is at least 5%,

Aimco qualifies as a REIT by reason of the modification of the 5/50 Rule that allows the beneficiaries of the pension trust to be treated as holding shares of Aimco in proportion to their actuarial interest in the pension trust, and

either (A) one pension trust owns more than 25% of the value of Aimco's stock or (B) a group of pension trusts each individually holding more than 10% of the value of Aimco's stock collectively owns more than 50% of the value of Aimco's stock.

The restrictions on ownership and transfer of Aimco's stock should prevent an Exempt Organization from owning more than 10% of the value of Aimco's stock.

## **Other Tax Consequences**

### ***Legislative or Other Actions Affecting REITs***

The rules dealing with Federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. For example, Congress is considering proposals that would delay the scheduled increase in the maximum tax rates applicable to individual taxpayers on qualified dividend income and long term capital gains, for taxable years beginning after December 31, 2010, to 39.6% and 20% respectively. In addition, for taxable years beginning after December 31, 2012, certain U.S. holders who are individuals, estates or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare tax on dividend and other income, including capital gains from the sale or other disposition of our stock. No assurance can be given as to whether, or in what form, the proposals described above (or any other proposals affecting REITs or their stockholders) will be enacted. Changes to the Federal laws and interpretations thereof could adversely affect an investment in Aimco or Aimco OP.

Recently enacted legislation will require, after December 31, 2012, withholding at a rate of 30% on dividends in respect of, and gross proceeds from the sale of, our common stock held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury to report, on an annual basis, information with respect to shares in the institution held by certain United

States persons and by certain non-US entities that are wholly or partially owned by United States persons. Accordingly, the entity through which our common stock is held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and gross proceeds from the sale of, our common stock held by an investor that is a non-financial non-US entity will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to us that such entity does not have any substantial United States owners or (ii) provides certain information regarding the entity's substantial United States owners, which we will in turn provide to the

**Table of Contents**

Secretary of the Treasury. Non-United States stockholders are encouraged to consult with their tax advisors regarding the possible implications of the legislation on their investment in our common stock.

***State, Local And Foreign Taxes***

Aimco OP, OP Unitholders, Aimco and Aimco stockholders may be subject to state, local or foreign taxation in various jurisdictions, including those in which it or they transact business, own property or reside. It should be noted that Aimco OP owns properties located in a number of states and local jurisdictions, and Aimco OP and OP Unitholders may be required to file income tax returns in some or all of those jurisdictions. The state, local or foreign tax treatment of Aimco OP and OP Unitholders and of Aimco and its stockholders may not conform to the United States Federal income tax consequences discussed above. Consequently, prospective investors are urged to consult their tax advisors regarding the application and effect of state, local foreign tax laws on an investment in Aimco OP or Aimco.

**Table of Contents****FEES AND EXPENSES**

The costs of planning and implementing the merger, including the preparation of this information statement/prospectus, will be borne by Aimco OP without regard to whether the merger is effectuated. Except as set forth in this information statement/prospectus, Aimco OP will not pay any fees or commissions to any broker, dealer or other person in connection with the merger. The Corporate General Partner has retained Eagle Rock Proxy Advisors, LLC, or the Information Agent, to act as the information agent in connection with the merger. The Information Agent may contact holders of USRP Units by mail, e-mail, telephone, telex, telegraph and in person and may request brokers, dealers and other nominee limited partners to forward materials relating to the merger to the beneficial owners of USRP Units. Aimco OP will pay the Information Agent reasonable and customary compensation for its services in connection with the merger, plus reimbursement for out-of-pocket expenses, and will indemnify it against certain liabilities and expenses in connection therewith, including liabilities under the United States Federal securities laws. Aimco OP will also pay all costs and expenses of filing, printing and mailing the information statement/prospectus as well as any related legal fees and expenses.

Below is an itemized list of the estimated expenses incurred and to be incurred in connection with preparing and delivering this information statement/prospectus:

Information Agent Fees	\$ 7,500
Printing Fees	12,000
Postage Fees	3,600
Tax and Accounting Fees	25,000
Appraisal Fees	6,900
Legal Fees	100,000
Total	\$ 155,000

**Table of Contents**

**LEGAL MATTERS**

Certain tax matters will be passed upon for Aimco by Skadden, Arps, Slate, Meagher & Flom LLP. The validity of the Aimco Class A Common Stock issuable upon redemption of the OP Units will be passed upon by DLA Piper LLP (US). The validity of the OP Units offered by this information statement/prospectus will be passed upon by Skadden, Arps, Slate, Meagher & Flom LLP.

**Table of Contents**

**EXPERTS**

The consolidated financial statements of Aimco for the year ended December 31, 2009 appearing in Aimco's Current Report on Form 8-K dated September 10, 2010 (including the schedule appearing therein), and the effectiveness of Aimco's internal control over financial reporting appearing in Aimco's Annual Report on Form 10-K for the year ended December 31, 2009 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements and Aimco management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2009 are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Aimco OP for the year ended December 31, 2009 appearing in Aimco OP's Current Report on Form 8-K dated September 10, 2010 (including the schedule appearing therein), and the effectiveness of Aimco OP's internal control over financial reporting appearing in Aimco OP's Annual Report on Form 10-K for the year ended December 31, 2009 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements and Aimco OP management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2009 are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The financial statements of USRP appearing in USRP's Annual Report on Form 10-K for the year ended December 31, 2009 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and included in Annex D of this information statement/prospectus. Such financial statements are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

**Table of Contents**

**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

Aimco, Aimco OP and USRP are subject to the informational requirements of the Exchange Act, and, in accordance therewith, file reports, proxy statements and other information with the SEC. You may read and copy any document so filed at the SEC's public reference rooms in Washington, D.C.; New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Aimco's, Aimco OP's and USRP's filings are also available to the public at the SEC's web site at <http://www.sec.gov>.

The information that Aimco and Aimco OP file with the SEC is incorporated by reference, which means that important information is being disclosed to you by referring you to those documents. The information incorporated by reference is considered to be part of this information statement/prospectus. The documents listed below are incorporated by reference along with all documents filed by us with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (i) after the date of the initial registration statement of which this information statement/prospectus is a part, and prior to effectiveness of such registration statement, and (ii) after the date of this information statement/prospectus and prior to the completion of the offering of securities described in this information statement/prospectus.

Proxy Statement for the 2010 Annual Meeting of Stockholders of Aimco;

Aimco's Annual Report on Form 10-K for the year ended December 31, 2009;

Aimco's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010;

Aimco's Current Reports on Form 8-K, dated February 2, 2010 (filed February 4, 2010), dated February 3, 2010 (filed February 5, 2010), dated April 26, 2010 (filed April 29, 2010), dated May 24, 2010 (filed May 24, 2010), dated July 30, 2010 (filed July 30, 2010), dated September 1, 2010 (filed September 3, 2010), dated September 7, 2010 (filed September 7, 2010), dated September 10, 2010 (filed September 10, 2010), and dated September 29, 2010 (filed September 30, 2010);

Aimco OP's Annual Report on Form 10-K for the year ended December 31, 2009;

Aimco OP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010;

Aimco OP's Current Reports on Form 8-K, dated February 3, 2010 (filed February 5, 2010), May 24, 2010 (filed May 24, 2010) dated September 1, 2010 (filed September 3, 2010), dated September 10, 2010 (filed September 10, 2010), and dated September 29, 2010 (filed September 30, 2010).

You may request a copy of these filings, at no cost, by writing or calling Aimco at the following address and telephone number:

ISTC Corporation  
P.O. Box 2347  
Greenville, South Carolina 29602  
(864) 239-1029

USRP's Annual Report on Form 10-K for the year ended December 31, 2009 is included as Annex D to this information statement/prospectus. USRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 is

included as Annex E to this information statement/prospectus.

You should rely only on the information included or incorporated by reference in this information statement/prospectus. No person is authorized to provide you with different information. You should not assume that the information in this information statement/prospectus is accurate as of any date other than the date on the front of the document.



**Table of Contents**

**ANNEX A**

**Agreement and Plan of Merger**

AGREEMENT AND PLAN OF MERGER (this **Agreement** ), dated as of October 8, 2010, by and among U.S. REALTY PARTNERS LIMITED PARTNERSHIP, a Delaware limited partnership ( **USRP** ), AIMCO USRP MERGER SUB LLC, a Delaware limited liability company (the **Aimco Subsidiary** ), and AIMCO PROPERTIES, L.P., a Delaware limited partnership ( **Aimco OP** ).

WHEREAS, U.S. Realty I Corporation, the corporate general partner of USRP ( **U.S. Realty I** ), has determined that the Merger (as defined below) of the Aimco Subsidiary with and into USRP, with USRP as the surviving entity, is advisable and in the best interests of USRP and its partners; and

WHEREAS, Aimco OP, the individual general partner of USRP, has determined that the Merger of the Aimco Subsidiary with and into USRP, with USRP as the surviving entity, is advisable and in the best interests of USRP and its partners; and

WHEREAS, Aimco OP, the sole member of the Aimco Subsidiary, has determined that the Merger of the Aimco Subsidiary with and into USRP, with USRP as the surviving entity, is advisable and in the best interests of the Aimco Subsidiary and its member; and

WHEREAS the Board of Directors of AIMCO-GP, Inc., the general partner of Aimco OP ( **AIMCO-GP** ), has determined that the Merger of the Aimco Subsidiary with and into USRP, with USRP as the surviving entity, is advisable and in the best interests of Aimco OP and its partners; and

WHEREAS, the parties desire to enter this Agreement to evidence the terms, provisions, representations, warranties, covenants and conditions upon which the Merger will be consummated.

NOW, THEREFORE, in consideration of the mutual agreements and covenants set forth herein, and for other good and valuable consideration, the adequacy, sufficiency, and receipt of which are hereby acknowledged, USRP, the Aimco Subsidiary and Aimco OP hereby agree as follows:

Section 1. *The Merger.* Subject to the terms and conditions set forth herein, the Aimco Subsidiary shall be merged with and into USRP (the **Merger** ), and USRP shall be the surviving entity of the Merger (the **Surviving Entity** ). The Merger will have the effects specified in this Agreement, section 17-211 of the Delaware Revised Uniform Limited Partnership Act, as amended (the **DRULPA** ), and section 18-209 of the Delaware Limited Liability Company Act, as amended (the **DLLCA** ).

Section 2. *General Partners.* U.S. Realty I will be the corporate general partner of the Surviving Entity, and Aimco OP will be the individual general partner of the Surviving Entity.

Section 3. *Certificate.* As soon as practicable after the approval of this Agreement by a majority in interest limited partnership interests of USRP (each a **Unit** and, collectively, the **Units** ), USRP shall cause to be filed a certificate of merger with respect to the Merger (the **Certificate of Merger** ) with the Office of the Secretary of State of the State of Delaware pursuant to section 17-211 of the DRULPA and section 18-209 of the DLLCA. The Merger shall become effective at such time as the Certificate of Merger has been accepted for record by the Secretary of State of the State of Delaware (the **Effective Time** ).

Section 4. *Limited Partnership Agreement.* The agreement of limited partnership of USRP as in effect immediately prior to the consummation of the Merger (the **Partnership Agreement** ), shall be the agreement of limited partnership of the Surviving Entity until thereafter amended in accordance with the provisions thereof and applicable law. The general partners and each limited partner of the Surviving Entity shall have the rights under, be bound by and be subject to the terms and conditions of, the Partnership Agreement, as a general partner or limited partner, as applicable.

A-1

---

**Table of Contents**

Section 5. *Treatment of Interests in USRP.*

(a) Limited Partners Interests.

(i) In connection with the Merger and in accordance with the procedures set forth in Section 5(a)(iii) hereto, each Unit outstanding immediately prior to the Effective Time and held by limited partners of USRP, except Units held by limited partners who have perfected their appraisal rights pursuant to Exhibit A hereto, shall be converted into the right to receive, at the election of the limited partner, either (x) \$2.76 in cash (the **Cash Consideration**) or (y) a number of partnership common units of Aimco OP calculated by dividing \$2.76 by the average closing price of Apartment Investment and Management Company common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the Effective Time (the **OP Unit Consideration** and, together with the Cash Consideration, the **Merger Consideration**).

(ii) Notwithstanding Section 5(a)(i), if Aimco OP determines that the law of the state or other jurisdiction in which a limited partner resides would prohibit the issuance of partnership common units of Aimco OP in that state or jurisdiction (or that the registration in that state or other jurisdiction would be prohibitively costly), then such limited partner will only be entitled to receive the Cash Consideration for each Unit.

(iii) Aimco OP shall prepare a form of election (the **Election Form**) describing the Merger and pursuant to which each limited partner of USRP will have the right to elect to receive either the Cash Consideration or the OP Unit Consideration (subject to Section 5(a)(ii)). Aimco OP shall mail or cause to be mailed an Election Form to each limited partner, together with any other materials that Aimco OP determines to be necessary or prudent, no later than ten (10) days after the Effective Time. An election to receive the Cash Consideration or the OP Unit Consideration shall be effective only if a properly executed Election Form is received by Aimco OP or its designees prior to 5:00 p.m., Eastern Time on the day that is thirty (30) days after the mailing of such Election Form by Aimco OP. If a limited partner fails to return a duly completed Election Form within the time period specified in the Election Form, such holder shall be deemed to have elected to receive the Cash Consideration. In addition, each limited partner that resides in a state or other jurisdiction that Aimco OP determines would prohibit the issuance of partnership common units of Aimco OP (or in which registration would be prohibitively costly) will be deemed to have elected the Cash Consideration. USRP, the Aimco Subsidiary and Aimco OP agree that limited partners shall have the right to revoke any election made in connection with the Merger at any time prior to the expiration of the time period stated in the Election Form. Aimco OP and U.S. Realty I, by mutual agreement, shall have the right to make rules, not inconsistent with the terms of this Agreement, governing the validity of Election Forms and the issuance and delivery of the Merger Consideration, as applicable.

(b) General Partners Interests. Each general partner interest of USRP outstanding immediately prior to consummation of the Merger shall remain outstanding and unchanged, with all of the rights set forth in the Partnership Agreement.

Section 6. *Treatment of Interests in Aimco Subsidiary.* The entire membership interest in the Aimco Subsidiary immediately prior to the Effective Time shall be converted into all of the Units of the Surviving Entity.

Section 7. *Appraisal Rights.* In connection with the Merger, the holders of Units immediately prior to the Merger shall have the appraisal rights set forth in Exhibit A hereto.

Section 8. *Covenants.* Aimco OP agrees to pay for, or reimburse USRP for, all expenses incurred by USRP in connection with the Merger. Aimco OP agrees to pay cash or issue and deliver common units of Aimco OP to the former holders of Units, in accordance with section 5(a) of this Agreement.

Section 9. *Conditions to the Merger.*

(a) The Merger shall not occur unless and until the Merger has been approved or consented to by a majority in interests of Units.

(b) Notwithstanding any provisions of this Agreement to the contrary, none of the parties hereto shall be required to consummate the transactions contemplated hereby if any third-party consent, authorization or approval that any of the parties hereto deem necessary or desirable in connection with this Agreement, or the consummation of the transactions contemplated hereby, has not been obtained or received.

A-2

---

**Table of Contents**

Section 10. *Tax Treatment.* The parties hereto intend and agree that, for Federal income tax purposes, (i) any payment of cash for Units shall be treated as a sale of such Units by such holder and a purchase of such Units by Aimco OP for the cash so paid under the terms of this Agreement in accordance with the guidelines set forth in Treas. Reg. Sections 1.708-1(c)(3) and 1.708-1(c)(4), and (ii) each such holder of Units who receives cash explicitly agrees and consents to such treatment. Furthermore, the parties hereto intend and agree that, for Federal income tax purposes, (x) any exchange of Units for partnership common units of Aimco OP under the terms of this Agreement shall be treated in accordance with Sections 721 and 731 of the Internal Revenue Code of 1986, as amended, and (y) each such holder of Units who accepts partnership common units of Aimco OP explicitly agrees and consents to such treatment. Any cash and/or partnership common units of Aimco OP to which a holder of Units is entitled pursuant to this Agreement shall be paid only after the receipt of a consent from such holder that, for Federal income tax purposes, the receipt of cash and/or partnership common units of Aimco OP shall be treated as described in this Section 10.

Section 11. *Further Assurances.* From time to time, as and when required by the Surviving Entity or by its successors and assigns, there shall be executed and delivered on behalf of the Aimco Subsidiary such deeds and other instruments, and there shall be taken or caused to be taken by the Aimco Subsidiary all such further actions, as shall be appropriate or necessary in order to vest, perfect or confirm, of record or otherwise, in the Surviving Entity the title to and possession of all property, interests, assets, rights, privileges, immunities, powers, franchises and authority of the Aimco Subsidiary, and otherwise to carry out the purposes of this Agreement, and the officers and directors of U.S. Realty I are fully authorized, in the name and on behalf of the Aimco Subsidiary or otherwise, to take any and all such action and to execute and deliver any and all such deeds and other instruments.

Section 12. *Amendment.* Subject to applicable law, this Agreement may be amended, modified or supplemented by written agreement of the parties hereto at any time prior to the consummation of the Merger with respect to any of the terms contained herein.

Section 13. *Abandonment.* At any time prior to consummation of the Merger, this Agreement may be terminated and the Merger may be abandoned without liability to any party hereto by any of the Aimco Subsidiary, Aimco OP or USRP, in each case, acting in its sole discretion and for any reason or for no reason, notwithstanding approval of this Agreement by any of the members of the Aimco Subsidiary, the partners of USRP or the general partner of Aimco OP.

Section 14. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to the conflict of law provisions thereof.

Section 15. *No Third-Party Beneficiaries.* No provision of this Agreement is intended to confer upon any person, entity, or organization other than the parties hereto any rights or remedies hereunder, other than the appraisal rights given to holders of Units pursuant to Section 7.

**Table of Contents**

**IN WITNESS WHEREOF**, USRP, the Aimco Subsidiary and Aimco OP have caused this Agreement to be signed by their respective duly authorized officers as of the date first above written.

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

By: U.S. Realty I Corporation  
Its Corporate General Partner

By:

Name:  
Title:

By: Aimco Properties, L.P.  
Its Individual General Partner

By: AIMCO-GP, Inc.  
Its General Partner

By:

Name:  
Title:

**AIMCO USRP MERGER SUB LLC**

By: Aimco Properties, L.P.  
Its sole Member

By: AIMCO-GP, Inc.  
its General Partner

By:

Name:  
Title:

**AIMCO PROPERTIES, L.P.**

By: AIMCO-GP, Inc.,  
its General Partner

By:

Name:  
Title:

[Signature Page Merger Agreement]

Table of Contents

EXHIBIT A

**Appraisal Rights of Limited Partners**

Capitalized terms used but not defined herein shall have the respective meanings ascribed thereto in the Agreement and Plan of Merger, dated as of October 8, 2010 (the **Merger Agreement** ), by and among U.S. Realty Partners Limited Partnership, a Delaware limited partnership ( **USRP** ), AIMCO USRP Merger Sub LLC, a Delaware limited liability company (the **Aimco Subsidiary** ), and AIMCO Properties, L.P., a Delaware limited partnership ( **Aimco OP** ). In connection with the Merger, limited partners of USRP shall have the following appraisal rights:

(a) Any limited partner who holds Units on the effective date of the Merger who has not consented to the merger (the **Nonconsenting Limited Partners** ) and who has otherwise complied with paragraph (b) hereof shall be entitled to an appraisal by arbitration of the fair value of the Nonconsenting Limited Partner's Units. This arbitration shall be conducted in Denver, Colorado, in accordance with the Commercial Arbitration Rules of the American Arbitration Association by a panel of three arbitrators selected by Aimco OP. Any arbitration award shall be appealable in the Federal District Court located in Denver, Colorado.

(b) Within 10 days after the effective date of the Merger, Aimco OP shall notify each of the Nonconsenting Limited Partners of the consummation of the Merger, the effective date of the Merger and that appraisal rights are available for any or all Units held by Nonconsenting Limited Partners, and shall include in such notice a copy of this Exhibit. Such notice shall include an Election Form pursuant to which Nonconsenting Limited Partners may elect an appraisal by arbitration of the fair value of their Units pursuant to paragraph (a) hereof. Any limited partner who holds Units on the effective date of the Merger and who has not consented to the Merger shall be entitled to receive such notice and may, within 30 days after the date of mailing of such notice (such 30th day being the **Election Deadline** ), demand from Aimco OP the appraisal of his or her Units by making the appropriate election in the Election Form in accordance with the instructions thereto. Each completed Election Form must be delivered to the address, and within the time period, specified in the instructions to the Election Form. If a Nonconsenting Limited Partner fails to properly complete an Election Form or return it to the correct address within the specified time period, such Nonconsenting Limited Partner shall be deemed to have elected not to seek an appraisal of his or her Units, and will be deemed to have elected the Cash Consideration.

(c) At any time prior to the Election Deadline, any Nonconsenting Limited Partner who has made a demand for appraisal of his or her Units shall have the right to withdraw his or her demand for appraisal and to accept the Cash Consideration payable pursuant to the Merger Agreement. Nonconsenting Limited Partners who wish to withdraw their demands must do so in writing delivered to Aimco Properties, L.P., c/o Eagle Rock Proxy Advisors, LLC, by mail at 12 Commerce Drive, Cranford, New Jersey, 07016, or by fax at (908) 497-2349. At any time prior to 20 days after the Election Deadline, any Nonconsenting Limited Partner who has complied with the requirements of subsections (a) and (b) hereof, upon written request, shall be entitled to receive from Aimco OP a statement setting forth the aggregate number of Units with respect to which Nonconsenting Limited Partners have made demands for appraisal and the aggregate number of holders of such Units. Such written statement shall be mailed to the Nonconsenting Limited Partner within 10 days after such Nonconsenting Limited Partner's written request for such a statement is received by Aimco OP or within 20 days after the Election Deadline, whichever is later.

(d) Upon the submission of any such demand by a Nonconsenting Limited Partner, Aimco OP shall, within 40 days after the Election Deadline, submit to the arbitration panel a duly verified list containing the names and addresses of all Nonconsenting Limited Partners who have demanded payment for their Units and with whom agreements as to the value of their Units have not been reached with Aimco OP. The arbitration panel shall give notice of the time and place fixed for the hearing of such demand by registered or certified mail to Aimco OP and to the Nonconsenting Limited Partners shown on the list at the addresses therein stated. The forms of the notices shall be approved by the

panel, and the costs thereof shall be borne by Aimco OP.

A-5

---



**Table of Contents**

(e) At the hearing on such demand, the panel shall determine the Nonconsenting Limited Partners who have become entitled to appraisal rights hereunder.

(f) After determining the Nonconsenting Limited Partners entitled to an appraisal, the panel shall appraise the Units, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the panel shall take into account all relevant factors. Unless the panel in its discretion determines otherwise for good cause shown, interest from the effective date of the Merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge), as established from time to time during the period between the effective date of the Merger and the date of payment of the judgment. Upon application by Aimco OP or by any Nonconsenting Limited Partner entitled to participate in the appraisal proceeding, the panel may, in its discretion, proceed with the appraisal prior to the final determination of the Nonconsenting Limited Partners entitled to an appraisal. Any Nonconsenting Limited Partner whose name appears on the list submitted by Aimco OP pursuant to paragraph (d) hereof may participate fully in all proceedings until it is finally determined that such Nonconsenting Limited Partner is not entitled to appraisal rights hereunder.

(g) The panel shall direct the payment of the fair value of the Units, together with interest, if any, by Aimco OP to the Nonconsenting Limited Partners entitled thereto. Payment shall be so made to each such Nonconsenting Limited Partner upon the receipt by Aimco OP of the written consent from such Nonconsenting Limited Partner that, for federal income tax purposes, the issuance of cash for the Units shall be treated as a sale of the Units by the owner and a purchase of such Units by Aimco OP for the cash consideration so paid under the terms of the Merger Agreement in accordance with the guidelines set forth in Treas. Reg. Sections 1.708-1(c)(3) and 1.708-1(c)(4).

(h) The costs of the proceeding may be determined by the panel and taxed upon the parties as the panel deems equitable in the circumstances. Upon application of a Nonconsenting Limited Partner, the panel may order all or a portion of the expenses incurred by any Nonconsenting Limited Partner in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the interests entitled to an appraisal.

(i) From and after the effective date of the Merger, no Nonconsenting Limited Partner who has demanded appraisal rights as provided in paragraph (b) hereof shall be entitled to vote such Units for any purpose or to receive payment of distributions on such interests (except distributions payable as of a record date prior to the effective date of the Merger); provided, however, that if such Nonconsenting Limited Partner shall deliver to Aimco Properties, L.P., c/o Eagle Rock Proxy Advisors, LLC, by mail at 12 Commerce Drive, Cranford, New Jersey, 07016, or by fax at (908) 497-2349, a written withdrawal of such Nonconsenting Limited Partner's demand for an appraisal and an acceptance of the Cash Consideration payable pursuant to the Merger Agreement, either as provided in paragraph (c) hereof or thereafter with the written approval of Aimco OP, then the right of such Nonconsenting Limited Partner to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding before the panel shall be dismissed as to any Nonconsenting Limited Partner without the approval of the panel, and such approval may be conditioned upon such terms as the panel deems just.

**Table of Contents**

**ANNEX B**

**Appraisal Rights of Limited Partners**

Capitalized terms used but not defined herein shall have the respective meanings ascribed thereto in the Agreement and Plan of Merger, dated as of October 8, 2010 (the **Merger Agreement** ), by and among U.S. Realty Partners Limited Partnership, a Delaware limited partnership ( **USRP** ), AIMCO USRP Merger Sub LLC, a Delaware limited liability company (the **Aimco Subsidiary** ), and AIMCO Properties, L.P., a Delaware limited partnership ( **Aimco OP** ). In connection with the Merger, limited partners of USRP shall have the following appraisal rights:

(a) Any limited partner who holds USRP Units on the effective date of the Merger who has not consented to the merger (the **Nonconsenting Limited Partners** ) and who has otherwise complied with paragraph (b) hereof shall be entitled to an appraisal by arbitration of the fair value of the Nonconsenting Limited Partner's Units. This arbitration shall be conducted in Denver, Colorado, in accordance with the Commercial Arbitration Rules of the American Arbitration Association by a panel of three arbitrators selected by Aimco OP. Any arbitration award shall be appealable in the Federal District Court located in Denver, Colorado.

(b) Within 10 days after the effective date of the Merger, Aimco OP shall notify each of the Nonconsenting Limited Partners of the consummation of the Merger, the effective date of the Merger and that appraisal rights are available for any or all Units held by Nonconsenting Limited Partners, and shall include in such notice a copy of this Exhibit. Such notice shall include an Election Form pursuant to which Nonconsenting Limited Partners may elect an appraisal by arbitration of the fair value of their Units pursuant to paragraph (a) hereof. Any limited partner who holds Units on the effective date of the Merger and who has not consented to the Merger shall be entitled to receive such notice and may, within 30 days after the date of mailing of such notice (such 30th day being the **Election Deadline** ), demand from Aimco OP the appraisal of his or her Units by making the appropriate election in the Election Form in accordance with the instructions thereto. Each completed Election Form must be delivered to the address, and within the time period, specified in the instructions to the Election Form. If a Nonconsenting Limited Partner fails to properly complete an Election Form or return it to the correct address within the specified time period, such Nonconsenting Limited Partner shall be deemed to have elected not to seek an appraisal of his or her Units, and will be deemed to have elected the Cash Consideration.

(c) At any time prior to the Election Deadline, any Nonconsenting Limited Partner who has made a demand for appraisal of his or her Units shall have the right to withdraw his or her demand for appraisal and to accept the Cash Consideration payable pursuant to the Merger Agreement. Nonconsenting Limited Partners who wish to withdraw their demands must do so in writing delivered to Aimco Properties, L.P., c/o Eagle Rock Proxy Advisors, LLC, by mail at 12 Commerce Drive, Cranford, New Jersey, 07016, or by fax at (908) 497-2349. At any time prior to 20 days after the Election Deadline, any Nonconsenting Limited Partner who has complied with the requirements of subsections (a) and (b) hereof, upon written request, shall be entitled to receive from Aimco OP a statement setting forth the aggregate number of Units with respect to which Nonconsenting Limited Partners have made demands for appraisal and the aggregate number of holders of such Units. Such written statement shall be mailed to the Nonconsenting Limited Partner within 10 days after such Nonconsenting Limited Partner's written request for such a statement is received by Aimco OP or within 20 days after the Election Deadline, whichever is later.

(d) Upon the submission of any such demand by a Nonconsenting Limited Partner, Aimco OP shall, within 40 days after the Election Deadline, submit to the arbitration panel a duly verified list containing the names and addresses of all Nonconsenting Limited Partners who have demanded payment for their Units and with whom agreements as to the value of their Units have not been reached with Aimco OP. The arbitration panel shall give notice of the time and

place fixed for the hearing of such demand by registered or certified mail to Aimco OP and to the Nonconsenting Limited Partners shown on the list at the addresses therein stated. The forms of the notices shall be approved by the panel, and the costs thereof shall be borne by Aimco OP.

B-1

---

**Table of Contents**

(e) At the hearing on such demand, the panel shall determine the Nonconsenting Limited Partners who have become entitled to appraisal rights hereunder.

(f) After determining the Nonconsenting Limited Partners entitled to an appraisal, the panel shall appraise the Units, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the panel shall take into account all relevant factors. Unless the panel in its discretion determines otherwise for good cause shown, interest from the effective date of the Merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge), as established from time to time during the period between the effective date of the Merger and the date of payment of the judgment. Upon application by Aimco OP or by any Nonconsenting Limited Partner entitled to participate in the appraisal proceeding, the panel may, in its discretion, proceed with the appraisal prior to the final determination of the Nonconsenting Limited Partners entitled to an appraisal. Any Nonconsenting Limited Partner whose name appears on the list submitted by Aimco OP pursuant to paragraph (d) hereof may participate fully in all proceedings until it is finally determined that such Nonconsenting Limited Partner is not entitled to appraisal rights hereunder.

(g) The panel shall direct the payment of the fair value of the Units, together with interest, if any, by Aimco OP to the Nonconsenting Limited Partners entitled thereto. Payment shall be so made to each such Nonconsenting Limited Partner upon the receipt by Aimco OP of the written consent from such Nonconsenting Limited Partner that, for federal income tax purposes, the issuance of cash for the Units shall be treated as a sale of the Units by the owner and a purchase of such Units by Aimco OP for the cash consideration so paid under the terms of the Merger Agreement in accordance with the guidelines set forth in Treas. Reg. Sections 1.708-1(c)(3) and 1.708-1(c)(4).

(h) The costs of the proceeding may be determined by the panel and taxed upon the parties as the panel deems equitable in the circumstances. Upon application of a Nonconsenting Limited Partner, the panel may order all or a portion of the expenses incurred by any Nonconsenting Limited Partner in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the interests entitled to an appraisal.

(i) From and after the effective date of the Merger, no Nonconsenting Limited Partner who has demanded appraisal rights as provided in paragraph (b) hereof shall be entitled to vote such Units for any purpose or to receive payment of distributions on such interests (except distributions payable as of a record date prior to the effective date of the Merger); provided, however, that if such Nonconsenting Limited Partner shall deliver to Aimco Properties, L.P., c/o Eagle Rock Proxy Advisors, LLC, by mail at 12 Commerce Drive, Cranford, New Jersey, 07016, or by fax at (908) 497-2349, a written withdrawal of such Nonconsenting Limited Partner's demand for an appraisal and an acceptance of the Cash Consideration payable pursuant to the Merger Agreement, either as provided in paragraph (c) hereof or thereafter with the written approval of Aimco OP, then the right of such Nonconsenting Limited Partner to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding before the panel shall be dismissed as to any Nonconsenting Limited Partner without the approval of the panel, and such approval may be conditioned upon such terms as the panel deems just.

**Table of Contents****ANNEX C****OFFICERS AND DIRECTORS**

USRP, Aimco OP and the Aimco Subsidiary do not have directors, officers or significant employees of their own. The names and positions of the executive officers and directors of Aimco, AIMCO-GP and U.S. Realty I Corporation, the Corporate General Partner of USRP, or U.S. Realty I, are set forth below. The business address of each executive officer and director is 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237. Each executive officer and director is a citizen of the United States of America.

<b>Name (Age)</b>	<b>Position</b>
Terry Considine(62)	Chairman of the Board of Directors and Chief Executive Officer of Aimco; Director, Chief Executive Officer and President of AIMCO-GP.
Timothy Beaudin(51)	President and Chief Operating Officer of Aimco, AIMCO-GP and U.S. Realty I.
Lisa R. Cohn(41)	Executive Vice President, General Counsel and Secretary of Aimco, AIMCO-GP and U.S. Realty I.
Miles Cortez(66)	Executive Vice President and Chief Administrative Officer of Aimco and AIMCO-GP.
Ernest M. Freedman(39)	Executive Vice President and Chief Financial Officer of Aimco, AIMCO-GP and U.S. Realty I.
Steven D. Cordes(38)	Senior Vice President of Aimco, AIMCO-GP and U.S. Realty I; Director of U.S. Realty I.
John Bezzant(47)	Senior Vice President of Aimco, AIMCO-GP and U.S. Realty I; Director of U.S. Realty I.
Paul Beldin(36)	Senior Vice President and Chief Accounting Officer of Aimco, AIMCO-GP and U.S. Realty I.
Stephen B. Waters(48)	Senior Director of Partnership Accounting of Aimco, AIMCO-GP and U.S. Realty I.
James N. Bailey(63)	Director of Aimco
Richard S. Ellwood(78)	Director of Aimco
Thomas L. Keltner(63)	Director of Aimco
J. Landis Martin(64)	Director of Aimco
Robert A. Miller(64)	Director of Aimco
Michael A. Stein(56)	Director of Aimco
Kathleen M. Nelson(64)	Director of Aimco

<b>Name</b>	<b>Biographical Summary of Current Directors and Officers</b>
-------------	---------------------------------------------------------------

Terry Considine	Mr. Considine has been Chairman of the Board of Directors and Chief Executive Officer of Aimco and AIMCO-GP, Inc. since July 1994. Mr. Considine also serves on the board of directors of Intrepid Potash,
-----------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Inc. a publicly held producer of potash, and, until its acquisition in early 2009, Mr. Considine served as Chairman of the Board and Chief Executive Officer of American Land Lease, Inc. Mr. Considine has over 40 years of experience in the real estate and other industries. Among other real estate ventures, in 1975, Mr. Considine founded and managed the predecessor companies that became Aimco at its initial public offering in 1994.

C-1

---

**Table of Contents**

<b>Name</b>	<b>Biographical Summary of Current Directors and Officers</b>
Timothy Beaudin	Mr. Beaudin was appointed President and Chief Operating Officer of Aimco, AIMCO-GP and U.S. Realty I in February 2009. He joined the companies as Executive Vice President and Chief Development Officer in October 2005 and was appointed Executive Vice President and Chief Property Operating Officer in October 2008. Mr. Beaudin oversees conventional and affordable property operations, transactions, asset management, and redevelopment and construction services. Prior to joining Aimco and beginning in 1995, Mr. Beaudin was with Catellus Development Corporation, a San Francisco, California-based real estate investment trust. During his last five years at Catellus, Mr. Beaudin served as Executive Vice President, with management responsibility for development, construction and asset management.
Lisa R. Cohn	Lisa R. Cohn was appointed Executive Vice President, General Counsel and Secretary of Aimco, AIMCO-GP and U.S. Realty I in December 2007. In addition to serving as general counsel, Ms. Cohn has executive responsibility for insurance and risk management as well as human resources. From January 2004 to December 2007, Ms. Cohn served as Senior Vice President and Assistant General Counsel. She joined Aimco in July 2002 as Vice President and Assistant General Counsel. Prior to joining Aimco, Ms. Cohn was in private practice with the law firm of Hogan & Hartson LLP with a focus on public and private mergers and acquisitions, venture capital financing, securities and corporate governance.
Miles Cortez	Mr. Cortez was appointed Executive Vice President and Chief Administrative Officer in December 2007. He is responsible for administration, government relations, communications and special projects. Mr. Cortez joined Aimco in August 2001 as Executive Vice President, General Counsel and Secretary. Prior to joining the Company, Mr. Cortez was the senior partner of Cortez Macaulay Bernhardt & Schuetze LLC, a Denver, Colorado law firm, from December 1997 through September 2001. He served as president of the Colorado Bar Association from 1996 to 1997 and the Denver Bar Association from 1982 to 1983.
Ernest M. Freedman	Ernest M. Freedman was appointed Executive Vice President and Chief Financial Officer of Aimco, AIMCO-GP and U.S. Realty I effective November 1, 2009. Mr. Freedman joined Aimco in 2007 as Senior Vice President of Financial Planning and Analysis and has served as Senior Vice President of Finance since February 2009, responsible for financial planning, tax, accounting and related areas. From 2004 to 2007, Mr. Freedman served as Chief Financial Officer of HEI Hotels and Resorts. From 2000 to 2004, Mr. Freedman was at GE Real Estate in a number of capacities, including operations controller

and finance manager for investments and acquisitions. From 1993 to 2000, Mr. Freedman was with Ernst & Young, LLP, including one year as a senior manager in the real estate practice. Mr. Freedman is a certified public accountant.

C-2

---



**Table of Contents**

**Name** **Biographical Summary of Current Directors and Officers**

Steven D. Cordes

Steven D. Cordes was appointed as a Director of U.S. Realty I effective March 2, 2009. Mr. Cordes has been a Senior Vice President of Aimco, AIMCO-GP and U.S. Realty I since May 2007. Mr. Cordes joined Aimco in 2001 as a Vice President of Capital Markets with responsibility for Aimco's joint ventures and equity capital markets activity. Prior to joining Aimco, Mr. Cordes was a manager in the financial consulting practice of PricewaterhouseCoopers. Effective March 2009, Mr. Cordes was appointed to serve as the equivalent of the chief executive officer of USRP.

John Bezzant

John Bezzant was appointed as a Director of U.S. Realty I effective December 16, 2009. Mr. Bezzant has been a Senior Vice President of U.S. Realty I and Aimco since joining Aimco in June 2006. Prior to joining Aimco, from 2005 to June 2006, Mr. Bezzant was a First Vice President at Prologis, a Denver, Colorado-based real estate investment trust, and from 1986 to 2005, Mr. Bezzant served as Vice President, Asset Management at Catellus Development Corporation.

Paul Beldin

Paul Beldin joined Aimco in Macy 2008 and has served as Senior Vice President and Chief Accounting Officer of Aimco and U.S. Realty I since that time. Prior to joining Aimco, Mr. Beldin served as controller and then as chief financial officer of America First Apartment Investors, Inc., a publicly traded multifamily real estate investment trust, from May 2005 to September 2007 when the company was acquired by Sentinel Real Estate Corporation. Prior to joining America First Apartment Investors, Inc., Mr. Beldin was a senior manager at Deloitte and Touche LLP, where he was employed from August 1996 to May 2005, including two years as an audit manager in SEC services at Deloitte's national office.

Stephen B. Waters

Stephen B. Waters was appointed Senior Director of Partnership Accounting of Aimco and U.S. Realty I in June 2009. Mr. Waters has responsibility for partnership accounting with Aimco and serves as the principal financial officer of U.S. Realty I. Mr. Waters joined Aimco as a Director of Real Estate Accounting in September 1999 and was appointed Vice President of U.S. Realty I and Aimco in April 2004. Prior to joining Aimco, Mr. Waters was a senior manager at Ernst & Young LLP.

James N. Bailey

Mr. Bailey was first elected as a director of Aimco in June 2000 and is currently Chairman of the Nominating and Corporate Governance Committee and a member of the Audit and Compensation and Human Resources Committees. Mr. Bailey co-founded Cambridge Associates, LLC, an investment consulting firm, in 1973 and currently serves as its Senior Managing Director and Treasurer. He is also a co-founder,

director and treasurer of The Plymouth Rock Company, and a director of SRB Corporation, Inc. and Homeowners Direct Company, all three of which are insurance companies and insurance company affiliates. He also serves as an Overseer for the New England Aquarium, and is on its audit and investment committees. Mr. Bailey is a member of the Massachusetts Bar and the American Bar Associations. Mr. Bailey, a long-time entrepreneur, brings particular expertise to the board in the areas of investment and financial planning, capital markets, evaluation of institutional real estate markets and managers of all property types.

C-3

---

**Table of Contents**

**Name** **Biographical Summary of Current Directors and Officers**

Richard S. Ellwood

Mr. Ellwood was first elected as a director of Aimco in July 1994. Mr. Ellwood is currently a member of the Audit, Compensation and Human Resources, and Nominating and Corporate Governance Committees. Mr. Ellwood was the founder and President of R.S. Ellwood & Co., Incorporated, which he operated as a real estate investment banking firm through 2004. Prior to forming his firm, Mr. Ellwood had 31 years experience on Wall Street as an investment banker, serving as: Managing Director and senior banker at Merrill Lynch Capital Markets from 1984 to 1987; Managing Director at Warburg Paribas Becker from 1978 to 1984; general partner and then Senior Vice President and a director at White, Weld & Co. from 1968 to 1978; and in various capacities at J.P. Morgan & Co. from 1955 to 1968. Mr. Ellwood served as a director of Felcor Lodging Trust, Incorporated, a publicly held company, from 1994 to 2009. He is as a trustee of the Diocesan Investment Trust of the Episcopal Diocese of New Jersey and is chairman of the diocesan audit committee. As one of the first real estate investment bankers, Mr. Ellwood brings particular expertise in real estate finance through corporate securities in both public and private markets as well as in direct property financings through mortgage placements, limited partnerships and joint ventures.

Thomas L. Keltner

Mr. Keltner was first elected as a director of Aimco in April 2007 and is currently a member of the Audit, Compensation and Human Resources, and Nominating and Corporate Governance Committees. Mr. Keltner served as Executive Vice President and Chief Executive Officer Americas and Global Brands for Hilton Hotels Corporation from March 2007 through March 2008, which concluded the transition period following Hilton's acquisition by The Blackstone Group. Mr. Keltner joined Hilton Hotels Corporation in 1999 and served in various roles. Mr. Keltner has more than 20 years of experience in the areas of hotel development, acquisition, disposition, franchising and management. Prior to joining Hilton Hotels Corporation, from 1993 to 1999, Mr. Keltner served in several positions with Promus Hotel Corporation, including President, Brand Performance and Development. Before joining Promus Hotel Corporation, he served in various capacities with Holiday Inn Worldwide, Holiday Inns International and Holiday Inns, Inc. In addition, Mr. Keltner was President of Saudi Marriott Company, a division of Marriott Corporation, and was a management consultant with Cresap, McCormick and Paget, Inc. Mr. Keltner brings particular expertise to the board in the areas of property operations, marketing, branding, development and customer service.

**Table of Contents**

**Name** **Biographical Summary of Current Directors and Officers**

J. Landis Martin

Mr. Martin was first elected as a director of Aimco in July 1994 and is currently Chairman of the Compensation and Human Resources Committee. Mr. Martin is also a member of the Audit and Nominating and Corporate Governance Committees and serves as the Lead Independent Director of Aimco's Board. Mr. Martin is the Founder and Managing Director of Platte River Ventures LLC, a private equity firm. In November 2005, Mr. Martin retired as Chairman and CEO of Titanium Metals Corporation, a publicly held integrated producer of titanium metals, where he served since January 1994. Mr. Martin served as President and CEO of NL Industries, Inc., a publicly held manufacturer of titanium dioxide chemicals, from 1987 to 2003. Mr. Martin is also a director of Crown Castle International Corporation, a publicly held wireless communications company, Halliburton Company, a publicly held provider of products and services to the energy industry, and Intrepid Potash, Inc., a publicly held producer of potash. As a former chief executive of four NYSE-listed companies, Mr. Martin brings particular expertise to the board in the areas of operations, finance and governance.

Robert A. Miller

Mr. Miller was first elected as a director of Aimco in April 2007 and is currently a member of the Audit, Compensation and Human Resources, and Nominating and Corporate Governance Committees. Mr. Miller has served as the President of Marriott Leisure since 1997. Prior to joining Marriott Leisure, from 1984 to 1988, Mr. Miller served as Executive Vice President & General Manager of Marriott Vacation Club International and then as its President from 1988 to 1997. In 1984, Mr. Miller and a partner sold their company, American Resorts, Inc., to Marriott. Mr. Miller co-founded American Resorts, Inc. in 1978, and it was the first business model to encompass all aspects of timeshare resort development, sales, management and operations. Prior to founding American Resorts, Inc., from 1972 to 1978, Mr. Miller was Chief Financial Officer of Fleetwing Corporation, a regional retail and wholesale petroleum company. Prior to joining Fleetwing, Mr. Miller served for five years as a staff accountant for Arthur Young & Company. Mr. Miller is past Chairman and currently a director of the American Resort Development Association ( ARDA ) and currently serves as Chairman and director of the ARDA International Foundation. As a successful real estate entrepreneur, Mr. Miller brings particular expertise to the board in the areas of operations, management, marketing, sales, and development, as well as finance and accounting.

**Table of Contents**

**Name** **Biographical Summary of Current Directors and Officers**

Michael A. Stein

Mr. Stein was first elected as a director of Aimco in October 2004 and is currently the Chairman of the Audit Committee. Mr. Stein is also a member of the Compensation and Human Resources and Nominating and Corporate Governance Committees. From January 2001 until its acquisition by Eli Lilly in January 2007, Mr. Stein served as Senior Vice President and Chief Financial Officer of ICOS Corporation, a biotechnology company based in Bothell, Washington. From October 1998 to September 2000, Mr. Stein was Executive Vice President and Chief Financial Officer of Nordstrom, Inc. From 1989 to September 1998, Mr. Stein served in various capacities with Marriott International, Inc., including Executive Vice President and Chief Financial Officer from 1993 to 1998. Mr. Stein serves on the Board of Directors of Nautilus, Inc., which is a publicly held fitness company, and the Board of Directors of Providence Health & Services, a not-for-profit health system operating hospitals and other health care facilities across Alaska, Washington, Montana, Oregon and California. As the former chief financial officer of two NYSE-listed companies and a former partner at Arthur Andersen, Mr. Stein brings particular expertise to the board in the areas of corporate and real estate finance, and accounting and auditing for large and complex business operations.

Kathleen M. Nelson

Ms. Nelson was first elected as a director of Aimco in April 2010, and currently serves on the Audit, Compensation and Human Resources, and Nominating and Corporate Governance Committees. Ms. Nelson has an extensive background in commercial real estate and financial services with over 40 years of experience including 36 years at TIAA-CREF. She held the position of Managing Director/Group Leader and Chief Administrative Officer for TIAA-CREF's mortgage and real estate division. Ms. Nelson developed and staffed TIAA's real estate research department. She retired from this position in December 2004 and founded and serves as president of KMN Associates LLC, a commercial real estate investment advisory and consulting firm. In 2009, Ms. Nelson co-founded and serves as Managing Principal of Bay Hollow Associates, LLC, a commercial real estate consulting firm, which provides counsel to institutional investors. Ms. Nelson served as the International Council of Shopping Centers' chairman for the 2003-04 term and has been an ICSC Trustee since 1991. She also is the chairman of the ICSC Audit Committee and is a member of various other committees. Ms. Nelson serves on the Board of Directors of CBL & Associates Properties, Inc., which is a publicly held REIT that develops and manages retail shopping properties. She is a member of Castagna Realty Company Advisory Board and has served as an advisor to the Rand Institute Center for Terrorism Risk Management Policy and on the board of the Greater Jamaica Development

Corporation. Ms. Nelson serves on the Advisory Board of the Beverly Willis Architectural Foundation and is a member of the Anglo American Real Property Institute. Ms. Nelson brings to the board particular expertise in the areas of real estate finance and investment.

C-6

---

**Table of Contents**

**ANNEX D**

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

**Form 10-K**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2009**
- 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 0-15656**

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**  
*(Exact name of registrant as specified in its charter)*

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

**57-0814502**  
*(I.R.S. Employer  
Identification No.)*

**55 Beattie Place, P.O. Box 1089  
Greenville, South Carolina 29602**  
*(Address of principal executive offices)*

**Registrant's telephone number, including area code (864) 239-1000**

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

**None**

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

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (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). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of the 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):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

State the aggregate market value of the voting and non-voting partnership interests held by non-affiliates computed by reference to the price at which the partnership interests were last sold, or the average bid and asked price of such partnership interests as of the last business day of the registrant's most recently completed second fiscal quarter. No market exists for the limited partnership interests of the Registrant, and, therefore, no aggregate market value can be determined.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

**None**

D-1

---



**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements in certain circumstances. Certain information included in this Annual Report contains or may contain information that is forward-looking within the meaning of the federal securities laws, including, without limitation, statements regarding the effect of redevelopments, the Partnership's future financial performance, including the Partnership's ability to maintain current or meet projected occupancy and rent levels, and the effect of government regulations. Actual results may differ materially from those described in these forward-looking statements and, in addition, will be affected by a variety of risks and factors some of which are beyond the Partnership's control including, without limitation: financing risks, including the availability and cost of financing and the risk that the Partnership's cash flows from operations may be insufficient to meet required payments of principal and interest; natural disasters and severe weather such as hurricanes; national and local economic conditions; the general level of interest rates; energy costs; the terms of governmental regulations that affect the Partnership's property and interpretations of those regulations; the competitive environment in which the Partnership operates; real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for residents in such markets; insurance risk, including the cost of insurance; development risks; litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; and possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by the Partnership. Readers should carefully review the Partnership's financial statements and the notes thereto, as well as the other documents the Partnership files from time to time with the Securities and Exchange Commission.

**PART I**

**Item 1. *Business***

U.S. Realty Partners Limited Partnership (the Partnership or Registrant) was organized as a limited partnership under the laws of Delaware on January 23, 1986. The general partner responsible for management of the Partnership's business is U.S. Realty I Corporation, a South Carolina corporation (the Corporate General Partner). The Corporate General Partner is a subsidiary of Apartment Investment and Management Company (AIMCO), a publicly traded real estate investment trust. The other general partner is AIMCO Properties, L.P., an affiliate of the Corporate General Partner and AIMCO. Pursuant to the Partnership Agreement, the term of the Partnership is scheduled to expire on December 31, 2021, unless terminated prior to such date.

The Partnership is engaged in the business of operating and holding real estate property for investment. The Partnership commenced operations on August 26, 1986, and acquired its first property, a newly constructed apartment property, on August 28, 1986. Prior to September 5, 1986, it acquired an existing apartment property, a newly constructed shopping center and an existing shopping center. The Partnership continues to own and operate one of these properties. The shopping centers were sold on February 1, 1999 and July 2, 1999. One of the apartment properties was sold on December 20, 2006.

Commencing on August 26, 1986, the Partnership delivered 1,222,000 Depositary Unit Certificates, representing assignments of limited partnership interests (DUCs), to Wheat First Securities, Inc. and received \$30,550,000 (\$25.00 per DUC) in proceeds. The DUCs were offered by several underwriters in minimum investment amounts of 100 DUCs (\$25.00 per DUC). Since its initial offering, the Partnership has not received, nor are its limited partners required to make any additional contributions. The Partnership also received \$16,369,000 as proceeds from a contemporaneous private bond offering. The Partnership used substantially all of the proceeds from these offerings to acquire its initial four operating properties.

On April 1, 1993, the Partnership filed for protection under Chapter 11 of the Federal Bankruptcy Code. The filing was made due to the Partnership's inability to repay its secured debt due to an insurance company. On April 23, 1993, the Partnership filed a Reorganization Plan ( the Plan ) with the United States Bankruptcy Court for the District of South Carolina. The significant provision of the Plan was the refinancing of the secured debt. On July 23, 1993, the Court entered an order confirming the Partnership's Plan. On January 27, 1994, the Court closed the case.

D-2

---

**Table of Contents**

The Partnership has no employees. Management and administrative services are provided by the Corporate General Partner and by agents retained by the Corporate General Partner. These services were provided by affiliates of the Corporate General Partner for the years ended December 31, 2009 and 2008.

A further description of the Partnership's business is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-K.

**Item 2. Property**

The following table sets forth the Partnership's investment in property:

<b>Property</b>	<b>Date of Purchase</b>	<b>Type of Ownership</b>	<b>Use</b>
Twin Lakes Apartments Palm Harbor, Florida	08/28/86	Fee ownership subject to first, second and third mortgages	Apartment 262 units

**Schedule of Property:**

Set forth below for the Partnership's property is the gross carrying value, accumulated depreciation, depreciable life, method of depreciation and federal tax basis.

<b>Property</b>	<b>Gross Carrying Value</b>	<b>Accumulated Depreciation</b>	<b>Depreciable Life</b>	<b>Method of Depreciation</b>	<b>Federal Tax Basis</b>
	<b>(In thousands)</b>				<b>(In thousands)</b>
Twin Lakes Apartments	\$ 15,629	\$ 8,542	5-35 yrs	S/L	\$ 4,453

See Item 8. Financial Statements and Supplementary Data for a description of the Partnership's capitalization and depreciation policies.

**Schedule of Property Indebtedness:**

The following table sets forth certain information relating to the fixed rate loans encumbering the Partnership's property.

<b>Principal Balance At December 31, 2009</b>	<b>Stated Interest Rate</b>	<b>Period Amortized</b>	<b>Maturity Date</b>	<b>Principal Balance Due At Maturity(1)</b>
<b>(In thousands)</b>				<b>(In thousands)</b>

Twin Lakes Apartments							
1 <sup>st</sup> mortgage	\$	6,121	8.23%	120 months	12/01/2015	\$	5,685
2 <sup>nd</sup> mortgage		3,406	5.62%	120 months	12/01/2015		3,025
3 <sup>rd</sup> mortgage		1,077	5.56%	98 months	12/01/2015		963
	\$	10,604				\$	9,673

(1) See Item 8. Financial Statements and Supplementary Data for information with respect to other details about the loans.

**Schedule of Rental Rates and Occupancy:**

Average annual rental rate and occupancy for 2009 and 2008 for the property are as follows:

Property	Average Annual Rental Rate (per unit)		Average Annual Occupancy	
	2009	2008	2009	2008
Twin Lakes Apartments	\$ 8,819	\$ 9,251	94%	94%

D-3

**Table of Contents**

The real estate industry is highly competitive. The property is subject to competition from other residential apartment complexes in the area. The Corporate General Partner believes that the property is adequately insured. The property is an apartment complex which leases units for lease terms of one year or less. No residential tenant leases 10% or more of the available rental space. The property is in good condition subject to normal depreciation and deterioration as is typical for assets of this type and age.

**Schedule of Real Estate Taxes and Rate:**

Real estate taxes and rate in 2009 for the property were as follows:

	<b>2009 Billing (In thousands)</b>	<b>2009 Rate</b>
Twin Lakes Apartments	\$ 230	1.94%

**Capital Improvements:****Twin Lakes Apartments**

The Partnership completed approximately \$271,000 in capital expenditures at Twin Lake Apartments during the year ended December 31, 2009, consisting primarily of floor covering replacements, water and sewer improvements and building improvements. These improvements were funded from operating cash flow and advances from AIMCO Properties, L.P., an affiliate of the Corporate General Partner. The Partnership regularly evaluates the capital improvement needs of the property. While the Partnership has no material commitments for property improvements and replacements, certain routine capital expenditures are anticipated during 2010. Such capital expenditures will depend on the physical condition of the property as well as anticipated cash flow generated by the property.

Additional capital expenditures will be incurred only if cash is available from operations, Partnership reserves or advances from AIMCO Properties, L.P., although AIMCO Properties, L.P. is not obligated to provide such advances. To the extent that capital improvements are completed, the Partnership's distributable cash flow, if any, may be adversely affected at least in the short term.

**Item 3. Legal Proceedings**

As previously disclosed, AIMCO Properties, L.P. and NHP Management Company, both affiliates of the Corporate General Partner, were defendants in a lawsuit, filed as a collective action in August 2003 in the United States District Court for the District of Columbia, alleging that they willfully violated the Fair Labor Standards Act ( FLSA ) by failing to pay maintenance workers overtime for time worked in excess of 40 hours per week ( overtime claims ). The plaintiffs also contended that AIMCO Properties, L.P. and NHP Management Company ( the Defendants ) failed to compensate maintenance workers for time that they were required to be on-call ( on-call claims ). In March 2007, the court in the District of Columbia decertified the collective action. In July 2007, plaintiffs' counsel filed individual cases in Federal court in 22 jurisdictions. In the second quarter of 2008, AIMCO Properties, L.P. settled the overtime cases involving 652 plaintiffs and established a framework for resolving the 88 remaining on-call claims and the attorneys' fees claimed by plaintiffs' counsel. As a result, the lawsuits asserted in the 22 Federal courts have been dismissed. During the fourth quarter of 2008, the Partnership paid approximately \$12,000 for settlement amounts for alleged unpaid overtime to employees who had worked at the Partnership's investment property. At this time, the 88 remaining on-call claims and the attorneys' fees claimed by plaintiffs' counsel are not resolved. The parties have

selected six on-call claims that will proceed forward through the arbitration process and have selected arbitrators. After those arbitrations have been completed, the parties will revisit settling the on-call claims. The first two arbitrations took place in December 2009 and the Defendants received a defense verdict against the first two claimants, and plaintiffs dismissed the claims of the next two claimants. The remaining two arbitrations will take place in April 2010. The Corporate General Partner is uncertain as to the amount of any additional loss that may be allocable to the Partnership. Therefore, the Partnership cannot estimate whether any additional loss will occur or a potential range of loss.

D-4

---

**Table of Contents**

**PART II**

**Item 5. Market for the Registrant's Common Equity, Related Security Holder Matters and Issuer Purchases of Equity Securities**

The Partnership, a publicly-held limited partnership received \$30,550,000 upon delivery of 1,222,000 Depositary Units Certificates ( DUCs ) which represent assignment of limited partnership interests to the holders. As of December 31, 2009, the number of DUCs holders of record was 603 and there were 1,222,000 units outstanding. Transfer of DUCs is subject to certain suitability and other requirements. Affiliates of the Corporate General Partner own 900,195 DUCs or 73.67% at December 31, 2009. No public trading market has developed for the DUCs and it is not anticipated that such a market will develop in the future.

There were no distributions to the partners during the years ended December 31, 2009 and 2008.

Future cash distributions will depend on the level of net cash generated from operations and the timing of debt maturities, refinancings, and/or property sale. The Partnership's cash available for distribution is reviewed on a monthly basis. In light of the amounts accrued and payable to affiliates at December 31, 2009, it is unlikely that the Partnership will generate sufficient funds from operations after required capital expenditures and repayment of amounts accrued and payable to affiliates to permit further distributions to its partners during 2010 or subsequent periods. See Item 2. Property Capital Improvements for information relating to anticipated capital expenditures at the property.

In addition to its indirect ownership of the general partner interests in the Partnership, AIMCO and its affiliates owned 900,195 DUCs in the Partnership representing 73.67% of the outstanding DUCs at December 31, 2009. A number of these DUCs were acquired pursuant to tender offers made by AIMCO or its affiliates. It is possible that AIMCO or its affiliates will acquire additional DUCs in exchange for cash or a combination of cash and units in AIMCO Properties, L.P., the operating partnership of AIMCO, either through private purchases or tender offers. Pursuant to the Partnership Agreement, DUC holders holding a majority of the DUCs are entitled to take action with respect to a variety of matters that include, but are not limited to, voting on certain amendments to the Partnership Agreement and voting to remove the Corporate General Partner. As a result of its ownership of 73.67% of the outstanding DUCs, AIMCO and its affiliates are in a position to control all voting decisions with respect to the Partnership. Although the Corporate General Partner owes fiduciary duties to the limited partners of the Partnership, the Corporate General Partner also owes fiduciary duties to AIMCO as its sole stockholder. As a result, the duties of the Corporate General Partner, as corporate general partner, to the Partnership and its limited partners may come into conflict with the duties of the Corporate General Partner to AIMCO as its sole stockholder.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This item should be read in conjunction with the financial statements and other items contained elsewhere in this report.

The Partnership's financial results depend upon a number of factors including the ability to attract and maintain tenants at the investment property, interest rates on mortgage loans, costs incurred to operate the investment property, general economic conditions and weather. As part of the ongoing business plan of the Partnership, the Corporate General Partner monitors the rental market environment of its investment property to assess the feasibility of increasing rents, maintaining or increasing occupancy levels and protecting the Partnership from increases in expenses. As part of this plan, the Corporate General Partner attempts to protect the Partnership from the burden of inflation-related increases in expenses by increasing rents and maintaining a high overall occupancy level. However, the Corporate General Partner may use rental concessions and rental rate reductions to offset softening market conditions, accordingly, there

is no guarantee that the Corporate General Partner will be able to sustain such a plan. Further, a number of factors that are outside the control of the Partnership such as the local economic climate and weather can adversely or positively affect the Partnership's financial results.

D-5

---



## **Table of Contents**

### **Results of Operations**

The Partnership's net loss was approximately \$546,000 and \$553,000 for the years ended December 31, 2009 and 2008, respectively. The decrease in net loss is due to a decrease in total expenses, partially offset by a decrease in total revenues.

Total revenues decreased as a decrease in rental income was partially offset by an increase in other income. Rental income decreased due to a decrease in average rental rates at Twin Lake Apartments. Other income increased due to increases in utility reimbursements, ancillary services, administrative fees and pet damage fees at Twin Lake Apartments.

Total expenses decreased due to decreases in operating, general and administrative and property tax expenses, partially offset by increases in depreciation and interest expenses. Operating expense decreased due to decreases in print advertising, payroll and benefit related expenses, utility and washer/dryer expenses. In addition, repair costs were incurred in 2008 for water damage from leaking pipes at Twin Lakes Apartments. Property tax expense decreased due to a decrease in the assessed value of Twin Lake Apartments. Depreciation expense increased due to capital improvements and replacements placed into service during the past year. Interest expense increased due to an increase in interest on advances from AIMCO Properties, L.P., an affiliate of the Corporate General Partner, due to additional advances in 2009, partially offset by a decrease in interest on the mortgages encumbering the Partnership's investment property due to scheduled principal payments.

During the year ended December 31, 2008, Twin Lakes Apartments suffered water damage as a result of several occurrences of water pipe breaks in several of the Partnership's apartment units. As of December 31, 2008, the Partnership had incurred, in total, approximately \$79,000 in capitalizable costs and approximately \$17,000 in clean up costs to repair the water damages incurred during the year. The Partnership did not receive any insurance proceeds as the damages for the various individual claims did not exceed the Partnership's insurance deductible. The Partnership recognized a casualty loss, which is included in operating expenses, of approximately \$16,000 during the year ended December 31, 2008 as a result of the write off of approximately \$16,000 of undepreciated property improvements and replacements.

During the year ended December 31, 2008, Twin Lakes Apartments suffered water damage as a result of a water pipe break in additional apartment units. The Partnership incurred approximately \$32,000 in capitalizable costs related to this damage. The Partnership received insurance proceeds of approximately \$27,000 for damages which includes approximately \$5,000 for lost rental income. The Partnership recognized a casualty gain of approximately \$16,000, which is included in operating expenses, during the year ended December 31, 2008 as a result of the write off of approximately \$6,000 of undepreciated property improvements and replacements.

General and administrative expense decreased due to a reduction in management reimbursements as a result of a decrease in costs incurred by the Corporate General Partner included in the reimbursements charged to the Partnership. Included in general and administrative expense for the years ended December 31, 2009 and 2008 are management reimbursements to the Corporate General Partner as allowed under the Partnership Agreement. Also included in general and administrative expense are costs associated with the quarterly and annual communications with investors and regulatory agencies and the annual audit required by the Partnership Agreement.

### **Liquidity and Capital Resources**

At December 31, 2009, the Partnership had cash and cash equivalents of approximately \$101,000 compared to approximately \$44,000 at December 31, 2008. Cash and cash equivalents increased by approximately \$57,000 from December 31, 2008 due to approximately \$190,000 and \$99,000 of cash provided by operating and financing

activities, respectively, partially offset by approximately \$232,000 of cash used in investing activities. Cash provided by financing activities consisted of advances from AIMCO Properties, L.P., an affiliate of the Corporate General Partner, partially offset by repayment of advances and payments on the mortgages encumbering the investment property. Cash used in investing activities consisted of property improvements and replacements, partially offset by net withdrawals from restricted escrow.

The sufficiency of existing liquid assets to meet future liquidity and capital expenditure requirements is directly related to the level of capital expenditures required at the investment property to adequately maintain the physical

**Table of Contents**

assets and other operating needs of the Partnership and to comply with Federal, state, and local legal and regulatory requirements. The Corporate General Partner monitors developments in the area of legal and regulatory compliance. The Partnership regularly evaluates the capital improvement needs of the property. While the Partnership has no material commitments for property improvements and replacements, certain routine capital expenditures are anticipated during 2010. Such capital expenditures will depend on the physical condition of the property as well as the anticipated cash flow generated by the property. Capital expenditures will be incurred only if cash is available from operations or from Partnership reserves. To the extent that capital improvements are completed, the Partnership's distributable cash flow from operations may be adversely affected at least in the short term.

The Partnership's assets are thought to be sufficient for any near term needs (exclusive of capital improvements and repayment of amounts accrued and payable to affiliates) of the Partnership. At December 31, 2009, the first, second and third mortgage indebtedness on Twin Lakes Apartments of approximately \$6,121,000, \$3,406,000 and \$1,077,000, respectively, require monthly payments of principal and interest of approximately \$74,000 until December 1, 2015 when balloon payments of approximately \$5,685,000, \$3,025,000 and \$963,000, respectively, are due. The Partnership has the option of extending the maturity date on both the first and second mortgages for one additional year, to December 1, 2016. With respect to the third mortgage, the maturity date will automatically be extended for one year, to December 1, 2016, if no event of default exists at its original maturity date of December 1, 2015.

There were no distributions to the partners during the years ended December 31, 2009 and 2008. Future cash distributions will depend on the levels of net cash generated from operations and the timing of debt maturities, refinancings and/or property sale. The Partnership's cash available for distribution is reviewed on a monthly basis. In light of the amounts accrued and payable to affiliates at December 31, 2009, it is unlikely that the Partnership will generate sufficient funds from operations, after capital improvement expenditures and repayment of amounts accrued and payable to affiliates, to permit additional distributions to its partners during 2010 or subsequent periods.

The Partnership Agreement provides for partners to receive distributions from the net proceeds of the sales of properties, the net proceeds from refinancings and net cash from operations as those terms are defined in the Partnership Agreement. The Partnership Agreement requires that the limited partners be furnished with a statement of Net Cash from Operations as such term is defined in the Partnership Agreement. Net Cash from Operations should not be considered an alternative to net (loss) income as an indicator of the Partnership's operating performance or to cash flows as a measure of liquidity. Below is a reconciliation of net cash provided by operating activities as disclosed in the statements of cash flows, included in Item 8. Financial Statements and Supplementary Data, to Net Cash from Operations as defined in the Partnership Agreement.

	<b>For the Years Ended December 31, 2009                  2008 (In thousands)</b>	
Net cash provided by operating activities	\$ 190	\$ 260
Payments on mortgage notes payable	(123)	(114)
Advances from affiliates	365	1,222
Payments on advances from affiliates	(143)	
Property improvements and replacements	(338)	(1,497)
Change in restricted escrows, net	106	46
Changes in reserves for net operating liabilities	86	(130)

Net cash provided by (used in) operations (as defined in the Partnership Agreement)	\$ 143	\$ (213)
-------------------------------------------------------------------------------------	--------	----------

Distributions made from reserves no longer considered necessary by the Corporate General Partner are considered to be additional net cash from operations for allocation purposes.

In addition to its indirect ownership of the general partner interests in the Partnership, AIMCO and its affiliates owned 900,195 DUCs in the Partnership representing 73.67% of the outstanding DUCs at December 31, 2009. A number of these DUCs were acquired pursuant to tender offers made by AIMCO or its affiliates. It is possible that

D-7

---

## **Table of Contents**

AIMCO or its affiliates will acquire additional DUCs in exchange for cash or a combination of cash and units in AIMCO Properties, L.P., the operating partnership of AIMCO, either through private purchases or tender offers. Pursuant to the Partnership Agreement, DUC holders holding a majority of the DUCs are entitled to take action with respect to a variety of matters that include, but are not limited to, voting on certain amendments to the Partnership Agreement and voting to remove the Corporate General Partner. As a result of its ownership of 73.67% of the outstanding DUCs, AIMCO and its affiliates are in a position to control all voting decisions with respect to the Partnership. Although the Corporate General Partner owes fiduciary duties to the limited partners of the Partnership, the Corporate General Partner also owes fiduciary duties to AIMCO as its sole stockholder. As a result, the duties of the Corporate General Partner, as corporate general partner, to the Partnership and its limited partners may come into conflict with the duties of the Corporate General Partner to AIMCO as its sole stockholder.

## **Critical Accounting Policies and Estimates**

A summary of the Partnership's significant accounting policies is included in Note A Organization and Summary of Significant Accounting Policies which is included in the financial statements in Item 8. Financial Statements and Supplementary Data. The Corporate General Partner believes that the consistent application of these policies enables the Partnership to provide readers of the financial statements with useful and reliable information about the Partnership's operating results and financial condition. The financial statements are prepared in conformity with accounting principles generally accepted in the United States which requires the Partnership to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Judgments and assessments of uncertainties are required in applying the Partnership's accounting policies in many areas. The Partnership believes that of its significant accounting policies, the following may involve a higher degree of judgment and complexity.

## **Impairment of Long-Lived Asset**

**INVESTMENT PROPERTY IS RECORDED AT COST, LESS ACCUMULATED DEPRECIATION, UNLESS THE CARRYING AMOUNT OF THE ASSET IS NOT RECOVERABLE. IF EVENTS OR CIRCUMSTANCES INDICATE THAT THE CARRYING AMOUNT OF THE PROPERTY MAY NOT BE RECOVERABLE, THE PARTNERSHIP WILL MAKE AN ASSESSMENT OF ITS RECOVERABILITY BY COMPARING THE CARRYING AMOUNT TO THE PARTNERSHIP'S ESTIMATE OF THE UNDISCOUNTED FUTURE CASH FLOWS, EXCLUDING INTEREST CHARGES, OF THE PROPERTY. IF THE CARRYING AMOUNT EXCEEDS THE ESTIMATED AGGREGATE UNDISCOUNTED FUTURE CASH FLOWS, THE PARTNERSHIP WOULD RECOGNIZE AN IMPAIRMENT LOSS TO THE EXTENT THE CARRYING AMOUNT EXCEEDS THE ESTIMATED FAIR VALUE OF THE PROPERTY.**

Real property investment is subject to varying degrees of risk. Several factors may adversely affect the economic performance and value of the Partnership's investment property. These factors include, but are not limited to, general economic climate; competition from other apartment communities and other housing options; local conditions, such as loss of jobs or an increase in the supply of apartments that might adversely affect apartment occupancy or rental rates; changes in governmental regulations and the related cost of compliance; increases in operating costs (including real estate taxes) due to inflation and other factors, which may not be offset by increased rents; changes in tax laws and housing laws, including the enactment of rent control laws or other laws regulating multi-family housing; and changes in interest rates and the availability of financing. Any adverse changes in these and other factors could cause an impairment of the Partnership's asset.

## **Revenue Recognition**

The Partnership generally leases apartment units for twelve-month terms or less. The Partnership will offer rental concessions during particularly slow months or in response to heavy competition from other similar complexes in the area. Rental income attributable to leases, net of any concessions, is recognized on a straight-line basis over the term of the lease. The Partnership evaluates all accounts receivable from residents and establishes an allowance, after the application of security deposits, for accounts greater than 30 days past due on current tenants and all receivables due from former tenants.

D-8

---

**Table of Contents**

**Item 8. *Financial Statements and Supplementary Data***

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

**LIST OF FINANCIAL STATEMENTS**

<u>Report of Independent Registered Public Accounting Firm</u>	D-10
<u>Balance Sheets December 31, 2009 and 2008</u>	D-11
<u>Statements of Operations Years ended December 31, 2009 and 2008</u>	D-12
<u>Statements of Changes in Partners Deficit Years ended December 31, 2009 and 2008</u>	D-13
<u>Statements of Cash Flows Years ended December 31, 2009 and 2008</u>	D-14
<u>Notes to Financial Statements</u>	D-15

D-9

---

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Partners

U. S. Realty Partners Limited Partnership

We have audited the accompanying balance sheets of U.S. Realty Partners Limited Partnership as of December 31, 2009 and 2008, and the related statements of operations, changes in partners' deficit, and cash flows for each of the two years in the period ended December 31, 2009. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements 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 financial position of U.S. Realty Partners Limited Partnership at December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Greenville, South Carolina  
March 29, 2010

D-10

---



**Table of Contents****U.S. REALTY PARTNERS LIMITED PARTNERSHIP****BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(In thousands, except unit data)</b>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 101	\$ 44
Receivables and deposits	88	94
Other assets	285	316
Restricted escrow		106
Investment property (Notes B and E):		
Land	1,700	1,700
Buildings and related personal property	13,929	13,658
	15,629	15,358
Less accumulated depreciation	(8,542)	(7,756)
	7,087	7,602
	\$ 7,561	\$ 8,162
<b>LIABILITIES AND PARTNERS DEFICIT</b>		
Liabilities		
Accounts payable	\$ 38	\$ 110
Tenant security deposit liabilities	57	66
Other liabilities	162	131
Due to affiliates (Note D)	1,764	1,646
Mortgage notes payable (Note B)	10,604	10,727
	12,625	12,680
Partners Deficit		
General partners	(14)	(9)
Depository unit certificate holders (2,440,000 units authorized; 1,222,000 units issued and outstanding)	(5,050)	(4,509)
	(5,064)	(4,518)
	\$ 7,561	\$ 8,162

See Accompanying Notes to Financial Statements



Table of Contents**U.S. REALTY PARTNERS LIMITED PARTNERSHIP****STATEMENTS OF OPERATIONS**

	<b>Years Ended December 31, 2009          2008</b>	
	<b>(In thousands, except per unit data)</b>	
Revenues:		
Rental income	\$ 2,145	\$ 2,260
Other income	370	290
Total revenues	2,515	2,550
Expenses:		
Operating	1,057	1,201
General and administrative	87	114
Depreciation	786	647
Interest	897	873
Property taxes	234	268
Total expenses	3,061	3,103
Net loss	\$ (546)	\$ (553)
Net loss allocated to general partners (1%)	\$ (5)	\$ (6)
Net loss allocated to depositary unit certificate holders (99%)	(541)	(547)
	\$ (546)	\$ (553)
Net loss per depositary unit certificate	\$ (.44)	\$ (.45)

See Accompanying Notes to Financial Statements

D-12

Table of Contents**U.S. REALTY PARTNERS LIMITED PARTNERSHIP****STATEMENTS OF CHANGES IN PARTNERS DEFICIT**

	<b>Depository Unit Certificates</b>		<b>General Partners</b>		<b>Depository Unit Certificate Holders</b>		<b>Total</b>
	<b>(In thousands, except unit data)</b>						
Original capital contributions	1,222,000	\$	2		\$ 30,550		\$ 30,552
Partners deficit at December 31, 2007	1,222,000	\$	(3)		\$ (3,962)		\$ (3,965)
Net loss for the year ended December 31, 2008			(6)		(547)		(553)
Partners deficit at December 31, 2008	1,222,000		(9)		(4,509)		(4,518)
Net loss for the year ended December 31, 2009			(5)		(541)		(546)
Partners deficit at December 31, 2009	1,222,000	\$	(14)		\$ (5,050)		\$ (5,064)

See Accompanying Notes to Financial Statements

D-13

**Table of Contents****U.S. REALTY PARTNERS LIMITED PARTNERSHIP****STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31, 2009      2008 (In thousands)</b>	
Cash flows from operating activities:		
Net loss	\$ (546)	\$ (553)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	786	647
Amortization of loan costs	36	36
Change in accounts:		
Receivables and deposits	6	12
Other assets	(5)	15
Accounts payable	(5)	8
Tenant security deposit liabilities	(9)	8
Other liabilities	31	(21)
Due to affiliates	(104)	108
Net cash provided by operating activities	190	260
Cash flows from investing activities:		
Property improvements and replacements	(338)	(1,497)
Net withdrawals from restricted escrows	106	46
Insurance proceeds received		22
Net cash used in investing activities	(232)	(1,429)
Cash flows from financing activities:		
Payments on mortgage notes payable	(123)	(114)
Advances from affiliates	365	1,222
Repayment of advances from affiliates	(143)	
Net cash provided by financing activities	99	1,108
Net increase (decrease) in cash and cash equivalents	57	(61)
Cash and cash equivalents at beginning of year	44	105
Cash and cash equivalents at end of year	\$ 101	\$ 44
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 913	\$ 779
Supplemental disclosure of non-cash flow activity:		
Property improvements and replacements in accounts payable	\$ 7	\$ 74

At December 31, 2007, approximately \$245,000 of property improvements and replacements were included in accounts payable and are included in property improvements and replacements for the year ended December 31, 2008.

See Accompanying Notes to Financial Statements

D-14

---

**Table of Contents**

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009**

**Note A Organization and Summary of Significant Accounting Policies**

**Organization:** U.S. Realty Partners Limited Partnership (the Partnership or Registrant ) was organized as a limited partnership under the laws of the State of Delaware on January 23, 1986. The general partner responsible for management of the Partnership's business is U.S. Realty I Corporation, a South Carolina Corporation (the Corporate General Partner ). The Corporate General Partner is a subsidiary of Apartment Investment and Management Company ( AIMCO ), a publicly traded real estate investment trust. The other general partner is AIMCO Properties, L.P., an affiliate of the Corporate General Partner and AIMCO. The Partnership commenced operations on August 26, 1986, and completed its acquisition of two apartment complexes and two commercial properties on September 4, 1986. The Partnership continues to operate one apartment property located in Florida. The commercial properties were sold on February 1, 1999 and July 2, 1999. One of the apartment properties was sold on December 20, 2006. The Partnership Agreement provides that the Partnership is to terminate on December 31, 2021, unless terminated prior to such date.

The Depository Unit Certificate ( DUC ) holders are assignees of USS Assignor, Inc. (the Limited Partner ), an affiliate of the Corporate General Partner, and as such will be entitled to receive the economic rights attributable to the Limited Partnership Interests represented by their DUCs. DUC holders will for all practical purposes be treated as limited partners of the Partnership.

**Subsequent Events:** The Partnership's management evaluated subsequent events through the time this Annual Report on Form 10-K was filed.

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Allocation of Cash Distributions:** Operating cash distributions by the Partnership are allocated 98% to the DUC holders and 2% to the general partners until the DUC holders have received annual noncumulative distributions equal to 10% of their Adjusted Capital Values. Net cash from operations then will be distributed to the general partners until the general partners collectively have received 7% of net cash from operations distributed in that fiscal year. Thereafter, (after repayment of any loans by the general partners to the Partnership), net cash from operations will be distributed 93% to the DUC holders and 7% to the general partners. Cash distributions of sale or refinancing proceeds are first distributed to the DUC holders until the DUC holders have received an amount equal to their Adjusted Capital contributions and second until the DUC holders have received cumulative distributions equal to 10% of their Adjusted Capital Values. Thereafter, (after repayment of any loans by the general partners to the Partnership) any remaining proceeds will be distributed 93% to the DUC holders and 7% to the general partners.

**Allocation of Profits, Gains and Losses:** Profits, gains and losses of the Partnership are allocated between the general partners and DUC holders in accordance with the provisions of the Partnership Agreement.

**Recent Accounting Pronouncement:** In June 2009, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* a replacement of FASB Statement No. 162, or SFAS No. 168, which is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Upon the effective date of SFAS No. 168, the FASB Accounting Standards Codification, or the

FASB ASC, became the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission, or SEC, under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB ASC superseded all then-existing non-SEC accounting and reporting standards, and all other non-grandfathered non-SEC accounting literature not included in the FASB ASC is now non-authoritative. Subsequent to the effective date of SFAS No. 168, the FASB will issue Accounting Standards Updates that serve to update the FASB ASC.



**Table of Contents**

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**Investment Property:** Investment property consists of one apartment complex and is stated at cost, less accumulated depreciation, unless the carrying amount of the asset is not recoverable. The Partnership capitalizes costs incurred in connection with capital expenditure activities, including redevelopment and construction projects, other tangible property improvements and replacements of existing property components. Costs including interest, property taxes and operating costs associated with redevelopment and construction projects are capitalized during periods in which redevelopment and construction projects are in progress. Costs incurred in connection with capital projects are capitalized where the costs of the project exceed \$250. Included in these capitalized costs are payroll costs associated with time spent by site employees in connection with the planning, execution and control of all capital expenditure activities at the property level. The Partnership did not capitalize any material costs related to interest, property taxes or operating costs during the years ended December 31, 2009 and 2008. Capitalized costs are depreciated over the useful life of the asset. Expenditures for ordinary repairs, maintenance and apartment turnover costs are expensed as incurred.

If events or circumstances indicate that the carrying amount of the property may not be recoverable, the Partnership will make an assessment of its recoverability by comparing the carrying amount to the Partnership's estimate of the undiscounted future cash flows, excluding interest charges, of the property. If the carrying amount exceeds the estimated aggregate undiscounted future cash flows, the Partnership would recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property. No adjustments for impairment of value were necessary for the years ending December 31, 2009 and 2008.

**Fair Value of Financial Instruments:** FASB ASC Topic 825, Financial Instruments, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. Fair value is defined as the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Partnership believes that the carrying amount of its financial instruments (except for long-term debt) approximates their fair value due to the short term maturity of these instruments. The Partnership estimates the fair value of its long-term debt by discounting future cash flows using a discount rate commensurate with that currently believed to be available to the Partnership for similar term long-term debt. At December 31, 2009, the fair value of the Partnership's long-term debt at the Partnership's incremental borrowing rate is approximately \$11,295,000.

**Depreciation:** Depreciation is provided by the straight-line method over the estimated lives of the rental property and related personal property. For Federal income tax purposes, the modified accelerated cost recovery method is used for depreciation of 1) real property additions over 27 1/2 years, and 2) personal property additions over 5 years.

**Deferred Costs:** Loan costs of approximately \$346,000 at both December 31, 2009 and 2008, less accumulated amortization of approximately \$130,000 and \$94,000 at December 31, 2009 and 2008, respectively, are included in other assets. The loan costs are amortized over the terms of the related loan agreements. Amortization expense for 2009 and 2008 was approximately \$36,000 and is included in interest expense. Amortization expense is expected to be approximately \$36,000 for the years 2010 through 2014.

Leasing commissions and other direct costs incurred in connection with successful leasing efforts are deferred and amortized over the terms of the related leases. Amortization of these costs is included in operating expenses.

**Leases:** The Partnership generally leases apartment units for twelve-month terms or less. The Partnership will offer rental concessions during particularly slow months or in response to heavy competition from other similar complexes

in the area. Rental income attributable to leases, net of any concessions, is recognized on a straight-line basis over the term of the lease. The Partnership evaluates all accounts receivable from residents and establishes an allowance, after the application of security deposits, for accounts greater than 30 days past due on current tenants and all receivables due from former tenants.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand and in banks. At certain times, the amount of cash deposited at a bank may exceed the limit on insured deposits. Cash balances include

D-16

---

**Table of Contents****U.S. REALTY PARTNERS LIMITED PARTNERSHIP****NOTES TO FINANCIAL STATEMENTS (Continued)**

approximately \$47,000 and zero at December 31, 2009 and 2008, respectively, that are maintained by an affiliated management company on behalf of affiliated entities in cash concentration accounts.

**Restricted Escrow:** In connection with the second mortgage obtained on Twin Lakes Apartments in December 2005 and the third mortgage obtained during September 2007, the lenders required the establishment of a replacement reserve to be used for the funding of capital replacements throughout the loan terms. At December 31, 2008 the total reserve balance was approximately \$106,000. The lender is not currently requiring the Partnership to fund the escrow account and has released the funds held at December 31, 2008.

**Tenant Security Deposits:** The Partnership requires security deposits from all apartment lessees for the duration of the lease and such deposits are included in receivables and deposits. The security deposits are refunded when the tenant vacates provided the tenant has not damaged the apartment and is current on rental payments.

**Segment Reporting:** FASB ASC Topic 280-10, Segment Reporting, established standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. FASB ASC Topic 280-10 also established standards for related disclosures about products and services, geographic areas, and major customers. As defined in FASB ASC Topic 280-10, the Partnership has only one reportable segment.

**Advertising:** The Partnership expenses the costs of advertising as incurred. Advertising expense, included in operating expense, was approximately \$36,000 and \$59,000 for the years ended December 31, 2009 and 2008, respectively.

**Note B Mortgage Notes Payable**

The terms of the mortgage notes payable are as follows:

	<b>Principal Balance At</b>		<b>Monthly Payment</b>	<b>Stated Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Balance Due At Maturity</b>
	<b>2009</b>	<b>2008</b>	<b>Including Interest</b>			<b>(In thousands)</b>
	<b>(In thousands)</b>		<b>(In thousands)</b>			
Twin Lakes Apartments						
1 <sup>st</sup> mortgage	\$ 6,121	\$ 6,175	\$ 47	8.23%	12/01/2015	\$ 5,685
2 <sup>nd</sup> mortgage	3,406	3,459	21	5.62%	12/01/2015	3,025
3 <sup>rd</sup> mortgage	1,077	1,093	6	5.56%	12/01/2015	963
	\$ 10,604	\$ 10,727	\$ 74			\$ 9,673

The mortgage notes payable are fixed rate mortgages that are non-recourse and are secured by a pledge of the Partnership's rental property and by a pledge of revenues from the respective rental property. The investment property may not be sold subject to the existing indebtedness.

The first and second mortgage loans are guaranteed by an affiliate of the Corporate General Partner. With respect to the first and second mortgage loans, the Partnership has the option of extending the maturity date for one additional year, to December 1, 2016, during which period the mortgages would both bear interest at a rate equal to the British Bankers Association's one month LIBOR rate plus 250 basis points and would require monthly payments of principal and interest. With respect to the third mortgage loan, if no event of default exists at maturity, the maturity date will automatically be extended for one additional year, to December 1, 2016, during which period the third mortgage would bear interest at the one-month LIBOR rate plus 250 basis points and would require monthly payments of principal and interest.

D-17

---

**Table of Contents****U.S. REALTY PARTNERS LIMITED PARTNERSHIP****NOTES TO FINANCIAL STATEMENTS (Continued)**

Scheduled principal payments of the mortgage notes payable subsequent to December 31, 2009 are as follows (in thousands):

2010	\$	132
2011		142
2012		150
2013		162
2014		174
Thereafter		9,844
	\$	10,604

**Note C Income Taxes**

The Partnership is classified as a partnership for Federal income tax purposes. Accordingly, no provision for income taxes is made in the financial statements of the Partnership. Taxable income or loss of the Partnership is reported in the income tax returns of its partners.

The following is a reconciliation of reported net loss and Federal taxable loss (in thousands except per unit data):

	<b>Years Ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
Net loss as reported	\$ (546)	\$ (553)
Add (deduct):		
Depreciation differences	225	135
Change in prepaid rentals	(2)	(2)
Other	52	(49)
Federal taxable loss	\$ (271)	\$ (469)
Federal taxable loss per DUC	\$ (.17)	\$ .76

For 2009 and 2008, allocation under Internal Revenue Code Section 704(b) results in the limited partners being allocated a non-pro rata amount of taxable loss.

The following is a reconciliation between the Partnership's reported amounts and Federal tax basis of net liabilities at December 31, 2009 and 2008 (in thousands):

	<b>2009</b>	<b>2008</b>
Net liabilities as reported	\$ (5,064)	\$ (4,518)
Land and buildings	905	842
Accumulated depreciation	(3,539)	(3,764)
Syndication	2,774	2,774
Other	79	92
Net liabilities tax basis	\$ (4,845)	\$ (4,574)

**Note D Transactions with Affiliated Parties**

The Partnership has no employees and depends on the Corporate General Partner and its affiliates for the management and administration of all Partnership activities. The Partnership Agreement provides for (i) certain

D-18

---

**Table of Contents**

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

payments to affiliates for services and (ii) reimbursement of certain expenses incurred by affiliates of the Corporate General Partner on behalf of the Partnership.

Affiliates of the Corporate General Partner receive 5% of gross receipts from the Partnership's property as compensation for providing property management services. The Partnership paid to such affiliates approximately \$123,000 and \$126,000 for the years ended December 31, 2009 and 2008, respectively, which is included in operating expenses.

Affiliates of the Corporate General Partner charged the Partnership reimbursement of accountable administrative expenses amounting to approximately \$85,000 and \$206,000 for the years ended December 31, 2009 and 2008, respectively, which is included in general and administrative expenses and investment property. The portion of these reimbursements included in investment property for the years ended December 31, 2009 and 2008 are charges for construction management services provided by an affiliate of the Corporate General Partner of approximately \$57,000 and \$158,000, respectively. At December 31, 2008 approximately \$53,000 of reimbursements were owed and are included in due to affiliates. No amounts were owed at December 31, 2009.

During the years ended December 31, 2009 and 2008, AIMCO Properties, L.P., an affiliate of the Corporate General Partner advanced the Partnership approximately \$365,000 and \$1,222,000 to fund capital improvements and real estate taxes at Twin Lake Apartments. During the year ended December 31, 2009, the Partnership repaid AIMCO Properties, L.P. approximately \$285,000 which included approximately \$142,000 of accrued interest. No such payments were made during the year ended December 31, 2008. In accordance with the Partnership Agreement, interest was charged at prime plus 2% (5.25% at December 31, 2009). Interest expense was approximately \$91,000 and \$58,000 for the years ended December 31, 2009 and 2008, respectively. At December 31, 2009 and 2008, the total outstanding advances and accrued interest due to AIMCO Properties, L.P. was approximately \$1,764,000 and \$1,593,000, respectively, and was included in due to affiliates. The Partnership may receive additional advances of funds from AIMCO Properties, L.P. although AIMCO Properties, L.P. is not obligated to provide such advances. For more information on AIMCO Properties, L.P., including copies of its audited balance sheet, please see its reports filed with the Securities and Exchange Commission.

The Partnership insures its property up to certain limits through coverage provided by AIMCO which is generally self-insured for a portion of losses and liabilities related to workers compensation, property casualty, general liability and vehicle liability. The Partnership insures its property above the AIMCO limits through insurance policies obtained by AIMCO from insurers unaffiliated with the Corporate General Partner. During the years ended December 31, 2009 and 2008, the Partnership was charged by AIMCO and its affiliates approximately \$77,000 and \$57,000, respectively, for insurance coverage and fees associated with policy claims administration.

In addition to its indirect ownership of the general partner interests in the Partnership, AIMCO and its affiliates owned 900,195 DUCs in the Partnership representing 73.67% of the outstanding DUCs at December 31, 2009. A number of these DUCs were acquired pursuant to tender offers made by AIMCO or its affiliates. It is possible that AIMCO or its affiliates will acquire additional DUCs in exchange for cash or a combination of cash and units in AIMCO Properties, L.P., the operating partnership of AIMCO, either through private purchases or tender offers. Pursuant to the Partnership Agreement, DUC holders holding a majority of the DUCs are entitled to take action with respect to a variety of matters that include, but are not limited to, voting on certain amendments to the Partnership Agreement and voting to remove the Corporate General Partner. As a result of its ownership of 73.67% of the outstanding DUCs, AIMCO and its affiliates are in a position to control all voting decisions with respect to the Partnership. Although the

Corporate General Partner owes fiduciary duties to the limited partners of the Partnership, the Corporate General Partner also owes fiduciary duties to AIMCO as its sole stockholder. As a result, the duties of the Corporate General Partner, as corporate general partner, to the Partnership and its limited partners may come into conflict with the duties of the Corporate General Partner to AIMCO as its sole stockholder.

D-19

---



Table of Contents

## U.S. REALTY PARTNERS LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS (Continued)

Note E. Investment Property and Accumulated Depreciation

Description	Encumbrances (In thousands)	Initial Cost to Partnership			Cost Capitalized Subsequent to Acquisition (In thousands)
		Land	Buildings and Related Personal Property		
				(In thousands)	
Twin Lakes Apartments Palm Harbor, Florida	\$ 10,604	\$ 1,928	\$ 9,283		\$ 4,418
Totals					

**Gross Amount At Which Carried  
At December 31, 2009  
(In thousands)**

Description	Land	Buildings and Related Personal Property	Total	Accumulated Depreciation	Date of Construction	Date Acquired	Depreciable Life-Years
Twin Lakes Apartments	\$ 1,700	\$ 13,929	\$ 15,629	\$ 8,542	1986	08/28/86	5-35

Reconciliation of Investment Property and Accumulated Depreciation :

	Years Ended December 31, 2009      2008 (In thousands)	
Investment Property		
Balance at beginning of year	\$ 15,358	\$ 14,089
Property improvements and replacements	271	1,326
Disposal of property		(57)

Balance at end of year	\$ 15,629	\$ 15,358
Accumulated Depreciation		
Balance at beginning of year	\$ 7,756	\$ 7,144
Additions charged to expense	786	647
Disposal of property		(35)
Balance at end of year	\$ 8,542	\$ 7,756

The aggregate cost of the real estate for Federal income tax purposes at December 31, 2009 and 2008, is approximately \$16,534,000 and \$16,200,000, respectively. The accumulated depreciation taken for Federal income tax purposes at December 31, 2009 and 2008 is approximately \$12,081,000 and \$11,520,000, respectively.

**Note F Casualty Events**

During the year ended December 31, 2008, Twin Lakes Apartments suffered water damage as a result of several occurrences of water pipe breaks in several of the Partnership's apartment units. As of December 31, 2008, the Partnership had incurred, in total, approximately \$79,000 in capitalizable costs and approximately \$17,000 in clean up costs to repair the water damages incurred during the year. The Partnership did not receive any insurance proceeds as the damages for the various individual claims did not exceed the Partnership's insurance deductible. The Partnership recognized a casualty loss, which is included in operating expenses, of approximately \$16,000

**Table of Contents**

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

during the year ended December 31, 2008 as a result of the write off of approximately \$16,000 of undepreciated property improvements and replacements.

During the year ended December 31, 2008, Twin Lakes Apartments suffered water damage as a result of a water pipe break in additional apartment units. The Partnership incurred approximately \$32,000 in capitalizable costs related to this damage. The Partnership received insurance proceeds of approximately \$27,000 for damages which includes approximately \$5,000 for lost rental income. The Partnership recognized a casualty gain of approximately \$16,000, which is included in operating expenses, during the year ended December 31, 2008 as a result of the write off of approximately \$6,000 of undepreciated property improvements and replacements.

**Note G Contingencies**

As previously disclosed, AIMCO Properties, L.P. and NHP Management Company, both affiliates of the Corporate General Partner, were defendants in a lawsuit, filed as a collective action in August 2003 in the United States District Court for the District of Columbia, alleging that they willfully violated the Fair Labor Standards Act ( FLSA ) by failing to pay maintenance workers overtime for time worked in excess of 40 hours per week ( overtime claims ). The plaintiffs also contended that AIMCO Properties, L.P. and NHP Management Company ( the Defendants ) failed to compensate maintenance workers for time that they were required to be on-call ( on-call claims ). In March 2007, the court in the District of Columbia decertified the collective action. In July 2007, plaintiffs counsel filed individual cases in Federal court in 22 jurisdictions. In the second quarter of 2008, AIMCO Properties, L.P. settled the overtime cases involving 652 plaintiffs and established a framework for resolving the 88 remaining on-call claims and the attorneys fees claimed by plaintiffs counsel. As a result, the lawsuits asserted in the 22 Federal courts have been dismissed. During the fourth quarter of 2008, the Partnership paid approximately \$12,000 for settlement amounts for alleged unpaid overtime to employees who had worked at the Partnership s investment property. At this time, the 88 remaining on-call claims and the attorneys fees claimed by plaintiffs counsel are not resolved. The parties have selected six on-call claims that will proceed forward through the arbitration process and have selected arbitrators. After those arbitrations have been completed, the parties will revisit settling the on-call claims. The first two arbitrations took place in December 2009 and the Defendants received a defense verdict against the first two claimants, and plaintiffs dismissed the claims of the next two claimants. The remaining two arbitrations will take place in April 2010. The Corporate General Partner is uncertain as to the amount of any additional loss that may be allocable to the Partnership. Therefore, the Partnership cannot estimate whether any additional loss will occur or a potential range of loss.

The Partnership is unaware of any other pending or outstanding litigation matters involving it or its investment property that are not of a routine nature arising in the ordinary course of business.

***Environmental***

Various Federal, state and local laws subject property owners or operators to liability for management, and the costs of removal or remediation, of certain hazardous substances present on a property, including lead-based paint. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of the hazardous substances. The presence of, or the failure to manage or remedy properly, hazardous substances may adversely affect occupancy at affected apartment communities and the ability to sell or finance affected properties. In addition to the costs associated with investigation and remediation actions brought by government agencies, and potential fines or penalties imposed by such agencies in connection therewith, the presence

of hazardous substances on a property could result in claims by private plaintiffs for personal injury, disease, disability or other infirmities. Various laws also impose liability for the cost of removal, remediation or disposal of hazardous substances through a licensed disposal or treatment facility. Anyone who arranges for the disposal or treatment of hazardous substances is potentially liable under such laws. These laws often impose liability whether or not the person arranging for the disposal ever owned or operated the disposal facility. In

D-21

---

**Table of Contents**

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

connection with the ownership, operation and management of its property, the Partnership could potentially be liable for environmental liabilities or costs associated with its property.

***Mold***

The Partnership is aware of lawsuits against owners and managers of multifamily properties asserting claims of personal injury and property damage caused by the presence of mold, some of which have resulted in substantial monetary judgments or settlements. The Partnership has only limited insurance coverage for property damage loss claims arising from the presence of mold and for personal injury claims related to mold exposure. Affiliates of the Corporate General Partner have implemented policies, procedures, third-party audits and training and the Corporate General Partner believes that these measures will prevent or eliminate mold exposure and will minimize the effects that mold may have on residents. To date, the Partnership has not incurred any material costs or liabilities relating to claims of mold exposure or to abate mold conditions. Because the law regarding mold is unsettled and subject to change the Corporate General Partner can make no assurance that liabilities resulting from the presence of or exposure to mold will not have a material adverse effect on the Partnership's financial condition or results of operations.

D-22

---

**Table of Contents**

**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

**Item 9A(T). Controls and Procedures**

**(a) Disclosure Controls and Procedures**

The Partnership's management, with the participation of the principal executive officer and principal financial officer of the Corporate General Partner, who are the equivalent of the Partnership's principal executive officer and principal financial officer, respectively, has evaluated the effectiveness of the Partnership's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the principal executive officer and principal financial officer of the Corporate General Partner, who are the equivalent of the Partnership's principal executive officer and principal financial officer, respectively, have concluded that, as of the end of such period, the Partnership's disclosure controls and procedures are effective.

***Management's Report on Internal Control Over Financial Reporting***

The Partnership's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the principal executive and principal financial officers of the Corporate General Partner, who are the equivalent of the Partnership's principal executive officer and principal financial officer, respectively, and effected by the Partnership's management and other personnel 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 and includes those policies and procedures that:

pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;

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 are being made only in accordance with authorizations of the Partnership's management; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of 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. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Partnership's management assessed the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2009. In making this assessment, the Partnership's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*.

Based on their assessment, the Partnership's management concluded that, as of December 31, 2009, the Partnership's internal control over financial reporting is effective.

This annual report does not include an attestation report of the Partnership's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to the attestation by the Partnership's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Partnership to provide only management's report in this annual report.

D-23

---

**Table of Contents****(b) Changes in Internal Control Over Financial Reporting.**

There has been no change in the Partnership's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of 2009 that has materially affected, or is reasonably likely to materially affect, the Partnership's internal control over financial reporting.

**Item 9B. Other Information**

None.

**PART III****Item 10. Directors, Executive Officers and Corporate Governance**

U.S. Realty Partnership (the Partnership or the Registrant) has no officers or directors. U.S. Realty I Corporation (the Corporate General Partner) manages and controls substantially all of the Partnership's affairs and has general responsibility in all matters affecting its business.

The names and ages of, as well as the positions and offices held by, the present directors and officers of the Corporate General Partner are set forth below. There are no family relationships between or among any officers or directors.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Steven D. Cordes	38	Director and Senior Vice President
John Bezzant	47	Director and Senior Vice President
Timothy J. Beaudin	51	President and Chief Operating Officer
Ernest M. Freedman	39	Executive Vice President and Chief Financial Officer
Lisa R. Cohn	41	Executive Vice President, General Counsel and Secretary
Paul Beldin	36	Senior Vice President and Chief Accounting Officer
Stephen B. Waters	48	Senior Director of Partnership Accounting

*Steven D. Cordes* was appointed as a Director of the Corporate General Partner effective March 2, 2009. Mr. Cordes has been a Senior Vice President of the Corporate General Partner and AIMCO since May 2007. Mr. Cordes joined AIMCO in 2001 as a Vice President of Capital Markets with responsibility for AIMCO's joint ventures and equity capital markets activity. Prior to joining AIMCO, Mr. Cordes was a manager in the financial consulting practice of PricewaterhouseCoopers. Effective March 2009, Mr. Cordes was appointed to serve as the equivalent of the chief executive officer of the Partnership. Mr. Cordes brings particular expertise to the Board in the areas of asset management as well as finance and accounting.

*John Bezzant* was appointed as a Director of the Corporate General Partner effective December 16, 2009. Mr. Bezzant has been a Senior Vice President of the Corporate General Partner and AIMCO since joining AIMCO in June 2006. Prior to joining AIMCO, from 2005 to June 2006, Mr. Bezzant was a First Vice President at Prologis, a Denver, Colorado-based real estate investment trust, and from 1986 to 2005, Mr. Bezzant served as Vice President, Asset Management at Catellus Development Corporation, a San Francisco, California-based real estate investment trust. Mr. Bezzant brings particular expertise to the Board in the areas of real estate finance, property operations, sales and development.



*Timothy J. Beaudin* was appointed President and Chief Operating Officer of AIMCO and the Corporate General Partner in February 2009. He joined AIMCO and the Corporate General Partner as Executive Vice President and Chief Development Officer in October 2005 and was appointed Executive Vice President and Chief Property Operating Officer of the Corporate General Partner and AIMCO in October 2008. Mr. Beaudin oversees conventional and affordable property operations, transactions, asset management, and redevelopment and construction services for AIMCO and the Corporate General Partner. Prior to joining AIMCO and beginning in 1995,

D-24

---

**Table of Contents**

Mr. Beaudin was with Catellus Development Corporation. During his last five years at Catellus, Mr. Beaudin served as Executive Vice President, with management responsibility for development, construction and asset management.

*Ernest M. Freedman* was appointed Executive Vice President and Chief Financial Officer of the Corporate General Partner and AIMCO in November 2009. Mr. Freedman joined AIMCO in 2007 as Senior Vice President of Financial Planning and Analysis and has served as Senior Vice President of Finance since February 2009, responsible for financial planning, tax, accounting and related areas. Prior to joining AIMCO, from 2004 to 2007, Mr. Freedman served as chief financial officer of HEI Hotels and Resorts.

*Lisa R. Cohn* was appointed Executive Vice President, General Counsel and Secretary of the Corporate General Partner and AIMCO in December 2007. From January 2004 to December 2007, Ms. Cohn served as Senior Vice President and Assistant General Counsel of AIMCO. Ms. Cohn joined AIMCO in July 2002 as Vice President and Assistant General Counsel. Prior to joining AIMCO, Ms. Cohn was in private practice with the law firm of Hogan and Hartson LLP.

*Paul Beldin* joined AIMCO in May 2008 and has served as Senior Vice President and Chief Accounting Officer of AIMCO and the Corporate General Partner since that time. Prior to joining AIMCO, Mr. Beldin served as controller and then as chief financial officer of America First Apartment Investors, Inc., a publicly traded multifamily real estate investment trust, from May 2005 to September 2007 when the company was acquired by Sentinel Real Estate Corporation. Prior to joining America First Apartment Investors, Inc., Mr. Beldin was a senior manager at Deloitte and Touche LLP, where he was employed from August 1996 to May 2005, including two years as an audit manager in SEC services at Deloitte's national office.

*Stephen B. Waters* was appointed Senior Director of Partnership Accounting of AIMCO and the Corporate General Partner in June 2009. Mr. Waters has responsibility for partnership accounting with AIMCO and serves as the principal financial officer of the Corporate General Partner. Mr. Waters joined AIMCO as a Director of Real Estate Accounting in September 1999 and was appointed Vice President of the Corporate General Partner and AIMCO in April 2004. Prior to joining AIMCO, Mr. Waters was a senior manager at Ernst & Young LLP.

The Registrant is not aware of the involvement in any legal proceedings with respect to the directors and executive officers listed in this Item 10.

One or more of the above persons are also directors and/or officers of a general partner (or general partner of a general partner) of limited partnerships which either have a class of securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934, or are subject to the reporting requirements of Section 15(d) of such Act. Further, one or more of the above persons are also officers of Apartment Investment and Management Company and the general partner of AIMCO Properties, L.P., entities that have a class of securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934, or are subject to the reporting requirements of Section 15 (d) of such Act.

The board of directors of the Corporate General Partner does not have a separate audit committee. As such, the board of directors of the Corporate General Partner fulfills the functions of an audit committee. The board of directors has determined that Steven D. Cordes meets the requirement of an audit committee financial expert.

The directors and officers of the Corporate General Partner with authority over the Partnership are all employees of subsidiaries of AIMCO. AIMCO has adopted a code of ethics that applies to such directors and officers that is posted on AIMCO's website ([www.AIMCO.com](http://www.AIMCO.com)). AIMCO's website is not incorporated by reference to this filing.

**Item 11. Executive Compensation**

None of the directors and officers of the Corporate General Partner received any remuneration from the Partnership during the year ended December 31, 2009.

D-25

---

**Table of Contents****Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Except as noted below, no person or entity was known by the Partnership to be the beneficial owner of more than 5% of the Depositary Unit Certificates ( DUCs ) as of December 31, 2009.

<b>Entity</b>	<b>Number of DUCs</b>	<b>Percentage</b>
AIMCO Properties, L.P. (an affiliate of AIMCO)	900,195	73.67%

AIMCO Properties, L.P. is ultimately owned by AIMCO. Its business address is 4582 S. Ulster St. Parkway, Suite 1100, Denver, Colorado 80237.

No director or officer of the Corporate General Partner owns any DUCs.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The Partnership has no employees and depends on the Corporate General Partner and its affiliates for the management and administration of all Partnership activities. The Partnership Agreement provides for (i) certain payments to affiliates for services and (ii) reimbursement of certain expenses incurred by affiliates of the Corporate General Partner on behalf of the Partnership.

Affiliates of the Corporate General Partner receive 5% of gross receipts from the Partnership's property as compensation for providing property management services. The Partnership paid to such affiliates approximately \$123,000 and \$126,000 for the years ended December 31, 2009 and 2008, respectively, which is included in operating expenses.

Affiliates of the Corporate General Partner charged the Partnership reimbursement of accountable administrative expenses amounting to approximately \$85,000 and \$206,000 for the years ended December 31, 2009 and 2008, respectively, which is included in general and administrative expenses and investment property. The portion of these reimbursements included in investment property for the years ended December 31, 2009 and 2008 are charges for construction management services provided by an affiliate of the Corporate General Partner of approximately \$57,000 and \$158,000, respectively. At December 31, 2008 approximately \$53,000 of reimbursements were owed and are included in due to affiliates. No amounts were owed at December 31, 2009.

During the years ended December 31, 2009 and 2008, AIMCO Properties, L.P., an affiliate of the Corporate General Partner advanced the Partnership approximately \$365,000 and \$1,222,000 to fund capital improvements and real estate taxes at Twin Lake Apartments. During the year ended December 31, 2009, the Partnership repaid AIMCO Properties, L.P. approximately \$285,000 which included approximately \$142,000 of accrued interest. No such payments were made during the year ended December 31, 2008. In accordance with the Partnership Agreement, interest was charged at prime plus 2% (5.25% at December 31, 2009). Interest expense was approximately \$91,000 and \$58,000 for the years ended December 31, 2009 and 2008, respectively. At December 31, 2009 and 2008, the total outstanding advances and accrued interest due to AIMCO Properties, L.P. was approximately \$1,764,000 and \$1,593,000, respectively, and was included in due to affiliates. The Partnership may receive additional advances of funds from AIMCO Properties, L.P. although AIMCO Properties, L.P. is not obligated to provide such advances. For more information on AIMCO Properties, L.P., including copies of its audited balance sheet, please see its reports filed with the Securities and Exchange Commission.

The Partnership insures its property up to certain limits through coverage provided by AIMCO which is generally self-insured for a portion of losses and liabilities related to workers compensation, property casualty, general liability and vehicle liability. The Partnership insures its property above the AIMCO limits through insurance policies obtained by AIMCO from insurers unaffiliated with the Corporate General Partner. During the years ended December 31, 2009 and 2008, the Partnership was charged by AIMCO and its affiliates approximately \$77,000 and \$57,000, respectively, for insurance coverage and fees associated with policy claims administration.

In addition to its indirect ownership of the general partner interests in the Partnership, AIMCO and its affiliates owned 900,195 DUCs in the Partnership representing 73.67% of the outstanding DUCs at December 31, 2009. A number of these DUCs were acquired pursuant to tender offers made by AIMCO or its affiliates. It is possible that AIMCO or its affiliates will acquire additional DUCs in exchange for cash or a combination of cash and units in AIMCO Properties, L.P., the operating partnership of AIMCO, either through private purchases or tender offers. Pursuant to the Partnership Agreement, DUC holders holding a majority of the DUCs are entitled to take action with respect to a variety of matters that include, but are not limited to, voting on certain amendments to the Partnership

**Table of Contents**

Agreement and voting to remove the Corporate General Partner. As a result of its ownership of 73.67% of the outstanding DUCs, AIMCO and its affiliates are in a position to control all voting decisions with respect to the Partnership. Although the Corporate General Partner owes fiduciary duties to the limited partners of the Partnership, the Corporate General Partner also owes fiduciary duties to AIMCO as its sole stockholder. As a result, the duties of the Corporate General Partner, as corporate general partner, to the Partnership and its limited partners may come into conflict with the duties of the Corporate General Partner to AIMCO as its sole stockholder.

**Item 14. Principal Accounting Fees and Services**

The Corporate General Partner has reappointed Ernst & Young LLP as independent auditors to audit the financial statements of the Partnership for 2010. The aggregate fees billed for services rendered by Ernst & Young LLP for 2009 and 2008 are described below.

Audit Fees. Fees for audit services totaled approximately \$38,000 and \$44,000 for 2009 and 2008, respectively. Fees for audit services also include fees for the reviews of the Partnership's Quarterly Reports on Form 10-Q.

Tax Fees. Fees for tax services totaled approximately \$7,000 for both of the years ended December 31, 2009 and 2008.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

(a) The following financial statements of the Registrant are included in Item 8:

Balance Sheets at December 31, 2009 and 2008.	D-11
Statements of Operations for the years ended December 31, 2009 and 2008.	D-12
Statements of Changes in Partners' Deficit for the years ended December 31, 2009 and 2008.	D-13
Statements of Cash Flows for the years ended December 31, 2009 and 2008.	D-14
Notes to Financial Statements	D-15

Schedules are omitted for the reason that they are inapplicable or equivalent information has been included elsewhere herein.

(b) Exhibits:

See Exhibit index

The agreements included as exhibits to this Form 10-K contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

may apply standards of materiality in a way that is different from what may be viewed as material to an investor; and

were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. The Partnership acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this Form 10-K not misleading. Additional information about the Partnership may be found elsewhere in this Form 10-K and the Partnership's other public filings, which are available without charge through the SEC's website at <http://www.sec.gov>.

D-27

---

**Table of Contents**

**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.

U.S. REALTY PARTNERS LIMITED PARTNERSHIP

By: U.S. Realty I Corporation  
Corporate General Partner

By: /s/ Steven D. Cordes

Steven D. Cordes  
Senior Vice President

By: /s/ Stephen B. Waters

Stephen B. Waters  
Senior Director of Partnership Accounting

Date: March 29, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ John Bezzant	Director and Senior Vice President	Date: March 29, 2010
------------------	------------------------------------	----------------------

John Bezzant

/s/ Steven D. Cordes	Director and Senior Vice President	Date: March 29, 2010
----------------------	------------------------------------	----------------------

Steven D. Cordes

/s/ Stephen B. Waters	Senior Director of Partnership Accounting	Date: March 29, 2010
-----------------------	----------------------------------------------	----------------------

Stephen B. Waters

D-28

---



**Table of Contents**

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

**EXHIBIT INDEX**

**Exhibit**

- 3 See Exhibit 4(a)
- 4(a) Amended and Restated Certificate and Agreement of Limited Partnership (included as Exhibit A to the Prospectus of Registrant dated August 19, 1986 contained in Amendment No. 4 Registration Statement, No. 33-2996, of Registrant filed August 19, 1986 (the Prospectus ) and is incorporated herein by reference).
- (b) Subscription Agreement and Signature Page (included as Exhibit B to the Prospectus and is incorporated herein by reference).
- (c) Instruments governing the Bonds (filed as Exhibit 10C to Amendment No. 4 to Registration Statement, No. 33-2996, of Registrant filed August 19, 1986 and incorporated herein by reference).
- (d) First Amendment to U.S. Realty Partners Limited Partnership Amended and Restated Agreement of Limited Partnership (dated August 15, 1986) dated October 14, 1993. [Filed as Exhibit 4(c) to Form 10-QSB for the quarter ended September 30, 1993 and incorporated herein by reference.]
- (e) Amendment to the Amended and Restated Limited Partnership Agreement dated April 12, 2005. [Filed as Exhibit 4(e) to Form 10-Q for the quarter ended March 31, 2009 and incorporated herein by reference.]
- 10(i) Contracts related to acquisition of property:
  - (l) Depository Agreement dated as of October 15, 1993, among U.S. Realty Partners Limited Partnership, First Union National Bank of South Carolina and Continental Casualty Company.\*
  - (m) Financial Statement Form UCC-1, State of South Carolina, Office of Secretary of State Jim Miles by US Realty Partners Limited Partnership and Continental Casualty Company.\*
  - (n) Incumbency Certificate by U.S. Realty I Corporation and U.S. Realty Partners Limited Partnership.\*
- 10.25 Multifamily Mortgage, Assignment of Rents and Security Agreement dated December 1, 2005 between U.S. Realty Partners, L.P., a Delaware limited partnership and GMAC Commercial Mortgage Bank. Incorporated by reference to Current Report on Form 8-K dated December 1, 2005.
- 10.26 Multifamily Note dated December 1, 2005 between U.S. Realty Partners, L.P., a Delaware limited partnership and GMAC Commercial Mortgage Bank. Incorporated by reference to Current Report on Form 8-K dated December 1, 2005.
- 10.27 Replacement Reserve Agreement dated December 1, 2005 between U.S. Realty Partners, L.P., a Delaware limited partnership and GMAC Commercial Mortgage Bank. Incorporated by reference to Current Report on Form 8-K dated December 1, 2005.
- 10.28 Guaranty dated December 1, 2005 between AIMCO Properties, L.P., a Delaware limited partnership and GMAC Commercial Mortgage Bank. Incorporated by reference to Current Report on Form 8-K dated December 1, 2005.
- 10.29 Amended and Restated Multifamily Mortgage, Assignment of Rents, and Security Agreement dated December 1, 2005 between U.S. Realty Partners, L.P., a Delaware limited partnership and Federal Home Loan Mortgage Corporation. Incorporated by reference to Current Report on Form 8-K dated December 1, 2005.
- 10.30 Amended and Restated Multifamily Note dated December 1, 2005 between U.S. Realty Partners, L.P., a Delaware limited partnership and Federal Home Loan Mortgage Corporation. Incorporated by reference to Current Report on Form 8-K dated December 1, 2005.
- 10.31 Amended and Restated Guaranty dated December 1, 2005 between AIMCO Properties, L.P., a Delaware limited partnership and Federal Home Loan Mortgage Corporation. Incorporated by

- reference to Current Report on Form 8-K dated December 1, 2005.
- 10.33 Form of Multifamily Note between Capmark Bank and U.S. Realty Partners Limited Partnership, a Delaware limited partnership, dated September 14, 2007. Incorporated by reference to Current Report on Form 8-K dated September 14, 2007.
- 10.34 Form of Multifamily Mortgage, Assignment of Rents and Security Agreement between Capmark Bank and U.S. Realty Partners Limited Partnership, a Delaware limited partnership, dated September 14, 2007. Incorporated by reference to Current Report on Form 8-K dated September 14, 2007.

**Table of Contents**

**Exhibit**

- 10.35 Form of Replacement Reserve Agreement between Capmark Bank and U.S. Realty Partners Limited Partnership, a Delaware limited partnership, dated September 14, 2007. Incorporated by reference to Current Report on Form 8-K dated September 14, 2007.
- 31.1 Certification of equivalent of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of equivalent of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of equivalent of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99 Prospectus of Registrant dated August 19, 1986 (included in Registration Statement, No. 33-2996, of Registrant and incorporated herein by reference).

\* Filed as Exhibits 10iii (l) through (n) to Form 10QSB for the quarter ended September 30, 1993 and incorporated herein by reference.

D-30

---

**Table of Contents**

**Exhibit 31.1**

**CERTIFICATION**

I, Steven D. Cordes, certify that:

1. I have reviewed this annual report on Form 10-K of U.S. Realty Partners Limited Partnership;
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.

/s/ Steven D. Cordes

Steven D. Cordes

Senior Vice President of U.S. Realty I Corporation, equivalent of the chief executive officer of the Partnership

Date: March 29, 2010

D-31

---

**Table of Contents**

**Exhibit 31.2**

**CERTIFICATION**

I, Stephen B. Waters, certify that:

1. I have reviewed this annual report on Form 10-K of U.S. Realty Partners Limited Partnership;
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.

/s/ Stephen B. Waters

Stephen B. Waters

Senior Director of Partnership Accounting of U.S. Realty I Corporation, equivalent of the chief financial officer of the Partnership

Date: March 29, 2010

D-32

---

**Table of Contents**

**Exhibit 32.1**

**Certification of CEO and CFO  
Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of U.S. Realty Partners Limited Partnership (the Partnership), for the fiscal year ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the Report), Steven D. Cordes, as the equivalent of the chief executive officer of the Partnership, and Stephen B. Waters, as the equivalent of the chief financial officer of the Partnership, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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 Partnership.

/s/ Steven D. Cordes  
Name: Steven D. Cordes

Date: March 29, 2010

/s/ Stephen B. Waters  
Name: Stephen B. Waters

Date: March 29, 2010

This certification is furnished with this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Partnership for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.



**Table of Contents**

**ANNEX E**

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

**Form 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended June 30, 2010**
- or**
- 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 0-15656**

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**  
*(Exact Name of Registrant as Specified in Its Charter)*

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

**57-0814502**  
*(I.R.S. Employer  
Identification No.)*

**55 Beattie Place, P.O. Box 1089**  
**Greenville, South Carolina 29602**  
*(Address of principal executive offices)*

**(864) 239-1000**  
*(Registrant's telephone number, including area code)*

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (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).  Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

E-1

---

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****U.S. REALTY PARTNERS LIMITED PARTNERSHIP****BALANCE SHEETS**

	<b>June 30, 2010 (Unaudited)</b>	<b>December 31, 2009 (Note)</b>
	<b>(In thousands, except unit data)</b>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 152	\$ 101
Receivables and deposits	87	88
Other assets	345	285
Investment property:		
Land	1,700	1,700
Buildings and related personal property	14,019	13,929
	15,719	15,629
Less accumulated depreciation	(8,937)	(8,542)
	6,782	7,087
	\$ 7,366	\$ 7,561
<b>LIABILITIES AND PARTNERS DEFICIT</b>		
Liabilities		
Accounts payable	\$ 28	\$ 38
Tenant security deposit liabilities	57	57
Accrued property taxes	120	
Other liabilities	118	162
Due to affiliates (Note B)	1,827	1,764
Mortgage notes payable	10,538	10,604
	12,688	12,625
Partners Deficit		
General partners	(16)	(14)
Depository unit certificate holders (2,440,000 units authorized; 1,222,000 units issued and outstanding)	(5,306)	(5,050)

	(5,322)		(5,064)
\$	7,366	\$	7,561

Note: The balance sheet at December 31, 2009 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements.

See Accompanying Notes to Financial Statements

E-2

---

Table of Contents**U.S. REALTY PARTNERS LIMITED PARTNERSHIP****STATEMENTS OF OPERATIONS**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>			
	<b>(In thousands, except per unit data)</b>			
Revenues:				
Rental income	\$ 546	\$ 534	\$ 1,086	\$ 1,067
Other income	93	95	189	181
Total revenues	639	629	1,275	1,248
Expenses:				
Operating	256	261	530	526
General and administrative	24	22	45	45
Depreciation	197	200	395	390
Interest	222	225	442	446
Property taxes	61	69	121	138
Total expenses	760	777	1,533	1,545
Net loss	\$ (121)	\$ (148)	\$ (258)	\$ (297)
Net loss allocated to general partners (1%)	\$ (1)	\$ (1)	\$ (2)	\$ (3)
Net loss allocated to depository unit certificate holders (99%)	(120)	(147)	(256)	(294)
	\$ (121)	\$ (148)	\$ (258)	\$ (297)
Net loss per depository unit certificate	\$ (.10)	\$ (.12)	\$ (.21)	\$ (.24)

See Accompanying Notes to Financial Statements

Table of Contents**U.S. REALTY PARTNERS LIMITED PARTNERSHIP****STATEMENT OF CHANGES IN PARTNERS DEFICIT**

	<b>Depository Unit Certificates</b>	<b>General Partners (Unaudited)</b>	<b>Depository Unit Certificate Holders (Unaudited)</b>	<b>Total</b>
	<b>(In thousands, except unit data)</b>			
Original capital contributions	1,222,000	\$ 2	\$ 30,550	\$ 30,552
Partners deficit at December 31, 2009	1,222,000	\$ (14)	\$ (5,050)	\$ (5,064)
Net loss for the six months ended June 30, 2010		(2)	(256)	(258)
Partners deficit at June 30, 2010	1,222,000	\$ (16)	\$ (5,306)	\$ (5,322)

See Accompanying Notes to Financial Statements

E-4

**Table of Contents****U.S. REALTY PARTNERS LIMITED PARTNERSHIP****STATEMENTS OF CASH FLOWS**

	<b>Six Months Ended June 30, 2010      2009 (Unaudited) (In thousands)</b>	
Cash flows from operating activities:		
Net loss	\$ (258)	\$ (297)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	395	390
Amortization of loan costs	18	18
Change in accounts:		
Receivables and deposits	1	
Other assets	(78)	(87)
Accounts payable	(3)	(17)
Tenant security deposit liabilities		(5)
Accrued property taxes	120	138
Other liabilities	(44)	1
Due to affiliates	23	(23)
Net cash provided by operating activities	174	118
Cash flows from investing activities:		
Net withdrawals from restricted escrow		106
Property improvements and replacements	(97)	(279)
Net cash used in investing activities	(97)	(173)
Cash flows from financing activities:		
Payments on mortgage notes payable	(66)	(62)
Advances from affiliates	137	205
Repayment of advances from affiliate	(97)	
Net cash (used in) provided by financing activities	(26)	143
Net increase in cash and cash equivalents	51	88
Cash and cash equivalents at beginning of period	101	44
Cash and cash equivalents at end of period	\$ 152	\$ 132
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 404	\$ 401
Supplemental disclosure of non-cash activity:		

Property improvements and replacements in accounts payable	\$	\$	2
------------------------------------------------------------	----	----	---

At December 31, 2009 and 2008, approximately \$7,000 and \$74,000, respectively, of property improvements and replacements were included in accounts payable and are included in property improvements and replacements for the six months ended June 30, 2010 and 2009, respectively.

See Accompanying Notes to Financial Statements

E-5

---



**Table of Contents**

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**(Unaudited)**

**Note A Basis of Presentation**

The accompanying unaudited financial statements of U.S. Realty Partners Limited Partnership (the Partnership or Registrant ) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The general partner responsible for management of the Partnership's business is U.S. Realty I Corporation, a South Carolina corporation (the Corporate General Partner ). In the opinion of the Corporate General Partner, all adjustments (consisting of normal recurring items) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2010. For further information, refer to the financial statements and footnotes thereto included in the Partnership's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. The Corporate General Partner is a wholly-owned subsidiary of Apartment Investment and Management Company ( AIMCO ), a publicly traded real estate investment trust.

The Partnership's management evaluated subsequent events through the time this Quarterly Report on Form 10-Q was filed.

**Note B Transactions with Affiliated Parties**

The Partnership has no employees and depends on the Corporate General Partner and its affiliates for the management and administration of all Partnership activities. The Partnership Agreement provides for (i) certain payments to affiliates for services and (ii) reimbursement of certain expenses incurred by affiliates on behalf of the Partnership.

Affiliates of the Corporate General Partner receive 5% of gross receipts from the Partnership's property as compensation for providing property management services. The Partnership paid to such affiliates approximately \$63,000 and \$60,000 for the six months ended June 30, 2010 and 2009, respectively, which is included in operating expenses.

Affiliates of the Corporate General Partner charged the Partnership reimbursement of accountable administrative expenses amounting to approximately \$17,000 and \$70,000 for the six months ended June 30, 2010 and 2009, respectively, which is included in general and administrative expenses and investment property. The portion of these reimbursements included in investment property for the six months ended June 30, 2010 and 2009 are construction management services provided by an affiliate of the Corporate General Partner of approximately \$2,000 and \$55,000, respectively. No amounts were owed at June 30, 2010 or December 31, 2009.

During the six months ended June 30, 2010 and 2009, AIMCO Properties, L.P., an affiliate of the Corporate General Partner advanced the Partnership approximately \$137,000 and \$205,000, respectively, to fund operating expenses and capital improvements, respectively, at Twin Lake Apartments. During the six months ended June 30, 2010, the Partnership repaid AIMCO Properties, L.P. \$120,000 of principal and accrued interest. No such payments were made during the six months ended June 30, 2009. In accordance with the Partnership Agreement, interest was charged at prime plus 2% (5.25% at June 30, 2010). Interest expense was approximately \$46,000 and \$44,000 for the six months ended June 30, 2010 and 2009, respectively. At June 30, 2010 and December 31, 2009, the total outstanding advances and accrued interest due to AIMCO Properties, L.P. was approximately \$1,827,000 and \$1,764,000, respectively, and

was included in due to affiliates. The Partnership may receive additional advances of funds from AIMCO Properties, L.P., although AIMCO Properties, L.P. is not obligated to provide such advances. For more information on AIMCO Properties, L.P., including copies of its audited balance sheet, please see its reports filed with the Securities and Exchange Commission. Subsequent to June 30, 2010, the Partnership repaid AIMCO Properties, L.P. \$100,000 of principal and accrued interest.

**Table of Contents**

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

The Partnership insures its property up to certain limits through coverage provided by AIMCO, which is generally self-insured for a portion of losses and liabilities related to workers compensation, property casualty, general liability and vehicle liability. The Partnership insures its property above the AIMCO limits through insurance policies obtained by AIMCO from insurers unaffiliated with the Corporate General Partner. During the six months ended June 30, 2010, the Partnership was charged by AIMCO and its affiliates approximately \$85,000 for insurance coverage and fees associated with policy claims administration. Additional charges will be incurred by the Partnership during 2010 as other insurance policies renew later in the year. The Partnership was charged by AIMCO and its affiliates approximately \$77,000 for insurance coverage and fees associated with policy claims administration during the year ended December 31, 2009.

**Note C Fair Value of Financial Instruments**

FASB ASC Topic 825, Financial Instruments, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. Fair value is defined as the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Partnership believes that the carrying amount of its financial instruments (except for mortgage notes payable) approximates their fair value due to the short-term maturity of these instruments. The Partnership estimates the fair value of its mortgage notes payable by discounting future cash flows using a discount rate commensurate with that currently believed to be available to the Partnership for similar term, mortgage notes payable. At June 30, 2010, the fair value of the Partnership's mortgage notes payable at the Partnership's incremental borrowing rate was approximately \$11,400,000.

**Note D Contingencies**

As previously disclosed, AIMCO Properties, L.P. and NHP Management Company, both affiliates of the Corporate General Partner, were defendants in a lawsuit, filed as a collective action in August 2003 in the United States District Court for the District of Columbia, alleging that they willfully violated the Fair Labor Standards Act (FLSA) by failing to pay maintenance workers overtime for time worked in excess of 40 hours per week (overtime claims). The plaintiffs also contended that AIMCO Properties, L.P. and NHP Management Company (the Defendants) failed to compensate maintenance workers for time that they were required to be on-call (on-call claims). In March 2007, the court in the District of Columbia decertified the collective action. In July 2007, plaintiffs' counsel filed individual cases in Federal court in 22 jurisdictions. In the second quarter of 2008, AIMCO Properties, L.P. settled the overtime cases involving 652 plaintiffs and established a framework for resolving the 88 remaining on-call claims and the attorneys' fees claimed by plaintiffs' counsel. As a result, the lawsuits asserted in the 22 Federal courts have been dismissed. During the fourth quarter of 2008, the Partnership paid approximately \$12,000 for settlement amounts for alleged unpaid overtime to employees who had worked at the Partnership's investment property. At this time, the 88 remaining on-call claims and the attorneys' fees claimed by plaintiffs' counsel are not resolved. Pursuant to the global settlement agreement, the parties selected six test on-call cases to be arbitrated. The parties arbitrated four on-call claims and obtained defense verdicts on all four. Two additional on-call claims were dismissed with prejudice. The process now calls for the parties to attempt to mediate the remaining on-call claims and plaintiffs' attorneys' fees. Such mediation has not yet been scheduled. The Corporate General Partner is uncertain as to the amount of any additional loss that may be allocable to the Partnership. Therefore, the Partnership cannot estimate whether any additional loss will occur or a potential range of loss.

The Partnership is unaware of any other pending or outstanding litigation matters involving it or its investment property that are not of a routine nature arising in the ordinary course of business.

E-7

---

**Table of Contents**

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

***Environmental***

Various Federal, state and local laws subject property owners or operators to liability for management, and the costs of removal or remediation, of certain hazardous substances present on a property, including lead-based paint. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of the hazardous substances. The presence of, or the failure to manage or remedy properly, hazardous substances may adversely affect occupancy at affected apartment communities and the ability to sell or finance affected properties. In addition to the costs associated with investigation and remediation actions brought by government agencies, and potential fines or penalties imposed by such agencies in connection therewith, the presence of hazardous substances on a property could result in claims by private plaintiffs for personal injury, disease, disability or other infirmities. Various laws also impose liability for the cost of removal, remediation or disposal of hazardous substances through a licensed disposal or treatment facility. Anyone who arranges for the disposal or treatment of hazardous substances is potentially liable under such laws. These laws often impose liability whether or not the person arranging for the disposal ever owned or operated the disposal facility. In connection with the ownership, operation and management of its property, the Partnership could potentially be liable for environmental liabilities or costs associated with its property.

***Mold***

The Partnership is aware of lawsuits against owners and managers of multifamily properties asserting claims of personal injury and property damage caused by the presence of mold, some of which have resulted in substantial monetary judgments or settlements. The Partnership has only limited insurance coverage for property damage loss claims arising from the presence of mold and for personal injury claims related to mold exposure. Affiliates of the Corporate General Partner have implemented policies, procedures, third-party audits and training and the Corporate General Partner believes that these measures will prevent or eliminate mold exposure and will minimize the effects that mold may have on residents. To date, the Partnership has not incurred any material costs or liabilities relating to claims of mold exposure or to abate mold conditions. Because the law regarding mold is unsettled and subject to change the Corporate General Partner can make no assurance that liabilities resulting from the presence of or exposure to mold will not have a material adverse effect on the Partnership's financial condition or results of operations.

**Table of Contents****ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements in certain circumstances. Certain information included in this Quarterly Report contains or may contain information that is forward-looking, within the meaning of the federal securities laws, including, without limitation, statements regarding the effect of redevelopments, the Partnership's future financial performance, including the Partnership's ability to maintain current or meet projected occupancy and rent levels, and the effect of government regulations. Actual results may differ materially from those described in these forward-looking statements and, in addition, will be affected by a variety of risks and factors, some of which are beyond the Partnership's control including, without limitation: financing risks, including the availability and cost of financing and the risk that the Partnership's cash flows from operations may be insufficient to meet required payments of principal and interest; natural disasters and severe weather such as hurricanes; national and local economic conditions; the general level of interest rates; energy costs; the terms of governmental regulations that affect the Partnership's property and interpretations of those regulations; the competitive environment in which the Partnership operates; real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for residents in such markets; insurance risk, including the cost of insurance; development risks; litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; and possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by the Partnership. Readers should carefully review the Partnership's financial statements and the notes thereto, as well as the other documents the Partnership files from time to time with the Securities and Exchange Commission.

The Partnership's investment property consists of one apartment complex. The following table sets forth the average occupancy of the property for the six months ended June 30, 2010 and 2009:

<b>Property</b>	<b>Average Occupancy</b>	
	<b>2010</b>	<b>2009</b>
Twin Lakes Apartments Palm Harbor, Florida	97%	92%

The Corporate General Partner attributes the increase in occupancy to competitive pricing efforts.

The Partnership's financial results depend upon a number of factors, including the ability to attract and maintain tenants at the investment property, interest rates on mortgage loans, costs incurred to operate the investment property, general economic conditions and weather. As part of the ongoing business plan of the Partnership, the Corporate General Partner monitors the rental market environment of its investment property to assess the feasibility of increasing rents, maintaining or increasing occupancy levels and protecting the Partnership from increases in expenses. As part of this plan, the Corporate General Partner attempts to protect the Partnership from the burden of inflation-related increases in expenses by increasing rents and maintaining a high overall occupancy level. However, the Corporate General Partner may use rental concessions and rental rate reductions to offset softening market conditions; accordingly, there is no guarantee that the Corporate General Partner will be able to sustain such a plan. Further, a number of factors that are outside the control of the Partnership, such as the local economic climate and weather, can adversely or positively affect the Partnership's financial results.

**Results of Operations**

The Partnership's net loss was approximately \$121,000 and \$258,000 for the three and six months ended June 30, 2010, respectively, compared to net loss of approximately \$148,000 and \$297,000 for the three and six months ended June 30, 2009, respectively. The decrease in net loss for both the three and six months ended June 30, 2010 is due to an increase in total revenues and a decrease in total expenses.

The increase in total revenues for the three months ended June 30, 2010 is due to an increase in rental income. Other income remained relatively constant for the three months ended June 30, 2010. The increase in total revenues for the six months ended June 30, 2010 is due to increases in both rental and other income. The increase in rental income for both periods is primarily due to an increase in occupancy and a decrease in bad debt expense, partially offset by a decrease in the average rental rates at the Partnership's investment property. Other income increased for

## **Table of Contents**

the six month period primarily due to increases in resident utility reimbursements and lease cancellation fees at the Partnership's investment property.

Total expenses decreased for both periods primarily due to a decrease in property tax expense. Operating, depreciation, interest and general and administrative expenses remained relatively constant for both periods. Property tax expense decreased for both periods due to a decrease in the assessed value of the property.

Included in general and administrative expense for both the three and six months ended June 30, 2010 and 2009 are management reimbursements to the Corporate General Partner as allowed under the Partnership Agreement. Also included in general and administrative expense are costs associated with the quarterly and annual communications with investors and regulatory agencies and the annual audit required by the Partnership Agreement.

## **Liquidity and Capital Resources**

At June 30, 2010, the Partnership had cash and cash equivalents of approximately \$152,000 compared to approximately \$101,000 at December 31, 2009. Cash and cash equivalents increased by approximately \$51,000 due to approximately \$174,000 of cash provided by operating activities, partially offset by approximately \$97,000 and \$26,000 of cash used in investing and financing activities, respectively. Cash used in investing activities consisted of property improvements and replacements. Cash used in financing activities consisted of repayments of advances from AIMCO Properties, L.P., an affiliate of the Corporate General Partner and payments on the mortgages encumbering the investment property, partially offset by advances from AIMCO Properties, L.P.

During the six months ended June 30, 2010 and 2009, AIMCO Properties, L.P., an affiliate of the Corporate General Partner advanced the Partnership approximately \$137,000 and \$205,000, respectively, to fund operating expenses and capital improvements, respectively, at Twin Lake Apartments. During the six months ended June 30, 2010, the Partnership repaid AIMCO Properties, L.P. \$120,000 of principal and accrued interest. No such payments were made during the six months ended June 30, 2009. In accordance with the Partnership Agreement, interest was charged at prime plus 2% (5.25% at June 30, 2010). Interest expense was approximately \$46,000 and \$44,000 for the six months ended June 30, 2010 and 2009, respectively. At June 30, 2010 and December 31, 2009, the total outstanding advances and accrued interest due to AIMCO Properties, L.P. was approximately \$1,827,000 and \$1,764,000, respectively, and was included in due to affiliates. The Partnership may receive additional advances of funds from AIMCO Properties, L.P., although AIMCO Properties, L.P. is not obligated to provide such advances. For more information on AIMCO Properties, L.P., including copies of its audited balance sheet, please see its reports filed with the Securities and Exchange Commission. Subsequent to June 30, 2010, the Partnership repaid AIMCO Properties, L.P. \$100,000 of principal and accrued interest.

The sufficiency of existing liquid assets to meet future liquidity and capital expenditure requirements is directly related to the level of capital expenditures required at the property to adequately maintain the physical assets and other operating needs of the Partnership and to comply with Federal, state, and local legal and regulatory requirements. The Corporate General Partner monitors developments in the area of legal and regulatory compliance. Capital improvements planned for the Partnership's property are detailed below.

## **Twin Lakes Apartments**

During the six months ended June 30, 2010, the Partnership completed approximately \$90,000 of capital expenditures at Twin Lakes Apartments, consisting primarily of swimming pool resurfacing and appliance and floor covering replacements. These improvements were funded from operating cash flow. The Partnership regularly evaluates the capital improvement needs of the property. While the Partnership has no material commitments for property



improvements and replacements, certain routine capital expenditures are anticipated during the remainder of 2010. Such capital expenditures will depend on the physical condition of the property as well as anticipated cash flow generated by the property.

Additional capital expenditures will be incurred only if cash is available from operations, Partnership reserves or advances from AIMCO Properties, L.P., although AIMCO Properties, L.P. is not obligated to provide such advances. To the extent that capital improvements are completed, the Partnership's distributable cash flow, if any, may be adversely affected at least in the short term.

**Table of Contents**

The Partnership's assets are thought to be generally sufficient for any near term needs (exclusive of capital improvements and repayment of amounts due to affiliates) of the Partnership. At June 30, 2010, the first, second and third mortgage indebtedness on Twin Lakes Apartments of approximately \$6,091,000, \$3,378,000 and \$1,069,000, respectively, require monthly payments of principal and interest until December 1, 2015 when balloon payments of approximately \$5,685,000, \$3,025,000 and \$963,000, respectively, are due. The Partnership has the option of extending the maturity date on both the first and second mortgages for one additional year, to December 1, 2016. With respect to the third mortgage, the maturity date will automatically be extended for one year, to December 1, 2016, if no event of default exists at its original maturity date of December 1, 2015. The Corporate General Partner will attempt to refinance such indebtedness and/or sell the property prior to such maturity dates. If the property cannot be refinanced or sold for a sufficient amount, the Partnership will risk losing such property through foreclosure.

The Partnership made no distributions during the six months ended June 30, 2010 or 2009. Future cash distributions will depend on the levels of net cash generated from operations, the timing of the debt maturities, refinancings, and/or property sale. The Partnership's cash available for distribution is reviewed on a monthly basis. In light of the amounts accrued and payable to affiliates at June 30, 2010, it is unlikely that the Partnership will generate sufficient funds from operations, after capital improvement expenditures and repayment of amounts accrued and payable to affiliates, to permit distributions to its partners during 2010 or subsequent periods.

The Partnership Agreement provides for partners to receive distributions from the net proceeds of the sales of properties, the net proceeds from refinancings and net cash from operations as those terms are defined in the Partnership Agreement. The Partnership Agreement requires that the limited partners be furnished with a statement of Net Cash from Operations as such term is defined in the Partnership Agreement. Net Cash from Operations should not be considered an alternative to net loss as an indicator of the Partnership's operating performance or to cash flows as a measure of liquidity. Below is a reconciliation of net cash provided by operating activities as disclosed in the statements of cash flows, included in Item 1. Financial Statements, to Net Cash from Operations as defined in the Partnership Agreement.

	<b>For the Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(In thousands)</b>	
Net cash provided by operating activities	\$ 174	\$ 118
Payments on mortgage notes payable	(66)	(62)
Property improvements and replacements	(97)	(279)
Advances from affiliates	137	205
Payments on advances from affiliates	(97)	
Net decrease in restricted escrows		106
Changes in reserves for net operating liabilities	(19)	(7)
Net cash provided by operations (as defined in the Partnership Agreement)	\$ 32	\$ 81

Distributions made from reserves no longer considered necessary by the Corporate General Partner are considered net cash from operations for allocation purposes.

**Other**

In addition to its indirect ownership of the general partner interests in the Partnership, AIMCO and its affiliates owned 900,195 depository unit certificates (DUCs) in the Partnership representing 73.67% of the outstanding DUCs at June 30, 2010. A number of these DUCs were acquired pursuant to tender offers made by AIMCO or its affiliates. It is possible that AIMCO or its affiliates will acquire additional DUCs in exchange for cash or a combination of cash and units in AIMCO Properties, L.P., the operating partnership of AIMCO, either through private purchases or tender offers. Pursuant to the Partnership Agreement, DUC holders holding a majority of the DUCs are entitled to take action with respect to a variety of matters that include, but are not limited to, voting on certain amendments to the Partnership Agreement and voting to remove the Corporate General Partner. As a result

## **Table of Contents**

of its ownership of 73.67% of the outstanding DUCs, AIMCO and its affiliates are in a position to control all voting decisions with respect to the Partnership. Although the Corporate General Partner owes fiduciary duties to the limited partners of the Partnership, the Corporate General Partner also owes fiduciary duties to AIMCO as its sole stockholder. As a result, the duties of the Corporate General Partner, as corporate general partner, to the Partnership and its limited partners may come into conflict with the duties of the Corporate General Partner to AIMCO as its sole stockholder.

## **Critical Accounting Policies and Estimates**

The financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require the Partnership to make estimates and assumptions. The Partnership believes that of its significant accounting policies, the following may involve a higher degree of judgment and complexity.

## **Impairment of Long-Lived Assets**

**INVESTMENT PROPERTY IS RECORDED AT COST, LESS ACCUMULATED DEPRECIATION, UNLESS THE CARRYING AMOUNT OF THE ASSET IS NOT RECOVERABLE. IF EVENTS OR CIRCUMSTANCES INDICATE THAT THE CARRYING AMOUNT OF THE PROPERTY MAY NOT BE RECOVERABLE, THE PARTNERSHIP WILL MAKE AN ASSESSMENT OF ITS RECOVERABILITY BY COMPARING THE CARRYING AMOUNT TO THE PARTNERSHIP'S ESTIMATE OF THE UNDISCOUNTED FUTURE CASH FLOWS, EXCLUDING INTEREST CHARGES, OF THE PROPERTY. IF THE CARRYING AMOUNT EXCEEDS THE ESTIMATED AGGREGATE UNDISCOUNTED FUTURE CASH FLOWS, THE PARTNERSHIP WOULD RECOGNIZE AN IMPAIRMENT LOSS TO THE EXTENT THE CARRYING AMOUNT EXCEEDS THE ESTIMATED FAIR VALUE OF THE PROPERTY.**

Real property investment is subject to varying degrees of risk. Several factors may adversely affect the economic performance and value of the Partnership's investment property. These factors include, but are not limited to, general economic climate; competition from other apartment communities and other housing options; local conditions, such as loss of jobs or an increase in the supply of apartments that might adversely affect apartment occupancy or rental rates; changes in governmental regulations and the related cost of compliance; increases in operating costs (including real estate taxes) due to inflation and other factors, which may not be offset by increased rents; changes in tax laws and housing laws, including the enactment of rent control laws or other laws regulating multi-family housing; and change in interest rates and the availability of financing. Any adverse changes in these and other factors could cause an impairment of the Partnership's asset.

## **Revenue Recognition**

The Partnership generally leases apartment units for twelve-month terms or less. The Partnership will offer rental concessions during particularly slow months or in response to heavy competition from other similar complexes in the area. Rental income attributable to leases, net of any concessions, is recognized on a straight-line basis over the term of the lease. The Partnership evaluates all accounts receivable from residents and establishes an allowance, after the application of security deposits, for accounts greater than 30 days past due on current tenants and all receivables due from former tenants.

## **Item 4T. Controls and Procedures**

### **(a) Disclosure Controls and Procedures.**

The Partnership's management, with the participation of the principal executive officer and principal financial officer of the Corporate General Partner, who are the equivalent of the Partnership's principal executive officer and principal financial officer, respectively, has evaluated the effectiveness of the Partnership's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the principal executive officer and principal financial officer of the Corporate General Partner, who are the equivalent of the Partnership's principal executive officer and principal financial officer, respectively, have concluded that, as of the end of such period, the Partnership's disclosure controls and procedures are effective.

E-12

---

**Table of Contents**

**(b) Changes in Internal Control Over Financial Reporting.**

There has been no change in the Partnership's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, the Partnership's internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

As previously disclosed, AIMCO Properties, L.P. and NHP Management Company, both affiliates of the Corporate General Partner, were defendants in a lawsuit, filed as a collective action in August 2003 in the United States District Court for the District of Columbia, alleging that they willfully violated the Fair Labor Standards Act (FLSA) by failing to pay maintenance workers overtime for time worked in excess of 40 hours per week (overtime claims). The plaintiffs also contended that AIMCO Properties, L.P. and NHP Management Company (the Defendants) failed to compensate maintenance workers for time that they were required to be on-call (on-call claims). In March 2007, the court in the District of Columbia decertified the collective action. In July 2007, plaintiffs' counsel filed individual cases in Federal court in 22 jurisdictions. In the second quarter of 2008, AIMCO Properties, L.P. settled the overtime cases involving 652 plaintiffs and established a framework for resolving the 88 remaining on-call claims and the attorneys' fees claimed by plaintiffs' counsel. As a result, the lawsuits asserted in the 22 Federal courts have been dismissed. During the fourth quarter of 2008, the Partnership paid approximately \$12,000 for settlement amounts for alleged unpaid overtime to employees who had worked at the Partnership's investment property. At this time, the 88 remaining on-call claims and the attorneys' fees claimed by plaintiffs' counsel are not resolved. Pursuant to the global settlement agreement, the parties selected six test on-call cases to be arbitrated. The parties arbitrated four on-call claims and obtained defense verdicts on all four. Two additional on-call claims were dismissed with prejudice. The process now calls for the parties to attempt to mediate the remaining on-call claims and plaintiffs' attorneys' fees. Such mediation has not yet been scheduled. The Corporate General Partner is uncertain as to the amount of any additional loss that may be allocable to the Partnership. Therefore, the Partnership cannot estimate whether any additional loss will occur or a potential range of loss.

**Item 6. Exhibits**

See Exhibit Index.

The agreements included as exhibits to this Form 10-Q contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

may apply standards of materiality in a way that is different from what may be viewed as material to an investor; and

were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. The Partnership acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this Form 10-Q not misleading. Additional information about the Partnership may be found elsewhere in this Form 10-Q and the Partnership's other public filings, which are available without charge through the SEC's website at <http://www.sec.gov>.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements 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.

U.S. REALTY PARTNERS LIMITED PARTNERSHIP

Corporate General Partner  
By: U.S. Realty I Corporation

Date: August 11, 2010

Steven D. Cordes  
Senior Vice President  
By: /s/ Steven D. Cordes

Stephen B. Waters  
Senior Director of Partnership Accounting  
By: /s/ Stephen B. Waters

Date: August 11, 2010

E-14

---



**Table of Contents**

**U.S. REALTY PARTNERS LIMITED PARTNERSHIP**

**EXHIBIT INDEX**

**Exhibit**

- 3 See Exhibit 4(a)
- 4(a) Amended and Restated Certificate and Agreement of Limited Partnership (included as Exhibit A to the Prospectus of Registrant dated August 19, 1986 contained in Amendment No. 4 Registration Statement, No. 33-2996, of Registrant filed August 19, 1986 (the Prospectus ) and is incorporated herein by reference).
- (b) Subscription Agreement and Signature Page (included as Exhibit B to the Prospectus and is incorporated herein by reference).
- (c) Instruments governing the Bonds (filed as Exhibit 10C to Amendment No. 4 to Registration Statement, No. 33-2996, of Registrant filed August 19, 1986 and incorporated herein by reference).
- (d) First Amendment to U.S. Realty Partners Limited Partnership Amended and Restated Agreement of Limited Partnership (dated August 15, 1986) dated October 14, 1993. [Filed as Exhibit 4(c) to Form 10-QSB for the quarter ended September 30, 1993 and incorporated herein by reference.]
- (e) Amendment to the Amended and Restated Limited Partnership Agreement dated April 12, 2005. [Filed as Exhibit 4(e) to Form 10-Q for the quarter ended March 31, 2009 and incorporated herein by reference.]
- 10(i) Contracts related to acquisition of property:
  - (l) Depository Agreement dated as of October 15, 1993, among U.S. Realty Partners Limited Partnership, First Union National Bank of South Carolina and Continental Casualty Company.\*
  - (m) Financial Statement Form UCC-1, State of South Carolina, Office of Secretary of State Jim Miles by US Realty Partners Limited Partnership and Continental Casualty Company.\*
  - (n) Incumbency Certificate by U.S. Realty I Corporation and U.S. Realty Partners Limited Partnership.\*
- 10.25 Multifamily Mortgage, Assignment of Rents and Security Agreement dated December 1, 2005 between U.S. Realty Partners, L.P., a Delaware limited partnership and GMAC Commercial Mortgage Bank. Incorporated by reference to Current Report on Form 8-K dated December 1, 2005.
- 10.26 Multifamily Note dated December 1, 2005 between U.S. Realty Partners, L.P., a Delaware limited partnership and GMAC Commercial Mortgage Bank. Incorporated by reference to Current Report on Form 8-K dated December 1, 2005.
- 10.27 Replacement Reserve Agreement dated December 1, 2005 between U.S. Realty Partners, L.P., a Delaware limited partnership and GMAC Commercial Mortgage Bank. Incorporated by reference to Current Report on Form 8-K dated December 1, 2005.
- 10.28 Guaranty dated December 1, 2005 between AIMCO Properties, L.P., a Delaware limited partnership and GMAC Commercial Mortgage Bank. Incorporated by reference to Current Report on Form 8-K dated December 1, 2005.
- 10.29 Amended and Restated Multifamily Mortgage, Assignment of Rents, and Security Agreement dated December 1, 2005 between U.S. Realty Partners, L.P., a Delaware limited partnership and Federal Home Loan Mortgage Corporation. Incorporated by reference to Current Report on Form 8-K dated December 1, 2005.
- 10.30 Amended and Restated Multifamily Note dated December 1, 2005 between U.S. Realty Partners, L.P., a Delaware limited partnership and Federal Home Loan Mortgage Corporation. Incorporated by reference to Current Report on Form 8-K dated December 1, 2005.
- 10.31

Edgar Filing: APARTMENT INVESTMENT & MANAGEMENT CO - Form S-4

Amended and Restated Guaranty dated December 1, 2005 between AIMCO Properties, L.P., a Delaware limited partnership and Federal Home Loan Mortgage Corporation. Incorporated by reference to Current Report on Form 8-K dated December 1, 2005.

- 10.33 Form of Multifamily Note between Capmark Bank and U.S. Realty Partners Limited Partnership, a Delaware limited partnership, dated September 14, 2007. Incorporated by reference to Current Report on Form 8-K dated September 14, 2007.
- 10.34 Form of Multifamily Mortgage, Assignment of Rents and Security Agreement between Capmark Bank and U.S. Realty Partners Limited Partnership, a Delaware limited partnership, dated September 14, 2007. Incorporated by reference to Current Report on Form 8-K dated September 14, 2007.

**Table of Contents**

**Exhibit**

- 10.35 Form of Replacement Reserve Agreement between Capmark Bank and U.S. Realty Partners Limited Partnership, a Delaware limited partnership, dated September 14, 2007. Incorporated by reference to Current Report on Form 8-K dated September 14, 2007.
- 31.1 Certification of equivalent of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of equivalent of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of equivalent of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99 Prospectus of Registrant dated August 19, 1986 (included in Registration Statement, No. 33-2996, of Registrant and incorporated herein by reference).

\* Filed as Exhibits 10iii(l) through(n) to Form 10QSB for the quarter ended September 30, 1993 and incorporated herein by reference.

**Table of Contents**

**Exhibit 31.1**

**CERTIFICATION**

I, Steven D. Cordes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Realty Partners Limited Partnership;
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.

/s/ Steven D. Cordes

Steven D. Cordes

Senior Vice President of U.S. Realty I Corporation,  
equivalent of the chief executive officer of the  
Partnership

Date: August 11, 2010

E-17

---

**Table of Contents**

**Exhibit 31.2**

**CERTIFICATION**

I, Stephen B. Waters, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Realty Partners Limited Partnership;
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.

/s/ Stephen B. Waters

Stephen B. Waters

Senior Director of Partnership Accounting of U.S. Realty I Corporation, equivalent of the chief financial officer of the Partnership

Date: August 11, 2010

E-18

---

**Table of Contents**

**Exhibit 32.1**

**Certification of CEO and CFO  
Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of U.S. Realty Partners Limited Partnership (the Partnership), for the quarterly period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the Report), Steven D. Cordes, as the equivalent of the chief executive officer of the Partnership, and Stephen B. Waters, as the equivalent of the chief financial officer of the Partnership, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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 Partnership.

/s/ Steven D. Cordes  
Name: Steven D. Cordes

Date: August 11, 2010

/s/ Stephen B. Waters  
Name: Stephen B. Waters

Date: August 11, 2010

This certification is furnished with this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Partnership for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.



**Table of Contents**

**PART II**

**INFORMATION NOT REQUIRED IN THE PROSPECTUS**

**Item 20. *Indemnification of Directors and Officers.***

Aimco's charter limits the liability of Aimco's directors and officers to Aimco and its stockholders to the fullest extent permitted from time to time by Maryland law. Maryland law presently permits the liability of directors and officers to a corporation or its stockholders for money damages to be limited, except (i) to the extent that it is proved that the director or officer actually received an improper benefit or profit in money, property or services for the amount of the benefit or profit in money, property or services actually received, or (ii) to the extent that a judgment or other final adjudication adverse to the director or officer is entered in a proceeding based on a finding that the director's or officer's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. This provision does not limit the ability of Aimco or its stockholders to obtain other relief, such as an injunction or rescission.

Aimco's charter and bylaws require Aimco to indemnify its directors and officers and permits Aimco to indemnify certain other parties to the fullest extent permitted from time to time by Maryland law. Maryland law permits a corporation to indemnify its directors, officers and certain other parties against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service to or at the request of the corporation, unless it is established that (i) the act or omission of the indemnified party was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, (ii) the indemnified party actually received an improper personal benefit in money, property or services or (iii) in the case of any criminal proceeding, the indemnified party had reasonable cause to believe that the act or omission was unlawful. Indemnification may be made against judgments, penalties, fines, settlements and reasonable expenses actually incurred by the director or officer in connection with the proceeding; provided, however, that if the proceeding is one by or in the right of the corporation, indemnification may not be made with respect to any proceeding in which the director or officer has been adjudged to be liable to the corporation. In addition, a director or officer may not be indemnified with respect to any proceeding charging improper personal benefit to the director or officer, whether or not involving action in the director's or officer's official capacity, in which the director or officer was adjudged to be liable on the basis that personal benefit was improperly received. The termination of any proceeding by conviction, or upon a plea of nolo contendere or its equivalent, or an entry of any order of probation prior to judgment, creates a rebuttable presumption that the director or officer did not meet the requisite standard of conduct required for indemnification to be permitted. It is the position of the SEC that indemnification of directors and officers for liabilities arising under the Securities Act is against public policy and is unenforceable pursuant to Section 14 of the Securities Act.

Aimco has entered into agreements with certain of its officers, pursuant to which Aimco has agreed to indemnify such officers to the fullest extent permitted by applicable law.

Section 10.6 of Apartment Investment and Management Company 2007 Stock Award and Incentive Plan, or the 2007 Plan, specifically provides that, to the fullest extent permitted by law, each of the members of the Board of Directors of Aimco, the Compensation Committee of the board of directors and each of the directors, officers and employees of Aimco, any Aimco subsidiary, Aimco OP and any subsidiary of the Aimco OP shall be held harmless and indemnified by Aimco for any liability, loss (including amounts paid in settlement), damages or expenses (including reasonable attorneys' fees) suffered by virtue of any determinations, acts or failures to act, or alleged acts or failures to act, in connection with the administration of the 2007 Plan, so long as such person is not determined by a final adjudication to be guilty of willful misconduct with respect to such determination, action or failure to act.

The Aimco OP partnership agreement requires Aimco OP to indemnify its directors and officers to the fullest extent authorized by applicable law against any and all losses, claims, damages, liabilities, joint or several, expenses (including, without limitation, attorney's fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of Aimco OP. Such indemnification continues after the director or officer ceases to be a director or officer. The right to indemnification includes the right to be paid by Aimco OP the expenses incurred in defending any proceeding in advance of its final disposition upon the delivery of an

II-1

---

**Table of Contents**

undertaking by or on behalf of the indemnitee to repay all amounts advanced if a final judicial decision is rendered that such indemnitee did not meet the standard of conduct permitting indemnification under the Aimco OP partnership agreement or applicable law.

Aimco OP maintains insurance, at its expense, to protect against any liability or loss, regardless of whether any director or officer is entitled to indemnification under the Aimco OP partnership agreement or applicable law.

Directors and officers of the Corporate General Partner are also officers of Aimco, and as such, are entitled to indemnification as described above with respect to the directors and officers of Aimco.

**Item 21. Exhibits.**

(a) *Exhibits.* An index to exhibits appears below and is incorporated herein by reference. The agreements included as exhibits to this registration statement contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and

were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Aimco and Aimco OP acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, they are responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this registration statement not misleading. Additional information about Aimco and Aimco OP may be found elsewhere in this registration statement and Aimco's and Aimco OP's other public filings, which are available without charge through the SEC's website at <http://www.sec.gov>. See "Where You Can Find Additional Information" in the information statement/prospectus that forms a part of this registration statement.

(b) *Financial Statement Schedules.* None required.

(c) *Reports, Opinions or Appraisals.* Appraisal report by Cogent Realty Advisors, LLC related to Twin Lakes Apartments is filed as an exhibit to the registration statement filed with the SEC.

**Item 22. Undertakings.**

(a) Each of the undersigned registrants hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a

**Table of Contents**

20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, the undersigned registrant undertakes that each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A (§ 230.430A of this chapter), shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) That, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(6) That for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide

offering thereof.

(7) That prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information

II-3

---

**Table of Contents**

called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other Items of the applicable form.

(8) That every prospectus (i) that is filed pursuant to paragraph (7) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(9) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(10) To respond to requests for information that is incorporated by reference into the information statement/prospectus pursuant to Item 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(11) To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

**Table of Contents****SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Denver, State of Colorado, October 12, 2010.

APARTMENT INVESTMENT AND  
MANAGEMENT COMPANY

By: /s/ TERRY CONSIDINE

Name: Terry Considine

Title: Chairman of the Board, Chief Executive  
Officer

**POWER OF ATTORNEY**

Each person whose signature appears below authorizes Terry Considine and Ernest M. Freedman, and each of them, each of whom may act without joinder of the other, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and reconstitution, for him or her and in his or her name, place and stead, in any and all capacities to execute in the name of each such person who is then an officer or director of Aimco, and to file any amendments (including post effective amendments) to this Registration Statement and any registration statement for the same offering filed pursuant to Rule 462 under the Securities Act of 1933, and to file the same, with all exhibits thereto and all other documents in connection therewith, with the SEC, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing appropriate or necessary to be done, as fully and for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney s-in-fact and agents or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ TERRY CONSIDINE Terry Considine	Chairman of the Board and Chief Executive Officer (principal executive officer)	October 12, 2010
/s/ ERNEST M. FREEDMAN Ernest M. Freedman	Executive Vice President and Chief Financial Officer (principal financial officer)	October 12, 2010
/s/ PAUL BELDIN Paul Beldin	Senior Vice President and Chief Accounting Officer (principal accounting officer)	October 12, 2010
/s/ JAMES N. BAILEY	Director	October 12, 2010



James N. Bailey

/s/ RICHARD S. ELLWOOD

Director

October 12, 2010

Richard S. Ellwood

II-5

---

**Table of Contents**

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ THOMAS L. KELTNER Thomas L. Keltner	Director	October 12, 2010
/s/ J. LANDIS MARTIN J. Landis Martin	Director	October 12, 2010
/s/ ROBERT A. MILLER Robert A. Miller	Director	October 12, 2010
/s/ MICHAEL A. STEIN Michael A. Stein	Director	October 12, 2010
/s/ KATHLEEN M. NELSON Kathleen M. Nelson	Director	October 12, 2010

**Table of Contents****SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Denver, State of Colorado, October 12, 2010.

AIMCO PROPERTIES, L.P.

By: AIMCO-GP, Inc., its General Partner

By: /s/ TERRY CONSIDINE

Name: Terry Considine

Title: Chairman of the Board and  
Chief Executive Officer

**POWER OF ATTORNEY**

Each person whose signature appears below authorizes Terry Considine and Ernest M. Freedman, and each of them, each of whom may act without joinder of the other, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and reconstitution, for him or her and in his or her name, place and stead, in any and all capacities to execute in the name of each such person who is then an officer or director of Aimco, and to file any amendments (including post effective amendments) to this Registration Statement and any registration statement for the same offering filed pursuant to Rule 462 under the Securities Act of 1933, and to file the same, with all exhibits thereto and all other documents in connection therewith, with the SEC, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing appropriate or necessary to be done, as fully and for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney s-in-fact and agents or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ TERRY CONSIDINE Terry Considine	Chairman of the Board and Chief Executive Officer of the registrant s general partner (principal executive officer)	October 12, 2010
/s/ MILES CORTEZ Miles Cortez	Director, Executive Vice President and Chief Administrative Officer of the registrant s general partner	October 12, 2010
/s/ ERNEST M. FREEDMAN Ernest M. Freedman	Executive Vice President and Chief Financial Officer of the registrant s general partner (principal financial officer)	October 12, 2010
/s/ PAUL BELDIN	Senior Vice President and Chief Accounting Officer of the registrant s	October 12, 2010

Paul Beldin

general partner (principal accounting  
officer)

II-7

---

**Table of Contents****INDEX TO EXHIBITS(1)(2)**

<b>Exhibit Number</b>	<b>Description</b>
2.1	Agreement and Plan of Merger, dated as of October 8, 2010 by and among U.S. Realty Partners Limited Partnership, AIMCO USRP Merger Sub LLC and Aimco Properties, L.P. (Annex A to the Information Statement/Prospectus filed hereto)
3.1	Charter of Apartment Investment and Management Company (Exhibit 3.1 to Aimco's Annual Report on Form 10-K for the year ended December 31, 2008, is incorporated herein by this reference)
3.2	Amended and Restated Bylaws of Apartment Investment and Management Company (Exhibit 3.2 to Aimco's Current Report on Form 8-K dated February 4, 2010, is incorporated herein by this reference)
3.3	Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 29, 1994, as amended and restated as of February 28, 2007 (Exhibit 10.1 to Aimco's Annual Report on Form 10-K for the year ended December 31, 2006, is incorporated herein by this reference)
3.4	First Amendment to Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of December 31, 2007 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated December 31, 2007, is incorporated herein by this reference)
3.5	Second Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 30, 2009 (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, is incorporated herein by this reference)
3.6	Third Amendment to Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of December 31, 2007 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated September 3, 2010, is incorporated herein by this reference)
5.1	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding the validity of the Common OP Units being registered.
5.2	Opinion of DLA Piper regarding the validity of the Class A Common Stock issuable upon redemption of the Common OP Units
8.1	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding certain tax matters
10.1	Amended and Restated Secured Credit Agreement, dated as of November 2, 2004, by and among Aimco, AIMCO Properties, L.P., AIMCO/Bethesda Holdings, Inc., and NHP Management Company as the borrowers and Bank of America, N.A., Keybank National Association, and the Lenders listed therein (Exhibit 4.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004, is incorporated herein by this reference)
10.2	First Amendment to Amended and Restated Secured Credit Agreement, dated as of June 16, 2005, by and among Aimco, AIMCO Properties, L.P., AIMCO/Bethesda Holdings, Inc., and NHP Management Company as the borrowers and Bank of America, N.A., Keybank National Association, and the Lenders listed therein (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated June 16, 2005, is incorporated herein by this reference)
10.3	Second Amendment to Amended and Restated Senior Secured Credit Agreement, dated as of March 22, 2006, by and among Aimco, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the borrowers, and Bank of America, N.A., Keybank National Association, and the lenders listed therein (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated March 22, 2006, is incorporated herein by this reference)
10.4	Third Amendment to Senior Secured Credit Agreement, dated as of August 31, 2007, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the Borrowers, the pledgors and guarantors named therein, Bank of America, N.A., as

administrative agent and Bank of America, N.A., Keybank National Association and the other lenders listed therein (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated August 31, 2007, is incorporated herein by this reference)

- 10.5 Fourth Amendment to Senior Secured Credit Agreement, dated as of September 14, 2007, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the Borrowers, the pledgors and guarantors named therein, Bank of America, N.A., as administrative agent and Bank of America, N.A., Keybank National Association and the other lenders listed therein (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated September 14, 2007, is incorporated herein by this reference)
-

**Table of Contents**

<b>Exhibit Number</b>	<b>Description</b>
10.6	Fifth Amendment to Senior Secured Credit Agreement, dated as of September 9, 2008, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the Borrowers, the pledgors and guarantors named therein, Bank of America, N.A., as administrative agent and Bank of America, N.A., Keybank National Association and the other lenders listed therein (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated September 11, 2008, is incorporated herein by this reference)
10.7	Sixth Amendment to Senior Secured Credit Agreement, dated as of May 1, 2009, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the Borrowers, the pledgors and guarantors named therein, Bank of America, N.A., as administrative agent and Bank of America, N.A., Keybank National Association and the other lenders listed therein (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, is incorporated herein by this reference)
10.8	Seventh Amendment to Senior Secured Credit Agreement, dated as of August 4, 2009, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the Borrowers, the pledgors and guarantors named therein and the lenders party thereto (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated August 6, 2009, is incorporated herein by this reference)
10.9	Eighth Amendment to Senior Secured Credit Agreement, dated as of February 3, 2010, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the Borrowers, the pledgors and guarantors named therein and the lenders party thereto (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated February 5, 2010, is incorporated herein by this reference)
10.10	Ninth Amendment to Amended and Restated Senior Secured Credit Agreement, dated as of May 14, 2010, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the borrowers, the guarantors and the pledgors named therein and the lenders party thereto (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, is incorporated herein by this reference)
10.11	Master Indemnification Agreement, dated December 3, 2001, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., XYZ Holdings LLC, and the other parties signatory thereto (Exhibit 2.3 to Aimco's Current Report on Form 8-K, dated December 6, 2001, is incorporated herein by this reference)
10.12	Tax Indemnification and Contest Agreement, dated December 3, 2001, by and among Apartment Investment and Management Company, National Partnership Investments, Corp., and XYZ Holdings LLC and the other parties signatory thereto (Exhibit 2.4 to Aimco's Current Report on Form 8-K, dated December 6, 2001, is incorporated herein by this reference)
10.13	Limited Liability Company Agreement of AIMCO JV Portfolio #1, LLC dated as of December 30, 2003 by and among AIMCO BRE I, LLC, AIMCO BRE II, LLC and SRV-AJVP#1, LLC (Exhibit 10.54 to Aimco's Annual Report on Form 10-K for the year ended December 31, 2003, is incorporated herein by this reference)
10.14	Employment Contract executed on December 29, 2008, by and between AIMCO Properties, L.P. and Terry Considine (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated December 29, 2008, is incorporated herein by this reference)*
10.15	Apartment Investment and Management Company 1997 Stock Award and Incentive Plan (October 1999) (Exhibit 10.26 to Aimco's Annual Report on Form 10-K for the year ended December 31, 1999, is

- incorporated herein by this reference)\*
- 10.16 Form of Restricted Stock Agreement (1997 Stock Award and Incentive Plan) (Exhibit 10.11 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997, is incorporated herein by this reference)\*
- 10.17 Form of Incentive Stock Option Agreement (1997 Stock Award and Incentive Plan) (Exhibit 10.42 to Aimco's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by this reference)\*
- 10.18 2007 Stock Award and Incentive Plan (incorporated by reference to Appendix A to Aimco's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 20, 2007)\*
-



**Table of Contents**

<b>Exhibit Number</b>	<b>Description</b>
10.19	Form of Restricted Stock Agreement (Exhibit 10.2 to Aimco's Current Report on Form 8-K, dated April 30, 2007, is incorporated herein by this reference)*
10.20	Form of Non-Qualified Stock Option Agreement (Exhibit 10.3 to Aimco's Current Report on Form 8-K, dated April 30, 2007, is incorporated herein by this reference)*
10.21	2007 Employee Stock Purchase Plan (incorporated by reference to Appendix B to Aimco's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 20, 2007)*
21.1	List of Subsidiaries (Exhibit 21.1 to Aimco's Annual Report of Form 10-K for the year ended December 31, 2009 is incorporated herein by this reference)
23.1	Consent of Independent Registered Public Accounting Firm
23.2	Consent of Independent Registered Public Accounting Firm
23.3	Consent of Independent Registered Public Accounting Firm
23.4	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in Exhibit 5.1)
23.5	Consent of DLA Piper (included in Exhibit 5.2)
23.6	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in Exhibit 8.1)
23.7	Consent of Cogent Realty Advisors, LLC
24.1	Power of Attorney (included in the signature pages to the Registration Statement)
99.1	Appraisal Report, dated as of May 21, 2010, by Cogent Realty Advisors, LLC, related to Twin Lakes Apartments.

(1) Schedules and supplemental materials to the exhibits have been omitted but will be provided to the Securities and Exchange Commission upon request.

(2) The file reference number for all exhibits is 001-13232, and all such exhibits remain available pursuant to the Records Control Schedule of the Securities and Exchange Commission.

\* Indicates a management contract or compensatory plan or arrangement.