

APARTMENT INVESTMENT & MANAGEMENT CO

Form S-4/A

December 13, 2010

Table of Contents

As filed with the Securities and Exchange Commission on December 13, 2010

Registration No. 333-169870

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

**Amendment No. 3**

**to**

**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)*

**Maryland**

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

**6798**

*(Primary standard industrial  
classification code number)*

**84-1259577**

*(IRS Employer  
Identification Number)*

**AIMCO PROPERTIES, L.P.**

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

**Delaware**

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

**6513**

*(Primary standard industrial  
classification code number)*

**84-1275621**

*(IRS Employer  
Identification Number)*

**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)

**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**

**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 December 3, 2010, the average closing price of Aimco common stock over the preceding ten consecutive trading days was \$24.17, which would have resulted in 0.11 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 December 3, 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 February 11, 2011. **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 12. 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 December 13, 2010, and is first being mailed to limited partners on or about December 13, 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**

**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 from documents that it has 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 87 of this information statement/prospectus.

Aimco will provide you with copies of such documents relating to Aimco (excluding all exhibits unless Aimco 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>
<u>SUMMARY TERM SHEET</u>	1
<u>SPECIAL FACTORS</u>	4
<u>Purposes, Alternatives and Reasons for the Merger</u>	4
<u>Effects of the Merger</u>	5
<u>Material United States Federal Income Tax Consequences of the Merger</u>	6
<u>Fairness of the Transaction</u>	6
<u>The Appraisal</u>	8
 <u>RISK FACTORS</u>	 12
<u>Risks Related to the Merger</u>	12
<u>Risks Related to an Investment in Aimco or Aimco OP</u>	13
<u>Risks Related to an Investment in OP Units</u>	13
<u>Certain United States Tax Risks Associated with an Investment in the OP Units</u>	15
 <u>SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF APARTMENT INVESTMENT AND MANAGEMENT COMPANY</u>	 17
 <u>SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF AIMCO PROPERTIES, L.P.</u>	 19
 <u>SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF U.S. REALTY PARTNERS LIMITED PARTNERSHIP</u>	 21
 <u>COMPARATIVE PER SHARE DATA</u>	 22
 <u>INFORMATION ABOUT THE AIMCO ENTITIES</u>	 23
 <u>INFORMATION ABOUT U.S. REALTY PARTNERS LIMITED PARTNERSHIP</u>	 25
<u>Distributions to Limited Partners</u>	26
<u>Certain Relationships and Related Transactions</u>	26
<u>Directors, Executive Officers and Corporate Governance</u>	27
<u>Security Ownership of Certain Beneficial Owners and Management</u>	28
<u>Additional Information</u>	28
 <u>THE MERGER</u>	 29
<u>Background of the Merger</u>	29
<u>Determination of Merger Consideration</u>	30
<u>Conflicts of Interest</u>	31
<u>Waiver and Release and Additional Consideration</u>	31
<u>Future Plans for the Property</u>	32
<u>Material United States Federal Income Tax Consequences of the Merger</u>	32
<u>Regulatory Matters</u>	32
<u>Accounting Treatment of the Merger</u>	32
<u>Appraisal Rights</u>	32



<u>Expenses and Fees and Source of Funds</u>	33
<u>Approvals Required</u>	33
<u>THE MERGER AGREEMENT</u>	34
<u>The Merger</u>	34
<u>Conditions to Obligations to Complete the Merger</u>	34

---

**Table of Contents**

	<b>Page</b>
<u>Termination of the Merger Agreement</u>	34
<u>Amendment</u>	34
<u>Governing Law</u>	34
<u>Appraisal Rights</u>	35
<u>Election Forms</u>	35
<u>DESCRIPTION OF AIMCO OP UNITS; SUMMARY OF AIMCO OP PARTNERSHIP AGREEMENT</u>	36
<u>General</u>	36
<u>Purpose And Business</u>	36
<u>Management By The General Partner</u>	36
<u>Outstanding Classes Of Units</u>	38
<u>Distributions</u>	39
<u>Allocations Of Net Income And Net Loss</u>	39
<u>Withholding</u>	40
<u>Return Of Capital</u>	40
<u>Redemption Rights Of Qualifying Parties</u>	40
<u>Partnership Right To Call Limited Partner Interests</u>	41
<u>Transfers And Withdrawals</u>	41
<u>Amendment of the Partnership Agreement</u>	42
<u>Procedures for Actions and Consents of Partners</u>	42
<u>Records and Accounting; Fiscal Year</u>	43
<u>Reports</u>	43
<u>Tax Matters Partner</u>	43
<u>Dissolution and Winding Up</u>	43
<u>DESCRIPTION OF AIMCO COMMON STOCK</u>	45
<u>General</u>	45
<u>Outstanding Classes Of Preferred Stock</u>	46
<u>COMPARISON OF AIMCO OP UNITS AND AIMCO COMMON STOCK</u>	51
<u>COMPARISON OF USRP UNITS AND AIMCO OP UNITS</u>	53
<u>Compensation and Distributions</u>	57
<u>MATERIAL UNITED STATES FEDERAL INCOME TAX MATTERS</u>	59
<u>United States Federal Income Tax Consequences Relating to the Merger</u>	59
<u>Taxation of Aimco OP and OP Unitholders</u>	61
<u>Taxation of Aimco and Aimco Stockholders</u>	67
<u>Other Tax Consequences</u>	82
<u>FEES AND EXPENSES</u>	84
<u>LEGAL MATTERS</u>	85
<u>EXPERTS</u>	86



**Table of Contents**

	<b>Page</b>
<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 September 30, 2010</u>	E-1
<u>Annex F Summary of Appraisal Table</u>	F-1
<u>Annex G Aimco OP s Annual Report on Form 10-K for the year ended December 31, 2009</u>	G-1
<u>Annex H Aimco OP s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010</u>	H-1
<u>Annex I Aimco OP s Current Report on Form 8-K, dated November 19, 2010</u>	I-1
<u>EX-23.1</u>	
<u>EX-23.2</u>	
<u>EX-23.3</u>	

**Table of Contents**

**SUMMARY TERM SHEET**

*This summary term sheet highlights the material information with respect to the merger agreement, the merger and the other matters described herein. 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. Aimco, Aimco OP, the General Partners and Aimco's subsidiaries that may be deemed to directly or indirectly beneficially own limited partnership units of USRP are referred to herein, collectively, as the Aimco Entities.*

**The Merger:** 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. 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.

**Merger Consideration:** 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, except in those jurisdictions where the law prohibits the offer of OP Units (or registration would be prohibitively costly). The number of OP Units issuable with respect to each USRP Unit will be calculated by dividing the \$2.76 per 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. For a full description of the determination of the merger consideration, see **The Merger Determination of Merger Consideration** beginning on page 30.

**Effects of the Merger:** After the merger, Aimco OP will be the sole limited partner in USRP, and will own all of the outstanding USRP Units. As a result, after the merger, you will cease to have any rights in USRP as a limited partner. See **Special Factors Effects of the Merger**, beginning on page 5.

**Appraisal Rights:** 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, and which will enable a limited partner to obtain an appraisal of the value of the limited partner's USRP Units in connection with the merger. See **The Merger Appraisal Rights**, beginning on page 32. 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**.

**Additional Payment for Waiver and Release:** In addition to 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, but excluding claims limited partners may have under federal securities laws. See **The Merger Waiver and Release and Additional Consideration**, beginning on page 31.

**Parties Involved:**

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

U.S. Realty Partners Limited Partnership, or USRP, is a Delaware limited partnership formed on January 23, 1986. USRP owns and operates one investment property, Twin Lakes Apartments, a 262 unit apartment project located in Palm Harbor, Florida. See Information About U.S. Realty Partners Limited Partnership, beginning on page 25. USRP's principal address is 55 Beattie Place, P.O. Box 1089, Greenville, South Carolina 29602, and its telephone number is (864) 239-1000.

Apartment Investment and Management Company, or Aimco, is a Maryland corporation that 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. Aimco is one of the largest owners and operators of apartment properties in the United States. Aimco's

**Table of Contents**

common stock is listed and traded on the NYSE under the symbol AIV. See Information about the Aimco Entities, beginning on page 23.

AIMCO Properties, L.P., or Aimco OP, is a Delaware limited partnership which, through its operating divisions and subsidiaries, holds substantially all of Aimco's assets and manages the daily operations of Aimco's business and assets. See Information about the Aimco Entities, beginning on page 23.

AIMCO USRP Merger Sub LLC, or the Aimco Subsidiary, is a Delaware limited liability company formed for the purpose of consummating the merger with USRP. The Aimco Subsidiary is a direct wholly-owned subsidiary of Aimco OP. See Information about the Aimco Entities, beginning on page 23.

*Reasons for the Merger:* Aimco and Aimco OP are in the business of acquiring, owning and managing apartment properties such as the one owned by USRP, and have decided to proceed with the merger as a means of acquiring the property currently owned by USRP in a manner that they believe (i) provides fair value to limited partners, (ii) offers limited partners an opportunity to receive immediate liquidity, or defer recognition of taxable gain (except where 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 where registration or qualification would be prohibitively costly), and (iii) relieves USRP of the expenses associated with a sale of the property, including marketing and other transaction costs. The Aimco Entities decided to proceed with the merger at this time for the following reasons:

In the absence of a transaction, USRP limited partners have only limited options to liquidate their investment in USRP. The USRP Units are not traded on an exchange or other reporting system, and transactions in the securities are limited and sporadic.

The value of the single property owned by USRP is not sufficient to justify its continued operation as a public company. As a public company with a significant number of unaffiliated limited partners, USRP incurs costs associated with preparing audited annual financial statements, unaudited quarterly financial statements, tax returns for partners on schedule K-1, periodic SEC reports and other expenses. The Aimco Entities estimate these costs to be approximately \$51,000 per year.

USRP has been operating at a loss for the past several years. Since 2007, Aimco OP has made loans of \$2,036,000 to USRP to help fund operating expenses, but it is not willing to continue to make advances to USRP. The Aimco Entities do not believe that USRP can obtain financing from an independent third party. If the Aimco Entities acquire 100% ownership of USRP, they will have greater flexibility in financing and operating its property.

*Fairness of the Merger:* Although the Aimco Entities have interests that may conflict with those of USRP's unaffiliated limited partners, each of the Aimco Entities believe that the merger is fair to the unaffiliated limited partners of USRP. See Special Factors Fairness of the Transaction beginning on page 6.

*Conflicts of Interest:* The Corporate General Partner is indirectly wholly owned by Aimco. Therefore, the Corporate General Partner has a conflict of interest with respect to the merger. The Corporate General Partner has fiduciary duties to AIMCO/IPT, Inc., the Corporate General Partner's sole stockholder and an affiliate of 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 the duties of the Corporate General Partner to AIMCO/IPT, Inc., 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. See, The Merger Conflicts of Interest, beginning on page 31.

*Risk Factors:* 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 12. Some of the risk factors associated with the merger are summarized below:

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



**Table of Contents**

USRP limited partners who receive cash may recognize taxable gain in the merger and that gain could exceed the merger consideration.

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 53.

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; and there is no assurance as to the value that might be realized upon a future redemption of OP Units.

*Material United States Federal Income Tax Consequences of the Merger:* 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 Material United States Federal Income Tax Matters – Taxation of Aimco OP and OP Unitholders – United States Federal Income Tax Consequences Relating to the Merger, beginning on page 59.

**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 Material 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.**

**Table of Contents**

**SPECIAL FACTORS**

**Purposes, Alternatives and Reasons for the Merger**

Aimco and Aimco OP are in the business of acquiring, owning and managing apartment properties such as the one owned by USRP, and have decided to proceed with the merger as a means of acquiring the property currently owned by USRP in a manner that they believe (i) provides fair value to limited partners, (ii) offers limited partners an opportunity to receive immediate liquidity, or defer recognition of taxable gain (except where 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 where registration or qualification would be prohibitively costly), and (iii) relieves USRP of the expenses associated with a sale of the property, including marketing and other transaction costs.

The Aimco Entities decided to proceed with the merger at this time for the following reasons:

In the absence of a transaction, USRP limited partners have only limited options to liquidate their investment in USRP. The USRP Units are not traded on an exchange or other reporting system, and transactions in the securities are limited and sporadic.

The value of the single property owned by USRP is not sufficient to justify its continued operation as a public company. As a public company with a significant number of unaffiliated limited partners, USRP incurs costs associated with preparing audited annual financial statements, unaudited quarterly financial statements, tax returns for partners on schedule K-1, periodic SEC reports and other expenses. The Aimco Entities estimate these costs to be approximately \$51,000 per year.

USRP has been operating at a loss for the past several years. Since 2007, Aimco OP has made loans of \$2,036,000 to USRP to help fund operating expenses, but it is not willing to continue to make advances to USRP. The Aimco Entities do not believe that USRP can obtain additional financing from an independent third party. If the Aimco Entities acquire 100% ownership of USRP, they will have greater flexibility in financing and operating its property.

Before deciding to proceed with the merger, the Corporate General Partner and the other Aimco Entities considered the alternatives described below:

*Continuation of USRP as a Public Company Operating the Property.* As discussed above, the Corporate General Partner and the Aimco Entities did not consider this a viable alternative primarily because of the costs associated with preparing financial statements, tax returns, periodic SEC reports and other expenses, and the inability of USRP to generate sufficient funds to cover operating expenses without advances from Aimco OP which would not be available in the future.

*Liquidation of USRP.* The Corporate General Partner and the other Aimco Entities considered a liquidation of USRP in which USRP's property would be marketed and sold to a third party for cash, with any net proceeds remaining, after payment of all liabilities, distributed 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 and the other Aimco Entities rejected this alternative because of: (i) the risk that a third party purchaser might not be found that would offer a satisfactory price; (ii) the costs that USRP would incur in connection with marketing and selling the property; (iii) the fact that limited partners would recognize taxable gain on the sale; and (iv) the prepayment penalties that USRP would

incur in repaying its mortgage debt upon a sale of the property.

*Contribution of the property to Aimco OP.* The Aimco Entities considered a transaction in which USRP's property would be contributed 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 Aimco Entities rejected this alternative because it would not offer an opportunity for immediate liquidity to those limited partners who desire it.

## **Table of Contents**

### **Effects of the Merger**

The Aimco Entities believe that the merger will have the following benefits and detriments to unaffiliated limited partners, USRP and the Aimco Entities:

*Benefits to Unaffiliated Limited Partners.* The merger is expected to have the following principal benefits to unaffiliated limited partners:

*Option to Defer Taxable Gain.* 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). Limited partners who receive OP Units in the merger may defer recognition of taxable gain.

*Liquidity.* Limited partners who receive the cash consideration will receive immediate liquidity with respect to their investment.

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

*Benefits to USRP.* The merger is expected to have the following principal benefits to USRP:

*Elimination of Costs Associated with SEC Reporting Requirements and Multiple Limited Partners.* After the merger, the Aimco Entities will own all of the interests in USRP, and USRP will terminate its registration and cease filing periodic reports with the SEC. As a result, USRP will no longer incur costs associated with preparing audited annual financial statements, unaudited quarterly financial statements, tax returns for partners on schedule K-1, periodic SEC reports and other expenses. The Aimco Entities estimate these expenses to be approximately \$51,000 per year.

*Benefits to the Aimco Entities.* The merger is expected to have the following principal benefits to the Aimco Entities:

*Increased Interest in USRP.* Upon completion of the merger, Aimco OP will be the sole limited partner of USRP. As a result, the Aimco Entities will receive all of the benefit from any future appreciation in value of the property after the merger, and any future property income.

*Detriments to Unaffiliated Limited Partners.* The merger is expected to have the following principal detriments to unaffiliated limited partners:

*Taxable Gain.* Limited partners who receive cash consideration may recognize taxable gain in the merger and that gain could exceed the merger consideration. Limited partners who receive OP Units in the merger could recognize taxable gain if Aimco subsequently sells the property.

*Risks Related to OP Units.* Limited partners who 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.

*Conflicts of Interest; No Separate Representation of Unaffiliated Limited Partners.* The Corporate General Partner is indirectly wholly owned by Aimco. Therefore, the Corporate General Partner has a conflict of interest with respect to the merger. The Corporate General Partner has fiduciary duties to AIMCO/IPT, Inc., the Corporate General Partner's

sole stockholder and an affiliate of 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 the duties of the Corporate General Partner to AIMCO/IPT, Inc., 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. In negotiating the merger agreement, no one separately represented the interests of the unaffiliated limited partners. If an independent advisor had been engaged, it is possible that such advisor could have negotiated better terms for USRP's unaffiliated limited partners.

*Detriments to USRP.* The merger is not expected to have any detriments to USRP.

## **Table of Contents**

*Detriments to the Aimco Entities.* The merger is expected to have the following principal detriments to the Aimco Entities:

*Increased Interest in USRP.* Upon completion of the merger, the Aimco Entities' interest in the net book value of USRP will increase from 73.7% to 100%, or from a deficit of \$3,734,000 to a deficit of \$5,064,000 as of December 31, 2009, and their interest in the net losses of USRP will increase from 74.0% to 100%, or from \$404,000 to \$546,000 for the period ended December 31, 2009. As a result, Aimco OP will bear the burden of all future operating or other losses, as well as any decline in the value of USRP's property.

*Burden of Capital Expenditures.* Upon completion of the merger, the Aimco Entities will have sole responsibility for providing any funds necessary to pay for capital expenditures at the property.

## **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 **Material United States Federal Income Tax Matters** - **United States Federal Income Tax Consequences Relating to the Merger.**

## **Fairness of the Transaction**

*Factors in Favor of Fairness Determination.* The Aimco Entities (including the Corporate General Partner) believe that the merger is fair and in the best interests of USRP and its unaffiliated limited partners. In support of such determination, the Aimco Entities considered the following factors:

The merger consideration of \$2.76 per USRP Unit was based on an independent third party appraisal of USRP's property by CRA, an independent valuation firm.

The merger consideration is equal to the Aimco Entities' estimate of going concern value, calculated as the appraised value of USRP's property, plus the amount of its other assets, less the amount of USRP's liabilities, including mortgage debt (but without deducting any prepayment penalties thereon).

The merger consideration is greater than the Aimco Entities' estimate of liquidation value because there was no deduction for certain amounts that would be payable upon an immediate sale of the property, such as prepayment penalties on the mortgage debt, currently estimated to be \$2,892,958.

The merger consideration exceeds the net book value per unit (a deficit of \$4.43 per USRP Unit at September 30, 2010).

Limited partners may defer recognition of taxable gain by electing to receive OP Units in the merger, except in those jurisdictions where the law prohibits the offer of OP Units (or registration would be prohibitively costly).

The number of OP Units issuable to limited partners in the merger will be 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.

Limited partners who receive cash consideration will achieve immediate liquidity with respect to their investment.

Limited partners who 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.

Although the merger agreement may be terminated by either side at any time, 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 subsequent reduction of the proceeds.

**Table of Contents**

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

The merger consideration is greater than some of the prices at which USRP Units have historically sold in the secondary market (\$1.20 to \$4.50 per USRP Unit from January 1, 2008 through December 31, 2009).

The merger consideration is greater than the prices at which USRP Units have recently sold in the secondary market (\$1.00 per USRP Unit from January 1, 2010 through December 3, 2010).

*Factors Not in Favor of Fairness Determination.* In addition to the foregoing factors, the Aimco Entities also considered the following countervailing factors:

The Corporate General Partner has substantial conflicts of interest with respect to the merger as a result of (i) the fiduciary duties it owes to unaffiliated limited partners, who have an interest in receiving the highest possible consideration, and (ii) the fiduciary duties it owes to its sole stockholder, a subsidiary of Aimco, which has an interest in obtaining the USRP property for the lowest possible consideration.

The terms of the merger were not approved by any independent directors.

An unaffiliated representative was not retained to act solely on behalf of the unaffiliated limited partners for purposes of negotiating the merger agreement on an independent, arm's-length basis, which might have resulted in better terms for the unaffiliated limited partners.

The merger agreement does not require the approval of any unaffiliated limited partners.

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

The merger consideration is less than some of the prices at which USRP Units have historically sold in the secondary market (\$1.20 to \$4.50 per USRP Unit from June 1, 2008 through December 31, 2009).

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

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

Limited partners who 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**.

CRA, the valuation firm that appraised the USRP property, has performed work for Aimco OP and its affiliates in the past and this pre-existing relationship could negatively impact CRA's independence.

The Aimco Entities did not assign relative weights to the above factors in reaching their decision that the merger is fair to USRP and its unaffiliated limited partners. However, in determining that the benefits of the proposed merger outweigh the costs and risks, they relied primarily on the following factors: (i) the merger consideration of \$2.76 per USRP Unit is based on independent third party appraisal of USRP's property, (ii) limited partners may defer



recognition of taxable gain by electing to receive OP Units in the merger (except in certain jurisdictions) and (iii) limited partners are entitled to contractual dissenters' appraisal rights. The Aimco Entities were aware of, but did not place much emphasis on, information regarding prices at which USRP Units may have sold in the secondary market because they do not view that information as a reliable measure of value. The USRP Units are not traded on an exchange or other reporting system, and transactions in the secondary market are very limited and sporadic.

*Procedural Fairness.* The Aimco Entities determined that the merger is fair from a procedural standpoint despite the absence of any customary procedural safeguards, such as the engagement of an unaffiliated representative, the approval of independent directors or approval by a majority of unaffiliated limited partners. In making this determination, the Aimco Entities relied primarily on the dissenters' appraisal rights provided to unaffiliated

## **Table of Contents**

limited partners under the merger agreement that are similar to the dissenters' appraisal rights available to stockholders in a corporate merger under Delaware law.

### **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 reports were prepared in conformity with the Uniform Standards of Professional Appraisal Practice, as promulgated by the Appraisal Standards Board of the Appraisal Foundation and 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 assumptions utilized by CRA with respect to the property are set forth below. The property-specific assumptions were determined by CRA to be reasonable based on its review of historical operating and financial data for the property and comparison of said data to the operating statistics of similar properties in the influencing market area. The capitalization rate for each property was determined to be reasonable by CRA based on their review of applicable data ascertained within the market in which the property is located.

## **Table of Contents**

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 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. In the appraisal, numerous sales were uncovered and the specific sales included in the appraisal report were deemed representative of the most comparable data available at the time the appraisal was prepared. Important criteria utilized in selecting the most comparable data included: conditions under which the sale occurred (i.e. seller and buyer were typically motivated); date of sale every attempt was made to utilize recent sales transactions; sales were selected based on their physical similarity to the appraised property; transactions were selected based on the similarity of location between the comparable and appraised property; and, similarity of economic characteristics between the comparable and appraised property. Sales data that may have been uncovered during the course of research that was not included in the appraisal did not meet the described criteria and/or could not be adequately confirmed.

According to CRA's report, the basic steps in processing the sales comparison approach are outlined 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 the reconciliation of the 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 is 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 is dated 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 is \$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;

**Table of Contents**

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 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 Apartment's 262 units, this resulted in CRA's total value estimate for Twin Lakes Apartments of approximately \$15,500,000.

CRA also performed an EGIM analysis, which resulted in an indicated EGIM of approximately 5.9 on a stabilized basis. The EGIM (Effective Gross Income Multiplier) is the ratio of the sale price of a property to its effective gross income at the time of sale. The EGIM is used to compare the income-producing characteristics of properties. In the appraisal, the indicated EGIM for the appraised property, calculated by dividing the value concluded for the appraised property via the sale comparison approach by its projected effective gross income, was compared to the EGIMs produced by the sales data. In the appraisal, the appraised property's 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

**Table of Contents**

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, 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 \$115,031 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 appraisals.

*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](#).



**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 unaffiliated limited partners 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 unaffiliated 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 the Corporate General Partner, on the one hand, and officers of Aimco, on the other. All of the officers and directors of the Corporate General Partner are also officers of Aimco. There are no independent directors of the Corporate General Partner. 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.

*The merger agreement does not require approval of the merger by a majority of the unaffiliated limited partners.* Under the provisions of the USRP partnership agreement and applicable Delaware law, the merger must be approved by a majority in interest of the USRP Units. As of December 3, 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.

*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, Special Factors—The Appraisal, beginning on page 8, 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 September 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 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 unaffiliated limited partners. While the Corporate General Partner and each of the other Aimco Entities believes that the terms of the merger are fair to USRP limited partners unaffiliated with the Corporate General Partner or Aimco for the reasons discussed in Special Factors Fairness of the Transaction, beginning on page 6, no opinion has been obtained as to whether the merger is fair to the limited partners of USRP unaffiliated with the Corporate General Partner or Aimco from a financial point of view.*

## **Table of Contents**

*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.

*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. Aimco's Annual Report is incorporated herein by reference and is available electronically through the SEC's website, [www.sec.gov](http://www.sec.gov), or by request to Aimco. Aimco OP's Annual Report on Form 10-K for the year ended December 31, 2009 (excluding the report of the independent registered public accounting firm, the financial statements and the notes thereto) is included as Annex G to this information statement/prospectus.

## **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

**Table of Contents**

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.

*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 *Material 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 November 19, 2010. Aimco's historical consolidated statements of income data set forth below for each of the nine months ended September 30, 2010 and 2009, and the historical consolidated balance sheet data as of September 30, 2010, are derived from Aimco's unaudited interim Quarterly Report on Form 10-Q for the quarter ended September 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 November 19, 2010 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed with the SEC on November 1, 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 Nine Months Ended September 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 unit data)</b>						
<b>Consolidated</b>							
<b>Statements of</b>							
<b>Operations:</b>							
Total revenues	\$ 869,180	\$ 859,848	\$ 1,151,736	\$ 1,199,423	\$ 1,132,109	\$ 1,043,683	\$ 866,992
Total operating expenses(2)	(770,635)	(783,101)	(1,051,394)	(1,151,459)	(958,070)	(879,107)	(731,102)
Operating income(2)	98,545	76,747	100,342	47,964	174,039	164,576	135,890
Loss from continuing operations(2)	(123,944)	(136,045)	(198,703)	(119,163)	(50,097)	(44,798)	(36,366)
Income from discontinued operations, net(3)	68,532	86,289	153,903	746,165	175,603	331,820	161,718
Net (loss) income	(55,412)	(49,756)	(44,800)	627,002	125,506	287,022	125,352
Net loss (income) attributable to noncontrolling interests	5,147	(20,725)	(19,474)	(214,995)	(95,595)	(110,234)	(54,370)
Net income attributable to preferred stockholders	(36,626)	(37,631)	(50,566)	(53,708)	(66,016)	(81,132)	(87,948)

Net (loss) income attributable to Aimco common stockholders	(86,891)	(108,112)	(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	\$ (1.12)	\$ (1.18)	\$ (1.75)	\$ (2.11)	\$ (1.42)	\$ (1.48)	\$ (1.33)
Net (loss) income attributable to Aimco common stockholders	\$ (0.75)	\$ (0.95)	\$ (1.00)	\$ 3.96	\$ (0.43)	\$ 0.98	\$ (0.23)
<b>Consolidated Balance Sheets:</b>							
Real estate, net of accumulated depreciation	\$ 6,685,389		\$ 6,795,391	\$ 6,956,631	\$ 6,729,914	\$ 6,265,294	\$ 5,573,491
Total assets	7,617,072		7,906,468	9,441,870	10,617,681	10,292,587	10,019,160
Total indebtedness	5,542,562		5,541,148	5,919,771	5,534,154	4,852,928	4,192,292
Total equity	1,462,808		1,534,703	1,646,749	2,048,546	2,650,182	3,060,969
<b>Other Information:</b>							
Dividends declared per common share	\$ 0.20	\$ 0.20	\$ 0.40	\$ 7.48	\$ 4.31	\$ 2.40	\$ 3.00
Total consolidated properties (end of period)	419	458	426	514	657	703	619
Total consolidated apartment units (end of period)	93,008	104,301	95,202	117,719	153,758	162,432	158,548
Total unconsolidated properties (end of period)	59	79	77	85	94	102	264
Total unconsolidated apartment units (end of period)	6,933	8,657	8,478	9,613	10,878	11,791	35,269
Units managed (end of period)(4)	27,357	33,623	31,974	35,475	38,404	42,190	46,667

**Table of Contents**

- (1) Certain reclassifications have been made to conform to the September 30, 2010 financial statement presentation, including retroactive adjustments to reflect additional properties sold or classified as held for sale as of September 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 September 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 November 19, 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 November 19, 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 November 19, 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 Annex I to this information statement/prospectus. Aimco OP's historical consolidated statements of income data set forth below for each of the nine months ended September 30, 2010 and 2009, and the historical consolidated balance sheet data as of September 30, 2010, are derived from Aimco OP's unaudited interim Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 included as Annex H to this information statement/prospectus.

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 Annex I and Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed with the SEC on November 1, 2010, which is included as Annex H to this information statement/prospectus.

	<b>For the Nine Months Ended September 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 unit data)</b>						
<b>Consolidated</b>							
<b>Statements of</b>							
<b>Operations:</b>							
Total revenues	\$ 869,180	\$ 859,848	\$ 1,151,736	\$ 1,199,423	\$ 1,132,109	\$ 1,043,683	\$ 866,992
Total operating expenses(2)	(770,635)	(783,101)	(1,051,394)	(1,151,459)	(958,070)	(879,107)	(731,102)
Operating income(2)	98,545	76,747	100,342	47,964	174,039	164,576	135,890
Loss from continuing operations(2)	(123,302)	(135,431)	(197,883)	(118,377)	(49,348)	(41,838)	(31,908)
Income from discontinued operations, net(3)	68,532	86,289	153,903	746,165	175,603	331,820	161,718
Net (loss) income	(54,770)	(49,142)	(43,980)	627,788	126,255	289,982	129,810
Net loss (income) attributable to noncontrolling interests	1,795	(24,665)	(22,442)	(155,749)	(92,138)	(92,917)	(49,064)
Net income attributable to preferred unitholders	(39,918)	(42,189)	(56,854)	(61,354)	(73,144)	(90,527)	(98,946)
Net (loss) income attributable to the partnership's common unitholders	(92,893)	(115,996)	(123,276)	403,700	(43,508)	104,592	(22,458)

Earnings (loss) per common unit - basic and diluted:										
Loss from continuing operations attributable to the partnership's common unit holders	\$ (1.12)	\$ (1.17)	\$ (1.75)	\$ (1.96)	\$ (1.40)	\$ (1.47)	\$ (1.32)			
Net (loss) income attributable to the partnership's common unit holders	\$ (0.75)	\$ (0.94)	\$ (1.00)	\$ 4.11	\$ (0.42)	\$ 0.99	\$ (0.21)			
<b>Consolidated Balance Sheets:</b>										
Real estate, net of accumulated depreciation	\$ 6,685,894		\$ 6,795,896	\$ 6,957,136	\$ 6,730,419	\$ 6,265,799	\$ 5,573,996			
Total assets	7,633,385		7,922,139	9,456,721	10,631,746	10,305,903	10,031,761			
Total indebtedness	5,542,562		5,541,148	5,919,771	5,534,154	4,852,928	4,192,292			
Total partners' capital	1,479,121		1,550,374	1,661,600	2,152,326	2,753,617	3,164,111			
<b>Other Information:</b>										
Distributions declared per common unit	\$ 0.20	\$ 0.20	\$ 0.40	\$ 7.48	\$ 4.31	\$ 2.40	\$ 3.00			
Total consolidated properties (end of period)	419	458	426	514	657	703	619			
Total consolidated apartment units (end of period)	93,008	104,301	95,202	117,719	153,758	162,432	158,548			
Total unconsolidated properties (end of period)	59	79	77	85	94	102	264			
Total unconsolidated apartment units (end of period)	6,933	8,657	8,478	9,613	10,878	11,791	35,269			
Units managed (end of period)(4)	27,357	33,623	31,974	35,475	38,404	42,190	46,667			

**Table of Contents**

- (1) Certain reclassifications have been made to conform to the September 30, 2010 financial statement presentation, including retroactive adjustments to reflect additional properties sold or classified as held for sale as of September 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 September 30, 2010, and Note 13 to the consolidated financial statements in Item 8 Financial Statements and Supplementary Data included in Annex I to this information statements/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 included in Annex I to this information statements/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 included in Annex I to this information statements/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 nine months ended September 30, 2010 and 2009, and the historical balance sheet data as of September 30, 2010, are derived from USRP's unaudited interim Quarterly Report on Form 10-Q for the quarter ended September 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 September 30, 2010 filed with the SEC on November 12, 2010, which are attached to this information statement/prospectus. See Where You Can Find Additional Information in this information statement/prospectus.

	<b>For the Nine Months</b>		<b>For the Years</b>	
	<b>Ended</b>		<b>Ended</b>	
	<b>September 30,</b>	<b>2009</b>	<b>December 31,</b>	<b>2008</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	1,911	1,886	2,515	2,550
Loss from Continuing Operations	(372)	(400)	(546)	(553)
Net Loss	(372)	(400)	(546)	(553)
Loss from Continuing Operations per depository unit certificate	(0.30)	(0.32)	(0.44)	(0.45)
Net Loss per depository unit certificate	(0.30)	(0.32)	(0.44)	(0.45)
Distributions per depository unit certificate				
Deficit of earnings to fixed charges	(372)	(400)	(546)	(554)
<b>Balance Sheet Data:</b>				
Cash and Cash Equivalents	95	54	101	44
Real Estate, Net of Accumulated Depreciation	6,644	7,254	7,087	7,602
Total Assets	7,117	7,738	7,561	8,162
Mortgage Notes Payable	10,506	10,636	10,604	10,727
Due to Affiliates	1,695	1,641	1,764	1,646
General Partners' Deficit	(18)	(13)	(14)	(9)
Limited Partners' Deficit	(5,418)	(4,905)	(5,050)	(4,509)
Total Partners' Deficit	(5,436)	(4,918)	(5,064)	(4,518)
Total Distributions				



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

Book value per depository unit certificate	(4.43)	(4.01)	(4.13)	(3.69)
<b>Cash Flow Data:</b>				
Net (decrease) increase in cash and cash equivalents	(6)	10	57	(61)
Net cash provided by operating activities	314	201	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>Nine Months Ended September 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	\$ 0.20	\$ 0.40	\$ 2.40	\$ 2.40
Aimco OP Units	\$ 0.20	\$ 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	\$ (1.12)	\$ (1.75)	\$ (2.11)	\$ (1.42)
Aimco OP Units	\$ (1.12)	\$ (1.75)	\$ (1.96)	\$ (1.40)
USRP Units	\$ (0.30)	\$ (0.44)	\$ (0.45)	\$ (0.22)
		<b>September 30, 2010</b>	<b>December 31, 2009</b>	

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

Aimco Common Stock(1)	\$	10.20	\$	10.64
Aimco OP Units(2)		9.39		9.88
USRP Units		(4.43)		(4.13)

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

(2) Based on 125.3 million and 124.9 million common OP Units and equivalents outstanding at September 30, 2010 and December 31, 2009, respectively.

**Table of Contents**

**INFORMATION ABOUT THE AIMCO ENTITIES**

Aimco is a Maryland corporation incorporated on January 10, 1994. Aimco is a self-administered and self-managed real estate investment trust, or REIT. Aimco's goal is to provide above average returns with lower volatility. Aimco's business plan to achieve this goal is to:

own and operate a broadly diversified portfolio of primarily class B/B+ assets with properties concentrated in the 20 largest markets in the United States (as measured by total apartment value, which is the total market value of institutional-grade apartment properties in a particular market);

improve its portfolio through selling assets with lower projected returns and reinvesting those proceeds through the purchase of new assets or redevelopment of assets in its portfolio; and

finance its operations using non-recourse, long-dated, fixed-rate property debt and perpetual preferred equity.

As of September 30, 2010, Aimco:

owned an equity interest in 227 conventional real estate properties with 70,844 units;

owned an equity interest in 251 affordable real estate properties with 29,097 units; and

provided services for or managed 27,357 units in 323 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 225 conventional properties with 69,540 units and 194 affordable properties with 23,468 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 September 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 HPU's. 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 September 30, 2010, after elimination of shares held by consolidated subsidiaries, 117,033,718 shares of Aimco common stock were outstanding and Aimco OP had 8,278,966 OP Units and equivalents outstanding for a combined total of 125,312,684 shares of Aimco common stock and Aimco OP Units outstanding (excluding partnership preferred units).

AIMCO/IPT, Inc. owns all of the outstanding common stock of the Corporate General Partner, and Aimco owns all of the outstanding common stock of AIMCO/IPT, Inc.

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, AIMCO/IPT, Inc. 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. During the last five years, none of Aimco, Aimco-GP, AIMCO/IPT, Inc., Aimco OP, USRP or the Corporate General Partner nor, to the best of their knowledge, any of the persons listed in Annex C of this information statement/prospectus (i) has been convicted in a

**Table of Contents**

criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining further violations of or prohibiting activities subject to federal or state securities laws or finding any violation with respect to such laws. Additional information about Aimco OP is included in documents incorporated by reference into this information statement/prospectus. Additional information about Aimco OP is included in Annexes G, H and I to this information statement/prospectus. See [Where You Can Find Additional Information](#).

The following chart represents the organizational structure of the Aimco Entities:

**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 September 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 nine months ended September 30, 2010 and 2009 for the property is as follows:

Property	Average Occupancy						
	For the Nine Months Ended September 30,		For the Years Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
Twin Lakes Apartments	97%	93%	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 September 30, 2010.

	<b>Principal, Balance at September 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	\$ 6,077	8.23%	120 months	12/01/15	\$ 5,685
2nd mortgage	3,365	5.62%	120 months	12/01/15	3,025
3rd mortgage	1,064	5.56%	98 months	12/01/15	963
	<b>\$ 10,506</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.

The existing mortgage debt encumbering the Twin Lakes Property is expected to be refinanced by the end of January 2011. The new mortgage is expected to be in the amount of approximately \$12,000,000 and is expected to bear interest at a rate of approximately 4.9% per year. Net proceeds from the refinancing (after expenses) are expected to be used to repay existing mortgage debt and to repay loans made to USRP by the General Partners. It is not anticipated that there will be any proceeds available for distribution to limited partners.

**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 December 3, 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 nine months ended September 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 September 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 \$94,000 and \$91,000 for the nine months ended September 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

## **Table of Contents**

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 \$24,000 and \$79,000 for the nine months ended September 30, 2010 and 2009, respectively. A portion of these reimbursements for the nine months ended September 30, 2010 and 2009 are for construction management services provided by an affiliate of the Corporate General Partner of approximately \$2,000 and \$56,000, 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 nine months ended September 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 nine months ended September 30, 2010 and 2009, USRP repaid Aimco OP \$275,000 and \$225,000, respectively, of principal and accrued interest. In accordance with the USRP partnership agreement, interest was charged at the prime rate plus 2% (5.25% at September 30, 2010) per annum. Interest expense was approximately \$69,000 and \$68,000 for the nine months ended September 30, 2010 and 2009, respectively. At September 30, 2010, the total of outstanding advances and accrued interest due to Aimco OP was approximately \$1,695,000. 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 Annexes G, H and I 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 nine months ended September 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 December 3, 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 September 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

**Table of Contents**

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.

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 December 3, 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 December 3, 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 September 30, 2010, attached hereto as [Annex E](#).

**Table of Contents**

**THE MERGER**

**Background of 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 representatives from Skadden, Arps, Slate, Meagher & Flom, LLP, 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. Aimco OP's investment criteria was to acquire the property at a price that did not significantly exceed Aimco OP's estimate of the value of the property, which it calculated by adding the appraised

value of the property to other assets and deducting therefrom the amount of liabilities associated with the property, including mortgage debt (but excluding prepayment penalty). 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 and the Aimco Entities considered a number of possible alternatives to the proposed transaction with the Aimco Subsidiary, as described in greater detail above. However,

**Table of Contents**

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.

**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 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 Special Factors - 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 December 3, 2010, the average closing price of Aimco common stock over the preceding ten consecutive trading days was \$24.17, which would have resulted in OP Unit consideration of 0.11 OP Units per USRP Unit.

## **Table of Contents**

### **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.

### **Waiver and Release and Additional Consideration**

The parties to a going private transaction such as the proposed merger are often subject to claims alleging that the transaction is unfair to unaffiliated security holders. Litigation in these situations can arise even if the transaction is ultimately found to be fair to the unaffiliated security holders. In order to attempt to reduce the probability of any such claims, and the related costs of defending against any such claims, Aimco OP has decided to offer unaffiliated limited partners, in addition to the merger consideration, an additional payment of \$0.31 per USRP Unit in exchange for executing a waiver and release of potential claims the limited partner may have against the Releasees (as defined below). The amount of \$0.31 per unit was determined by dividing \$100,000 by the number of outstanding USRP Units held by unaffiliated limited partners. This \$100,000 amount represents Aimco OP's estimate of the value of such a release in potentially reducing its costs to defend against such claims. 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).

The waiver and release do not apply to claims limited partners may have under the federal securities laws.

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

## **Table of Contents**

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.

## **Future Plans for the Property**

The existing mortgage debt encumbering the Twin Lakes Property is expected to be refinanced by the end of January 2011. The new mortgage is expected to be in the amount of approximately \$12,000,000 and is expected to bear interest at a rate of approximately 4.9% per year. Net proceeds from the refinancing (after expenses) are expected to be used to repay existing mortgage debt and to repay loans made to USRP by the General Partners. It is not anticipated that there will be any proceeds available for distribution to limited partners.

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 [Material 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

## **Table of Contents**

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.

## **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 \$1,162,942 (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. The revolving credit facility is pursuant to Aimco OP's Amended and Restated Senior Secured Credit Agreement, as amended, with a syndicate of financial institutions, with Bank of America, N.A. as administrative agent, swing line lender and L/C issuer. As of September 30, 2010, the Credit Agreement consisted of \$300.0 million of revolving loan commitments. Borrowings under the revolving credit facility bear interest based on a pricing grid determined by leverage (either at LIBOR plus 5.00% with a LIBOR floor of 1.50% or, at Aimco OP's option, a base rate equal to the Prime rate plus a spread of 3.75%). The revolving credit facility matures May 1, 2013, and may be extended for an additional year, subject to certain conditions, including payment of a 35.0 basis point fee on the total revolving commitments. The amount available under the revolving credit facility at September 30, 2010, was \$258.7 million (after giving effect to \$41.3 million outstanding for undrawn letters of credit issued under the revolving credit facility). The proceeds of revolving loans are generally permitted to be used to fund working capital and for other corporate purposes. Aimco OP's obligations under the Amended and Restated Senior Secured Credit Agreement are secured by its equity interests in its subsidiaries.

## **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 December 3, 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 February 11, 2011. **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. The waiver and release do not apply to claims limited partners may have under the Federal securities laws. 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. For a full description of the waiver and release and additional consideration, see "The Merger Waiver and Release and Additional Consideration" beginning on page 31.

**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.

*Indemnification.* As a part of conducting the merger described herein, the general partner has agreed not to seek indemnification from, or to be held harmless by, Aimco OP, or its affiliates, for any liability or loss suffered by the general partner related to the merger, unless (i) the general partner has determined, in good faith, that the course of conduct which caused the loss or liability was in the best interests of Aimco OP, (ii) the general partner was acting on behalf of or performing services for Aimco OP, (iii) such liability or loss was not the result of negligence or misconduct by the general partner and (iv) such indemnification or agreement to hold harmless is recoverable only out of the assets of Aimco OP and not from the limited partners of Aimco OP. In addition, the general partner, and any of its affiliates that are performing services on behalf of Aimco OP, have agreed that they will not seek indemnification for any losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws unless (i) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee, (ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee, or (iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and related costs should be made, and, as relates to (iii), the court of law considering the request for indemnification has been advised of the position of the SEC and the position of any state securities regulatory authority in which securities of Aimco OP were offered or sold as to indemnification for violations of securities laws. Aimco OP shall not incur the cost of that portion of liability insurance, if any, which insures the general partner for any liability as to which the general partner is prohibited from being indemnified as described in this paragraph. Finally, the general partner has agreed that the provision of advancement from Aimco OP funds to the general partner or any of its affiliates for legal expenses and other costs incurred as a result of any legal action is permissible if (i) the legal action relates to acts or omissions with respect to the performance of duties or services on behalf of Aimco OP; (ii) the legal action is initiated by a third party who is not a limited partner of Aimco OP, or the legal action is initiated by a limited partner and a court of competent jurisdiction specifically approves such advancement; and (iii) the general partner or its affiliates undertake to repay the advanced funds to Aimco OP in cases in which such person is not entitled to indemnification

under this paragraph.

**Table of Contents****Outstanding Classes Of Units**

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

Class	Units	Quarterly Distribution per Unit	Liquidation Preference (per Unit)
	Outstanding		
Partnership Common Units (OP Units)	122,972,734	\$	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	12,000,000	\$ 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	\$ 2,274.44	\$ 500,000.00
Class One Partnership Preferred Units(3)	90,000	\$ 2.00	\$ 91.43
Class Two Partnership Preferred Units(3)	23,700	\$ 0.115	\$ 25.00
Class Three Partnership Preferred Units(3)	1,366,771	\$ 0.4923	\$ 25.00
Class Four Partnership Preferred Units(3)	755,999	\$ 0.50	\$ 25.00
Class Six Partnership Preferred Units(3)	796,668	\$ 0.53125	\$ 25.00
Class Seven Partnership Preferred Units(3)	27,960	\$ 0.5938	\$ 25.00
Class Eight Partnership Preferred Units(4)	6,250	\$	N/A
Class I High Performance Partnership Units (HPUs)(4)	2,339,950	\$	N/A

- (1) On October 7, 2010, Aimco OP redeemed all of the outstanding Class G Partnership Preferred Units. The redemption was funded primarily from the proceeds of Aimco OP's issuance to Aimco of 4,000,000 Class U Partnership Preferred Units during September 2010.
- (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 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 September 30, 2010 was 1.78%. 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) 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.
- (4) The holders of 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.

## **Table of Contents**

### **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 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

## **Table of Contents**

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 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, no partner is entitled to interest on its capital contribution or on such partner's capital account.