

SCHNITZER STEEL INDUSTRIES INC  
 Form 4  
 July 27, 2006

**FORM 4**

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

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 SCHNITZER GARY

2. Issuer Name and Ticker or Trading Symbol  
 SCHNITZER STEEL INDUSTRIES INC [SCHN]

5. Relationship of Reporting Person(s) to Issuer  
 (Check all applicable)

(Last) (First) (Middle)  
 3200 NW YEON AVENUE  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
 07/25/2006

\_\_\_\_ Director  
 \_\_\_X\_\_\_ Officer (give title below) \_\_\_\_\_ 10% Owner  
 \_\_\_\_\_ Other (specify below)  
 Executive Vice President

PORTLAND, OR 97210  
 (City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 \_\_\_ Form filed by One Reporting Person  
 \_\_\_X\_\_\_ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Class A Common Stock				(A) or (D)	3,900	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	Amount or Number of Shares
Class B Common Stock	(3)					(3) (3)	Class A Common Stock	1,000
Class B Common Stock	(3)					(3) (3)	Class A Common Stock	920
Option to Buy	\$ 34.73	07/25/2006		A	10,580	(4) 07/25/2016	Class A Common Stock	10,580

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SCHNITZER GARY 3200 NW YEON AVENUE PORTLAND, OR 97210		X	Executive Vice President	
WILDER SANDRA 3200 NW YEON AVENUE PORTLAND, OR 97210		X		

## Signatures

Richard C. Josephson,  
Attorney-In-Fact

07/27/2006

\*\*Signature of Reporting Person Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Voting trust certificates or shares, as the case may be, are held by Gary A. Schnitzer and Deborah Novack, Trustees, Gary A. Schnitzer Family Trust dated May 15, 1991.
- (2) Voting trust certificates or shares, as the case may be, are held by Sandra Wilder.
- (3) Class B Common Stock is immediately convertible on a one-for-one basis into Class A Common Stock and has no expiration date.
- (4) The option was granted for 10,580 shares with a vesting reference date of June 1, 2006 and becomes exercisable for 20% of the shares on each of the first five anniversaries of the grant date.

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Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. rily due to an \$11.5 million increase in revenue. Revenue increased due to more units in service at these properties during 2009 and an increase in utility reimbursements and miscellaneous income. This increase in revenue was partially offset by a \$0.9 million increase in expense, primarily related to higher real estate taxes, partially offset by lower administrative costs.

Our other conventional net operating income decreased by \$0.9 million, primarily due to a 6.9% increase in expenses partially offset by a 1.8% increase in revenues.

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**Table of Contents***Affordable Real Estate Operations*

Our affordable segment consists of properties we classify as same store or other (primarily redevelopment properties). Our criteria for classifying affordable properties as same store or redevelopment are consistent with those for our conventional properties described above. Our definitions of same store and redevelopment properties may result in these populations differing for the purpose of comparing 2010 to 2009 results and 2009 to 2008 results.

	<b>Year Ended December 31,</b>			<b>% Change</b>
	<b>2010</b>	<b>2009</b>	<b>\$ Change</b>	
Rental and other property revenues:				
Affordable same store	\$ 116,852	\$ 113,853	\$ 2,999	2.6%
Other Affordable	13,710	12,695	1,015	8.0%
Total	130,562	126,548	4,014	3.2%
Property operating expenses:				
Affordable same store	53,121	53,057	64	0.1%
Other Affordable	5,519	5,998	(479)	(8.0)%
Total	58,640	59,055	(415)	(0.7)%
Property net operating income:				
Affordable same store	63,731	60,796	2,935	4.8%
Other Affordable	8,191	6,697	1,494	22.3%
Total	\$ 71,922	\$ 67,493	\$ 4,429	6.6%

The proportionate property net operating income of our affordable segment increased \$4.4 million, or 6.6%, during the year ended December 31, 2010, as compared to 2009. Affordable same store net operating income increased by \$2.9 million, primarily due to a \$3.0 million increase in revenue due to higher average rent (\$7 per unit) and higher average physical occupancy (18 basis points). The net operating income of our other affordable properties increased by \$1.5 million, primarily due to an increase in revenue driven by higher average rent (\$23 per unit) and higher average occupancy.

	<b>Year Ended December 31,</b>			<b>% Change</b>
	<b>2009</b>	<b>2008</b>	<b>\$ Change</b>	
Rental and other property revenues:				
Affordable same store	\$ 113,853	\$ 109,483	\$ 4,370	4.0%
Other Affordable	12,695	12,209	486	4.0%
Total	126,548	121,692	4,856	4.0%

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Property operating expenses:				
Affordable same store	53,057	52,975	82	0.2%
Other Affordable	5,998	6,048	(50)	(0.8)%
Total	59,055	59,023	32	0.1%
Property net operating income:				
Affordable same store	60,796	56,508	4,288	7.6%
Other Affordable	6,697	6,161	536	8.7%
Total	\$ 67,493	\$ 62,669	\$ 4,824	7.7%

Our affordable segment proportionate property net operating income increased \$4.8 million, or 7.7%, during the year ended December 31, 2009, as compared to 2008. Affordable same store net operating income increased \$4.3 million, primarily due to increased revenue. Affordable same store revenue increased by \$4.4 million, primarily due to higher average rent (\$29 per unit), partially offset by lower average physical occupancy (56 basis

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points). The net operating income of our other affordable properties increased by \$0.5 million, primarily due to an increase in revenues due to higher average rent (\$43 per unit), partially offset by lower average occupancy. The increase in revenues was partially offset by an increase in expenses.

*Non-Segment Real Estate Operations*

Real estate operations net operating income amounts not attributed to our conventional or affordable segments include property management revenues and expenses and casualty losses, reported in consolidated amounts, which we do not allocate to our conventional or affordable segments for purposes of evaluating segment performance (see Note 17 to the consolidated financial statements in Item 8).

For the year ended December 31, 2010, as compared to 2009, property management revenues decreased by \$2.2 million, from \$5.1 million to \$2.9 million, primarily due to the elimination of revenues related to properties consolidated during 2010 in connection with our adoption of revised accounting guidance regarding consolidation of variable interest entities (see Note 2 to our consolidated financial statements in Item 8). For the year ended December 31, 2010, as compared to 2009, expenses not allocated to our conventional or affordable segments, including property management expenses and casualty losses, decreased by \$3.2 million. Property management expenses decreased by \$3.0 million, from \$51.2 million to \$48.2 million, primarily due to reductions in personnel and related costs attributed to our restructuring activities and casualty losses decreased by \$0.2 million, from \$9.8 million to \$9.6 million.

For the year ended December 31, 2009, as compared to 2008, property management revenues decreased by \$1.3 million, from \$6.4 million to \$5.1 million, primarily due to a decrease in the number of managed properties due to asset sales. For the year ended December 31, 2009, as compared to 2008, expenses not allocated to our conventional or affordable segments decreased by \$16.5 million. Property management expenses decreased by \$16.6 million, from \$67.8 million to \$51.2 million, primarily due to reductions in personnel and related costs attributed to our restructuring activities, and casualty losses increased by \$0.1 million.

*Asset Management and Tax Credit Revenues*

We perform activities and services for consolidated and unconsolidated real estate partnerships, including portfolio strategy, capital allocation, joint ventures, tax credit syndication, acquisitions, dispositions and other transaction activities. These activities are conducted in part by our taxable subsidiaries, and the related net operating income may be subject to income taxes.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, asset management and tax credit revenues decreased \$14.3 million. This decrease is attributable to an \$8.7 million decrease in income related to our affordable housing tax credit syndication business. Approximately \$3.8 million of this decrease is due to the delivery of historic credits during 2009 for which no comparable credits were delivered during 2010, and the remainder of the decrease is primarily due to a reduction in amortization of deferred tax credit income. Asset management and tax credit revenues also decreased due to a \$2.0 million decrease in current asset management fees due to the elimination of fees on newly consolidated properties, for which the benefit of these fees is now included in noncontrolling interests in consolidated real estate partnerships, a \$1.9 million decrease in disposition and other fees we earn in connection with transactional activities, and a \$1.7 million decrease in promote income, which is income earned in connection with the disposition of properties owned by our consolidated joint ventures.

For the year ended December 31, 2009, compared to the year ended December 31, 2008, asset management and tax credit revenues decreased \$49.0 million. This decrease is primarily attributable to a \$42.8 million decrease in promote income due to fewer sales of joint venture assets in 2009, a \$7.6 million decrease in other general partner transactional

fees, and a \$2.2 million decrease in asset management fees, partially offset by a \$3.6 million increase in revenues related to our affordable housing tax credit syndication business, including syndication fees and other revenue earned in connection with these arrangements.

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***Investment Management Expenses***

Investment management expenses consist primarily of the costs of personnel that perform asset management and tax credit activities. For the year ended December 31, 2010, compared to the year ended December 31, 2009, investment management expenses decreased \$1.3 million. This decrease is primarily due to a \$4.3 million reduction in personnel and related costs from our organizational restructurings, partially offset by a \$3.0 million net increase in expenses, primarily related to our write off of previously deferred costs related to tax credit projects we recently abandoned.

For the year ended December 31, 2009, compared to the year ended December 31, 2008, investment management expenses decreased \$9.0 million, primarily due to reductions in personnel and related costs from our organizational restructurings (see Note 4 to the consolidated financial statements in Item 8) and a reduction in transaction costs, which in 2008 include the retrospective application of SFAS 141(R).

***Depreciation and Amortization***

For the year ended December 31, 2010, compared to the year ended December 31, 2009, depreciation and amortization decreased \$1.6 million, or 0.4%. This decrease was primarily due to depreciation adjustments recognized in 2009 to reduce the carrying amount of certain properties. This decrease was partially offset by an increase in depreciation primarily related to properties we consolidated during 2010 based on our adoption of revised accounting guidance regarding consolidation of variable interest entities (see Note 2 to our consolidated financial statements in Item 8) and completed redevelopments and other capital projects recently placed in service.

For the year ended December 31, 2009, compared to the year ended December 31, 2008, depreciation and amortization increased \$51.2 million, or 13.6%. This increase primarily consists of depreciation related to properties acquired during the latter part of 2008, completed redevelopments and other capital projects placed in service in the latter part of 2009.

***Provision for Impairment Losses on Real Estate Development Assets***

In connection with the preparation of our 2008 annual financial statements, we assessed the recoverability of our investment in our Lincoln Place property, located in Venice, California. Based upon the decline in land values in Southern California during 2008 and the expected timing of our redevelopment efforts, we determined that the total carrying amount of the property was no longer probable of full recovery and, accordingly, during the three months ended December 31, 2008, recognized an impairment loss of \$85.4 million (\$55.6 million net of tax).

Similarly, we assessed the recoverability of our investment in Pacific Bay Vistas (formerly Treetops), a vacant property located in San Bruno, California, and determined that the carrying amount of the property was no longer probable of full recovery and, accordingly, we recognized an impairment loss of \$5.7 million for this property during the three months ended December 31, 2008.

The impairments discussed above totaled \$91.1 million and are included in provisions for impairment losses on real estate development assets in our consolidated statement of operations for the year ended December 31, 2008 included in Item 8. We recognized no similar impairments on real estate development assets during the years ended December 31, 2010 or 2009.

***General and Administrative Expenses***

For the year ended December 31, 2010, compared to the year ended December 31, 2009, general and administrative expenses decreased \$3.3 million, or 5.8%. This decrease is primarily attributable to net reductions in personnel and



related expenses, partially offset by an increase in information technology outsourcing costs.

For the year ended December 31, 2009, compared to the year ended December 31, 2008, general and administrative expenses decreased \$23.7 million, or 29.5%. This decrease is primarily attributable to reductions in personnel and related expenses associated with our organizational restructurings (see Note 3 to the consolidated financial statements in Item 8), pursuant to which we eliminated approximately 400, or 36%, of our offsite positions between December 31, 2008 and December 31, 2009.

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As a result of our restructuring activities, our general and administrative expense as a percentage of total revenues has decreased from 6.8% in 2008, to 5.0% in 2009 and 4.7% in 2010.

### ***Other Expenses, Net***

Other expenses, net includes franchise taxes, risk management activities, partnership administration expenses and certain non-recurring items.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, other expenses, net decreased by \$5.0 million. During 2009, we settled certain litigation matters resulting in a net expense in our operations, and in 2010 we settled certain litigation matters that resulted in a net gain in our operations. The effect of the expense in 2009 and gain in 2010 resulted in a \$14.8 million decrease in other expenses, net from 2009 to 2010. This decrease was partially offset by an increase in the cost of our insurance (net of a reduction in the number of properties insured from 2009 to 2010).

For the year ended December 31, 2009, compared to the year ended December 31, 2008, other expenses, net decreased by \$6.8 million. The decrease is primarily attributable to a \$5.4 million write-off during 2008 of certain communications hardware and capitalized costs in 2008, and a \$5.3 million reduction in expenses of our self insurance activities, including a decrease in casualty losses on less than wholly owned properties from 2008 to 2009. These decreases are partially offset by an increase of \$4.8 million in costs related to certain litigation matters.

### ***Restructuring Costs***

For the year ended December 31, 2009, we recognized restructuring costs of \$11.2 million, as compared to \$22.8 million in the year ended December 31, 2008, related to our organizational restructurings, which are further discussed in Note 3 to the consolidated financial statements in Item 8. For the year ended December 31, 2010, we recognized no similar restructuring costs.

### ***Interest Income***

Interest income consists primarily of interest on notes receivable from non-affiliates and unconsolidated real estate partnerships, interest on cash and restricted cash accounts, and accretion of discounts on certain notes receivable from unconsolidated real estate partnerships. Transactions that result in accretion may occur infrequently and thus accretion income may vary from period to period.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, interest income increased \$2.1 million, or 21.0%. Interest income increased during 2010 primarily due to an increase of accretion income related to a change in timing and amount of collection for certain of our discounted notes, including several notes that were repaid in advance of their maturity dates.

For the year ended December 31, 2009, compared to the year ended December 31, 2008, interest income decreased \$10.4 million, or 51.2%. Interest income decreased by \$8.8 million due to lower interest rates on notes receivable, cash and restricted cash balances and lower average balances and by \$4.1 million due to a decrease in accretion income related to our note receivable from Casden Properties LLC for which we ceased accretion following impairment of the note in 2008. These decreases were partially offset by a \$2.3 million increase in accretion income related to other notes during the year ended December 31, 2008, resulting from a change in the timing and amount of collection.

### ***Provision for Losses on Notes Receivable***

During the years ended December 31, 2010, 2009 and 2008, we recognized net provisions for losses on notes receivable of \$0.9 million, \$21.5 million and \$17.6 million, respectively. The provisions for losses on notes receivable for the years ended December 31, 2009 and 2008, primarily consist of impairments related to our investment in Casden Properties LLC, which are discussed further below.

As further discussed in Note 5 to the consolidated financial statements in Item 8, we have an investment in Casden Properties LLC, an entity organized to acquire, re-entitle and develop land parcels in Southern California.

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Based upon the profit allocation agreement, we account for this investment as a note receivable. In connection with the preparation of our 2008 annual financial statements and as a result of a decline in land values in Southern California, we determined our recorded investment amount was not fully recoverable, and accordingly recognized an impairment loss of \$16.3 million (\$10.0 million net of tax) during the three months ended December 31, 2008. In connection with the preparation of our 2009 annual financial statements and as a result of continued declines in land values in Southern California, we determined our then recorded investment amount was not fully recoverable, and accordingly recognized an impairment loss of \$20.7 million (\$12.4 million net of tax) during the three months ended December 31, 2009.

In addition to the impairments related to Casden Properties LLC discussed above, we recognized provisions for losses on notes receivable totaling \$0.9 million, \$0.8 million and \$1.3 million during the years ended December 31, 2010, 2009 and 2008, respectively.

### ***Interest Expense***

For the year ended December 31, 2010, compared to the year ended December 31, 2009, interest expense, which includes the amortization of deferred financing costs, increased by less than \$0.1 million. Property related interest expense increased by \$7.6 million, due to a \$3.3 million increase related to properties newly consolidated in 2010 (see Note 2 to our consolidated financial statements in Item 8 for further discussion of our adoption of ASU 2009-17) and an increase related to properties refinanced with higher average outstanding balances, partially offset by lower average rates. The increase in property related interest expense was substantially offset by a \$7.6 million decrease in corporate interest expense, primarily due to a decrease in the average outstanding balance on our term loan, which we repaid during July 2010.

For the year ended December 31, 2009, compared to the year ended December 31, 2008, interest expense increased \$1.1 million, or 0.3%. Property related interest expense increased by \$20.5 million, primarily due to a \$14.2 million decrease in capitalized interest due to a reduction in redevelopment during 2009, and an increase of \$5.1 million related to properties refinanced with higher average rates, partially offset by lower average outstanding balances during 2009. The increase in property related interest expense was offset by a \$19.4 million decrease in corporate interest expense, primarily due to lower average outstanding balances and lower average rates during 2009.

### ***Equity in Losses of Unconsolidated Real Estate Partnerships***

Equity in losses of unconsolidated real estate partnerships includes our share of net losses of our unconsolidated real estate partnerships, and may include impairment losses, gains or losses on the disposition of real estate assets or depreciation expense which generally exceeds the net operating income recognized by such unconsolidated partnerships.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, equity in losses of unconsolidated real estate partnerships increased \$11.7 million. During the three months ended December 31, 2010, certain of our consolidated investment partnerships, including those we consolidated in 2010 in connection with our adoption of ASU 2009-17, reduced by \$9.8 million their investment balances related to unconsolidated low income housing tax credit partnerships based on a reduction in the remaining tax credits to be delivered. This increase in equity in losses was in addition to an increase in equity in losses from real estate operations due to an increase in the number of unconsolidated partnerships, resulting from our consolidation during 2010 of additional investment partnerships that hold investments in unconsolidated real estate partnerships. These losses had an insignificant effect on net loss attributable to Aimco during 2010 as substantially all of the results of these consolidated investment partnerships are attributed to the noncontrolling interests in these entities.

For the year ended December 31, 2009, compared to the year ended December 31, 2008, equity in losses of unconsolidated real estate partnerships increased \$6.7 million. The increase in our equity in losses from 2008 to 2009 was primarily due to our sale in late 2008 of an interest in an unconsolidated real estate partnership that generated \$3.0 million of equity in earnings during the year ended December 31, 2008, and our sale during 2009 of our interest in an unconsolidated group purchasing organization which resulted in a decrease of equity in earnings of approximately \$1.2 million.

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***Gain on Dispositions of Unconsolidated Real Estate and Other***

Gain on dispositions of unconsolidated real estate and other includes gains on disposition of interests in unconsolidated real estate partnerships, gains on dispositions of land and other non-depreciable assets and certain costs related to asset disposal activities. Changes in the level of gains recognized from period to period reflect the changing level of disposition activity from period to period. Additionally, gains on properties sold are determined on an individual property basis or in the aggregate for a group of properties that are sold in a single transaction, and are not comparable period to period.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, gain on dispositions of unconsolidated real estate and other decreased \$10.9 million. This decrease is primarily attributable to \$8.6 million of additional proceeds received in 2009 related to our disposition during 2008 of an interest in an unconsolidated real estate partnership and a \$4.0 million gain from the disposition of our interest in a group purchasing organization during 2009.

For the year ended December 31, 2009, compared to the year ended December 31, 2008, gain on dispositions of unconsolidated real estate and other decreased \$75.8 million. This decrease is primarily attributable to a net gain of \$98.4 million on our disposition in 2008 of interests in two unconsolidated real estate partnerships. This decrease was partially offset by \$18.7 million of gains on the disposition of interests in unconsolidated partnerships during 2009. Gains recognized in 2009 consist of \$8.6 million related to our receipt in 2009 of additional proceeds related to our disposition during 2008 of one of the partnership interests discussed above (see Note 3 to the consolidated financial statements in Item 8), \$4.0 million from the disposition of our interest in a group purchasing organization (see Note 3 to the consolidated financial statements in Item 8), and \$6.1 million from our disposition in 2009 of interests in several unconsolidated real estate partnerships.

***Income Tax Benefit***

In conjunction with Aimco's UPREIT structure, certain of our operations or a portion thereof, including property management, asset management and risk management are conducted through taxable subsidiaries. Income taxes related to the results of continuing operations of our taxable subsidiaries are included in income tax benefit in our consolidated statements of operations.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, income tax benefit increased by \$0.9 million, from \$17.5 million to \$18.4 million. This increase in income tax benefit was primarily due to increased losses of our taxable subsidiaries, and was substantially offset by the \$8.1 million tax benefit we recognized in 2009 related to the impairment of our investment in Casden Properties, LLC, for which no similar benefit was recognized in 2010.

For the year ended December 31, 2009, compared to the year ended December 31, 2008, income tax benefit decreased by \$39.1 million. This decrease was primarily attributed to \$36.1 million of income tax benefit recognized in 2008 related to the impairments of our Lincoln Place property and our investment in Casden Properties LLC, both of which are owned through taxable subsidiaries, partially offset by \$8.1 million of income tax benefit recognized in 2009 related to the impairment of our investment in Casden Properties LLC. The decrease in tax benefit from 2008 to 2009 related to these impairment losses was in addition to a decrease in tax benefit primarily due to larger losses by our taxable subsidiaries during 2008 as compared to 2009, including restructuring costs incurred in 2008 and a reduction in personnel and other costs in 2009 as a result of the organizational restructurings.

***Income from Discontinued Operations, Net***

The results of operations for properties sold during the period or designated as held for sale at the end of the period are generally required to be classified as discontinued operations for all periods presented. The components of net earnings that are classified as discontinued operations include all property-related revenues and operating expenses, depreciation expense recognized prior to the classification as held for sale, property-specific interest expense and debt extinguishment gains and losses to the extent there is secured debt on the property. In addition, any

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impairment losses on assets held for sale and the net gain or loss on the eventual disposal of properties held for sale are reported in discontinued operations.

For the years ended December 31, 2010 and 2009, income from discontinued operations totaled \$76.3 million and \$156.8 million, respectively. The \$80.5 million decrease in income from discontinued operations was principally due to a \$129.9 million decrease in gain on dispositions of real estate, net of income taxes, primarily attributable to fewer properties sold in 2010 as compared to 2009, partially offset by a \$21.0 million decrease in operating loss (inclusive of a \$41.9 million decrease in real estate impairment losses) and a \$34.9 million decrease in interest expense.

For the years ended December 31, 2009 and 2008, income from discontinued operations totaled \$156.8 million and \$744.9 million, respectively. The \$588.1 million decrease in income from discontinued operations was principally due to a \$541.1 million decrease in gain on dispositions of real estate, net of income taxes, primarily attributable to fewer properties sold in 2009 as compared to 2008, and a \$112.8 million decrease in operating income (inclusive of a \$27.1 million increase in real estate impairment losses), partially offset by a \$59.8 million decrease in interest expense and a \$44.9 million increase in income tax benefit for 2009.

During the year ended December 31, 2010, we sold 51 consolidated properties for gross proceeds of \$401.4 million and net proceeds of \$118.4 million, resulting in a net gain on sale of approximately \$86.1 million (which is net of \$8.8 million of related income taxes). During the year ended December 31, 2009, we sold 89 consolidated properties for gross proceeds of \$1.3 billion and net proceeds of \$432.7 million, resulting in a net gain on sale of approximately \$216.0 million (which is net of \$5.8 million of related income taxes). During the year ended December 31, 2008, we sold 151 consolidated properties for gross proceeds of \$2.4 billion and net proceeds of \$1.1 billion, resulting in a net gain on sale of approximately \$757.1 million (which is net of \$43.1 million of related income taxes).

For the years ended December 31, 2010, 2009 and 2008, income from discontinued operations includes the operating results of the properties sold during the year ended December 31, 2010.

Changes in the level of gains recognized from period to period reflect the changing level of our disposition activity from period to period. Additionally, gains on properties sold are determined on an individual property basis or in the aggregate for a group of properties that are sold in a single transaction, and are not comparable period to period (see Note 13 of the consolidated financial statements in Item 8 for additional information on discontinued operations).

***Noncontrolling Interests in Consolidated Real Estate Partnerships***

Noncontrolling interests in consolidated real estate partnerships reflects the non-Aimco partners, or noncontrolling partners, share of operating results of consolidated real estate partnerships, as well as the noncontrolling partners' share of property management fees, interest on notes and other amounts that we charge to such partnerships. As discussed in Note 2 to the consolidated financial statements in Item 8, we adopted the provisions of SFAS 160, which are now codified in the Financial Accounting Standards Board's Accounting Standards Codification, or FASB ASC, Topic 810, effective January 1, 2009. Prior to our adoption of SFAS 160, we generally did not recognize a benefit for the noncontrolling interest partners' share of partnership losses for partnerships that have deficit noncontrolling interest balances and we generally recognized a charge to our earnings for distributions paid to noncontrolling partners for partnerships that had deficit noncontrolling interest balances. Under the updated provisions of FASB ASC Topic 810, we are required to attribute losses to noncontrolling interests even if such attribution would result in a deficit noncontrolling interest balance and we are no longer required to recognize a charge to our earnings for distributions paid to noncontrolling partners for partnerships that have deficit noncontrolling interest balances.

For the year ended December 31, 2010, we allocated net losses of \$13.3 million to noncontrolling interests in consolidated real estate partnerships as compared to net income of \$22.5 million allocated to these noncontrolling



interests during the year ended December 31, 2009, a variance of \$35.8 million. This change was substantially attributed to a decrease in the noncontrolling interest partners' share of income from discontinued operations, which decreased primarily due to a reduction in gains on the dispositions of real estate from 2009 to 2010.

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For the year ended December 31, 2009, compared to the year ended December 31, 2008, net earnings attributed to noncontrolling interests in consolidated real estate partnerships decreased by \$133.3 million. This decrease is primarily attributable to a reduction of \$108.7 million related to the noncontrolling interest partners' share of gains on dispositions of real estate, due primarily to fewer sales in 2009 as compared to 2008, \$5.5 million of losses allocated to noncontrolling interests in 2009 that we would not have allocated to the noncontrolling interest partners in 2008 because to do so would have resulted in deficits in their noncontrolling interest balances, and approximately \$3.8 million related to deficit distribution charges recognized as a reduction to our earnings in 2008, for which we did not recognize similar charges in 2009 based on the change in accounting discussed above. These decreases are in addition to the noncontrolling interest partners' share of increased losses of our consolidated real estate partnerships in 2009 as compared to 2008.

## **Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in accordance with GAAP, which requires us to make estimates and assumptions. We believe that the following critical accounting policies involve our more significant judgments and estimates used in the preparation of our consolidated financial statements.

### ***Impairment of Long-Lived Assets***

Real estate and other long-lived assets to be held and used are stated at cost, less accumulated depreciation and amortization, unless the carrying amount of the asset is not recoverable. If events or circumstances indicate that the carrying amount of a property may not be recoverable, we make an assessment of its recoverability by comparing the carrying amount to our estimate of the undiscounted future cash flows, excluding interest charges, of the property. If the carrying amount exceeds the estimated aggregate undiscounted future cash flows, we recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property.

From time to time, we have non-revenue producing properties that we hold for future redevelopment. We assess the recoverability of the carrying amount of these redevelopment properties by comparing our estimate of undiscounted future cash flows based on the expected service potential of the redevelopment property upon completion to the carrying amount. In certain instances, we use a probability-weighted approach to determine our estimate of undiscounted future cash flows when alternative courses of action are under consideration. As discussed in *Provision for Impairment Losses on Real Estate Development Assets* within the preceding discussion of our Results of Operations, during 2008 we recognized impairment losses on our Lincoln Place and Pacific Bay Vistas properties of \$85.4 million (\$55.6 million net of tax) and \$5.7 million, respectively.

Real estate investments are subject to varying degrees of risk. Several factors may adversely affect the economic performance and value of our real estate investments. These factors include:

the general economic climate;

competition from other apartment communities and other housing options;

local conditions, such as loss of jobs or an increase in the supply of apartments, that might adversely affect apartment occupancy or rental rates;

changes in governmental regulations and the related cost of compliance;

increases in operating costs (including real estate taxes) due to inflation and other factors, which may not be offset by increased rents;

changes in tax laws and housing laws, including the enactment of rent control laws or other laws regulating multifamily housing; and

changes in interest rates and the availability of financing.

Any adverse changes in these and other factors could cause an impairment of our long-lived assets, including real estate and investments in unconsolidated real estate partnerships. During 2011, we expect to market for sale certain real estate properties that are inconsistent with our long-term investment strategy. For any properties that are

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sold or meet the criteria to be classified as held for sale during 2011, the reduction in the estimated holding period for these assets may result in additional impairment losses.

In addition to the impairments of Lincoln Place and Pacific Bay Vistas discussed above, based on periodic tests of recoverability of long-lived assets, for the years ended December 31, 2010 and 2009, we recorded impairment losses of \$0.4 million and \$2.3 million, respectively, related to properties classified as held for use, and during the year ended December 31, 2008, we recorded no additional impairments related to properties held for use. During the years ended December 31, 2010, 2009 and 2008, we recognized impairment losses of \$12.7 million, \$54.5 million and \$27.4 million, respectively, for properties included in discontinued operations, primarily due to reductions in the estimated holding periods for assets sold during these periods.

### ***Notes Receivable and Interest Income Recognition***

Notes receivable from unconsolidated real estate partnerships and from non-affiliates represent our two portfolio segments, as defined in FASB Accounting Standards Update 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, that we use to evaluate for potential loan loss. Notes receivable from unconsolidated real estate partnerships consist primarily of notes receivable from partnerships in which we are the general partner but do not consolidate the partnership. These loans are typically due on demand, have no stated maturity date and may not require current payments of principal or interest. Notes receivable from non-affiliates have stated maturity dates and may require current payments of principal and interest. Repayment of these notes is subject to a number of variables, including the performance and value of the underlying real estate properties and the claims of unaffiliated mortgage lenders, which are generally senior to our claims. Our notes receivable consist of two classes: loans extended by us that we carry at the face amount plus accrued interest, which we refer to as par value notes; and loans extended by predecessors whose positions we generally acquired at a discount, which we refer to as discounted notes.

We record interest income on par value notes as earned in accordance with the terms of the related loan agreements. We discontinue the accrual of interest on such notes when the notes are impaired, as discussed below, or when there is otherwise significant uncertainty as to the collection of interest. We record income on such nonaccrual loans using the cost recovery method, under which we apply cash receipts first to the recorded amount of the loan; thereafter, any additional receipts are recognized as income.

We recognize interest income on discounted notes receivable based upon whether the amount and timing of collections are both probable and reasonably estimable. We consider collections to be probable and reasonably estimable when the borrower has closed or entered into certain pending transactions (which include real estate sales, refinancings, foreclosures and rights offerings) that provide a reliable source of repayment. In such instances, we recognize accretion income, on a prospective basis using the effective interest method over the estimated remaining term of the loans, equal to the difference between the carrying amount of the discounted notes and the estimated collectible value. We record income on all other discounted notes using the cost recovery method.

### ***Provision for Losses on Notes Receivable***

We assess the collectibility of notes receivable on a periodic basis, which assessment consists primarily of an evaluation of cash flow projections of the borrower to determine whether estimated cash flows are sufficient to repay principal and interest in accordance with the contractual terms of the note. We update our cash flow projections of the borrowers annually, and more frequently for certain loans depending on facts and circumstances. We recognize impairments on notes receivable when it is probable that principal and interest will not be received in accordance with the contractual terms of the loan. Factors that affect this assessment include the fair value of the partnership's real estate, pending transactions to refinance the partnership's senior obligations or sell the partnership's real estate, and

market conditions (current and forecasted) related to a particular asset. The amount of the impairment to be recognized generally is based on the fair value of the partnership's real estate that represents the primary source of loan repayment. In certain instances where other sources of cash flow are available to repay the loan, the impairment is measured by discounting the estimated cash flows at the loan's original effective interest rate.

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During the years ended December 31, 2010, 2009 and 2008 we recorded net provisions for losses on notes receivable of \$0.9 million, \$21.5 million and \$17.6 million, respectively. As discussed in *Provision for Losses on Notes Receivable* within the preceding discussion of our Results of Operations, provisions for losses on notes receivable in 2009 and 2008 include impairment losses of \$20.7 million (\$12.4 million net of tax) and \$16.3 million (\$10.0 million net of tax), respectively, on our investment in Casden Properties LLC, which we account for as a note receivable. We will continue to evaluate the collectibility of these notes, and we will adjust related allowances in the future due to changes in market conditions and other factors.

## ***Capitalized Costs***

We capitalize costs, including certain indirect costs, incurred in connection with our capital additions activities, including redevelopment and construction projects, other tangible property improvements and replacements of existing property components. Included in these capitalized costs are payroll costs associated with time spent by site employees in connection with the planning, execution and control of all capital additions activities at the property level. We characterize as indirect costs an allocation of certain department costs, including payroll, at the area operations and corporate levels that clearly relate to capital additions activities. We capitalize interest, property taxes and insurance during periods in which redevelopment and construction projects are in progress. We charge to expense as incurred costs that do not relate to capital additions activities, including ordinary repairs, maintenance, resident turnover costs and general and administrative expenses (see *Capital Additions and Related Depreciation* in Note 2 to the consolidated financial statements in Item 8).

For the years ended December 31, 2010, 2009 and 2008, for continuing and discontinued operations, we capitalized \$11.6 million, \$9.8 million and \$25.7 million of interest costs, respectively, and \$25.3 million, \$40.0 million and \$78.1 million of site payroll and indirect costs, respectively. The reductions from 2008 to 2010 are primarily due to a reduced level of redevelopment activities.

## **Liquidity and Capital Resources**

Liquidity is the ability to meet present and future financial obligations. Our primary source of liquidity is cash flow from our operations. Additional sources are proceeds from property sales, proceeds from refinancings of existing property loans, borrowings under new property loans and borrowings under our revolving credit facility.

Our principal uses for liquidity include normal operating activities, payments of principal and interest on outstanding property debt, capital expenditures, distributions paid to unitholders and distributions paid to noncontrolling interest partners and acquisitions of, and investments in, properties. We use our cash and cash equivalents and our cash provided by operating activities to meet short-term liquidity needs. In the event that our cash and cash equivalents and cash provided by operating activities are not sufficient to cover our short-term liquidity demands, we have additional means, such as short-term borrowing availability and proceeds from property sales and refinancings, to help us meet our short-term liquidity demands. We may use our revolving credit facility for general corporate purposes and to fund investments on an interim basis. We expect to meet our long-term liquidity requirements, such as debt maturities and property acquisitions, through long-term borrowings, primarily secured, the issuance of equity securities (including OP Units), the sale of properties and cash generated from operations.

The availability of credit and its related effect on the overall economy may affect our liquidity and future financing activities, both through changes in interest rates and access to financing. Currently, interest rates are low compared to historical levels, many lenders have reentered the market, and the CMBS market is showing signs of recovery. However, any adverse changes in the lending environment could negatively affect our liquidity. We believe we mitigate this exposure through our continued focus on reducing our short and intermediate term maturity risk, by refinancing such loans with long-dated, fixed-rate property loans. If property financing options become unavailable

for our debt needs, we may consider alternative sources of liquidity, such as reductions in certain capital spending or proceeds from asset dispositions.

As further discussed in Item 7A, Quantitative and Qualitative Disclosures About Market Risk, we are subject to interest rate risk associated with certain variable rate liabilities and preferred OP Units. At December 31, 2010, we estimate that a 1.0% increase in 30-day LIBOR with constant credit risk spreads would reduce our net income

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(or increase our net loss) attributable to the Partnership's common unitholders by approximately \$4.2 million on an annual basis. The effect of an increase in 30-day LIBOR may be mitigated by the effect of our variable rate assets.

As further discussed in Note 2 to our consolidated financial statements in Item 8, we use total rate of return swaps as a financing product to lower our cost of borrowing through conversion of fixed-rate debt to variable-rates. The cost of financing through these arrangements is generally lower than the fixed rate on the debt. As of December 31, 2010, we had total rate of return swap positions with two financial institutions with notional amounts totaling \$277.3 million. Swaps with notional amounts of \$248.1 million and \$29.2 million had maturity dates in May 2012 and October 2012, respectively. During the year ended December 31, 2010, we received net cash receipts of \$20.9 million under the total return swaps, which positively affected our liquidity. To the extent interest rates increase above the fixed rates on the underlying borrowings, our obligations under the total return swaps will negatively affect our liquidity.

During 2010, we refinanced certain of the underlying borrowings subject to total rate of return swaps with long-dated, fixed-rate property debt, and we expect to do the same with certain of the underlying borrowings in 2011. The average effective interest rate associated with our borrowings subject to the total rate of return swaps was 1.6% at December 31, 2010. To the extent we are successful in refinancing additional of the borrowings subject to the total rate of return swaps during 2011, we anticipate the interest cost associated with these borrowings will increase, which would negatively affect our liquidity.

We periodically evaluate counterparty credit risk associated with these arrangements. In the event a counterparty were to default under these arrangements, loss of the net interest benefit we generally receive under these arrangements, which is equal to the difference between the fixed rate we receive and the variable rate we pay, may adversely affect our liquidity. However, at the current time, we have concluded we do not have material exposure.

The total rate of return swaps require specified loan-to-value ratios. In the event the values of the real estate properties serving as collateral under these agreements decline or if we sell properties in the collateral pool with low loan-to-value ratios, certain of our consolidated subsidiaries have an obligation to pay down the debt or provide additional collateral pursuant to the swap agreements, which may adversely affect our cash flows. The obligation to provide collateral is limited to these subsidiaries and is non-recourse to us. At December 31, 2010, these subsidiaries were not required to provide cash collateral based on the loan-to-value ratios of the real estate properties serving as collateral under these agreements.

See *Derivative Financial Instruments* in Note 2 to the consolidated financial statements in Item 8 for additional information regarding these arrangements, including the current swap maturity dates and disclosures regarding fair value measurements.

As of December 31, 2010, we had the capacity to borrow \$260.3 million pursuant to our \$300.0 million revolving credit facility (after giving effect to \$39.7 million outstanding for undrawn letters of credit).

At December 31, 2010, we had \$111.3 million in cash and cash equivalents, an increase of \$30.1 million from December 31, 2009. At December 31, 2010, we had \$201.4 million of restricted cash, a decrease of \$17.3 million from December 31, 2009. Restricted cash primarily consists of reserves and escrows held by lenders for bond sinking funds, capital additions, property taxes and insurance. In addition, cash, cash equivalents and restricted cash are held by partnerships that are not presented on a consolidated basis. The following discussion relates to changes in cash due to operating, investing and financing activities, which are presented in our consolidated statements of cash flows in Item 8.

## ***Operating Activities***



For the year ended December 31, 2010, our net cash provided by operating activities of \$257.5 million was primarily related to operating income from our consolidated properties, which is affected primarily by rental rates, occupancy levels and operating expenses related to our portfolio of properties, in excess of payments of operating accounts payable and accrued liabilities, including amounts related to our organizational restructuring. Cash provided by operating activities increased \$23.7 million compared with the year ended December 31, 2009, primarily due to decreases in interest paid and other working capital expenditures, including payments related to our

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restructuring accruals, in 2010 as compared to 2009, partially offset by a decrease in property net operating income, primarily due to property sales during 2009 and 2010.

### ***Investing Activities***

For the year ended December 31, 2010, our net cash provided by investing activities of \$86.6 million consisted primarily of proceeds from disposition of real estate and partnership interests, partially offset by capital expenditures.

Although we hold all of our properties for investment, we sell properties when they do not meet our investment criteria or are located in areas that we believe do not justify our continued investment when compared to alternative uses for our capital. During the year ended December 31, 2010, we sold 51 consolidated properties. These properties were sold for an aggregate sales price of \$402.5 million, generating proceeds totaling \$387.9 million after the payment of transaction costs and debt prepayment penalties. The \$387.9 million is inclusive of debt assumed by buyers. Net cash proceeds from property sales were used primarily to repay or pay down property debt and for other corporate purposes.

Capital expenditures totaled \$178.9 million during the year ended December 31, 2010, and consisted primarily of Capital Improvements and Capital Replacements, and to a lesser extent included spending for redevelopment projects and casualties. In 2011, we expect to increase our redevelopment spending on conventional properties from approximately \$30.0 million in 2010 to approximately \$50.0 million to \$75.0 million. We generally fund capital additions with cash provided by operating activities, working capital and property sales.

### ***Financing Activities***

For the year ended December 31, 2010, net cash used in financing activities of \$314.0 million was primarily attributed to debt principal payments, distributions paid to common and preferred unitholders, distributions to noncontrolling interests and our redemption and repurchase of preferred OP Units. Proceeds from property loans and our issuance of preferred stock partially offset the cash outflows.

### ***Property Debt***

At December 31, 2010 and 2009, we had \$5.5 billion and \$5.6 billion, respectively, in consolidated property debt outstanding, which included \$240.0 million at December 31, 2009, of property debt classified within liabilities related to assets held for sale. During the year ended December 31, 2010, we refinanced or closed property loans on 23 properties generating \$449.4 million of proceeds from borrowings with a weighted average interest rate of 5.42%. Our share of the net proceeds after repayment of existing debt, payment of transaction costs and distributions to limited partners, was \$138.9 million. We used these total net proceeds for capital expenditures and other corporate purposes. We intend to continue to refinance property debt primarily as a means of extending current and near term maturities and to finance certain capital projects.

### ***Credit Facility***

We have an Amended and Restated Senior Secured Credit Agreement, as amended, with a syndicate of financial institutions, which we refer to as the Credit Agreement. During 2010, we amended the Credit Agreement to, among other things, increase the revolving commitments from \$180.0 million to \$300.0 million, extend the maturity from May 2012 to May 2014 (both inclusive of a one year extension option) and reduce the LIBOR floor on the facility's base interest rate from 2.00% to 1.50%. During 2010, we also repaid in full the remaining \$90.0 million term loan that was outstanding as of December 31, 2009.

As of December 31, 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 4.25% with a LIBOR floor of 1.50% or, at our option, a base rate equal to the prime rate plus a spread of 3.00%). 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.

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At December 31, 2010, we had no outstanding borrowings under the revolving credit facility. The amount available under the revolving credit facility at December 31, 2010, was \$260.3 million (after giving effect to \$39.7 million outstanding for undrawn letters of credit issued under the revolving credit facility). The proceeds of revolving loans are generally used to fund working capital and for other corporate purposes.

Our Credit Agreement requires us to satisfy covenant ratios of earnings before interest, taxes and depreciation and amortization to debt service and earnings to fixed charges of 1.40:1 and 1.20:1, respectively. For the twelve months ended December 31, 2010, as calculated based on the provisions in our Credit Agreement, we had a ratio of earnings before interest, taxes and depreciation and amortization to debt service of 1.57:1 and a ratio of earnings to fixed charges of 1.33:1. We expect to remain in compliance with these covenants during 2011. In the first quarter of 2012, the covenant ratios of earnings before interest, taxes and depreciation and amortization to debt service and earnings to fixed charges required by our Credit Agreement will increase to 1.50:1 and 1.30:1, respectively.

*Partners Capital Transactions*

During the year ended December 31, 2010, we paid cash distributions totaling \$60.2 million and \$50.3 million to preferred unitholders and common unitholders, respectively.

During the year ended December 31, 2010, Aimco sold 4,000,000 shares of its 7.75% Class U Cumulative Preferred Stock for net proceeds of \$96.1 million (after deducting underwriting discounts and commissions and transaction expenses of \$3.3 million), and Aimco sold 600,000 shares of its Class A Common Stock pursuant to an At-The-Market, or ATM, offering program Aimco initiated during 2010, generating \$14.4 million of net proceeds. Aimco contributed the net proceeds from these offerings to us in exchange for 4,000,000 units of our 7.75% Class U Cumulative Preferred Units and 600,000 common OP Units. We used the proceeds from the common OP unit issuance primarily to fund the acquisition of noncontrolling limited partnership interests for certain consolidated real estate partnerships.

During the year ended December 31, 2010, Aimco repurchased 20 shares, or \$10.0 million in liquidation preference, of its CRA Preferred Stock for \$7.0 million, and primarily using the proceeds from its issuance of preferred stock discussed above, Aimco redeemed the 4,040,000 outstanding shares of its 9.375% Class G Cumulative Preferred Stock for \$101.0 million plus accrued and unpaid dividends of \$2.2 million. Concurrent with Aimco's repurchase and redemption, we repurchased from Aimco an equivalent number of our CRA Preferred Units and redeemed from Aimco all of the outstanding Class G Cumulative Preferred Units.

Pursuant to the ATM offering program discussed above, Aimco may issue up to 6.4 million additional shares of its Class A Common Stock. Additionally, we and Aimco have a shelf registration statement that provides for the issuance of debt securities by us and debt and equity securities by Aimco.

During the year ended December 31, 2010, we paid cash distributions of \$44.5 million to noncontrolling interests in consolidated real estate partnerships, primarily related to property sales during 2010 and late 2009.

During the year ended December 31, 2010, we acquired the remaining noncontrolling limited partnership interests in two consolidated partnerships, in which our affiliates serve as general partner, for total consideration of \$19.9 million. This consideration consisted of \$12.5 million in cash, \$6.9 million in common OP Units and \$0.5 million of other consideration.

**Table of Contents****Contractual Obligations**

This table summarizes information contained elsewhere in this Annual Report regarding payments due under contractual obligations and commitments as of December 31, 2010 (amounts in thousands):

	<b>Total</b>	<b>Less Than One Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More Than 5 Years</b>
Long-term debt(1)	\$ 5,504,801	\$ 288,990	\$ 986,396	\$ 941,339	\$ 3,288,076
Interest related to long-term debt(2)	2,223,580	308,220	550,958	447,195	917,207
Leases for space(3)	14,400	6,334	5,780	1,436	850
Other obligations(4)	3,750	3,750			
<b>Total</b>	<b>\$ 7,746,531</b>	<b>\$ 607,294</b>	<b>\$ 1,543,134</b>	<b>\$ 1,389,970</b>	<b>\$ 4,206,133</b>

- (1) Includes scheduled principal amortization and maturity payments related to our long-term debt.
- (2) Includes interest related to both fixed rate and variable rate debt. Interest related to variable rate debt is estimated based on the rate effective at December 31, 2010. Refer to Note 6 in the consolidated financial statements in Item 8 for a description of average interest rates associated with our debt.
- (3) Inclusive of leased space that has been abandoned as part of our organizational restructuring in 2008.
- (4) Represents a commitment to fund \$3.8 million in second mortgage loans on certain properties in West Harlem, New York City.

In addition to the amounts presented in the table above, at December 31, 2010, we had \$679.5 million (liquidation value) of perpetual preferred units held by Aimco outstanding with annual dividend yields ranging from 1.5% (variable) to 8.0%, and \$82.6 million (liquidation value) of redeemable preferred units outstanding with annual distribution yields ranging from 1.8% to 8.8%, or equal to the dividends paid on common OP Units based on the conversion terms. As further discussed in Note 11 to the consolidated financial statements in Item 8, Aimco has a potential obligation to repurchase \$20.0 million in liquidation preference its Series A Community Reinvestment Act Preferred Stock over the next two years for \$14.0 million. Upon any repurchases required of Aimco under this agreement, we will repurchase from Aimco an equivalent number of our Series A Community Reinvestment Act Preferred Units.

As discussed in Note 5 to the consolidated financial statements in Item 8, we have notes receivable collateralized by second mortgages on certain properties in West Harlem in New York City. In certain circumstances, the obligor under these notes has the ability to put properties to us, which would result in a cash payment of approximately \$30.6 million and the assumption of approximately \$118.6 million in property debt. The obligor's right to exercise the put is dependent upon the achievement of specified operating performance thresholds.

Additionally, we may enter into commitments to purchase goods and services in connection with the operations of our properties. Those commitments generally have terms of one year or less and reflect expenditure levels comparable to our historical expenditures.

### **Future Capital Needs**

In addition to the items set forth in **Contractual Obligations** above, we expect to fund any future acquisitions, redevelopment projects, Capital Improvements and Capital Replacements principally with proceeds from property sales (including tax-free exchange proceeds), short-term borrowings, debt and equity financing (including tax credit equity) and operating cash flows.

### **Off-Balance Sheet Arrangements**

We own general and limited partner interests in unconsolidated real estate partnerships, in which our total ownership interests typically range from less than 1% to 50% and in some instances may exceed 50%. There are no lines of credit, side agreements, or any other derivative financial instruments related to or between our unconsolidated real estate partnerships and us and no material exposure to financial guarantees. Accordingly, our

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maximum risk of loss related to these unconsolidated real estate partnerships is limited to the aggregate carrying amount of our investment in the unconsolidated real estate partnerships and any outstanding notes or accounts receivable as reported in our consolidated financial statements (see Note 4 of the consolidated financial statements in Item 8 for additional information about our investments in unconsolidated real estate partnerships).

**Item 7A. *Quantitative and Qualitative Disclosures About Market Risk***

Our primary market risk exposure relates to changes in base interest rates, credit risk spreads and availability of credit. We are not subject to any other material market rate or price risks. We use predominantly long-term, fixed-rate non-recourse property debt in order to avoid the refunding and repricing risks of short-term borrowings. We use short-term debt financing and working capital primarily to fund short-term uses and acquisitions and generally expect to refinance such borrowings with cash from operating activities, property sales proceeds, long-term debt or equity financings. We use total rate-of-return swaps to obtain the benefit of variable rates on certain of our fixed rate debt instruments. We make limited use of other derivative financial instruments and we do not use them for trading or other speculative purposes.

As of December 31, 2010, on a consolidated basis, we had approximately \$470.3 million of variable-rate indebtedness outstanding and \$57.0 million of variable rate preferred OP Units outstanding. Of the total debt subject to variable interest rates, floating rate tax-exempt bond financing was approximately \$374.4 million. Floating rate tax-exempt bond financing is benchmarked against the Securities Industry and Financial Markets Association Municipal Swap Index, or SIFMA, rate, which since 1989 has averaged 75% of the 30-day LIBOR rate. If this historical relationship continues, we estimate that an increase in 30-day LIBOR of 100 basis points (75 basis points for tax-exempt interest rates) with constant credit risk spreads would result in net income and net income attributable to the Partnership's common unitholders being reduced (or the amounts of net loss and net loss attributable to the Partnership's common unitholders being increased) by \$3.9 million and \$4.2 million, respectively on an annual basis.

At December 31, 2010, we had approximately \$450.4 million in cash and cash equivalents, restricted cash and notes receivable, a portion of which bear interest at variable rates indexed to LIBOR-based rates, and which may mitigate the effect of an increase in variable rates on our variable-rate indebtedness and preferred stock discussed above.

We estimate the fair value for our debt instruments using present value techniques that include income and market valuation approaches with market rates for debt with the same or similar terms. Present value calculations vary depending on the assumptions used, including the discount rate and estimates of future cash flows. In many cases, the fair value estimates may not be realizable in immediate settlement of the instruments. The estimated aggregate fair value of our consolidated debt (including amounts reported in liabilities related to assets held for sale) was approximately \$5.6 billion and \$5.7 billion at December 31, 2010 and 2009, respectively. The combined carrying value of our consolidated debt (including amounts reported in liabilities related to assets held for sale) was approximately \$5.5 billion and \$5.7 billion at December 31, 2010 and 2009, respectively. See Note 6 and Note 7 to the consolidated financial statements in Item 8 for further details on our consolidated debt. Refer to *Derivative Financial Instruments* in Note 2 to the consolidated financial statements in Item 8 for further discussion regarding certain of our fixed rate debt that is subject to total rate of return swap instruments. If market rates for our fixed-rate debt were higher by 100 basis points with constant credit risk spreads, the estimated fair value of our debt discussed above would have decreased from \$5.6 billion to \$5.3 billion. If market rates for our debt discussed above were lower by 100 basis points with constant credit risk spreads, the estimated fair value of our fixed-rate debt would have increased from \$5.6 billion to \$6.0 billion.

**Item 8. *Financial Statements and Supplementary Data***

The independent registered public accounting firm's report, consolidated financial statements and schedule listed in the accompanying index are filed as part of this report and incorporated herein by this reference. See Index to Financial Statements on page F-1 of this Annual Report.

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**Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

**Item 9A. *Controls and Procedures***

**Disclosure Controls and Procedures**

The Partnership's management, with the participation of the chief executive officer and chief financial officer of the General Partner, who are the equivalent of the Partnership's chief executive officer and chief financial officer, respectively, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the chief executive officer and chief financial officer of the General Partner have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

**Management's Report on Internal Control Over Financial Reporting**

Management of the Partnership is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the General Partner's principal executive and principal financial officers, or persons performing similar functions, and effected by the General Partner's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Partnership;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Partnership are being made only in accordance with authorizations of the General Partner's management and directors of the Partnership; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Partnership's assets that could have a material effect on the financial statements.

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

Management assessed the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*.

Based on the assessment, management concluded that, as of December 31, 2010, the Partnership's internal control over financial reporting is effective.

The Partnership's independent registered public accounting firm has issued an attestation report on the Partnership's internal control over financial reporting.

**Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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**Report of Independent Registered Public Accounting Firm**

The Partners

AIMCO Properties, L.P.

We have audited AIMCO Properties, L.P.'s (the Partnership) internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Partnership's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Partnership as of December 31, 2010 and 2009, and the related consolidated statements of operations, partners' capital, and cash flows for each of the three years in the period ended December 31, 2010, and our report dated February 24, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Denver, Colorado  
February 24, 2011



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**Item 9B. *Other Information***

None.

**PART III**

**Item 10. *Directors, Executive Officers and Corporate Governance***

The board of directors of the General Partner consists of Terry Considine and Miles Cortez. The officers of Aimco are also the officers of the General Partner and hold the same titles. Additional information required by this item is presented under the captions Board of Directors and Executive Officers and Corporate Governance Matters Code of Ethics in the proxy statement for Aimco's 2011 annual meeting of stockholders and is incorporated herein by reference.

Section 16(a) Beneficial Ownership Reporting Compliance. Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the General Partner's executive officers and directors, and persons who own more than ten percent of a registered class of OP Units, to file reports (Forms 3, 4 and 5) of unit ownership and changes in unit ownership with the Securities and Exchange Commission (SEC). Executive officers, directors and beneficial owners of more than ten percent of OP Units are required by SEC regulations to furnish us with copies of all such forms that they file. Based solely on our review of the copies of Forms 3, 4 and 5 and the amendments thereto received by us for the year ended December 31, 2010, or written representations from certain reporting persons that no Forms 5 were required to be filed by those persons, we believe that during the period ended December 31, 2010, all filing requirements were complied with by the General Partner's executive officers and directors and beneficial owners of more than ten percent of OP Units.

Audit Committee and Nominating and Corporate Governance Committee. The board of directors of the General Partner does not have a separate audit committee or nominating and corporate governance committee. Based on the structure of the Partnership and its relationship to Aimco, which has a separate audit committee and nominating and corporate governance committee, committees are not warranted for the Partnership. The audit committee of Aimco's board of directors makes determinations concerning the engagement of the independent registered public accounting firm for Aimco and its subsidiaries, including the Partnership. In addition, the Aimco audit committee reviews with the independent registered public accounting firm the plans and results of the audit engagement, reviews the independence of the independent registered public accounting firm, considers the range of audit and non-audit fees and reviews the adequacy of internal control over financial reporting. The Aimco audit committee currently consists of James N. Bailey, Richard S. Ellwood, Thomas L. Keltner, J. Landis Martin, Robert A. Miller, Kathleen M. Nelson and Michael A. Stein. Aimco's board of directors has determined that Michael A. Stein is an audit committee financial expert. Aimco's board of directors has also determined that each member of the audit committee is independent, as that term is defined by Section 303A of the listing standards of the New York Stock Exchange relating to audit committees.

**Item 11. *Executive Compensation***

The information required by this item is presented under the captions Compensation Discussion & Analysis, Compensation and Human Resources Committee Report to Stockholders, Summary Compensation Table, Grants of Plan-Based Awards in 2010, Outstanding Equity Awards at Fiscal Year End 2010, Option Exercises and Stock Vested in 2010, and Potential Payments Upon Termination or Change in Control in the proxy statement for Aimco's 2011 annual meeting of stockholders and is incorporated herein by reference. The directors of the General Partner do not receive additional compensation for serving as directors.

**Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The board of directors of the General Partner consists of Messrs. Considine and Cortez. Additional information required by this item is presented under the captions Security Ownership of Certain Beneficial Owners and Management and Securities Authorized for Issuance Under Equity Compensation Plans in the proxy statement

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for Aimco's 2011 annual meeting of stockholders and is incorporated herein by reference. As of February 22, 2011, AIMCO-LP Trust held approximately 93% of the common partnership units outstanding.

**Item 13. *Certain Relationships and Related Transactions, and Director Independence***

Information required by this item is presented under the caption *Certain Relationships and Related Transactions* in the proxy statement for Aimco's 2011 annual meeting of stockholders and is incorporated herein by reference. The directors of the General Partner are not independent.

**Item 14. *Principal Accountant Fees and Services***

The information required by this item is presented under the caption *Principal Accountant Fees and Services* in the proxy statement for Aimco's 2011 annual meeting of stockholders and is incorporated herein by reference.

**PART IV**

**Item 15. *Exhibits and Financial Statement Schedules***

- (a)(1) The financial statements listed in the Index to Financial Statements on Page F-1 of this report are filed as part of this report and incorporated herein by reference.
- (a)(2) The financial statement schedule listed in the Index to Financial Statements on Page F-1 of this report is filed as part of this report and incorporated herein by reference.
- (a)(3) The Exhibit Index is incorporated herein by reference.

**INDEX TO EXHIBITS(1)(2)**

**Exhibit  
No.**

**Description**

- 10.1 Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 29, 1994, as amended and restated as of February 28, 2007 (Exhibit 10.1 to Aimco's Annual Report on Form 10-K for the year ended December 31, 2006, is incorporated herein by this reference)
- 10.2 First Amendment to Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of December 31, 2007 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated December 31, 2007, is incorporated herein by this reference)
- 10.3 Second Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 30, 2009 (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, is incorporated herein by this reference)
- 10.4 Third Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of September 2, 2010 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated September 3, 2010, is incorporated herein by this reference)
- 10.5 Amended and Restated Secured Credit Agreement, dated as of November 2, 2004, by and among Aimco, AIMCO Properties, L.P., AIMCO/Bethesda Holdings, Inc., and NHP Management Company as the borrowers and Bank of America, N.A., Keybank National Association, and the Lenders listed therein (Exhibit 4.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004, is incorporated herein by this reference)
- 10.6

First Amendment to Amended and Restated Secured Credit Agreement, dated as of June 16, 2005, by and among Aimco, AIMCO Properties, L.P., AIMCO/Bethesda Holdings, Inc., and NHP Management Company as the borrowers and Bank of America, N.A., Keybank National Association, and the Lenders listed therein (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated June 16, 2005, is incorporated herein by this reference)

- 10.7 Second Amendment to Amended and Restated Senior Secured Credit Agreement, dated as of March 22, 2006, by and among Aimco, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the borrowers, and Bank of America, N.A., Keybank National Association, and the lenders listed therein (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated March 22, 2006, is incorporated herein by this reference)

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<b>Exhibit No.</b>	<b>Description</b>
10.8	Third Amendment to Senior Secured Credit Agreement, dated as of August 31, 2007, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the Borrowers, the pledgors and guarantors named therein, Bank of America, N.A., as administrative agent and Bank of America, N.A., Keybank National Association and the other lenders listed therein (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated August 31, 2007, is incorporated herein by this reference)
10.9	Fourth Amendment to Senior Secured Credit Agreement, dated as of September 14, 2007, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the Borrowers, the pledgors and guarantors named therein, Bank of America, N.A., as administrative agent and Bank of America, N.A., Keybank National Association and the other lenders listed therein (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated September 14, 2007, is incorporated herein by this reference)
10.10	Fifth Amendment to Senior Secured Credit Agreement, dated as of September 9, 2008, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the Borrowers, the pledgors and guarantors named therein, Bank of America, N.A., as administrative agent and Bank of America, N.A., Keybank National Association and the other lenders listed therein (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated September 11, 2008, is incorporated herein by this reference)
10.11	Sixth Amendment to Senior Secured Credit Agreement, dated as of May 1, 2009, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the Borrowers, the pledgors and guarantors named therein, Bank of America, N.A., as administrative agent and Bank of America, N.A., Keybank National Association and the other lenders listed therein (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, is incorporated herein by this reference)
10.12	Seventh Amendment to Senior Secured Credit Agreement, dated as of August 4, 2009, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the Borrowers, the pledgors and guarantors named therein and the lenders party thereto (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated August 6, 2009, is incorporated herein by this reference)
10.13	Eighth Amendment to Senior Secured Credit Agreement, dated as of February 3, 2010, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the Borrowers, the pledgors and guarantors named therein and the lenders party thereto (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated February 5, 2010, is incorporated herein by this reference)
10.14	Ninth Amendment to Amended and Restated Senior Secured Credit Agreement, dated as of May 14, 2010, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the borrowers, the guarantors and the pledgors named therein and the lenders party thereto (exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, is incorporated herein by this reference)
10.15	Tenth Amendment to Senior Secured Credit Agreement, dated as of September 29, 2010, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., and AIMCO/Bethesda Holdings, Inc., as the Borrowers, the pledgors and guarantors named therein, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and the lenders party thereto (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated September 29, 2010, is incorporated herein by this reference)

- 10.16 Master Indemnification Agreement, dated December 3, 2001, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., XYZ Holdings LLC, and the other parties signatory thereto (Exhibit 2.3 to Aimco s Current Report on Form 8-K, dated December 6, 2001, is incorporated herein by this reference)
- 10.17 Tax Indemnification and Contest Agreement, dated December 3, 2001, by and among Apartment Investment and Management Company, National Partnership Investments, Corp., and XYZ Holdings LLC and the other parties signatory thereto (Exhibit 2.4 to Aimco s Current Report on Form 8-K, dated December 6, 2001, is incorporated herein by this reference)

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<b>Exhibit No.</b>	<b>Description</b>
10.18	Employment Contract executed on December 29, 2008, by and between AIMCO Properties, L.P. and Terry Considine (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated December 29, 2008, is incorporated herein by this reference)*
10.19	Apartment Investment and Management Company 1997 Stock Award and Incentive Plan (October 1999) (Exhibit 10.26 to Aimco's Annual Report on Form 10-K for the year ended December 31, 1999, is incorporated herein by this reference)*
10.20	Form of Restricted Stock Agreement (1997 Stock Award and Incentive Plan) (Exhibit 10.11 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997, is incorporated herein by this reference)*
10.21	Form of Incentive Stock Option Agreement (1997 Stock Award and Incentive Plan) (Exhibit 10.42 to Aimco's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by this reference)*
10.22	2007 Stock Award and Incentive Plan (incorporated by reference to Appendix A to Aimco's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 20, 2007)*
10.23	Form of Restricted Stock Agreement (Exhibit 10.2 to Aimco's Current Report on Form 8-K, dated April 30, 2007, is incorporated herein by this reference)*
10.24	Form of Non-Qualified Stock Option Agreement (Exhibit 10.3 to Aimco's Current Report on Form 8-K, dated April 30, 2007, is incorporated herein by this reference)*
10.25	2007 Employee Stock Purchase Plan (incorporated by reference to Appendix B to Aimco's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 20, 2007)*
21.1	List of Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Agreement re: disclosure of long-term debt instruments
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

(1) Schedule and supplemental materials to the exhibits have been omitted but will be provided to the Securities and Exchange Commission upon request.

(2)

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The file reference number for all exhibits is 001-13232, and all such exhibits remain available pursuant to the Records Control Schedule of the Securities and Exchange Commission.

- \* Management contract or compensatory plan or arrangement  
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**SIGNATURES**

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

AIMCO PROPERTIES, L.P.

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

By: /s/ TERRY CONSIDINE

Terry Considine

*Chairman of the Board and Chief Executive Officer*

Date: February 24, 2011

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

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ TERRY CONSIDINE Terry Considine	Chairman of the Board and Chief Executive Officer of the registrant's general partner (principal executive officer)	February 24, 2011
/s/ MILES CORTEZ Miles Cortez	Director, Executive Vice President and Chief Administrative Officer of the registrant's general partner	February 24 2011
/s/ ERNEST M. FREEDMAN Ernest M. Freedman	Executive Vice President and Chief Financial Officer of the registrant's general partner (principal financial officer)	February 24, 2011
/s/ PAUL BELDIN Paul Beldin	Senior Vice President and Chief Accounting Officer of the registrant's general partner (principal accounting officer)	February 24, 2011

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**AIMCO PROPERTIES, L.P.**

**INDEX TO FINANCIAL STATEMENTS**

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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Partners  
AIMCO Properties, L.P.

We have audited the accompanying consolidated balance sheets of AIMCO Properties, L.P. (the Partnership ) as of December 31, 2010 and 2009, and the related consolidated statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the accompanying Index to Financial Statements. These financial statements and schedule are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Partnership at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with United States generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, during 2010 the Company adopted the provisions of Financial Accounting Standards Board, or FASB Accounting Standards Update 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, and during 2009 adopted FASB Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51* (codified in FASB Accounting Standards Codification Topic 810).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Partnership's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Denver, Colorado  
February 24, 2011

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**Table of Contents****AIMCO PROPERTIES, L.P.****CONSOLIDATED BALANCE SHEETS****As of December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
	<b>(In thousands)</b>	
<b>ASSETS</b>		
Real estate:		
Buildings and improvements	\$ 7,328,734	\$ 7,130,309
Land	2,139,431	2,121,044
Total real estate	9,468,165	9,251,353
Less accumulated depreciation	(2,934,407)	(2,539,521)
Net real estate (\$867,053 and \$850,398 related to VIEs)	6,533,758	6,711,832
Cash and cash equivalents (\$34,808 and \$23,366 related to VIEs)	111,325	81,260
Restricted cash (\$55,186 and \$56,179 related to VIEs)	201,406	218,660
Accounts receivable, net (\$13,582 and \$20,766 related to VIEs)	49,855	59,822
Accounts receivable from affiliates, net	8,392	23,744
Deferred financing costs, net	48,032	50,282
Notes receivable from unconsolidated real estate partnerships, net	10,896	14,295
Notes receivable from non-affiliates, net	126,726	125,269
Notes receivable from Aimco	17,230	16,371
Investment in unconsolidated real estate partnerships (\$54,374 and \$99,460 related to VIEs)	58,151	104,193
Other assets	170,589	185,816
Deferred income tax assets, net	58,736	42,015
Assets held for sale		288,580
Total assets	\$ 7,395,096	\$ 7,922,139
<b>LIABILITIES AND PARTNERS CAPITAL</b>		
Non-recourse property tax-exempt bond financing (\$212,245 and \$211,691 related to VIEs)	\$ 514,506	\$ 574,926
Non-recourse property loans payable (\$442,055 and \$385,453 related to VIEs)	4,943,277	4,761,493
Term loan		90,000
Other borrowings (\$15,486 and \$15,665 related to VIEs)	47,018	53,057
Total indebtedness	5,504,801	5,479,476
Accounts payable	27,322	29,819
Accrued liabilities and other (\$79,170 and \$62,503 related to VIEs)	250,106	286,328
Deferred income	150,815	178,878
Security deposits	35,322	34,052



Liabilities related to assets held for sale		246,556
Total liabilities	5,968,366	6,255,109
Redeemable preferred units (Note 11)	103,428	116,656
Commitments and contingencies (Note 8)		
Partners' capital:		
Preferred units	657,601	660,500
General Partner and Special Limited Partner	264,182	521,692
Limited Partners	158,401	95,990
High Performance Units	(44,892)	(40,313)
Investment in Aimco Class A Common Stock	(4,397)	(4,621)
Partners' capital attributable to the Partnership	1,030,895	1,233,248
Noncontrolling interests in consolidated real estate partnerships	292,407	317,126
Total partners' capital	1,323,302	1,550,374
Total liabilities and partners' capital	\$ 7,395,096	\$ 7,922,139

See notes to consolidated financial statements.

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**Table of Contents****AIMCO PROPERTIES, L.P.****CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the Years Ended December 31, 2010, 2009 and 2008**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>(In thousands, except per unit data)</b>		
<b>REVENUES:</b>			
Rental and other property revenues	\$ 1,109,381	\$ 1,081,250	\$ 1,080,048
Asset management and tax credit revenues	35,553	49,853	98,830
Total revenues	1,144,934	1,131,103	1,178,878
<b>OPERATING EXPENSES:</b>			
Property operating expenses	510,179	506,803	519,241
Investment management expenses	14,487	15,779	24,784
Depreciation and amortization	426,060	427,666	376,473
Provision for operating real estate impairment losses	352	2,329	
Provision for impairment losses on real estate development assets			91,138
General and administrative expenses	53,365	56,640	80,376
Other expenses, net	9,982	14,950	21,749
Restructuring costs		11,241	22,802
Total operating expenses	1,014,425	1,035,408	1,136,563
Operating income	130,509	95,695	42,315
Interest income	11,990	9,911	20,329
Provision for losses on notes receivable, net	(949)	(21,549)	(17,577)
Interest expense	(312,576)	(312,534)	(311,448)
Equity in losses of unconsolidated real estate partnerships	(23,112)	(11,401)	(4,736)
Gain on dispositions of unconsolidated real estate and other, net	10,675	21,570	97,403
Loss before income taxes and discontinued operations	(183,463)	(218,308)	(173,714)
Income tax benefit	18,433	17,487	56,574
Loss from continuing operations	(165,030)	(200,821)	(117,140)
Income from discontinued operations, net	76,265	156,841	744,928
Net (loss) income	(88,765)	(43,980)	627,788
Net loss (income) attributable to noncontrolling interests in consolidated real estate partnerships	13,301	(22,442)	(155,749)
Net (loss) income attributable to the Partnership	(75,464)	(66,422)	472,039
Net income attributable to the Partnership's preferred unitholders	(58,554)	(56,854)	(61,354)
Net income attributable to participating securities			(6,985)
	\$ (134,018)	\$ (123,276)	\$ 403,700

Net (loss) income attributable to the Partnership's common unitholders

Earnings (loss) per common unit - basic and diluted:

Loss from continuing operations attributable to the Partnership's common unitholders	\$ (1.48)	\$ (1.77)	\$ (1.94)
Income from discontinued operations attributable to the Partnership's common unitholders	0.41	0.77	6.05
Net (loss) income attributable to the Partnership's common unitholders	\$ (1.07)	\$ (1.00)	\$ 4.11
Weighted average common units outstanding - basic and diluted	124,747	123,180	98,249
Distributions declared per common unit	\$ 0.30	\$ 0.40	\$ 7.48

See notes to consolidated financial statements.

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**Table of Contents****AIMCO PROPERTIES, L.P.****CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL  
For the Years Ended December 31, 2010, 2009 and 2008**

	<b>Preferred Units</b>	<b>General Partner and Special Limited Partner</b>	<b>Limited Partners</b>	<b>High Performance Units (In thousands)</b>	<b>Investment In Aimco Common Stock</b>	<b>Partners Capital Attributable to the Partnership</b>	<b>Non- Controlling Interests</b>	<b>Total Partners Capital</b>
<b>Balances at December 31, 2007</b>	\$ 815,053	664,283	253,652	(28,740)	(6,151)	1,698,097	454,229	2,152,326
Redemption of preferred units held by Aimco	(27,000)	2,160				(24,840)		(24,840)
Common units redeemed by Limited Partners								
to Special Limited Partner		4,182	(4,182)					
Contribution from Aimco related to employee stock purchases, net		1,671				1,671		1,671
Contribution from Aimco related to stock option exercises		481				481		481
Amortization of Aimco stock-based compensation		17,573				17,573		17,573
Contributions from noncontrolling interests							6,854	6,854
Adjustment to noncontrolling interests from consolidation of entities							14,969	14,969
Redemption of partnership units	(976)		(2,046)	(1,146)		(4,168)		(4,168)

held by non-Aimco partners								
Repurchase of common units related to Aimco common stock repurchases		(473,532)				(473,532)		(473,532)
Other, net	(1,083)	(488)	(8)	388		(1,191)	(572)	(1,763)
Net income	61,354	370,729	30,059	9,897		472,039	155,749	627,788
Common units issued to Aimco pursuant to Special Distributions		487,477				487,477		487,477
Distributions to noncontrolling interests							(249,456)	(249,456)
Distributions to common unitholders		(675,416)	(50,896)	(17,662)	1,042	(742,932)		(742,932)
Distributions to preferred unitholders	(62,700)					(62,700)		(62,700)
Reclassification of redeemable preferred units to temporary capital (Note 11)	(88,148)					(88,148)		(88,148)
Adjustment to reflect Limited Partners' capital at redemption value		144,118	(144,118)					
<b>Balances at December 31, 2008</b>	696,500	543,238	82,461	(37,263)	(5,109)	1,279,827	381,773	1,661,600
Redemption of preferred units held by Aimco	(6,000)	1,800				(4,200)		(4,200)
Common units redeemed by Limited Partners to Special Limited Partner		7,085	(7,085)					
Amortization of Aimco stock-based compensation		8,007				8,007		8,007

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Contributions from noncontrolling interests							5,535	5,535
Redemption of partnership units held by non-Aimco partners			(980)			(980)		(980)
Other, net		4,164				4,164	(720)	3,444
Net income (loss)	50,566	(114,390)	(6,539)	(2,347)		(72,710)	22,442	(50,268)
Common units issued to Aimco pursuant to Special Distributions		148,746				148,746		148,746
Distributions to noncontrolling interests							(91,904)	(91,904)
Distributions to common unitholders		(46,880)	(1,945)	(703)	488	(49,040)		(49,040)
Distributions to preferred unitholders	(50,566)					(50,566)		(50,566)
Reclassification of redeemable preferred units to temporary capital (Note 11)	(30,000)					(30,000)		(30,000)
Adjustment to reflect Limited Partners' capital at redemption value		(30,078)	30,078					
<b>Balances at December 31, 2009</b>	660,500	521,692	95,990	(40,313)	(4,621)	1,233,248	317,126	1,550,374
Issuance of preferred units to Aimco	98,101	(3,346)				94,755		94,755
Redemption of preferred units held by Aimco	(102,511)	4,511				(98,000)		(98,000)
Common units issued to Aimco		14,046				14,046		14,046
Common units issued in			6,854			6,854		6,854

exchange for noncontrolling interests in consolidated real estate partnerships						
Redemption of partnership units held by non-Aimco partners		(3,495)	(76)		(3,571)	(3,571)
Repayments on Aimco officer notes	577				577	577
Contribution from Aimco related to employee stock purchases, net	2,176				2,176	2,176
Amortization of Aimco stock-based compensation	8,182				8,182	8,182
Contributions from noncontrolling interests					7,422	7,422
Adjustment to noncontrolling interests from consolidation of entities					6,324	6,324
Adjustment to noncontrolling interests related to revision of investment balances (Note 2)					(38,718)	(38,718)
Effect of changes in ownership for consolidated entities (Note 3)	(25,586)	(1,291)	(514)		(27,391)	5,533
Cumulative effect of a change in accounting principle (Note 2)	(25,759)	(1,340)	(521)		(27,620)	50,775
	(875)	(45)	(18)		(938)	(167)
						23,155
						(1,105)

Change in accumulated other comprehensive loss								
Other, net		(472)			(472)		1,876	1,404
Net income (loss)	53,590	(125,018)	(6,486)	(2,514)	(80,428)		(13,301)	(93,729)
Distributions to noncontrolling interests							(44,463)	(44,463)
Distributions to common unitholders		(35,304)	(2,428)	(936)	224	(38,444)		(38,444)
Distributions to preferred unitholders	(52,079)					(52,079)		(52,079)
Adjustment to reflect Limited Partners capital at redemption value		(70,642)	70,642					
<b>Balances at December 31, 2010</b>	<b>\$ 657,601</b>	<b>\$ 264,182</b>	<b>\$ 158,401</b>	<b>\$ (44,892)</b>	<b>\$ (4,397)</b>	<b>\$ 1,030,895</b>	<b>\$ 292,407</b>	<b>\$ 1,323,302</b>

See notes to consolidated financial statements.

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**Table of Contents****AIMCO PROPERTIES, L.P.****CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2010, 2009 and 2008**

	2010	2009	2008
	(In thousands)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net (loss) income	\$ (88,765)	\$ (43,980)	\$ 627,788
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	426,060	427,666	376,473
Provision for impairment losses on real estate development assets			91,138
Provision for operating real estate impairment losses	352	2,329	
Equity in losses of unconsolidated real estate partnerships	23,112	11,401	4,736
Gain on dispositions of unconsolidated real estate and other	(10,675)	(21,570)	(97,403)
Income tax benefit	(18,433)	(17,487)	(56,574)
Stock-based compensation expense	7,331	6,666	13,833
Amortization of deferred loan costs and other	9,742	10,399	9,432
Distributions of earnings from unconsolidated entities	1,231	4,893	14,619
Discontinued operations:			
Depreciation and amortization	10,773	67,902	139,075
Gain on disposition of real estate	(94,901)	(221,770)	(800,270)
Other adjustments to income from discontinued operations	20,210	52,531	70,585
Changes in operating assets and operating liabilities:			
Accounts receivable	25,561	27,067	4,848
Other assets	15,708	18,134	74,425
Accounts payable, accrued liabilities and other	(69,806)	(90,369)	(32,337)
Total adjustments	346,265	277,792	(187,420)
Net cash provided by operating activities	257,500	233,812	440,368
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of real estate			(112,655)
Capital expenditures	(178,929)	(300,344)	(665,233)
Proceeds from dispositions of real estate	218,571	875,931	2,060,344
Proceeds from sale of interests and distributions from real estate partnerships	19,707	25,067	94,277
Purchases of partnership interests and other assets	(9,399)	(6,842)	(28,121)
Originations of notes receivable	(1,190)	(5,778)	(6,911)
Proceeds from repayment of notes receivable	5,699	5,264	8,929
Net increase in cash from consolidation and deconsolidation of entities	13,128	98	241
Distributions received from Aimco	224	488	1,042
Other investing activities	18,788	36,858	(6,002)

Net cash provided by investing activities	86,599	630,742	1,345,911
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from property loans	449,384	772,443	949,549
Principal repayments on property loans	(426,662)	(1,076,318)	(1,291,543)
Proceeds from tax-exempt bond financing		15,727	50,100
Principal repayments on tax-exempt bond financing	(66,466)	(157,862)	(217,361)
Payments on term loans	(90,000)	(310,000)	(75,000)
(Payments on) proceeds from other borrowings	(13,469)	(40,085)	21,367
Proceeds from issuance of preferred units to Aimco	96,110		
Proceeds from issuance of common units to Aimco	14,350		
Repurchases and redemptions of preferred units from Aimco	(108,000)	(4,200)	(24,840)
Repurchase of common units from Aimco			(502,296)
Proceeds from Aimco Class A Common Stock option exercises	1,806		481
Payment of distributions to preferred units	(60,165)	(59,172)	(62,733)
Payment of distributions to General Partner and Special Limited Partner	(46,953)	(95,823)	(213,328)
Payment of distributions to Limited Partners	(2,428)	(15,403)	(55,770)
Payment of distributions to High Performance Units	(936)	(5,580)	(18,757)
Payment of distributions to noncontrolling interests	(44,463)	(92,421)	(248,537)
Other financing activities	(16,142)	(14,276)	(8,396)
Net cash used in financing activities	(314,034)	(1,082,970)	(1,697,064)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	30,065	(218,416)	89,215
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	81,260	299,676	210,461
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 111,325	\$ 81,260	\$ 299,676
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>			
Interest paid	\$ 311,432	\$ 348,341	\$ 434,645
Cash paid for income taxes	1,899	4,560	13,780
Non-cash transactions associated with the disposition of real estate:			
Secured debt assumed in connection with the disposition of real estate	157,629	314,265	157,394
Issuance of notes receivable in connection with the disposition of real estate	4,544	3,605	10,372
Non-cash transactions associated with consolidation and deconsolidation of real estate partnerships:			
Real estate, net	80,629	6,058	25,830
Investments in and notes receivable primarily from affiliated entities	41,903	4,326	4,497
Restricted cash and other assets	3,290	(1,682)	5,483
Non-recourse debt	61,211	2,031	22,036
Noncontrolling interests in consolidated real estate partnerships	57,099	2,225	11,896
Accounts payable, accrued and other liabilities	20,640	4,544	2,124
Other non-cash transactions:			
Redemption of common OP Units for Aimco Class A Common Stock		7,085	4,182
Cancellation of notes receivable from officers of Aimco	(251)	(1,452)	(385)
		(148,746)	(487,477)

Common OP Units issued to Aimco pursuant to special distributions  
(Note 11)

Issuance of common OP Units for acquisition of noncontrolling  
interests in consolidated real estate partnerships (Note 3) 6,854

See notes to consolidated financial statements.

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2010**

**NOTE 1 Organization**

AIMCO Properties, L.P., a Delaware limited partnership, or the Partnership, and together with its consolidated subsidiaries was formed on May 16, 1994 to conduct the business of acquiring, redeveloping, leasing, and managing multifamily apartment properties. Our securities include Partnership Common Units, or common OP Units, Partnership Preferred Units, or preferred OP Units, and High Performance Partnership Units, or High Performance Units, which are collectively referred to as OP Units. Apartment Investment and Management Company, or Aimco, is the owner of our general partner, AIMCO-GP, Inc., or the General Partner, and special limited partner, AIMCO-LP Trust, or the Special Limited Partner. The General Partner and Special Limited Partner hold common OP Units and are the primary holders of outstanding preferred OP Units. Limited Partners refers to individuals or entities that are our limited partners, other than Aimco, the General Partner or the Special Limited Partner, and own common OP Units or preferred OP Units. Generally, after holding the common OP Units for one year, the Limited Partners have the right to redeem their common OP Units for cash, subject to our prior right to acquire some or all of the common OP Units tendered for redemption in exchange for shares of Aimco Class A Common Stock. Common OP Units redeemed for Aimco Class A Common Stock are generally exchanged on a one-for-one basis (subject to antidilution adjustments). Preferred OP Units and High Performance Units may or may not be redeemable based on their respective terms, as provided for in the Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P. as amended, or the Partnership Agreement.

We, through our operating divisions and subsidiaries, hold substantially all of Aimco's assets and manage the daily operations of Aimco's business and assets. Aimco is required to contribute all proceeds from offerings of its securities to us. In addition, substantially all of Aimco's assets must be owned through the Partnership; therefore, Aimco is generally required to contribute all assets acquired to us. In exchange for the contribution of offering proceeds or assets, Aimco receives additional interests in us with similar terms (e.g., if Aimco contributes proceeds of a preferred stock offering, Aimco (through the General Partner and Special Limited Partner) receives preferred OP Units with terms substantially similar to the preferred securities issued by Aimco).

Aimco frequently consummates transactions for our benefit. For legal, tax or other business reasons, Aimco may hold title or ownership of certain assets until they can be transferred to us. However, we have a controlling financial interest in substantially all of Aimco's assets in the process of transfer to us. Except as the context otherwise requires, we, our and us refer to the Partnership, and the Partnership's consolidated entities, collectively. Except as the context otherwise requires, Aimco refers to Aimco and Aimco's consolidated entities, collectively.

Our principal financial objective is to provide predictable and attractive returns to our unitholders. Our business plan to achieve this objective 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 estimated total market value of apartment properties in a particular market);

improve our portfolio by selling assets with lower projected returns and reinvesting those proceeds through the purchase of new assets or additional investment in existing assets in our portfolio, including increased ownership or redevelopment; and

provide financial leverage primarily by the use of non-recourse, long-dated, fixed-rate property debt and perpetual preferred equity.

As of December 31, 2010, we:

owned an equity interest in 219 conventional real estate properties with 68,972 units;

owned an equity interest in 228 affordable real estate properties with 26,540 units; and

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

provided services for or managed 27,182 units in 321 properties, primarily pursuant to long-term asset management agreements. In certain cases, we may indirectly own generally less than one percent of the operations of such properties through a syndication or other fund.

Of these properties, we consolidated 217 conventional properties with 67,668 units and 182 affordable properties with 22,207 units. These conventional and affordable properties generated 87% and 13%, respectively, of our proportionate property net operating income (as defined in Note 17) during the year ended December 31, 2010. Any reference to the number of properties or units is unaudited.

At December 31, 2010, we had outstanding 123,772,935 common OP Units, 27,963,126 preferred OP Units and 2,339,950 High Performance Units. At December 31, 2010, Aimco owned 117,642,872 of the common OP Units and 24,900,114 of the preferred OP Units.

**NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies**

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of the Partnership and its consolidated entities. Pursuant to a Management and Contribution Agreement between the Partnership and Aimco, we have acquired, in exchange for interests in the Partnership, the economic benefits of subsidiaries of Aimco in which we do not have an interest, and Aimco has granted us a right of first refusal to acquire such subsidiaries' assets for no additional consideration. Pursuant to the agreement, Aimco has also granted us certain rights with respect to assets of such subsidiaries.

We consolidate all variable interest entities for which we are the primary beneficiary. Generally, we consolidate real estate partnerships and other entities that are not variable interest entities when we own, directly or indirectly, a majority voting interest in the entity or are otherwise able to control the entity. All significant intercompany balances and transactions have been eliminated in consolidation.

Interests held in consolidated real estate partnerships by limited partners other than us are reflected as noncontrolling interests in consolidated real estate partnerships. The assets of consolidated real estate partnerships owned or controlled by Aimco or us generally are not available to pay creditors of Aimco or the Partnership.

As used herein, and except where the context otherwise requires, "partnership" refers to a limited partnership or a limited liability company and "partner" refers to a partner in a limited partnership or a member in a limited liability company.

***Variable Interest Entities***

We consolidate all variable interest entities for which we are the primary beneficiary. Generally, a variable interest entity, or VIE, is an entity with one or more of the following characteristics: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support; (b) as a group, the holders of the equity investment at risk lack (i) the ability to make decisions about an entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to

receive the expected residual returns of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights.

Effective January 1, 2010, we adopted the provisions of FASB Accounting Standards Update 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, or ASU 2009-17, on a prospective basis. ASU 2009-17, which modified the guidance in FASB ASC Topic 810, introduced a more qualitative approach to evaluating VIEs for consolidation and requires a company to perform an analysis to determine whether its variable interests give it a controlling financial interest in a VIE. This analysis identifies the primary beneficiary of a VIE as the entity that has (a) the power to direct the activities of the VIE that most

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**Table of Contents****AIMCO PROPERTIES, L.P.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

significantly impact the VIE's economic performance, and (b) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. In determining whether it has the power to direct the activities of the VIE that most significantly affect the VIE's performance, ASU 2009-17 requires a company to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed, requires continuous reassessment of primary beneficiary status rather than periodic, event-driven assessments as previously required, and incorporates expanded disclosure requirements.

In determining whether we are the primary beneficiary of a VIE, we consider qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of our investment; the obligation or likelihood for us or other investors to provide financial support; and the similarity with and significance to the business activities of us and the other investors. Significant judgments related to these determinations include estimates about the current and future fair values and performance of real estate held by these VIEs and general market conditions.

As a result of our adoption of ASU 2009-17, we concluded we are the primary beneficiary of, and therefore consolidated, 49 previously unconsolidated partnerships. Those partnerships own, or control other entities that own, 31 apartment properties. Our direct and indirect interests in the profits and losses of those partnerships range from less than 1% to 35%, and average approximately 7%. We applied the practicability exception for initial measurement of consolidated VIEs to partnerships that own 13 properties and accordingly recognized the consolidated assets, liabilities and noncontrolling interests at fair value effective January 1, 2010 (refer to the Fair Value Measurements section for further information regarding certain of the fair value amounts recognized upon consolidation). We deconsolidated partnerships that own ten apartment properties in which we hold an average interest of approximately 55%. The initial consolidation and deconsolidation of these partnerships resulted in increases (decreases), net of intercompany eliminations, in amounts included in our consolidated balance sheet as of January 1, 2010, as follows (in thousands):

	<b>Consolidation</b>	<b>Deconsolidation</b>
Real estate, net	\$ 143,986	\$ (86,151)
Cash and cash equivalents and restricted cash	25,056	(7,425)
Accounts and notes receivable	(12,249)	6,002
Investment in unconsolidated real estate partnerships	31,579	11,302
Other assets	3,870	(1,084)
<b>Total assets</b>	<b>\$ 192,242</b>	<b>\$ (77,356)</b>
<b>Total indebtedness</b>	<b>\$ 129,164</b>	<b>\$ (56,938)</b>
Accrued and other liabilities	34,426	(14,921)
<b>Total liabilities</b>	<b>163,590</b>	<b>(71,859)</b>
<b>Cumulative effect of a change in accounting principle:</b>		
Noncontrolling interests	59,276	(8,501)
The Partnership	(30,624)	3,004



Total partners' capital	28,652	(5,497)
Total liabilities and partners' capital	\$ 192,242	\$ (77,356)

In periods prior to 2009, when consolidated real estate partnerships made cash distributions to partners in excess of the carrying amount of the noncontrolling interest, we generally recorded a charge to earnings equal to the amount of such excess distribution, even though there was no economic effect or cost. Also prior to 2009, we allocated the noncontrolling partners' share of partnership losses to noncontrolling partners to the extent of the

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Table of Contents**AIMCO PROPERTIES, L.P.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

carrying amount of the noncontrolling interest. Consolidation of a partnership does not ordinarily result in a change to the net amount of partnership income or loss that is recognized using the equity method. However, prior to 2009, when a partnership had a deficit in equity, accounting principles generally accepted in the United States of America, or GAAP, may have required the controlling partner that consolidates the partnership to recognize any losses that would otherwise be allocated to noncontrolling partners, in addition to the controlling partner's share of losses. Certain of the partnerships that we consolidated in accordance with ASU 2009-17 had deficits in equity that resulted from losses or deficit distributions during prior periods when we accounted for our investment using the equity method. We would have been required to recognize the noncontrolling partners' share of those losses had we consolidated those partnerships in those periods prior to 2009. In accordance with our prospective transition method for the adoption of ASU 2009-17 related to our consolidation of previously unconsolidated partnerships, we recorded a \$30.6 million charge to our partners' capital, the majority of which was attributed to the cumulative amount of additional losses that we would have recognized had we applied ASU 2009-17 in periods prior to 2009. Substantially all of those losses were attributable to real estate depreciation expense.

Our consolidated statements of operations for the year ended December 31, 2010, include the following amounts for the entities and related real estate properties consolidated as of January 1, 2010, in accordance with ASU 2009-17 (in thousands):

	<b>2010</b>
Rental and other property revenues	\$ 32,216
Property operating expenses	(19,192)
Depreciation and amortization	(10,624)
Other expenses	(2,038)
Operating income	362
Interest income	33
Interest expense	(8,370)
Equity in losses of unconsolidated real estate partnerships	(17,895)
Gain on disposition of unconsolidated real estate and other	7,360
Net loss	(18,510)
Net loss attributable to noncontrolling interests in consolidated real estate partnerships	19,328
Net income attributable to the Partnership	\$ 818

Our equity in the results of operations of the partnerships and related properties we deconsolidated in connection with our adoption of ASU 2009-17 is included in equity in earnings or losses of unconsolidated real estate partnerships in our consolidated statements of operations for the year ended December 31, 2010. The amounts related to these entities are not significant.

As of December 31, 2010, we were the primary beneficiary of, and therefore consolidated, approximately 137 VIEs, which owned 96 apartment properties with 14,054 units. Real estate with a carrying value of \$867.1 million

collateralized \$654.3 million of debt of those VIEs. Any significant amounts of assets and liabilities related to our consolidated VIEs are identified parenthetically on our accompanying condensed consolidated balance sheets. The creditors of the consolidated VIEs do not have recourse to our general credit.

As of December 31, 2010, we also held variable interests in 276 VIEs for which we were not the primary beneficiary. Those VIEs consist primarily of partnerships that are engaged, directly or indirectly, in the ownership and management of 329 apartment properties with 20,570 units. We are involved with those VIEs as an equity holder, lender, management agent, or through other contractual relationships. The majority of our investments in unconsolidated VIEs, or approximately \$48.9 million at December 31, 2010, are held through consolidated investment partnerships that are VIEs and in which we generally hold a 1% or less general partner or equivalent

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

interest. Accordingly, substantially all of the investment balances related to these unconsolidated VIEs are attributed to the noncontrolling interests in the consolidated investment partnerships that hold the investments in these unconsolidated VIEs. Our maximum risk of loss related to our investment in these VIEs is generally limited to our equity interest in the consolidated investment partnerships, which is insignificant. The remainder of our investment in unconsolidated VIEs, or approximately \$5.5 million at December 31, 2010, is held through consolidated investment partnerships that are VIEs and in which we hold substantially all of the economic interests. Our maximum risk of loss related to our investment in these VIEs is limited to our \$5.5 million recorded investment in such entities.

In addition to our investments in unconsolidated VIEs discussed above, at December 31, 2010, we had in aggregate \$101.7 million of receivables from unconsolidated VIEs and we had a contractual obligation to advance funds to certain unconsolidated VIEs totaling \$3.8 million. Our maximum risk of loss associated with our lending and management activities related to these unconsolidated VIEs is limited to these amounts. We may be subject to additional losses to the extent of any receivables relating to future provision of services to these entities or financial support that we voluntarily provide.

***Acquisition of Real Estate Assets and Related Depreciation and Amortization***

We adopted the provisions of FASB Statement of Financial Accounting Standards No. 141(R), *Business Combinations* a replacement of FASB Statement No. 141, or SFAS 141(R), which are codified in FASB ASC Topic 805, effective January 1, 2009. These provisions apply to all transactions or events in which an entity obtains control of one or more businesses, including those effected without the transfer of consideration, for example, by contract or through a lapse of minority veto rights. These provisions require the acquiring entity in a business combination to recognize the full fair value of assets acquired and liabilities assumed in the transaction (whether a full or partial acquisition); establish the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and require expensing of most transaction and restructuring costs.

We believe most operating real estate assets meet SFAS 141(R)'s revised definition of a business. Accordingly, in connection with our 2009 adoption of SFAS 141(R), we retroactively adjusted our results of operations for the year ended December 31, 2008, to expense \$3.5 million of transaction costs incurred prior to December 31, 2008. This retroactive adjustment is reflected in investment management expenses in our accompanying consolidated statements of operations and reduced basic and diluted earnings per unit amounts by \$0.04 for the year ended December 31, 2008.

Effective January 1, 2009, we recognize at fair value the acquisition of properties or interests in partnerships that own properties if the transaction results in consolidation and we expense as incurred most related transaction costs. We allocate the cost of acquired properties to tangible assets and identified intangible assets based on their fair values. We determine the fair value of tangible assets, such as land, building, furniture, fixtures and equipment, generally using internal valuation techniques that consider comparable market transactions, discounted cash flow techniques, replacement costs and other available information. We determine the fair value of identified intangible assets (or liabilities), which typically relate to in-place leases, using internal valuation techniques that consider the terms of the in-place leases, current market data for comparable leases, and our experience in leasing similar properties. The intangible assets or liabilities related to in-place leases are comprised of:

1. The value of the above- and below-market leases in-place. An asset or liability is recognized based on the difference between (a) the contractual amounts to be paid pursuant to the in-place leases and (b) our estimate of fair

market lease rates for the corresponding in-place leases, measured over the period, including estimated lease renewals for below-market leases, that the leases are expected to remain in effect.

2. The estimated unamortized portion of avoided leasing commissions and other costs that ordinarily would be incurred to acquire the in-place leases.

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**Table of Contents****AIMCO PROPERTIES, L.P.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

3. The value associated with vacant units during the absorption period (estimates of lost rental revenue during the expected lease-up periods based on current market demand and stabilized occupancy levels).

The values of the above- and below-market leases are amortized to rental revenue over the expected remaining terms of the associated leases. Other intangible assets related to in-place leases are amortized to depreciation and amortization over the expected remaining terms of the associated leases. Amortization is adjusted, as necessary, to reflect any early lease terminations that were not anticipated in determining amortization periods.

Depreciation for all tangible real estate assets is calculated using the straight-line method over their estimated useful lives. Acquired buildings and improvements are depreciated over a composite life of 14 to 52 years, based on the age, condition and other physical characteristics of the property. As discussed under *Impairment of Long Lived Assets* below, we may adjust depreciation of properties that are expected to be disposed of or demolished prior to the end of their useful lives. Furniture, fixtures and equipment associated with acquired properties are depreciated over five years.

At December 31, 2010 and 2009, deferred income in our consolidated balance sheets includes below-market lease amounts totaling \$27.9 million and \$31.8 million, respectively, which are net of accumulated amortization of \$24.9 million and \$21.0 million, respectively. During the years ended December 31, 2010, 2009 and 2008, we included amortization of below-market leases of \$3.9 million, \$4.4 million and \$4.4 million, respectively, in rental and other property revenues in our consolidated statements of operations. At December 31, 2010, our below-market leases had a weighted average amortization period of 7.0 years and estimated aggregate amortization for each of the five succeeding years as follows (in millions):

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Estimated amortization	\$ 3.6	\$ 3.2	\$ 2.8	\$ 2.5	\$ 2.3

***Capital Additions and Related Depreciation***

We capitalize costs, including certain indirect costs, incurred in connection with our capital additions activities, including redevelopment and construction projects, other tangible property improvements, and replacements of existing property components. Included in these capitalized costs are payroll costs associated with time spent by site employees in connection with the planning, execution and control of all capital additions activities at the property level. We characterize as indirect costs an allocation of certain department costs, including payroll, at the area operations and corporate levels that clearly relate to capital additions activities. We capitalize interest, property taxes and insurance during periods in which redevelopment and construction projects are in progress. We charge to expense as incurred costs that do not relate to capital expenditure activities, including ordinary repairs, maintenance, resident turnover costs and general and administrative expenses.

We depreciate capitalized costs using the straight-line method over the estimated useful life of the related component or improvement, which is generally five, 15 or 30 years. All capitalized site payroll and indirect costs are allocated proportionately, based on direct costs, among capital projects and depreciated over the estimated useful lives of such projects.

Certain homogeneous items that are purchased in bulk on a recurring basis, such as carpeting and appliances, are depreciated using group methods that reflect the average estimated useful life of the items in each group. Except in the case of property casualties, where the net book value of lost property is written off in the determination of casualty gains or losses, we generally do not recognize any loss in connection with the replacement of an existing property component because normal replacements are considered in determining the estimated useful lives used in connection with our composite and group depreciation methods.

For the years ended December 31, 2010, 2009 and 2008, for continuing and discontinued operations, we capitalized \$11.6 million, \$9.8 million and \$25.7 million of interest costs, respectively, and \$25.3 million, \$40.0 million and \$78.1 million of site payroll and indirect costs, respectively.

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Impairment of Long-Lived Assets***

Real estate and other long-lived assets to be held and used are stated at cost, less accumulated depreciation and amortization, unless the carrying amount of the asset is not recoverable. If events or circumstances indicate that the carrying amount of a property may not be recoverable, we make an assessment of its recoverability by comparing the carrying amount to our estimate of the undiscounted future cash flows, excluding interest charges, of the property. If the carrying amount exceeds the aggregate undiscounted future cash flows, we recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property.

In connection with the preparation of our 2008 annual financial statements, we assessed the recoverability of our investment in our Lincoln Place property, located in Venice, California. Based upon the declines in land values in Southern California during 2008 and the expected timing of our redevelopment efforts, we determined that the total carrying amount of the property was no longer probable of full recovery and, accordingly, during the three months ended December 31, 2008, recognized an impairment loss of \$85.4 million (\$55.6 million net of tax).

Similarly, we assessed the recoverability of our investment in Pacific Bay Vistas (formerly Treetops), a vacant property located in San Bruno, California, and determined that the carrying amount of the property was no longer probable of full recovery and, accordingly, we recognized an impairment loss of \$5.7 million for this property during the three months ended December 31, 2008.

In addition to the impairments of Lincoln Place and Pacific Bay Vistas, based on periodic tests of recoverability of long-lived assets, for the years ended December 31, 2010 and 2009, we recorded real estate impairment losses of \$0.4 million and \$2.3 million, respectively, related to properties classified as held for use. For the year ended December 31, 2008, we recorded no similar impairment losses related to properties classified as held for use.

We report impairment losses or recoveries related to properties sold or classified as held for sale in discontinued operations.

Our tests of recoverability address real estate assets that do not currently meet all conditions to be classified as held for sale, but are expected to be disposed of prior to the end of their estimated useful lives. If an impairment loss is not required to be recorded, the recognition of depreciation is adjusted prospectively, as necessary, to reduce the carrying amount of the real estate to its estimated disposition value over the remaining period that the real estate is expected to be held and used. We also may adjust depreciation prospectively to reduce to zero the carrying amount of buildings that we plan to demolish in connection with a redevelopment project. These depreciation adjustments decreased net income available to the Partnership's common unitholders by \$0.2 million, \$19.6 million and \$11.8 million, and resulted in decreases in basic and diluted earnings per unit of less than \$0.01, \$0.16 and \$0.12, for the years ended December 31, 2010, 2009 and 2008, respectively.

***Cash Equivalents***

We classify highly liquid investments with an original maturity of three months or less as cash equivalents.

***Restricted Cash***



Restricted cash includes capital replacement reserves, completion repair reserves, bond sinking fund amounts and tax and insurance escrow accounts held by lenders.

*Accounts Receivable and Allowance for Doubtful Accounts*

Accounts receivable are generally comprised of amounts receivable from residents, amounts receivable from non-affiliated real estate partnerships for which we provide property management and other services and other miscellaneous receivables from non-affiliated entities. We evaluate collectibility of accounts receivable from residents and establish an allowance, after the application of security deposits and other anticipated recoveries, for accounts greater than 30 days past due for current residents and all receivables due from former residents. Accounts

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

receivable from residents are stated net of allowances for doubtful accounts of approximately \$2.1 million and \$1.4 million as of December 31, 2010 and 2009, respectively.

We evaluate collectibility of accounts receivable from non-affiliated entities and establish an allowance for amounts that are considered to be uncollectible. Accounts receivable relating to non-affiliated entities are stated net of allowances for doubtful accounts of approximately \$1.0 million and \$0.3 million as of December 31, 2010 and 2009, respectively.

***Accounts Receivable and Allowance for Doubtful Accounts from Affiliates***

Accounts receivable from affiliates are generally comprised of receivables related to property management and other services provided to unconsolidated real estate partnerships in which we have an ownership interest. We evaluate collectibility of accounts receivable balances from affiliates on a periodic basis, and establish an allowance for the amounts deemed to be uncollectible. Accounts receivable from affiliates are stated net of allowances for doubtful accounts of approximately \$1.5 million and \$1.9 million as of December 31, 2010 and 2009, respectively.

***Deferred Costs***

We defer lender fees and other direct costs incurred in obtaining new financing and amortize the amounts over the terms of the related loan agreements. Amortization of these costs is included in interest expense.

We defer leasing commissions and other direct costs incurred in connection with successful leasing efforts and amortize the costs over the terms of the related leases. Amortization of these costs is included in depreciation and amortization.

***Notes Receivable from Unconsolidated Real Estate Partnerships and Non-Affiliates and Related Interest Income and Provision for Losses***

Notes receivable from unconsolidated real estate partnerships and from non-affiliates represent our two portfolio segments, as defined in FASB Accounting Standards Update 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, that we use to evaluate for potential loan loss. Notes receivable from unconsolidated real estate partnerships consist primarily of notes receivable from partnerships in which we are the general partner but do not consolidate the partnership. These loans are typically due on demand, have no stated maturity date and may not require current payments of principal or interest. Notes receivable from non-affiliates have stated maturity dates and may require current payments of principal and interest. Repayment of these notes is subject to a number of variables, including the performance and value of the underlying real estate properties and the claims of unaffiliated mortgage lenders, which are generally senior to our claims. Our notes receivable consist of two classes: loans extended by us that we carry at the face amount plus accrued interest, which we refer to as par value notes; and loans extended by predecessors whose positions we generally acquired at a discount, which we refer to as discounted notes.

We record interest income on par value notes as earned in accordance with the terms of the related loan agreements. We discontinue the accrual of interest on such notes when the notes are impaired, as discussed below, or when there is otherwise significant uncertainty as to the collection of interest. We record income on such nonaccrual loans using the cost recovery method, under which we apply cash receipts first to the recorded amount of the loan; thereafter, any

additional receipts are recognized as income.

We recognize interest income on discounted notes receivable based upon whether the amount and timing of collections are both probable and reasonably estimable. We consider collections to be probable and reasonably estimable when the borrower has closed or entered into certain pending transactions (which include real estate sales, refinancings, foreclosures and rights offerings) that provide a reliable source of repayment. In such instances, we recognize accretion income, on a prospective basis using the effective interest method over the estimated remaining

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

term of the loans, equal to the difference between the carrying amount of the discounted notes and the estimated collectible value. We record income on all other discounted notes using the cost recovery method.

We assess the collectibility of notes receivable on a periodic basis, which assessment consists primarily of an evaluation of cash flow projections of the borrower to determine whether estimated cash flows are sufficient to repay principal and interest in accordance with the contractual terms of the note. We update our cash flow projections of the borrowers annually, and more frequently for certain loans depending on facts and circumstances. We recognize impairments on notes receivable when it is probable that principal and interest will not be received in accordance with the contractual terms of the loan. Factors that affect this assessment include the fair value of the partnership's real estate, pending transactions to refinance the partnership's senior obligations or sell the partnership's real estate, and market conditions (current and forecasted) related to a particular asset. The amount of the impairment to be recognized generally is based on the fair value of the partnership's real estate that represents the primary source of loan repayment. In certain instances where other sources of cash flow are available to repay the loan, the impairment is measured by discounting the estimated cash flows at the loan's original effective interest rate. See Note 5 for further discussion of our notes receivable.

***Investments in Unconsolidated Real Estate Partnerships***

We own general and limited partner interests in partnerships that either directly, or through interests in other real estate partnerships, own apartment properties. We generally account for investments in real estate partnerships that we do not consolidate under the equity method. Under the equity method, our share of the earnings or losses of the entity for the periods being presented is included in equity in earnings (losses) from unconsolidated real estate partnerships, inclusive of our share of impairments and property disposition gains recognized by and related to such entities. Certain investments in real estate partnerships that were acquired in business combinations were determined to have insignificant value at the acquisition date and are accounted for under the cost method. Any distributions received from such partnerships are recognized as income when received.

The excess of the cost of the acquired partnership interests over the historical carrying amount of partners' equity or deficit is ascribed generally to the fair values of land and buildings owned by the partnerships. We amortize the excess cost related to the buildings over the estimated useful lives of the buildings. Such amortization is recorded as a component of equity in earnings (losses) of unconsolidated real estate partnerships. See Note 4 for further discussion of Investments in Unconsolidated Real Estate Partnerships.

***Intangible Assets***

At December 31, 2010 and 2009, other assets included goodwill associated with our reportable segments of \$67.1 million and \$71.8 million, respectively. We perform an annual impairment test of goodwill that compares the fair value of reporting units with their carrying amounts, including goodwill. We determined that our goodwill was not impaired in 2010, 2009 or 2008.

During the years ended December 31, 2010 and 2009, we allocated \$4.7 million and \$10.1 million, respectively, of goodwill related to our reportable segments (conventional and affordable real estate operations) to the carrying amounts of the properties sold or classified as held for sale. The amounts of goodwill allocated to these properties were based on the relative fair values of the properties sold or classified as held for sale and the retained portions of the reporting units to which the goodwill was allocated. During 2008, we did not allocate any goodwill to properties

sold or classified as held for sale as real estate properties were not considered businesses under then applicable GAAP.

Other assets also includes intangible assets for purchased management contracts with finite lives that we amortize on a straight-line basis over terms ranging from five to 20 years and intangible assets for in-place leases as discussed under *Acquisition of Real Estate Assets and Related Depreciation and Amortization*.

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**Table of Contents****AIMCO PROPERTIES, L.P.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Capitalized Software Costs***

Purchased software and other costs related to software developed for internal use are capitalized during the application development stage and are amortized using the straight-line method over the estimated useful life of the software, generally five years. We write-off the costs of software development projects when it is no longer probable that the software will be completed and placed in service. For the years ended December 31, 2010, 2009 and 2008, we capitalized software development costs totaling \$8.7 million, \$5.6 million and \$20.9 million, respectively. At December 31, 2010 and 2009, other assets included \$28.1 million and \$29.7 million of net capitalized software, respectively. During the years ended December 31, 2010, 2009 and 2008, we recognized amortization of capitalized software of \$10.2 million, \$11.5 million and \$10.0 million, respectively, which is included in depreciation and amortization in our consolidated statements of operations.

During the year ended December 31, 2008, we reassessed our approach to communication technology needs at our properties, which resulted in the discontinuation of an infrastructure project and a \$5.4 million write-off of related hardware and capitalized internal and consulting costs included in other assets. The write-off, which is net of sales proceeds, is included in other expenses, net. During the year ended December 31, 2008, we additionally recorded a \$1.6 million write-off of certain software and hardware assets that are no longer consistent with our information technology strategy. This write-off is included in depreciation and amortization. There were no similar write-offs during the years ended December 31, 2010 or 2009.

***Noncontrolling Interests***

Effective January 1, 2009, we adopted the provisions of FASB Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*, or SFAS 160, which are codified in FASB ASC Topic 810. These provisions clarified that a noncontrolling interest in a subsidiary is an ownership interest in a consolidated entity, which should be reported as equity in the parent's consolidated financial statements. These provisions require disclosure, on the face of the consolidated statements of operations, of the amounts of consolidated net income (loss) and other comprehensive income (loss) attributable to controlling and noncontrolling interests, eliminating the past practice of reporting amounts of income attributable to noncontrolling interests as an adjustment in arriving at consolidated net income. These provisions also require us to attribute to noncontrolling interests their share of losses even if such attribution results in a deficit noncontrolling interest balance within our equity accounts, and in some instances, recognize a gain or loss in net income when a subsidiary is deconsolidated.

In connection with our retrospective application of these provisions, we reclassified into our consolidated equity accounts the historical balances related to noncontrolling interests in consolidated real estate partnerships. At December 31, 2008, the carrying amount of noncontrolling interests in consolidated real estate partnerships was \$381.8 million.

***Noncontrolling Interests in Consolidated Real Estate Partnerships***

We report the unaffiliated partners' interests in our consolidated real estate partnerships as noncontrolling interests in consolidated real estate partnerships. Noncontrolling interests in consolidated real estate partnerships represent the noncontrolling partners' share of the underlying net assets of our consolidated real estate partnerships. Prior to 2009, when these consolidated real estate partnerships made cash distributions to partners in excess of the carrying amount

of the noncontrolling interest, we generally recorded a charge equal to the amount of such excess distribution, even though there was no economic effect or cost. These charges are reported in the consolidated statements of operations for the year ended December 31, 2008, within noncontrolling interests in consolidated real estate partnerships. Also prior to 2009, we allocated the noncontrolling partners' share of partnership losses to noncontrolling partners to the extent of the carrying amount of the noncontrolling interest. We generally recorded a charge when the noncontrolling partners' share of partnership losses exceeds the carrying amount of the noncontrolling interest, even though there is no economic effect or cost. These charges are reported in the

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

consolidated statements of operations within noncontrolling interests in consolidated real estate partnerships. We did not record charges for distributions or losses in certain limited instances where the noncontrolling partner had a legal obligation and financial capacity to contribute additional capital to the partnership. For the year ended December 31, 2008, we recorded charges for partnership losses resulting from depreciation of approximately \$9.0 million that were not allocated to noncontrolling partners because the losses exceeded the carrying amount of the noncontrolling interest.

Noncontrolling interests in consolidated real estate partnerships consist primarily of equity interests held by limited partners in consolidated real estate partnerships that have finite lives. The terms of the related partnership agreements generally require the partnership to be liquidated following the sale of the partnership's real estate. As the general partner in these partnerships, we ordinarily control the execution of real estate sales and other events that could lead to the liquidation, redemption or other settlement of noncontrolling interests. The aggregate carrying amount of noncontrolling interests in consolidated real estate partnerships is approximately \$292.4 million at December 31, 2010. The aggregate fair value of these interests varies based on the fair value of the real estate owned by the partnerships. Based on the number of classes of finite-life noncontrolling interests, the number of properties in which there is direct or indirect noncontrolling ownership, complexities in determining the allocation of liquidation proceeds among partners and other factors, we believe it is impracticable to determine the total required payments to the noncontrolling interests in an assumed liquidation at December 31, 2010. As a result of real estate depreciation that is recognized in our financial statements and appreciation in the fair value of real estate that is not recognized in our financial statements, we believe that the aggregate fair value of our noncontrolling interests exceeds their aggregate carrying amount. As a result of our ability to control real estate sales and other events that require payment of noncontrolling interests and our expectation that proceeds from real estate sales will be sufficient to liquidate related noncontrolling interests, we anticipate that the eventual liquidation of these noncontrolling interests will not have an adverse impact on our financial condition.

Changes in our ownership interest in consolidated real estate partnerships generally consist of our purchase of an additional interest in or the sale of our entire interest in a consolidated real estate partnership. The effect on partners' capital of our purchase of additional interests in consolidated real estate partnerships during the year ended December 31, 2010 is shown in the consolidated statement of partners' capital and further discussed in Note 3. Our purchase of additional interests in consolidated real estate partnerships had no significant effect on our partners' capital during the years ended December 31, 2009 and 2008. The effect on our partners' capital of sales of our entire interest in consolidated real estate partnerships is reflected in our consolidated financial statements as sales of real estate and accordingly the effect on our partners' capital is reflected as gains on disposition of real estate, less the amounts of such gains attributable to noncontrolling interests, within consolidated net (loss) income attributable to the Partnership's common unitholders.

***Revenue Recognition***

Our properties have operating leases with apartment residents with terms averaging 12 months. We recognize rental revenue related to these leases, net of any concessions, on a straight-line basis over the term of the lease. We recognize revenues from property management, asset management, syndication and other services when the related fees are earned and are realized or realizable.

***Advertising Costs***



We generally expense all advertising costs as incurred to property operating expense. For the years ended December 31, 2010, 2009 and 2008, for both continuing and discontinued operations, total advertising expense was \$14.2 million, \$21.7 million and \$31.8 million, respectively.

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Insurance***

We believe that our insurance coverages insure our properties adequately against the risk of loss attributable to fire, earthquake, hurricane, tornado, flood, and other perils. In addition, we have insurance coverage for substantial portions of our property, workers' compensation, health, and general liability exposures. Losses are accrued based upon our estimates of the aggregate liability for uninsured losses incurred using certain actuarial assumptions followed in the insurance industry and based on our experience.

***Stock-Based Compensation***

We recognize all stock-based employee compensation, including grants of employee stock options, in the consolidated financial statements based on the grant date fair value and recognize compensation cost, which is net of estimates for expected forfeitures, ratably over the awards' requisite service period. See Note 12 for further discussion of our stock-based compensation.

***Tax Credit Arrangements***

We sponsor certain partnerships that own and operate apartment properties that qualify for tax credits under Section 42 of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, and for the U.S. Department of Housing and Urban Development, or HUD, subsidized rents under HUD's Section 8 program. These partnerships acquire, develop and operate qualifying affordable housing properties and are structured to provide for the pass-through of tax credits and deductions to their partners. The tax credits are generally realized ratably over the first ten years of the tax credit arrangement and are subject to the partnership's compliance with applicable laws and regulations for a period of 15 years. Typically, we are the general partner with a legal ownership interest of one percent or less. We market limited partner interests of at least 99 percent to unaffiliated institutional investors (which we refer to as tax credit investors or investors) and receive a syndication fee from each investor upon such investor's admission to the partnership. At inception, each investor agrees to fund capital contributions to the partnerships. We agree to perform various services for the partnerships in exchange for fees over the expected duration of the tax credit service period. The related partnership agreements generally require adjustment of each tax credit investor's required capital contributions if actual tax benefits to such investor differ from projected amounts.

We have determined that the partnerships in these arrangements are variable interest entities and, where we are general partner, we are generally the primary beneficiary that is required to consolidate the partnerships. When the contractual arrangements obligate us to deliver tax benefits to the investors, and entitle us through fee arrangements to receive substantially all available cash flow from the partnerships, we account for these partnerships as wholly owned subsidiaries. Capital contributions received by the partnerships from tax credit investors represent, in substance, consideration that we receive in exchange for our obligation to deliver tax credits and other tax benefits to the investors, and the receipts are recognized as revenue in our consolidated financial statements when our obligation to the investors is relieved upon delivery of the expected tax benefits.

In summary, our accounting treatment recognizes the income or loss generated by the underlying real estate based on our economic interest in the partnerships. Proceeds received in exchange for the transfer of the tax credits are recognized as revenue proportionately as the tax benefits are delivered to the tax credit investors and our obligation is relieved. Syndication fees and related costs are recognized in income upon completion of the syndication effort. We recognize syndication fees in amounts determined based on a market rate analysis of fees for comparable services,

which generally fell within a range of 10% to 15% of investor contributions during the periods presented. Other direct and incremental costs incurred in structuring these arrangements are deferred and amortized over the expected duration of the arrangement in proportion to the recognition of related income. Investor contributions in excess of recognized revenue are reported as deferred income in our consolidated balance sheets.

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

During the year ended December 31, 2010, we recognized a net \$1.0 million reduction of syndication fees due to our determination that certain syndication fees receivable were uncollectible. We recognized no syndication fee income during the year ended December 31, 2009. During the year ended December 31, 2008, we recognized syndication fee income of \$3.4 million. During the years ended December 31, 2010, 2009 and 2008 we recognized revenue associated with the delivery of tax benefits of \$28.9 million, \$36.6 million and \$29.4 million, respectively. At December 31, 2010 and 2009, \$114.7 million and \$148.1 million, respectively, of investor contributions in excess of the recognized revenue were included in deferred income in our consolidated balance sheets.

***Discontinued Operations***

We classify certain properties and related assets and liabilities as held for sale when they meet certain criteria. The operating results of such properties as well as those properties sold during the periods presented are included in discontinued operations in both current periods and all comparable periods presented. Depreciation is not recorded on properties once they have been classified as held for sale; however, depreciation expense recorded prior to classification as held for sale is included in discontinued operations. The net gain on sale and any impairment losses are presented in discontinued operations when recognized. See Note 13 for additional information regarding discontinued operations.

***Derivative Financial Instruments***

We primarily use long-term, fixed-rate and self-amortizing non-recourse debt to avoid, among other things, risk related to fluctuating interest rates. For our variable rate debt, we are sometimes required by our lenders to limit our exposure to interest rate fluctuations by entering into interest rate swap or cap agreements. The interest rate swap agreements moderate our exposure to interest rate risk by effectively converting the interest on variable rate debt to a fixed rate. The interest rate cap agreements effectively limit our exposure to interest rate risk by providing a ceiling on the underlying variable interest rate. The fair values of the interest rate swaps are reflected as assets or liabilities in the balance sheet, and periodic changes in fair value are included in interest expense or equity, as appropriate. The interest rate caps are not material to our financial position or results of operations.

As of December 31, 2010 and 2009, we had interest rate swaps with aggregate notional amounts of \$52.3 million, and recorded fair values of \$2.7 million and \$1.6 million, respectively, reflected in accrued liabilities and other in our consolidated balance sheets. At December 31, 2010, these interest rate swaps had a weighted average term of 10.1 years. We have designated these interest rate swaps as cash flow hedges and recognize any changes in their fair value as an adjustment of accumulated other comprehensive income (loss) within partners' capital to the extent of their effectiveness. Changes in the fair value of these instruments and the related amounts of such changes that were reflected as an adjustment of accumulated other comprehensive loss within partners' capital and as an adjustment of earnings (ineffectiveness) are discussed in the foregoing Fair Value Measurements section.

If the forward rates at December 31, 2010 remain constant, we estimate that during the next twelve months, we would reclassify into earnings approximately \$1.6 million of the unrealized losses in accumulated other comprehensive loss. If market interest rates increase above the 3.43% weighted average fixed rate under these interest rate swaps we will benefit from net cash payments due to us from our counterparty to the interest rate swaps.

We have entered into total rate of return swaps on various fixed-rate secured tax-exempt bonds payable and fixed-rate notes payable to convert these borrowings from a fixed rate to a variable rate and provide an efficient financing

product to lower our cost of borrowing. In exchange for our receipt of a fixed rate generally equal to the underlying borrowing's interest rate, the total rate of return swaps require that we pay a variable rate, equivalent to the Securities Industry and Financial Markets Association Municipal Swap Index, or SIFMA, rate for tax-exempt bonds payable and the 30-day LIBOR rate for notes payable, plus a risk spread. These swaps generally have a second or third lien on the property collateralized by the related borrowings and the obligations under certain of these swaps are cross-collateralized with certain of the other swaps with a particular counterparty. The underlying

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Table of Contents**AIMCO PROPERTIES, L.P.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

borrowings are generally callable at our option, with no prepayment penalty, with 30 days advance notice, and the swaps generally have a term of less than five years. The total rate of return swaps have a contractually defined termination value generally equal to the difference between the fair value and the counterparty's purchased value of the underlying borrowings, which may require payment by us or to us for such difference. Accordingly, we believe fluctuations in the fair value of the borrowings from the inception of the hedging relationship generally will be offset by a corresponding fluctuation in the fair value of the total rate of return swaps.

We designate total rate of return swaps as hedges of the risk of overall changes in the fair value of the underlying borrowings. At each reporting period, we estimate the fair value of these borrowings and the total rate of return swaps and recognize any changes therein as an adjustment of interest expense. We evaluate the effectiveness of these fair value hedges at the end of each reporting period and recognize an adjustment of interest expense as a result of any ineffectiveness.

Borrowings payable subject to total rate of return swaps with aggregate outstanding principal balances of \$276.9 million and \$352.7 million at December 31, 2010 and 2009, respectively, are reflected as variable rate borrowings in Note 6. Due to changes in the estimated fair values of these debt instruments and the corresponding total rate of return swaps, we increased the carrying amount of property loans payable by \$4.8 million and \$5.2 million for the years ended December 31, 2010 and 2009, respectively, and reduced the carrying amount of property loans payable by \$20.1 million for the year ended December 31, 2008, with offsetting adjustments to the swap values in accrued liabilities, resulting in no net effect on net income. Refer to the foregoing *Fair Value Measurements* section for further discussion of fair value measurements related to these arrangements. During 2010, 2009 and 2008, we determined these hedges were fully effective and accordingly we made no adjustments to interest expense for ineffectiveness.

At December 31, 2010, the weighted average fixed receive rate under the total return swaps was 6.8% and the weighted average variable pay rate was 1.6%, based on the applicable SIFMA and 30-day LIBOR rates effective as of that date. Further information related to our total return swaps as of December 31, 2010 is as follows (dollars in millions):

<b>Debt Principal</b>	<b>Year of Debt Maturity</b>	<b>Weighted Average Debt Interest Rate</b>	<b>Swap Notional Amount</b>	<b>Year of Swap Maturity</b>	<b>Weighted Average Swap Variable Pay Rate at December 31, 2010</b>
\$ 29.2	2012	7.5%	\$ 29.2	2012	1.6%
24.0	2015	6.9%	24.0	2012	1.1%
93.0	2031	7.4%	93.0	2012	1.1%
106.1	2036	6.2%	106.5	2012	2.2%
12.1	2038	5.5%	12.1	2012	1.0%
12.5	2048	6.5%	12.5	2012	1.0%

\$ 276.9

\$ 277.3

***Fair Value Measurements***

Beginning in 2008, we applied the FASB's revised accounting provisions related to fair value measurements, which are codified in FASB ASC Topic 820. These revised provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. We adopted the revised fair value measurement provisions that apply to recurring and nonrecurring fair value measurements of financial assets

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

and liabilities effective January 1, 2008, and the provisions that apply to the remaining fair value measurements effective January 1, 2009, and at those times determined no transition adjustments were required.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and includes three levels defined as follows:

*Level 1* Unadjusted quoted prices for identical and unrestricted assets or liabilities in active markets

*Level 2* Quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument

*Level 3* Unobservable inputs that are significant to the fair value measurement

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following are descriptions of the valuation methodologies used for our significant assets or liabilities measured at fair value on a recurring or nonrecurring basis. Although some of the valuation methodologies use observable market inputs in limited instances, the majority of inputs we use are unobservable and are therefore classified within Level 3 of the valuation hierarchy.

***Real Estate***

From time to time, we may be required to recognize an impairment loss to the extent the carrying amount of a property exceeds the estimated fair value, for properties classified as held for use, or the estimated fair value, less estimated selling costs, for properties classified as held for sale. Additionally, we are generally required to initially measure real estate recognized in connection with our consolidation of real estate partnerships at fair value.

We estimate the fair value of real estate using income and market valuation techniques using information such as broker estimates, purchase prices for recent transactions on comparable assets and net operating income capitalization analyses using observable and unobservable inputs such as capitalization rates, asset quality grading, geographic location analysis, and local supply and demand observations. For certain properties classified as held for sale, we may also recognize the impairment loss based on the contract sale price, which we believe is representative of fair value, less estimated selling costs.

***Notes Receivable***

We assess the collectibility of notes receivable on a periodic basis, which assessment consists primarily of an evaluation of cash flow projections of the borrower to determine whether estimated cash flows are sufficient to repay principal and interest in accordance with the contractual terms of the note. We recognize impairments on notes receivable when it is probable that principal and interest will not be received in accordance with the contractual terms of the loan. The amount of the impairment to be recognized generally is based on the fair value of the real estate, which represents the primary source of loan repayment. The fair value of real estate is estimated through income and market valuation approaches using information such as broker estimates, purchase prices for recent transactions on comparable assets and net operating income capitalization analyses using observable and unobservable inputs such as



capitalization rates, asset quality grading, geographic location analysis, and local supply and demand observations.

***Interest Rate Swaps***

We recognized interest rate swaps at their estimated fair value. We estimate the fair value of interest rate swaps using an income approach with primarily observable inputs, including information regarding the hedged variable cash flows and forward yield curves relating to the variable interest rates on which the hedged cash flows are based.

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Total Rate of Return Swaps***

Our total rate of return swaps have contractually-defined termination values generally equal to the difference between the fair value and the counterparty's purchased value of the underlying borrowings. Upon termination, we are required to pay the counterparty the difference if the fair value is less than the purchased value, and the counterparty is required to pay us the difference if the fair value is greater than the purchased value. The underlying borrowings are generally callable, at our option, at face value prior to maturity and with no prepayment penalty. Due to our control of the call features in the underlying borrowings, we believe the inherent value of any differential between the fixed and variable cash payments due under the swaps would be significantly discounted by a market participant willing to purchase or assume any rights and obligations under these contracts.

The swaps are generally cross-collateralized with other swap contracts with the same counterparty and do not allow transfer or assignment, thus there is no alternate or secondary market for these instruments. Accordingly, our assumptions about the fair value that a willing market participant would assign in valuing these instruments are based on a hypothetical market in which the highest and best use of these contracts is in-use in combination with the related borrowings, similar to how we use the contracts. Based on these assumptions, we believe the termination value, or exit value, of the swaps approximates the fair value that would be assigned by a willing market participant. We calculate the termination value using a market approach by reference to estimates of the fair value of the underlying borrowings, which are discussed below, and an evaluation of potential changes in the credit quality of the counterparties to these arrangements. We compare our estimates of the fair value of the swaps and related borrowings to the valuations provided by the counterparties on a quarterly basis.

***Non-recourse Property Debt***

We recognize changes in the fair value of the non-recourse property debt subject to total rate of return swaps discussed above, which we have designated as fair value hedges. Additionally, we are generally required to initially measure non-recourse property debt recognized in connection with our consolidation of real estate partnerships at fair value.

We estimate the fair value of debt instruments using an income and market approach, including comparison of the contractual terms to observable and unobservable inputs such as market interest rate risk spreads, collateral quality and loan-to-value ratios on similarly encumbered assets within our portfolio. These borrowings are collateralized and non-recourse to us; therefore, we believe changes in our credit rating will not materially affect a market participant's estimate of the borrowings' fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets and liabilities could result in a different estimate of fair value at the reporting date.

The table below presents amounts at December 31, 2010, 2009 and 2008 (and the changes in fair value between such dates) for significant items measured in our consolidated balance sheets at fair value on a recurring basis (in thousands). Certain of these fair value measurements are based on significant unobservable inputs classified within Level 3 of the valuation hierarchy. When a determination is made to classify a fair value measurement within Level 3 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall

fair value measurement. However, Level 3 fair value measurements typically include, in addition to the unobservable or Level 3 components, observable components that can be validated to observable external sources;

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accordingly, the changes in fair value in the table below are due in part to observable factors that are part of the valuation methodology.

	<b>Level 2</b>		<b>Level 3</b>		
	<b>Interest Rate Swaps</b>	<b>Total Rate of Return Swaps</b>	<b>Changes in Fair Value of Debt Subject to Total Rate of Return Swaps</b>		<b>Total</b>
Fair value at December 31, 2008	\$ (2,557)	\$ (29,495)	\$	29,495	\$ (2,557)
Unrealized gains (losses) included in earnings(1)(2)	(447)	5,188		(5,188)	(447)
Realized gains (losses) included in earnings					
Unrealized gains (losses) included in partners capital	1,408				1,408
Fair value at December 31, 2009	\$ (1,596)	\$ (24,307)	\$	24,307	\$ (1,596)
Unrealized gains (losses) included in earnings(1)(2)	(45)	4,765		(4,765)	(45)
Realized gains (losses) included in earnings					
Unrealized gains (losses) included in partners capital	(1,105)				(1,105)
Fair value at December 31, 2010	\$ (2,746)	\$ (19,542)	\$	19,542	\$ (2,746)

(1) Unrealized gains (losses) relate to periodic revaluations of fair value and have not resulted from the settlement of a swap position.

(2) Included in interest expense in the accompanying consolidated statements of operations.

The table below presents information regarding significant amounts measured at fair value in our consolidated financial statements on a nonrecurring basis during the years ended December 31, 2010 and 2009, all of which were based, in part, on significant unobservable inputs classified within Level 3 of the valuation hierarchy (in thousands):

	<b>2010</b>		<b>2009</b>	
	<b>Fair Value Measurement</b>	<b>Gain (Loss)</b>	<b>Fair Value Measurement</b>	<b>Gain (Loss)</b>
Real estate (impairment losses)(1)	\$ 62,111	\$ (12,043)	\$ 425,345	\$ (48,542)

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Real estate (newly consolidated)(2)	117,083	1,104	10,798	
Property debt (newly consolidated)(2)	83,890		2,031	
Investment in Casden Properties LLC (Note 5)			10,000	(20,740)

- (1) During the year ended December 31, 2010 and 2009, we reduced the aggregate carrying amounts of \$74.2 million and \$473.9 million, respectively, for real estate assets classified as held for sale to their estimated fair value, less estimated costs to sell. These impairment losses recognized generally resulted from a reduction in the estimated holding period for these assets. In periods prior to their classification as held for sale, we evaluated the recoverability of their carrying amounts based on an analysis of the undiscounted cash flows over the then anticipated holding period.
- (2) In connection with our adoption of ASU 2009-17 (see preceding discussion of Variable Interest Entities) and reconsideration events during the year ended December 31, 2010, we consolidated 17 partnerships at fair value. With the exception of such partnerships' investments in real estate properties and related non-recourse property

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

debt obligations, we determined the carrying amounts of the related assets and liabilities approximated their fair values. The difference between our recorded investments in such partnerships and the fair value of the assets and liabilities recognized in consolidation, resulted in an adjustment of consolidated partners' capital (allocated between the Partnership and noncontrolling interests) for those partnerships consolidated in connection with our adoption of ASU 2009-17. For the partnerships we consolidated at fair value due to reconsideration events during the year ended December 31, 2010, the difference between our recorded investments in such partnerships and the fair value of the assets, liabilities and noncontrolling interests recognized upon consolidation resulted in our recognition of a gain, which is included in gain on disposition of unconsolidated real estate and other in our consolidated statement of operations for the year ended December 31, 2010. We recognized no similar gain as a result of our consolidation of partnerships during the year ended December 31, 2009.

***Disclosures Regarding Fair Value of Financial Instruments***

We believe that the aggregate fair value of our cash and cash equivalents, receivables, payables and short-term secured debt approximates their aggregate carrying value at December 31, 2010, due to their relatively short-term nature and high probability of realization. We estimate fair value for our notes receivable and debt instruments as discussed in the preceding Fair Value Measurements section. The estimated aggregate fair value of our notes receivable was approximately \$126.0 million and \$126.1 million at December 31, 2010 and 2009, respectively, as compared to carrying amounts of \$137.6 million and \$139.6 million, respectively. See Note 5 for further information on notes receivable. The estimated aggregate fair value of our consolidated debt (including amounts reported in liabilities related to assets held for sale) was approximately \$5.6 billion and \$5.7 billion at December 31, 2010 and 2009, respectively, as compared to the carrying amounts of \$5.5 billion and \$5.7 billion, respectively. See Note 6 and Note 7 for further details on our consolidated debt. Refer to *Derivative Financial Instruments* for further discussion regarding certain of our fixed rate debt that is subject to total rate of return swap instruments.

***Income Taxes***

We are treated as a pass-through entity for United States Federal income tax purposes and are not subject to United States Federal income taxation. We are subject to tax in certain states. Each of our partners, however, is subject to tax on his allocable share of partnership tax items, including partnership income, gains, losses, deductions and credits, or Partnership Tax Items, for each taxable year during which he is a partner, regardless of whether he receives any actual distributions of cash or other property from us during the taxable year. Generally, the characterization of any particular Partnership Tax Item is determined by us, rather than at the partner level, and the amount of a partner's allocable share of such item is governed by the terms of the Partnership Agreement. The General Partner is our tax matters partner for United States Federal income tax purposes. The tax matters partner is authorized, but not required, to take certain actions on behalf of us with respect to tax matters.

Aimco has elected to be taxed as a REIT under the Code commencing with its taxable year ended December 31, 1994, and intends to continue to operate in such a manner. Aimco's current and continuing qualification as a REIT depends on its ability to meet the various requirements imposed by the Code, which are related to organizational structure, distribution levels, diversity of stock ownership and certain restrictions with regard to owned assets and categories of income. If Aimco qualifies for taxation as a REIT, it will generally not be subject to United States Federal corporate income tax on our taxable income that is currently distributed to stockholders. This treatment substantially eliminates the double taxation (at the corporate and stockholder levels) that generally results from an investment in a corporation.

Even if Aimco qualifies as a REIT, it may be subject to United States Federal income and excise taxes in various situations, such as on our undistributed income. Aimco also will be required to pay a 100% tax on any net income on non-arms length transactions between it and a taxable subsidiary (described below) and on any net income from sales of property that was property held for sale to customers in the ordinary course. Aimco and its stockholders may be subject to state or local taxation in various state or local jurisdictions, including those in which

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Aimco transacts business or Aimco's stockholders reside. In addition, Aimco could also be subject to the alternative minimum tax, or AMT, on our items of tax preference. The state and local tax laws may not conform to the United States Federal income tax treatment. Any taxes imposed on Aimco reduce its and our operating cash flow and net income.

Certain of Aimco's operations or a portion thereof, including property management, asset management and risk management, are conducted through taxable subsidiaries, which are subsidiaries of the Partnership. A taxable subsidiary is a C-corporation that has not elected REIT status and as such is subject to United States Federal corporate income tax. Aimco uses taxable subsidiaries to facilitate its ability to offer certain services and activities to its residents and investment partners that cannot be offered directly by a REIT. Aimco also uses taxable subsidiaries to hold investments in certain properties.

For Aimco's taxable subsidiaries, deferred income taxes result from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for Federal income tax purposes, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. We reduce deferred tax assets by recording a valuation allowance when we determine based on available evidence that it is more likely than not that the assets will not be realized. We recognize the tax consequences associated with intercompany transfers between the REIT and taxable subsidiaries when the related assets are sold to third parties, impaired or otherwise disposed of for financial reporting purposes.

In March 2008, we were notified by the Internal Revenue Service that it intended to examine our 2006 Federal tax return. During June 2008, the IRS issued AIMCO-GP, Inc., our general and tax matters partner, a summary report including the IRS's proposed adjustments to our 2006 Federal tax return. In addition, in May 2009, we were notified by the IRS that it intended to examine our 2007 Federal tax return. During November 2009, the IRS issued AIMCO-GP, Inc. a summary report including the IRS's proposed adjustments to our 2007 Federal tax return. The matter is currently pending administratively before IRS Appeals and the IRS has made no determination. We do not expect the 2006 or 2007 proposed adjustments to have any material effect on our unrecognized tax benefits, financial condition or results of operations.

***Concentration of Credit Risk***

Financial instruments that potentially could subject us to significant concentrations of credit risk consist principally of notes receivable and total rate of return swaps. Approximately \$89.3 million of our notes receivable, or 1.2% of the carrying amount of our total assets, at December 31, 2010, are collateralized by 84 buildings with 1,596 residential units in the West Harlem area of New York City. There are no other significant concentrations of credit risk with respect to our notes receivable due to the large number of partnerships that are borrowers under the notes and the geographic diversification of the properties that serve as the primary source of repayment of the notes.

At December 31, 2010, we had total rate of return swap positions with two financial institutions totaling \$277.3 million. We periodically evaluate counterparty credit risk associated with these arrangements. At the current time, we have concluded we do not have material exposure. In the event either counterparty were to default under these arrangements, loss of the net interest benefit we generally receive under these arrangements, which is equal to the difference between the fixed rate we receive and the variable rate we pay, may adversely impact our results of operations and operating cash flows.



***Comprehensive Income or Loss***

As discussed in the Derivative Financial Instruments section, we recognize changes in the fair value of our cash flow hedges as changes in accumulated other comprehensive loss within partners' capital. For the years ended December 31, 2010 and 2009, before the effects of noncontrolling interests, our consolidated comprehensive loss totaled \$89.9 million and \$42.6 million, respectively, and for the year ended December 31, 2008, our consolidated comprehensive income totaled \$625.6 million.

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Earnings per Unit***

We calculate earnings per unit based on the weighted average number of common OP Units, common OP Unit equivalents, participating securities and other potentially dilutive securities outstanding during the period (see Note 14).

***Use of Estimates***

The preparation of our consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts included in the financial statements and accompanying notes thereto. Actual results could differ from those estimates.

***Reclassifications and Adjustments***

Certain items included in the 2009 and 2008 financial statements have been reclassified to conform to the current presentation, including adjustments for discontinued operations.

During the three months ended March 31, 2010, we reduced the investment and noncontrolling interest balances for certain of our consolidated partnerships by \$38.7 million related to excess amounts allocated to the investments upon our consolidation of such partnerships.

**NOTE 3 Real Estate and Partnership Acquisitions and Other Significant Transactions**

***Real Estate Acquisitions***

During the years ended December 31, 2010 and 2009, we did not acquire any significant real estate properties.

During the year ended December 31, 2008, we acquired three conventional properties with a total of 470 units, located in San Jose, California, Brighton, Massachusetts and Seattle, Washington. The aggregate purchase price of \$111.5 million, excluding transaction costs, was funded using \$39.0 million in proceeds from property loans, \$41.9 million in tax-free exchange proceeds (provided by 2008 real estate dispositions) and the remainder in cash.

***Acquisitions of Noncontrolling Partnership Interests***

During the year ended December 31, 2010, we acquired the remaining noncontrolling limited partnership interests in two consolidated partnerships, in which our affiliates serve as general partner, for total consideration of \$19.9 million. This consideration consisted of \$12.5 million in cash, \$6.9 million in common OP Units and \$0.5 million of other consideration. We also acquired for \$1.8 million additional noncontrolling interests in a consolidated partnership for \$1.2 million in cash and other consideration. We recognized the \$27.4 million excess of the consideration paid over the carrying amount of the noncontrolling interests acquired as an adjustment of partners' capital. During the years ended December 31, 2009 and 2008, we did not acquire any significant noncontrolling limited partnership interests.

***Disposition of Unconsolidated Real Estate and Other***

During the year ended December 31, 2010, we recognized \$10.7 million in net gains on disposition of unconsolidated real estate and other. These gains were primarily related to sales of investments held by partnerships we consolidated in accordance with our adoption of ASU 2009-17 (see Note 2) and in which we generally hold a nominal general partner interest. Accordingly, these gains were primarily attributed to the noncontrolling interests in these partnerships.

During the year ended December 31, 2009, we recognized \$21.6 million in net gains on disposition of unconsolidated real estate and other. Gains recognized in 2009 primarily consist of \$8.6 million related to our receipt in 2009 of additional proceeds related to our disposition during 2008 of one of the partnership interests

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(discussed below), \$4.0 million from the disposition of our interest in a group purchasing organization (discussed below), \$5.5 million from our disposition of interests in unconsolidated real estate partnerships and \$3.5 million of net gains related to various other transactions.

During the year ended December 31, 2008, we recognized \$97.4 million in net gains on disposition of unconsolidated real estate and other, which primarily consisted of a \$98.4 million gain recognized on the disposal of our interests in unconsolidated real estate partnerships that owned two properties with 671 units.

***Sale of Interest in Group Purchasing Organization***

During 2009, we sold our interest in an unconsolidated group purchasing organization to an unrelated entity for \$5.9 million, resulting in the recognition of a gain on sale of \$4.0 million, which is included in gain on disposition of unconsolidated real estate and other in our consolidated statement of operations for the year ended December 31, 2009. This gain was partially offset by a \$1.0 million provision for income tax. We also had a note receivable from another principal in the group purchasing organization, which was collateralized by its equity interest in the entity. In connection with the sale of our interest, we reevaluated collectibility of the note receivable and reversed \$1.4 million of previously recognized impairment losses, which is reflected in provision for losses on notes receivable, net in our consolidated statement of operations for the year ended December 31, 2009. During the year ended December 31, 2010, we received payment of the remaining outstanding \$1.6 million balance on the note.

***Casualty Loss Related to Tropical Storm Fay and Hurricane Ike***

During 2008, Tropical Storm Fay and Hurricane Ike caused severe damage to certain of our properties located primarily in Florida and Texas, respectively. We incurred total losses of approximately \$33.9 million, including property damage replacement costs and clean-up costs. After consideration of estimated third party insurance proceeds and the noncontrolling interest partners' share of losses for consolidated real estate partnerships, the net effect of these casualties on net income available to the Partnership's common unitholders was a loss of approximately \$5.6 million.

***Restructuring Costs***

In connection with 2008 property sales and an expected reduction in redevelopment and transactional activities, during the three months ended December 31, 2008, we initiated an organizational restructuring program that included reductions in workforce and related costs, reductions in leased corporate facilities and abandonment of certain redevelopment projects and business pursuits. This restructuring effort resulted in a restructuring charge of \$22.8 million, which consisted of: severance costs of \$12.9 million; unrecoverable lease obligations of \$6.4 million related to space that we will no longer use; and the write-off of deferred transaction costs totaling \$3.5 million associated with certain acquisitions and redevelopment opportunities that we will no longer pursue. We completed the workforce reductions by March 31, 2009.

During 2009, in connection with continued repositioning of our portfolio, we completed additional organizational restructuring activities that included reductions in workforce and related costs and the abandonment of additional leased corporate facilities and redevelopment projects. Our 2009 restructuring activities resulted in a restructuring charge of \$11.2 million, which consisted of severance costs and personnel related costs of \$7.0 million; unrecoverable lease obligations of \$2.6 million related to space that we will no longer use; the write-off of deferred costs totaling \$0.9 million associated with certain redevelopment opportunities that we will no longer pursue; and \$0.7 million in

other costs.

As of December 31, 2010 and 2009, the remaining accruals associated with these restructuring activities were \$4.7 million and \$6.9 million, respectively, for estimated unrecoverable lease obligations, which will be paid over the remaining terms of the affected leases, and at December 31, 2009, we had \$4.7 million accrued for severance and personnel related costs, which were paid during the first quarter of 2010.

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**Table of Contents****AIMCO PROPERTIES, L.P.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 4 Investments in Unconsolidated Real Estate Partnerships**

We owned general and limited partner interests in unconsolidated real estate partnerships owning approximately 173, 77 and 85 properties at December 31, 2010, 2009 and 2008, respectively. We acquired these interests through various transactions, including large portfolio acquisitions and offers to individual limited partners. Our total ownership interests in these unconsolidated real estate partnerships typically ranges from less than 1% to 50% and in some instances may exceed 50%.

The following table provides selected combined financial information for the unconsolidated real estate partnerships in which we had investments accounted for under the equity method as of and for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Real estate, net of accumulated depreciation	\$ 624,913	\$ 95,226	\$ 122,788
Total assets	676,373	122,543	155,444
Secured and other notes payable	494,967	101,678	122,859
Total liabilities	726,480	145,637	175,681
Partners deficit	(50,107)	(23,094)	(20,237)
Rental and other property revenues	145,598	55,366	69,392
Property operating expenses	(93,521)	(34,497)	(42,863)
Depreciation expense	(36,650)	(10,302)	(12,640)
Interest expense	(40,433)	(11,103)	(17,182)
(Impairment losses)/Gain on sale, net	(29,316)	8,482	5,391
Net income (loss)	(58,274)	6,622	1,398

The increase in the number of partnerships we account for using the equity method and the related selected combined financial information for such partnerships is primarily attributed to our adoption of ASU 2009-17 (see Note 2), pursuant to which we consolidated 18 investment partnerships that hold investments in other unconsolidated real estate partnerships. Prior to our consolidation of these investment partnerships, we had no recognized basis in the investment partnerships investments in the unconsolidated real estate partnerships and accounted for our indirect interests in these partnerships using the cost method. We generally hold a nominal general partnership interest in these investment partnerships and substantially all of the assets and liabilities of these investment partnerships are attributed to the noncontrolling interests in such entities.

As a result of our acquisition of interests in unconsolidated real estate partnerships at a cost in excess of the historical carrying amount of the partnerships net assets and our consolidation of investment partnerships and their investments in unconsolidated real estate partnerships at fair values that may exceed the historical carrying amount of the unconsolidated partnerships net assets, our aggregate investment in unconsolidated partnerships at December 31, 2010 and 2009 of \$58.2 million and \$104.2 million, respectively, exceeds our share of the underlying historical partners deficit of the partnerships by approximately \$61.8 million and \$108.4 million, respectively.

**Table of Contents****AIMCO PROPERTIES, L.P.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 5 Notes Receivable**

The following table summarizes our notes receivable at December 31, 2010 and 2009 (in thousands):

	2010			2009		
	Unconsolidated Real Estate Partnerships	Non- Affiliates	Total	Unconsolidated Real Estate Partnerships	Non- Affiliates	Total
Par value notes	\$ 10,821	\$ 17,899	\$ 28,720	\$ 11,353	\$ 20,862	\$ 32,215
Discounted notes	980	145,888	146,868	5,095	141,468	146,563
Allowance for loan losses	(905)	(37,061)	(37,966)	(2,153)	(37,061)	(39,214)
Total notes receivable	\$ 10,896	\$ 126,726	\$ 137,622	\$ 14,295	\$ 125,269	\$ 139,564
Face value of discounted notes	\$ 31,755	\$ 158,621	\$ 190,376	\$ 37,709	\$ 155,848	\$ 193,557

Included in notes receivable from unconsolidated real estate partnerships at December 31, 2010 and 2009, are \$2.3 million and \$2.4 million, respectively, in notes that were secured by interests in real estate or interests in real estate partnerships. We earn interest on these secured notes receivable at an annual interest rate of 12.0%.

Included in the notes receivable from non-affiliates at December 31, 2010 and 2009, are \$103.9 million and \$102.2 million, respectively, in notes that were secured by interests in real estate or interests in real estate partnerships. We earn interest on these secured notes receivable at various annual interest rates ranging between 3.5% and 12.0% and averaging 4.1%.

Notes receivable from non-affiliates at December 31, 2010 and 2009, include notes receivable totaling \$89.3 million and \$87.4 million, respectively, from certain entities (the borrowers) that are wholly owned by a single individual. We originated these notes in November 2006 pursuant to a loan agreement that provides for total funding of approximately \$110.0 million, including \$16.4 million for property improvements and an interest reserve, of which \$3.8 million had not been funded as of December 31, 2010. The notes mature in November 2016, bear interest at LIBOR plus 2.0%, are partially guaranteed by the owner of the borrowers, and are collateralized by second mortgages on 84 buildings containing 1,596 residential units and 43 commercial spaces in West Harlem, New York City. In conjunction with the loan agreement, we entered into a purchase option and put agreement with the borrowers under which we may purchase some or all of the buildings and, subject to achieving specified increases in rental income, the borrowers may require us to purchase the buildings (see Note 8). We determined that the stated interest rate on the notes on the date the loan was originated was a below-market interest rate and recorded a \$19.4 million discount to reflect the estimated fair value of the notes based on an estimated market interest rate of LIBOR plus 4.0%. The discount was determined to be attributable to our real estate purchase option, which we recorded separately in other assets. Accretion of this discount, which is included in interest income in our consolidated statements of operations, totaled \$0.9 million in 2010, \$0.9 million in 2009 and \$0.7 million in 2008. The value of the purchase option asset will be included in the cost of properties acquired pursuant to the option or otherwise be charged to expense. We

determined that the borrowers are VIEs and, based on qualitative and quantitative analysis, determined that the individual who owns the borrowers and partially guarantees the notes is the primary beneficiary.

As part of the March 2002 acquisition of Casden Properties, Inc., we invested \$50.0 million for a 20% passive interest in Casden Properties LLC, an entity organized to acquire, re-entitle and develop land parcels in Southern California. Based upon the profit allocation agreement, we account for this investment as a note receivable from a non-affiliate and through 2008 were amortizing the discounted value of the investment to the \$50.0 million previously estimated to be collectible, through the initial dissolution date of the entity. As a result of a declines in land values in Southern California, we determined our recorded investment amount was not fully recoverable, and accordingly recognized impairment losses of \$20.7 million (\$12.4 million net of tax) during the three months ended December 31, 2009 and \$16.3 million (\$10.0 million net of tax) during the three months ended December 31, 2008.

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**Table of Contents****AIMCO PROPERTIES, L.P.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The activity in the allowance for loan losses related to our notes receivable from unconsolidated real estate partnerships and non-affiliates, in total for both par value notes and discounted notes, for the years ended December 31, 2010 and 2009, is as follows (in thousands):

	<b>Unconsolidated Real Estate Partnerships</b>	<b>Non-Affiliates</b>
Balance at December 31, 2008	\$ (4,863)	\$ (17,743)
Provisions for losses on notes receivable	(2,231)	
Recoveries of losses on notes receivable		1,422
Provisions for impairment loss on investment in Casden Properties LLC		(20,740)
Write offs charged against allowance	4,367	
Net reductions due to consolidation of real estate partnerships and property dispositions	574	
Balance at December 31, 2009	\$ (2,153)	\$ (37,061)
Provisions for losses on notes receivable	(304)	(220)
Recoveries of losses on notes receivable	116	
Write offs charged against allowance	639	220
Net reductions due to consolidation of real estate partnerships and property dispositions	797	
Balance at December 31, 2010	\$ (905)	\$ (37,061)

In addition to the provisions shown above, during the year ended December 31, 2010, we wrote off \$0.5 million of receivables that were not reserved through the allowance.

Additional information regarding our par value notes and discounted notes impaired during the years ended December 31, 2010 and 2009 is presented in the table below (in thousands):

	<b>2010</b>	<b>2009</b>
Par value notes:		
Allowance for losses recognized	\$ (796)	\$ (1,158)
Carrying amounts of loans prior to impairments	1,115	3,819
Average recorded investment in impaired loans	1,255	7,589
Interest income recognized related to impaired loans	75	84
Discounted notes:		
Allowance for losses recognized	\$ (110)	\$ (996)
Carrying amounts of loans prior to impairments	110	1,580
Average recorded investment in impaired loans	538	3,503

Interest income recognized related to impaired loans

The remaining \$27.0 million of our par value notes receivable at December 31, 2010, is estimated to be collectible and, therefore, interest income on these par value notes is recognized as earned. Of our total par value notes outstanding at December 31, 2010, notes with balances of \$17.5 million have stated maturity dates and the remainder have no stated maturity date and are governed by the terms of the partnership agreements pursuant to which the loans were extended. At December 31, 2010, none of the par value notes with stated maturity dates were past due. The information in the table above regarding our discounted notes excludes the impairment related to our

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investment in Casden Properties LLC. No interest income has been recognized on our investment in Casden Properties LLC following the initial impairment recognized during 2008.

In addition to the interest income recognized on impaired loans shown above, we recognized interest income, including accretion, of \$7.7 million, \$5.8 million and \$9.2 million for the years ended December 31, 2010, 2009 and 2008, respectively, related to our remaining notes receivable.

**NOTE 6 Non-Recourse Property Tax-Exempt Bond Financings, Non-Recourse Property Loans Payable and Other Borrowings**

We finance our properties primarily using long-dated, fixed-rate debt that is collateralized by the underlying real estate properties and is non-recourse to us. The following table summarizes our property tax-exempt bond financings related to properties classified as held for use at December 31, 2010 and 2009 (in thousands):

	<b>Weighted Average Interest Rate 2010</b>	<b>Principal Outstanding</b>	
		<b>2010</b>	<b>2009</b>
Fixed rate property tax-exempt bonds payable	5.72%	\$ 140,111	\$ 140,995
Variable rate property tax-exempt bonds payable	1.29%	374,395	433,931
Total		\$ 514,506	\$ 574,926

Fixed rate property tax-exempt bonds payable mature at various dates through January 2050. Variable rate property tax-exempt bonds payable mature at various dates through July 2033. Principal and interest on these bonds are generally payable in semi-annual installments with balloon payments due at maturity. Certain of our property tax-exempt bonds at December 31, 2010, are remarketed periodically by a remarketing agent to maintain a variable yield. If the remarketing agent is unable to remarket the bonds, then the remarketing agent can put the bonds to us. We believe that the likelihood of this occurring is remote. At December 31, 2010, our property tax-exempt bond financings related to properties classified as held for use were secured by 38 properties with a combined net book value of \$722.0 million. At December 31, 2010, property tax-exempt bonds payable with a weighted average fixed rate of 6.7% have been converted to a weighted average variable rate of 1.6% using total rate of return swaps that mature during 2012. These property tax-exempt bonds payable are presented above as variable rate debt at their carrying amounts, or fair value, of \$229.1 million. See Note 2 for further discussion of our total rate of return swap arrangements.

The following table summarizes our property loans payable related to properties classified as held for use at December 31, 2010 and 2009 (in thousands):

<b>Weighted Average</b>	<b>Principal</b>
-----------------------------	------------------

	<b>Interest Rate</b> <b>2010</b>	<b>Outstanding</b>	
		<b>2010</b>	<b>2009</b>
Fixed rate property notes payable	5.90%	\$ 4,855,871	\$ 4,672,254
Variable rate property notes payable	2.86%	73,852	75,685
Secured notes credit facility	1.04%	13,554	13,554
Total		\$ 4,943,277	\$ 4,761,493

Fixed rate property notes payable mature at various dates through December 2049. Variable rate property notes payable mature at various dates through November 2030. Principal and interest are generally payable monthly or in monthly interest-only payments with balloon payments due at maturity. At December 31, 2010, our property notes payable related to properties classified as held for use were secured by 350 properties with a combined net book value of \$5,722.4 million. In connection with our 2010 adoption of ASU 2009-17(see Note 2), we consolidated and deconsolidated various partnerships, which resulted in a net increase in property loans payable of approximately

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\$61.2 million as compared to 2009. The remainder of the increase in property loans payable during the year is primarily due to refinancing activities. At December 31, 2010, property loans payable with a weighted average fixed rate of 7.5% have been converted to a weighted average variable rate of 1.6% using total rate of return swaps that mature during 2012, which is the same year the notes payable mature. These property loans payable are presented above as variable rate debt at their carrying amounts, or fair value, of \$28.7 million. See Note 2 for further discussion of our total rate of return swap arrangements.

At December 31, 2009, we had a secured revolving credit facility with a major life company that provided for borrowings of up to \$200.0 million. During 2010, the credit facility was modified to reduce allowed borrowings to the then outstanding borrowings and to remove the option for new loans under the facility. During 2010, we also exercised an option to extend the maturity date to October 2011 for a nominal fee. At December 31, 2010, outstanding borrowings of \$13.6 million related to properties classified as held for use are included in 2012 maturities below based on a remaining one-year extension option for nominal cost.

Our consolidated debt instruments generally contain covenants common to the type of facility or borrowing, including financial covenants establishing minimum debt service coverage ratios and maximum leverage ratios. At December 31, 2010, we were in compliance with all financial covenants pertaining to our consolidated debt instruments.

Other borrowings totaled \$47.0 million and \$53.1 million at December 31, 2010 and 2009, respectively. We classify within other borrowings notes payable that do not have a collateral interest in real estate properties but for which real estate serves as the primary source of repayment. These borrowings are generally non-recourse to us. At December 31, 2010, other borrowings includes \$38.5 million in fixed rate obligations with interest rates ranging from 4.5% to 10.0% and \$8.5 million in variable rate obligations bearing interest at the prime rate plus 1.75%. The maturity dates for other borrowings range from 2011 to 2014, although certain amounts are due upon occurrence of specified events, such as property sales.

As of December 31, 2010, the scheduled principal amortization and maturity payments for our property tax-exempt bonds, property notes payable and other borrowings related to properties in continuing operations are as follows (in thousands):

	<b>Amortization</b>	<b>Maturities</b>	<b>Total</b>
2011	\$ 100,162	\$ 188,828	\$ 288,990
2012	101,864	454,229	556,093
2013	100,995	329,308	430,303
2014	87,292	375,505	462,797
2015	83,893	394,649	478,542
Thereafter			3,288,076
			\$ 5,504,801

Amortization for 2011, 2012 and 2013 in the table above includes \$6.5 million, \$5.9 million and \$9.6 million, respectively, and maturities for 2011, 2012 and thereafter includes \$13.3 million, \$11.1 million and \$0.6 million, respectively, related to other borrowings at December 31, 2010.

**NOTE 7 Credit Agreement and Term Loan**

We have an Amended and Restated Senior Secured Credit Agreement, as amended, with a syndicate of financial institutions, which we refer to as the Credit Agreement. In addition to us, Aimco and an Aimco subsidiary are also borrowers under the Credit Agreement.

As of December 31, 2010, the Credit Agreement consisted of \$300.0 million of revolving loan commitments (an increase of \$120.0 million from the revolving commitments at December 31, 2009). As of December 31, 2009,

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

the Credit Agreement consisted of aggregate commitments of \$270.0 million, consisting of the \$90.0 million outstanding balance on our term loan and \$180.0 million of revolving commitments. During 2010, we repaid in full the remaining balance on the term loan.

Borrowings under the revolving credit facility bear interest based on a pricing grid determined by leverage (either at LIBOR plus 4.25% with a LIBOR floor of 1.50% or, at our option, a base rate equal to the Prime rate plus a spread of 3.00%). 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. As of December 31, 2010, we had the capacity to borrow \$260.3 million pursuant to our credit facility (after giving effect to \$39.7 million outstanding for undrawn letters of credit).

The Credit Agreement includes customary financial covenants, including the maintenance of specified ratios with respect to total indebtedness to gross asset value, total secured indebtedness to gross asset value, aggregate recourse indebtedness to gross asset value, variable rate debt to total indebtedness, debt service coverage and fixed charge coverage; the maintenance of a minimum adjusted tangible net worth; and limitations regarding the amount of cross-collateralized debt. The Credit Agreement includes other customary covenants, including a restriction on distributions and other restricted payments, but permits distributions during any four consecutive fiscal quarters in an aggregate amount of up to 95% of our funds from operations for such period, subject to certain non-cash adjustments, or such amount as may be necessary to maintain Aimco's REIT status. We were in compliance with all such covenants as of December 31, 2010.

The lenders under the Credit Agreement may accelerate any outstanding loans if, among other things: we fail to make payments when due (subject to applicable grace periods); material defaults occur under other debt agreements; certain bankruptcy or insolvency events occur; material judgments are entered against us; we fail to comply with certain covenants, such as the requirement to deliver financial information or the requirement to provide notices regarding material events (subject to applicable grace periods in some cases); indebtedness is incurred in violation of the covenants; or prohibited liens arise.

**NOTE 8 Commitments and Contingencies**

***Commitments***

We did not have any significant commitments related to our redevelopment activities at December 31, 2010. We enter into certain commitments for future purchases of goods and services in connection with the operations of our properties. Those commitments generally have terms of one year or less and reflect expenditure levels comparable to our historical expenditures.

As discussed in Note 5, we have committed to fund an additional \$3.8 million in loans on certain properties in West Harlem in New York City. In certain circumstances, the obligor under these notes has the ability to put properties to us, which would result in a cash payment of approximately \$30.6 million and the assumption of approximately \$118.6 million in property debt. The ability to exercise the put is dependent upon the achievement of specified thresholds by the current owner of the properties.

As discussed in Note 11, we have a potential obligation to repurchase from Aimco \$20.0 million in liquidation preference of our Series A Community Reinvestment Act Perpetual Partnership Preferred Units for \$14.0 million.

***Tax Credit Arrangements***

We are required to manage certain consolidated real estate partnerships in compliance with various laws, regulations and contractual provisions that apply to our historic and low-income housing tax credit syndication arrangements. In some instances, noncompliance with applicable requirements could result in projected tax benefits not being realized and require a refund or reduction of investor capital contributions, which are reported as deferred income in our consolidated balance sheet, until such time as our obligation to deliver tax benefits is relieved. The

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

remaining compliance periods for our tax credit syndication arrangements range from less than one year to 15 years. We do not anticipate that any material refunds or reductions of investor capital contributions will be required in connection with these arrangements.

***Legal Matters***

In addition to the matters described below, we are a party to various legal actions and administrative proceedings arising in the ordinary course of business, some of which are covered by our general liability insurance program, and none of which we expect to have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

***Limited Partnerships***

In connection with our acquisitions of interests in real estate partnerships and our role as general partner in certain real estate partnerships, we are sometimes subject to legal actions, including allegations that such activities may involve breaches of fiduciary duties to the partners of such real estate partnerships or violations of the relevant partnership agreements. We may incur costs in connection with the defense or settlement of such litigation. We believe that we comply with our fiduciary obligations and relevant partnership agreements. Although the outcome of any litigation is uncertain, we do not expect any such legal actions to have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

***Environmental***

Various Federal, state and local laws subject property owners or operators to liability for management, and the costs of removal or remediation, of certain potentially hazardous materials present on a property, including lead-based paint, asbestos, polychlorinated biphenyls, petroleum-based fuels, and other miscellaneous materials. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such materials. The presence of, or the failure to manage or remedy properly, these materials may adversely affect occupancy at affected apartment communities and the ability to sell or finance affected properties. In addition to the costs associated with investigation and remediation actions brought by government agencies, and potential fines or penalties imposed by such agencies in connection therewith, the improper management of these materials on a property could result in claims by private plaintiffs for personal injury, disease, disability or other infirmities. Various laws also impose liability for the cost of removal, remediation or disposal of these materials through a licensed disposal or treatment facility. Anyone who arranges for the disposal or treatment of these materials is potentially liable under such laws. These laws often impose liability whether or not the person arranging for the disposal ever owned or operated the disposal facility. In connection with the ownership, operation and management of properties, we could potentially be responsible for environmental liabilities or costs associated with our properties or properties we acquire or manage in the future.

We have determined that our legal obligations to remove or remediate certain potentially hazardous materials may be conditional asset retirement obligations, as defined in GAAP. Except in limited circumstances where the asset retirement activities are expected to be performed in connection with a planned construction project or property casualty, we believe that the fair value of our asset retirement obligations cannot be reasonably estimated due to significant uncertainties in the timing and manner of settlement of those obligations. Asset retirement obligations that are reasonably estimable as of December 31, 2010, are immaterial to our consolidated financial condition, results of

operations and cash flows.

***Operating Leases***

We are obligated under non-cancelable operating leases for office space and equipment. In addition, we sublease certain of our office space to tenants under non-cancelable subleases. Approximate minimum annual

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rentals under operating leases and approximate minimum payments to be received under annual subleases are as follows (in thousands):

	<b>Operating Lease Obligations</b>	<b>Sublease Receivables</b>
2011	\$ 6,334	\$ 785
2012	4,399	658
2013	1,381	205
2014	925	
2015	511	
Thereafter	850	
Total	\$ 14,400	\$ 1,648

Substantially all of the office space subject to the operating leases described above is for the use of our corporate offices and area operations. Rent expense recognized totaled \$6.6 million, \$7.7 million and \$10.2 million for the years ended December 31, 2010, 2009 and 2008, respectively. Sublease receipts that offset rent expense totaled approximately \$1.6 million, \$0.7 million and \$0.7 million for the years ended December 31, 2010, 2009 and 2008, respectively.

As discussed in Note 3, during the years ended December 31, 2009 and 2008, we commenced restructuring activities pursuant to which we vacated certain leased office space for which we remain obligated. In connection with the restructurings, we accrued amounts representing the estimated fair value of certain lease obligations related to space we are no longer using, reduced by estimated sublease amounts. At December 31, 2010, approximately \$4.7 million related to the above operating lease obligations was included in accrued liabilities related to these estimates.

Additionally, during January 2011, we provided notice of our intent to terminate one of the leases included in the table above effective March 31, 2012, and we paid the required lease termination payment of approximately \$1.3 million. Obligations shown in the table above reflect our revised obligations following the lease buyout.

**Table of Contents****AIMCO PROPERTIES, L.P.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 9 Income Taxes**

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities of the taxable subsidiaries for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax liabilities and assets are as follows (in thousands):

	<b>2010</b>	<b>2009</b>
Deferred tax liabilities:		
Partnership differences	\$ 26,033	\$ 32,565
Depreciation	1,212	2,474
Deferred revenue	11,975	14,862
Total deferred tax liabilities	\$ 39,220	\$ 49,901
Deferred tax assets:		
Net operating, capital and other loss carryforwards	\$ 41,511	\$ 37,164
Provision for impairments on real estate assets	33,321	33,321
Receivables	8,752	3,094
Accrued liabilities	6,648	9,272
Accrued interest expense	2,220	
Intangibles management contracts	1,273	1,911
Tax credit carryforwards	7,181	6,949
Equity compensation	900	1,463
Other	159	929
Total deferred tax assets	101,965	94,103
Valuation allowance	(4,009)	(2,187)
Net deferred income tax assets	\$ 58,736	\$ 42,015

At December 31, 2010, we increased the valuation allowance for our deferred tax assets by \$1.8 million for certain state net operating losses as well as certain low income housing credits based on a determination that it was more likely than not that such assets will not be realized prior to their expiration.

A reconciliation of the beginning and ending balance of our unrecognized tax benefits is presented below (in thousands):

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Balance at January 1	\$ 3,079	\$ 3,080	\$ 2,965

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Additions based on tax positions related to prior years	992		115
Reductions based on tax positions related to prior years		(1)	
Balance at December 31	\$ 4,071	\$ 3,079	\$ 3,080

We do not anticipate any material changes in existing unrecognized tax benefits during the next 12 months. Because the statute of limitations has not yet elapsed, our Federal income tax returns for the year ended December 31, 2007, and subsequent years and certain of our State income tax returns for the year ended December 31, 2005, and subsequent years are currently subject to examination by the Internal Revenue Service or other tax authorities. Approximately \$3.3 million of the unrecognized tax benefit, if recognized, would affect the effective tax rate. As discussed in Note 2, the IRS has issued us summary reports including its proposed adjustments to the Aimco Operating Partnership's 2007 and 2006 Federal tax returns. We do not expect the proposed adjustments to have any material effect on our unrecognized tax benefits, financial condition or results of

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**Table of Contents****AIMCO PROPERTIES, L.P.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

operations. Our policy is to include interest and penalties related to income taxes in income taxes in our consolidated statements of operations.

In accordance with the accounting requirements for stock-based compensation, we may recognize tax benefits in connection with the exercise of stock options by employees of our taxable subsidiaries and the vesting of restricted stock awards. During the years ended December 31, 2010 and 2009, we had no excess tax benefits from employee stock option exercises and vested restricted stock awards.

Significant components of the provision (benefit) for income taxes are as follows and are classified within income tax benefit in continuing operations and income from discontinued operations, net in our statements of operations for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Current:			
Federal	\$	\$ (1,910)	\$ 8,678
State	1,395	3,992	2,415
Total current	1,395	2,082	11,093
Deferred:			
Federal	(10,912)	(17,320)	(22,115)
State	(1,380)	(3,988)	(2,386)
Total deferred	(12,292)	(21,308)	(24,501)
Total benefit	\$ (10,897)	\$ (19,226)	\$ (13,408)
Classification:			
Continuing operations	\$ (18,433)	\$ (17,487)	\$ (56,574)
Discontinued operations	\$ 7,536	\$ (1,739)	\$ 43,166

Consolidated losses subject to tax, consisting of pretax income or loss of our taxable subsidiaries and gains or losses on certain property sales that are subject to income tax under section 1374 of the Internal Revenue Code, for the years ended December 31, 2010, 2009 and 2008 totaled \$50.3 million, \$40.6 million and \$81.8 million, respectively. The reconciliation of income tax attributable to continuing and discontinued operations computed at the U.S. statutory rate to income tax benefit is shown below (dollars in thousands):

	<b>2010</b>		<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Tax at U.S. statutory rates on consolidated loss subject to tax	\$ (17,622)	35.0%	\$ (14,221)	35.0%	\$ (28,632)	35.0%

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State income tax, net of Federal tax benefit	14		(2,183)	5.4%	29	
Effect of permanent differences	(673)	1.3%	127	(0.3)%	215	(0.3)%
Tax effect of intercompany transfers of assets between the REIT and taxable subsidiaries(1)	5,694	(11.3)%	(4,759)	11.7%	15,059	(18.4)%
Write-off of excess tax basis	(132)	0.3%	(377)	0.9%	(79)	0.1%
Increase in valuation allowance	1,822	(3.6)%	2,187	(5.4)%		
	\$ (10,897)	21.7%	\$ (19,226)	47.3%	\$ (13,408)	16.4%

(1) Includes the effect of assets contributed by us to taxable subsidiaries, for which deferred tax expense or benefit was recognized upon the sale or impairment of the asset by the taxable subsidiary.

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**Table of Contents****AIMCO PROPERTIES, L.P.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Income taxes paid totaled approximately \$1.9 million, \$4.6 million and \$13.8 million in the years ended December 31, 2010, 2009 and 2008, respectively.

At December 31, 2010, we had net operating loss carryforwards, or NOLs, of approximately \$73.7 million for income tax purposes that expire in years 2027 to 2030. Subject to certain separate return limitations, we may use these NOLs to offset all or a portion of taxable income generated by our taxable subsidiaries. We generated approximately \$9.8 million of NOLs during the year ended December 31, 2010, as a result of losses from our taxable subsidiaries. The deductibility of intercompany interest expense with our taxable subsidiaries is subject to certain intercompany limitations based upon taxable income as required under Section 163(j) of the Code. As of December 31, 2010, interest carryovers of approximately \$23.7 million, limited by Section 163(j) of the Code, are available against U.S. Federal tax without expiration. The deferred tax asset related to these interest carryovers is approximately \$9.2 million. Additionally, our low-income housing and rehabilitation tax credit carryforwards as of December 31, 2010, were approximately \$7.7 million for income tax purposes that expire in years 2012 to 2029. The net deferred tax asset related to these credits is approximately \$6.0 million.

**NOTE 10 Notes Receivable from Aimco**

In exchange for the sale of certain real estate assets to Aimco in December 2000, we received notes receivable, totaling \$10.1 million. The notes bear interest at the rate of 5.7% per annum. Of the \$10.1 million total, \$7.6 million is due upon demand, and the remainder is due in scheduled semi-annual payments with all unpaid principal and interest due on December 31, 2010. As of the date of this filing, this note has not been repaid. At December 31, 2010 and 2009, the balance of the notes totaled \$17.2 million and \$16.4, respectively, which includes accrued and unpaid interest.

**NOTE 11 Partners Capital and Redeemable Preferred Units*****Preferred OP Units Owned by Aimco***

At December 31, 2010 and 2009, we had the following classes of preferred OP Units owned by Aimco outstanding (stated at their redemption values, dollars in thousands):

<b>Perpetual:</b>	<b>Redemption Date(1)</b>	<b>Annual Distribution Rate per Unit (Paid Quarterly)</b>	<b>Balance December 31, 2010</b>	<b>2009</b>
Class G Partnership Preferred Units, \$0.01 par value, 4,050,000 units authorized, zero and 4,050,000 units issued and outstanding, respectively(2)	07/15/2008	9.375%	\$	\$ 101,000
	07/31/2008	8.000%	150,000	150,000



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Class T Partnership Preferred Units, \$0.01 par value, 6,000,000 units authorized, 6,000,000 units issued and outstanding				
Class U Partnership Preferred Units, \$0.01 par value, 12,000,000 and 8,000,000 units authorized, 12,000,000 and 8,000,000 units issued and outstanding, respectively	03/24/2009	7.750%	298,101	200,000
Class V Partnership Preferred Units, \$0.01 par value, 3,450,000 units authorized, 3,450,000 units issued and outstanding	09/29/2009	8.000%	86,250	86,250
Class Y Partnership Preferred Unit, \$0.01 par value, 3,450,000 units authorized, 3,450,000 units issued and outstanding	12/21/2009	7.875%	86,250	86,250
Series A Community Reinvestment Act Perpetual Partnership Preferred Units, \$0.01 par value per unit, 240 units authorized, 114 and 134 units issued and outstanding, respectively(3)	06/30/2011	(3)	57,000	67,000
Total			677,601	690,500
Less preferred units subject to repurchase agreement(4)			(20,000)	(30,000)
Total			\$ 657,601	\$ 660,500

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (1) All classes of preferred units are redeemable by the Partnership only in connection with a concurrent redemption by Aimco of the corresponding Aimco preferred stock held by unrelated parties. All classes of Aimco's corresponding preferred stock are redeemable at Aimco's option on and after the dates specified.
- (2) Outstanding units at December 31, 2009, included 10,000 units held by a consolidated subsidiary that were eliminated in consolidation.
- (3) The Series A Community Reinvestment Act Perpetual Partnership Preferred Units, or the CRA Preferred Units, have substantially the same terms as Aimco's Series A Community Reinvestment Act Perpetual Preferred Stock, or 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 December 31, 2010 and 2009 was 1.54%. Upon liquidation, holders of the CRA Preferred Units are entitled to a preference of \$500,000 per unit, plus an amount equal to accumulated, accrued and unpaid distributions, whether or not earned or declared. The CRA Preferred Units rank prior to our common OP Units and on the same level as our other OP preferred 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 unit equal to the liquidation preference, plus accumulated, accrued and unpaid dividends, if any, to the redemption date.
- (4) In June 2009, Aimco entered into an agreement to repurchase \$36.0 million in liquidation preference of its CRA Preferred Stock at a 30% discount to the liquidation preference. Pursuant to this agreement, in May 2010 and June 2009, Aimco repurchased 20 shares and 12 shares, or \$10.0 million and \$6.0 million in liquidation preference, respectively, of CRA Preferred Stock for \$7.0 million and \$4.2 million, respectively. Concurrent with Aimco's repurchases, we repurchased from Aimco an equivalent number of our CRA Preferred Units. The holder of the CRA Preferred Stock may require Aimco to repurchase an additional 40 shares, or \$20.0 million in liquidation preference, of CRA Preferred Stock over the next two years, for \$14.0 million. If required, these additional repurchases will be for up to \$10.0 million in liquidation preference in May 2011 and 2012. Upon any repurchases required of Aimco under this agreement, we will repurchase from Aimco an equivalent number of our CRA Preferred Units. Based on the holder's ability to require Aimco to repurchase shares of CRA Preferred Stock pursuant to this agreement and our obligation to purchase from Aimco a corresponding number of our CRA Preferred Units, \$20.0 million and \$30.0 million in liquidation preference of CRA Preferred Units, or the maximum redemption value of such preferred units, is classified as part of redeemable preferred units within temporary capital in our consolidation balance sheets at December 31, 2010 and 2009, respectively.

On September 7, 2010, Aimco issued 4,000,000 shares of its 7.75% Class U Cumulative Preferred Stock, par value \$0.01 per share, or the Class U Preferred Stock, in an underwritten public offering for a price per share of \$24.09 (reflecting a price to the public of \$24.86 per share, less an underwriting discount and commissions of \$0.77 per share). The offering generated net proceeds of \$96.1 million (after deducting underwriting discounts and commissions and transaction expenses). Aimco contributed the net proceeds to us in exchange for 4,000,000 units of our 7.75%

Class U Cumulative Preferred Units. We recorded issuance costs of \$3.3 million, consisting primarily of underwriting commissions, as an adjustment of partners' capital to the Partnership within our condensed consolidated balance sheet.

On October 7, 2010, using the net proceeds from the issuance of Class U Preferred Stock supplemented by corporate funds, Aimco redeemed all of the 4,050,000 outstanding shares of its 9.375% Class G Cumulative Preferred Stock, inclusive of 10,000 shares held by a consolidated subsidiary that are eliminated in consolidation.

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**AIMCO PROPERTIES, L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

This redemption was for cash at a price equal to \$25.00 per share, or \$101.3 million in aggregate (\$101.0 million net of eliminations), plus accumulated and unpaid dividends of \$2.2 million. Concurrent with this redemption, we redeemed all of our outstanding Class G Partnership Preferred Units, 4,040,000 of which were held by Aimco and 10,000 of which were held by a consolidated subsidiary. In connection with the redemption, we reflected \$4.3 million of issuance costs previously recorded as a reduction of partners' capital attributable as an increase in net income attributable to preferred unitholders for purposes of calculating earnings per unit for the year ended December 31, 2010.

In connection with our May 2010 and June 2009 CRA Preferred Units repurchase discussed above, we reflected the \$3.0 million and \$1.8 million excess of the carrying value over the repurchase price, offset by \$0.2 million of issuance costs previously recorded as a reduction of partners' capital, as a reduction of net income attributable to preferred unitholders for the years ended December 31, 2010 and 2009, respectively.

During 2008, Aimco repurchased 54 shares, or \$27.0 million in liquidation preference, of its CRA Preferred Stock for cash totaling \$24.8 million. Concurrent with this redemption, we repurchased from Aimco an equivalent number of outstanding CRA Preferred Units. We reflected the \$2.2 million excess of the carrying value over the repurchase price, offset by \$0.7 million of issuance costs previously recorded as a reduction of partners' capital, as a reduction of net income attributable to the Partnership's preferred unitholders for the year ended December 31, 2008.

All classes of preferred OP Units are pari passu with each other and are senior to the common OP Units. None of the classes of preferred OP Units have any voting rights, except the right to approve certain changes to the Partnership Agreement that would adversely affect holders of such class of units. Distributions on all preferred OP Units are subject to being declared by the General Partner. All of the above outstanding classes of preferred units have a liquidation preference per unit of \$25, with the exception of the CRA Preferred Units, which have a liquidation preference per unit of \$500,000.

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**Table of Contents****AIMCO PROPERTIES, L.P.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Redeemable Preferred OP Units***

As of December 31, 2010 and 2009, the following classes of preferred OP Units (stated at their redemption values) owned by third parties were outstanding (in thousands, except unit data):

<b>Redeemable Preferred OP Units:</b>	<b>2010</b>	<b>2009</b>
Class One Partnership Preferred Units, 90,000 units issued and outstanding, redeemable at the holders option one year following issuance, holder to receive distributions at 8.75% (\$8.00 per annum per unit)	\$ 8,229	\$ 8,229
Class Two Partnership Preferred Units, 19,364 and 23,700 units issued and outstanding, redeemable at the holders option one year following issuance, holders to receive distributions at 1.84% (\$.46 per annum per unit)	484	593
Class Three Partnership Preferred Units, 1,366,771 and 1,371,451 units issued and outstanding, redeemable at the holders option one year following issuance, holders to receive distributions at 7.88% (\$1.97 per annum per unit)	34,169	34,286
Class Four Partnership Preferred Units, 755,999 units issued and outstanding, redeemable at the holders option one year following issuance, holders to receive distributions at 8.0% (\$2.00 per annum per unit)	18,900	18,900
Class Five Partnership Preferred Units, zero and 68,671 units issued and outstanding, redeemable for cash at any time at our option, holder to receive distributions equal to the per unit distribution on the common OP Units(1)(2)		2,747
Class Six Partnership Preferred Units, 796,668 and 802,453 units issued and outstanding, redeemable at the holders option one year following issuance, holder to receive distributions at 8.5% (\$2.125 per annum per unit)	19,917	20,061
Class Seven Partnership Preferred Units, 27,960 units issued and outstanding, redeemable at the holders option one year following issuance, holder to receive distributions at 7.87% (\$1.968 per annum per unit)	699	699
Class Eight Partnership Preferred Units, 6,250 units issued and outstanding, redeemable for cash at any time at our option, holder to receive distributions equal to the per unit distribution on the common OP Units(1)	156	156
Subtotal	\$ 82,554	\$ 85,671

(1) Holders of the Class Five and Class Eight Partnership Preferred Units received the per unit special distributions discussed below in addition to the regular distributions received by common OP unitholders during 2010 and 2009.

(2) Purchased from the holder in exchange for cash and other consideration during 2010.

The Class One, Class Two, Class Three, Class Four, Class Six and Class Seven preferred OP Units are redeemable, at the holders option. We, at our sole discretion, may settle such redemption requests in cash or cause Aimco to issue

shares of its Class A Common Stock in a value equal to the redemption preference. In the event we require Aimco to issue shares to settle a redemption request, we would issue to Aimco a corresponding number of common OP Units. During 2008, we established a redemption policy that requires cash settlement of redemption requests for the redeemable preferred OP Units, subject to limited exceptions. Accordingly, these redeemable units are classified as redeemable preferred units within temporary capital in our consolidated balance sheets at December 31, 2010 and 2009, based on the expectation that we will cash settle these units.

Subject to certain conditions, the Class Four, Class Six and Class Eight Partnership Preferred Units are convertible into common OP Units.

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**Table of Contents****AIMCO PROPERTIES, L.P.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

During the years ended December 31, 2010 and 2009, approximately 14,800 and 68,200 preferred OP Units, respectively, were tendered for redemption in exchange for cash. During the years ended December 31, 2010 and 2009, no preferred OP Units were tendered for redemption in exchange for shares of Aimco Class A Common Stock.

The following table presents a reconciliation of redeemable preferred units (including the CRA Preferred Units subject to a repurchase agreement discussed above) classified within temporary capital for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
Balance at January 1	\$ 116,656	\$ 88,148	\$
Net income attributable to redeemable preferred units	4,964	6,288	
Distributions to preferred units	(6,730)	(6,806)	
Purchases of preferred units	(11,462)	(1,725)	
Reclassification of redeemable preferred units from partners' capital		30,000	88,148
Other		751	
Balance at December 31	\$ 103,428	\$ 116,656	\$ 88,148

The distributions paid on each class of preferred OP Units classified as partners' capital in the years ended December 31, 2010, 2009 and 2008, and, in the case of the redeemable preferred OP Units discussed above, classified in temporary capital as of December 31, 2010 and 2009, are as follows (in thousands, except per unit data):

Class of Preferred OP Units	2010		2009		2008	
	Amount per Unit(1)	Total Amount Paid	Amount per Unit(1)	Total Amount Paid	Amount per Unit(1)	Total Amount Paid
Class G	\$ 2.30	\$ 9,334	\$ 2.34	\$ 9,492	\$ 2.34	\$ 9,492
Class T	2.00	12,000	2.00	12,000	2.00	12,000
Class U	1.94	17,438(2)	1.94	15,500	1.94	15,500
Class V	2.00	6,900	2.00	6,900	2.00	6,900
Class Y	1.97	6,792	1.97	6,792	1.97	6,792
Series A CRA	8,169.00(3)	971	10,841.00(4)	1,531	24,381.00(5)	4,531
Class One	8.00	720	8.00	720	&nbsp;	&nbsp;