APARTMENT INVESTMENT & MANAGEMENT CO
Form 10-Q
August 01, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2014
OR

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

For the transition period from to
Commission File Number 1-13232 (Apartment Investment and Management Company)
Commission File Number 0-24497 (AIMCO Properties, L.P.)

Apartment Investment and Management Company
AIMCO Properties, L.P.
(Exact name of registrant as specified in its charter)

Maryland (Apartment Investment and Management Company)	84-1259577
Delaware (AIMCO Properties, L.P.)	84-1275621
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4582 South Ulster Street, Suite 1100	
Denver, Colorado	80237
(Address of principal executive offices)	(Zip Code)

(303) 757-8101
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Apartment Investment and Management Company: Yes x No o
AIMCO Properties, L.P.: Yes x No o

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

Apartment Investment and Management Company: Yes x No o AIMCO Properties, L.P.: Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Apartment Investment and Management Company:

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

AIMCO Properties, L.P.:

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Apartment Investment and Management Company: Yes o No x AIMCO Properties, L.P.: Yes o No x

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The number of shares of Apartment Investment and Management Company Class A Common Stock outstanding as of July 31, 2014: 146,188,496

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EXPLANATORY NOTE

This filing combines the reports on Form 10-Q for the quarterly period ended June 30, 2014, of Apartment Investment and Management Company, or Aimco, and AIMCO Properties, L.P., or the Aimco Operating Partnership. Where it is important to distinguish between the two entities, we refer to them specifically. Otherwise, references to "we," "us" or "our" mean, collectively, Aimco, the Aimco Operating Partnership and their consolidated entities.

Aimco, a Maryland corporation, is a self-administered and self-managed real estate investment trust, or REIT. Aimco, through wholly-owned subsidiaries, is the general and special limited partner of and, as of June 30, 2014, owned a 95.0% ownership interest in the common partnership units of, the Aimco Operating Partnership. The remaining 5.0% interest is owned by limited partners. As the sole general partner of the Aimco Operating Partnership, Aimco has exclusive control of the Aimco Operating Partnership's day-to-day management.

The Aimco Operating Partnership holds all of Aimco's assets and manages the daily operations of Aimco's business and assets. Aimco is required to contribute all proceeds from offerings of its securities to the Aimco Operating Partnership. In addition, substantially all of Aimco's assets must be owned through the Aimco Operating Partnership; therefore, Aimco is generally required to contribute all assets acquired to the Aimco Operating Partnership. In exchange for the contribution of offering proceeds or assets, Aimco receives additional interests in the Aimco Operating Partnership with similar terms (e.g., if Aimco contributes proceeds of a stock offering, Aimco receives partnership units with terms substantially similar to the stock issued by Aimco).

We believe combining the periodic reports of Aimco and the Aimco Operating Partnership into this single report provides the following benefits:

- presents our business as a whole, in the same manner our management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosures apply to both Aimco and the Aimco Operating Partnership; and
- saves time and cost through the preparation of a single combined report rather than two separate reports.

We operate Aimco and the Aimco Operating Partnership as one enterprise and the management of Aimco directs the management and operations of the Aimco Operating Partnership.

We believe it is important to understand the few differences between Aimco and the Aimco Operating Partnership in the context of how Aimco and the Aimco Operating Partnership operate as a consolidated company. Aimco has no assets or liabilities other than its investment in the Aimco Operating Partnership. Also, Aimco is a corporation that issues publicly traded equity from time to time, whereas the Aimco Operating Partnership is a partnership that has no publicly traded equity. Except for the net proceeds from stock offerings by Aimco, which are contributed to the Aimco Operating Partnership in exchange for additional limited partnership interests (of a similar type and in an amount equal to the shares of stock sold in the offering), the Aimco Operating Partnership generates all remaining capital required by its business. These sources include the Aimco Operating Partnership's working capital, net cash provided by operating activities, borrowings under its revolving credit facility, the issuance of secured debt and equity securities, including additional partnership units, and proceeds received from the sale of apartment communities.

Equity, partners' capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of Aimco and those of the Aimco Operating Partnership. Interests in the Aimco Operating Partnership held by entities other than Aimco are classified within partners' capital in the Aimco Operating Partnership's financial statements and as noncontrolling interests in Aimco's financial statements.

To help investors understand the differences between Aimco and the Aimco Operating Partnership, this report provides separate consolidated financial statements for Aimco and the Aimco Operating Partnership; a single set of consolidated notes to such financial statements that includes separate discussions of each entity's stockholders' equity or partners' capital, as applicable; and a combined Management's Discussion and Analysis of Financial Condition and Results of Operations section that includes discrete information related to each entity.

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for Aimco and the Aimco Operating Partnership in order to establish that the requisite certifications have been made and that Aimco and the Aimco Operating Partnership are both compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and 18 U.S.C. §1350.

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY
AIMCO PROPERTIES, L.P.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

APARTMENT INVESTMENT AND MANAGEMENT COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
Buildings and improvements	$6,169,512	$6,332,723
Land	1,811,503	1,881,358
Total real estate	7,981,015	8,214,081
Less accumulated depreciation	(2,716,076)	(2,822,872)
Net real estate ($379,920 and $392,245 related to VIEs)	5,264,939	5,391,209
Cash and cash equivalents ($17,583 and $24,094 related to VIEs)	33,826	55,751
Restricted cash ($35,758 and $36,369 related to VIEs)	223,580	127,037
Other assets ($210,280 and $211,286 related to VIEs)	500,877	505,416
Assets held for sale	55,443	—
Total assets	$6,078,665	$6,079,413
LIABILITIES AND EQUITY		
Non-recourse property debt ($351,819 and $355,372 related to VIEs)	$4,152,802	$4,337,785
Revolving credit facility borrowings	53,400	50,400
Total indebtedness	4,206,202	4,388,185
Accounts payable	37,158	43,161
Accrued liabilities and other ($129,837 and $140,910 related to VIEs)	282,531	287,595
Deferred income	93,294	107,775
Liabilities related to assets held for sale	30,753	—
Total liabilities	4,649,938	4,826,716
Preferred noncontrolling interests in Aimco Operating Partnership	78,917	79,953
Commitments and contingencies (Note 6)	—	—
Equity:		
Perpetual Preferred Stock	186,126	68,114
Common Stock, $0.01 par value, 505,787,260 shares authorized, 146,188,496 and 145,917,387 shares issued/outstanding at June 30, 2014 and December 31, 2013, respectively	1,462	1,459
Additional paid-in capital	3,692,854	3,701,339
Accumulated other comprehensive loss	(5,243)	(4,602)
Distributions in excess of earnings	(2,735,097)	(2,798,853)
Total Aimco equity	1,140,102	967,457
Noncontrolling interests in consolidated real estate partnerships	233,064	233,008
Common noncontrolling interests in Aimco Operating Partnership	(23,356)	(27,721)
Total equity	1,349,810	1,172,744
Total liabilities and equity	$6,078,665	$6,079,413

See notes to condensed consolidated financial statements.

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
REVENUES				
Rental and other property revenues	$239,492	$233,936	$479,628	$464,188
Tax credit and asset management revenues	6,926	7,809	15,714	15,061
Total revenues	246,418	241,745	495,342	479,249
OPERATING EXPENSES				
Property operating expenses	94,438	94,298	193,643	188,166
Investment management expenses	1,021	1,697	2,273	3,130
Depreciation and amortization	71,399	73,833	141,706	149,548
General and administrative expenses	10,125	11,153	20,657	22,932
Other expense, net	3,638	2,052	5,988	4,121
Total operating expenses	180,621	183,033	364,267	367,897
Operating income	65,797	58,712	131,075	111,352
Interest income, net	1,671	2,651	3,400	9,064
Interest expense	(55,061)	(57,730)	(110,807)	(116,076)
Other, net	189	(987)	(1,790)	(3,251)
Income before income taxes, discontinued operations and gain on dispositions	12,596	2,646	21,878	1,089
Income tax benefit (expense)	5,347	(169)	8,105	(274)
Income from continuing operations	17,943	2,477	29,983	815
Income from discontinued operations, net	—	4,502	—	8,997
Gain on dispositions of real estate, net of tax	66,662	—	136,154	—
Net income	84,605	6,979	166,137	9,812
Noncontrolling interests:				
Net (income) loss attributable to noncontrolling interests in consolidated real estate partnerships	(2,226)	6,150	(13,615)	11,112
Net income attributable to preferred noncontrolling interests in Aimco Operating Partnership	(1,602)	(1,606)	(3,207)	(3,212)
Net income attributable to common noncontrolling interests in Aimco Operating Partnership	(3,735)	(575)	(7,346)	(872)
Net (income) loss attributable to noncontrolling interests	(7,563)	3,969	(24,168)	7,028
Net income attributable to Aimco	77,042	10,948	141,969	16,840
Net income attributable to Aimco preferred stockholders	(1,758)	(701)	(2,212)	(1,403)
Net income attributable to participating securities	(274)	(140)	(513)	(280)
Net income attributable to Aimco common stockholders	$75,010	$10,107	$139,244	$15,157
Earnings attributable to Aimco per common share – basic (Note 7):				
Income from continuing operations	$0.51	$0.01	$0.96	$—
Net income	$0.51	$0.07	$0.96	$0.10
Earnings attributable to Aimco per common share – diluted (Note 7):				
Income from continuing operations	$0.51	$0.01	$0.95	$—

Net income	$0.51	$0.07	$0.95	$0.10
Dividends declared per common share	$0.26	$0.24	$0.52	$0.48

See notes to condensed consolidated financial statements.

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	$84,605	$6,979	$166,137	$9,812
Other comprehensive income (loss):				
Unrealized (losses) gains on interest rate swaps	(666)	1,430	(1,427)	1,608
Losses on interest rate swaps reclassified into interest expense from accumulated other comprehensive loss	418	417	844	836
Unrealized losses on debt securities classified as available-for-sale	(518)	(1,347)	(51)	(3,055)
Other comprehensive (loss) income	(766)	500	(634)	(611)
Comprehensive income	83,839	7,479	165,503	9,201
Comprehensive (income) loss attributable to noncontrolling interests	(7,537)	3,767	(24,173)	6,816
Comprehensive income attributable to Aimco	$76,302	$11,246	$141,330	$16,017

See notes to condensed consolidated financial statements.

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$166,137	$9,812
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	141,706	149,548
Gain on dispositions of real estate, net of tax	(136,154)	—
Discontinued operations	—	3,462
Other adjustments	1,549	8,764
Net changes in operating assets and operating liabilities	(28,959)	1,440
Net cash provided by operating activities	144,279	173,026
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of real estate	(13,981)	(19,444)
Capital expenditures	(182,424)	(163,368)
Proceeds from dispositions of real estate	238,855	7,960
Purchases of corporate assets	(4,130)	(5,123)
Purchase of property loans	—	(119,101)
Change in restricted cash	(96,186)	19,932
Other investing activities	(3,447)	12,375
Net cash used in investing activities	(61,313)	(266,769)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-recourse property debt	62,974	111,007
Principal repayments on non-recourse property debt	(178,739)	(153,532)
Net borrowings on revolving credit facility	3,000	187,050
Proceeds from issuance of Preferred Stock	123,658	—
Repurchase of Preferred Stock	(9,500)	—
Proceeds from Common Stock option exercises	128	983
Payment of dividends to holders of Preferred Stock	(1,355)	(1,402)
Payment of dividends to holders of Common Stock	(76,004)	(70,014)
Payment of distributions to noncontrolling interests	(32,107)	(22,513)
Other financing activities	3,054	4,674
Net cash (used in) provided by financing activities	(104,891)	56,253
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,925)	(37,490)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	55,751	84,413
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$33,826	$46,923

See notes to condensed consolidated financial statements.

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AIMCO PROPERTIES, L.P.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
Buildings and improvements	$6,169,512	$6,332,723
Land	1,811,503	1,881,358
Total real estate	7,981,015	8,214,081
Less accumulated depreciation	(2,716,076)	(2,822,872)
Net real estate ($379,920 and $392,245 related to VIEs)	5,264,939	5,391,209
Cash and cash equivalents ($17,583 and $24,094 related to VIEs)	33,826	55,751
Restricted cash ($35,758 and $36,369 related to VIEs)	223,580	127,037
Other assets ($210,280 and $211,286 related to VIEs)	500,877	505,416
Assets held for sale	55,443	—
Total assets	$6,078,665	$6,079,413
LIABILITIES AND EQUITY		
Non-recourse property debt ($351,819 and $355,372 related to VIEs)	$4,152,802	$4,337,785
Revolving credit facility borrowings	53,400	50,400
Total indebtedness	4,206,202	4,388,185
Accounts payable	37,158	43,161
Accrued liabilities and other ($129,837 and $140,910 related to VIEs)	282,531	287,595
Deferred income	93,294	107,775
Liabilities related to assets held for sale	30,753	—
Total liabilities	4,649,938	4,826,716
Redeemable preferred units	78,917	79,953
Commitments and contingencies (Note 6)	—	—
Partners' Capital:		
Preferred units	186,126	68,114
General Partner and Special Limited Partner	953,976	899,343
Limited Partners	(23,356)	(27,721)
Partners' capital attributable to the Aimco Operating Partnership	1,116,746	939,736
Noncontrolling interests in consolidated real estate partnerships	233,064	233,008
Total partners' capital	1,349,810	1,172,744
Total liabilities and partners' capital	$6,078,665	$6,079,413

See notes to condensed consolidated financial statements.

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AIMCO PROPERTIES, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
REVENUES				
Rental and other property revenues	$239,492	$233,936	$479,628	$464,188
Tax credit and asset management revenues	6,926	7,809	15,714	15,061
Total revenues	246,418	241,745	495,342	479,249
OPERATING EXPENSES				
Property operating expenses	94,438	94,298	193,643	188,166
Investment management expenses	1,021	1,697	2,273	3,130
Depreciation and amortization	71,399	73,833	141,706	149,548
General and administrative expenses	10,125	11,153	20,657	22,932
Other expense, net	3,638	2,052	5,988	4,121
Total operating expenses	180,621	183,033	364,267	367,897
Operating income	65,797	58,712	131,075	111,352
Interest income, net	1,671	2,651	3,400	9,064
Interest expense	(55,061)	(57,730)	(110,807)	(116,076)
Other, net	189	(987)	(1,790)	(3,251)
Income before income taxes, discontinued operations and gain on dispositions	12,596	2,646	21,878	1,089
Income tax benefit (expense)	5,347	(169)	8,105	(274)
Income from continuing operations	17,943	2,477	29,983	815
Income from discontinued operations, net	—	4,502	—	8,997
Gain on dispositions of real estate, net of tax	66,662	—	136,154	—
Net income	84,605	6,979	166,137	9,812
Net (income) loss attributable to noncontrolling interests in consolidated real estate partnerships	(2,226)	6,150	(13,615)	11,112
Net income attributable to the Aimco Operating Partnership	82,379	13,129	152,522	20,924
Net income attributable to the Aimco Operating Partnership's preferred unitholders	(3,360)	(2,307)	(5,419)	(4,615)
Net income attributable to participating securities	(274)	(140)	(513)	(280)
Net income attributable to the Aimco Operating Partnership's common unitholders	$78,745	$10,682	$146,590	$16,029
Earnings attributable to the Aimco Operating Partnership per common unit – basic (Note 7):				
Income from continuing operations	$0.51	$0.01	$0.96	$—
Net income	$0.51	$0.07	$0.96	$0.10
Earnings attributable to the Aimco Operating Partnership per common unit – diluted (Note 7):				
Income from continuing operations	$0.51	$0.01	$0.95	$—
Net income	$0.51	$0.07	$0.95	$0.10
Distributions declared per common unit	$0.26	$0.24	$0.52	$0.48

See notes to condensed consolidated financial statements.

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AIMCO PROPERTIES, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	$84,605	$6,979	$166,137	$9,812
Other comprehensive income (loss):				
Unrealized (losses) gains on interest rate swaps	(666)	1,430	(1,427)	1,608
Losses on interest rate swaps reclassified into interest expense from accumulated other comprehensive loss	418	417	844	836
Unrealized losses on debt securities classified as available-for-sale	(518)	(1,347)	(51)	(3,055)
Other comprehensive (loss) income	(766)	500	(634)	(611)
Comprehensive income	83,839	7,479	165,503	9,201
Comprehensive (income) loss attributable to noncontrolling interests	(2,239)	5,965	(13,654)	10,855
Comprehensive income attributable to the Aimco Operating Partnership	$81,600	$13,444	$151,849	$20,056

See notes to condensed consolidated financial statements.

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AIMCO PROPERTIES, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$166,137	$9,812
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	141,706	149,548
Gain on dispositions of real estate, net of tax	(136,154)	—
Discontinued operations	—	3,462
Other adjustments	1,549	8,764
Net changes in operating assets and operating liabilities	(28,959)	1,440
Net cash provided by operating activities	144,279	173,026
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of real estate	(13,981)	(19,444)
Capital expenditures	(182,424)	(163,368)
Proceeds from dispositions of real estate	238,855	7,960
Purchases of corporate assets	(4,130)	(5,123)
Purchase of property loans	—	(119,101)
Change in restricted cash	(96,186)	19,932
Other investing activities	(3,447)	12,375
Net cash used in investing activities	(61,313)	(266,769)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-recourse property debt	62,974	111,007
Principal repayments on non-recourse property debt	(178,739)	(153,532)
Net borrowings on revolving credit facility	3,000	187,050
Proceeds from issuance of Preferred Units to Aimco	123,658	—
Repurchase of Preferred Units from Aimco	(9,500)	—
Proceeds from Aimco Common Stock option exercises	128	983
Payment of distributions to holders of Preferred Units	(4,562)	(4,614)
Payment of distributions to General Partner and Special Limited Partner	(76,004)	(70,014)
Payment of distributions to Limited Partners	(4,026)	(3,884)
Payment of distributions to noncontrolling interests	(24,874)	(15,417)
Other financing activities	3,054	4,674
Net cash (used in) provided by financing activities	(104,891)	56,253
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,925)	(37,490)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	55,751	84,413
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$33,826	$46,923

See notes to condensed consolidated financial statements.

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY
AIMCO PROPERTIES, L.P.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014
(Unaudited)

Note 1 — Organization

Apartment Investment and Management Company, or Aimco, is a Maryland corporation incorporated on January 10, 1994. Aimco is a self-administered and self-managed real estate investment trust, or REIT. AIMCO Properties, L.P., or the Aimco Operating Partnership, is a Delaware limited partnership formed on May 16, 1994, to conduct our business, which is focused on the ownership and management of quality apartment communities located in the largest coastal and job growth markets in the United States.

Aimco, and through its wholly-owned subsidiaries, AIMCO-GP, Inc. and AIMCO-LP Trust, owns a majority of the ownership interests in the Aimco Operating Partnership. Aimco conducts all of its business and owns all of its assets through the Aimco Operating Partnership. Interests in the Aimco Operating Partnership that are held by limited partners other than Aimco are referred to as “OP Units.” OP Units include common partnership units, high performance partnership units and partnership preferred units, which we refer to as common OP Units, HPUs and preferred OP Units, respectively. We also refer to HPUs as common OP Unit equivalents. At June 30, 2014, after eliminations for units held by consolidated entities, the Aimco Operating Partnership had 153,860,349 common partnership units and equivalents outstanding. At June 30, 2014, Aimco owned 146,188,496 of the common partnership units (95.0% of the common partnership units and equivalents) of the Aimco Operating Partnership and Aimco had outstanding an equal number of shares of its Class A Common Stock, which we refer to as Common Stock.

Except as the context otherwise requires, “we,” “our” and “us” refer to Aimco, the Aimco Operating Partnership and their consolidated subsidiaries, collectively.

As of June 30, 2014, we owned an equity interest in 157 conventional apartment communities with 47,302 apartment homes and 61 affordable apartment communities with 9,142 apartment homes. Of these, we consolidated 153 conventional apartment communities with 47,160 apartment homes and 54 affordable apartment communities with 8,455 apartment homes. These conventional and affordable apartment communities generated 90% and 10%, respectively, of our proportionate property net operating income (as defined in Note 8) during the six months ended June 30, 2014.

Note 2 — Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, have been condensed or omitted in accordance with such rules and regulations, although management believes the disclosures are adequate to prevent the information presented from being misleading. In the opinion of management, all adjustments (consisting of normal recurring items) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2014, are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

The balance sheets of Aimco and the Aimco Operating Partnership at December 31, 2013, have been derived from their respective audited financial statements at that date, but do not include all of the information and disclosures required by GAAP for complete financial statements. For further information, refer to the financial statements and notes thereto included in Aimco’s and the Aimco Operating Partnership’s combined Annual Report on Form 10-K for the year ended December 31, 2013. Certain 2013 financial statement amounts have been reclassified to conform to the 2014 and full year 2013 presentation, including adjustments for discontinued operations reported through December 31, 2013. Except where indicated, the footnotes refer to both Aimco and the Aimco Operating Partnership.

Principles of Consolidation

Aimco's accompanying condensed consolidated financial statements include the accounts of Aimco, the Aimco Operating Partnership, and their consolidated subsidiaries. The Aimco Operating Partnership's condensed consolidated financial statements include the accounts of the Aimco Operating Partnership and its consolidated entities.

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We consolidate all variable interest entities for which we are the primary beneficiary. Generally, a variable interest entity, or VIE, is a legal entity in which the equity investors do not have the characteristics of a controlling financial interest or the equity investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. 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 our business activities and the business activities of 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 of June 30, 2014, we were the primary beneficiary of, and therefore consolidated, 63 VIEs, which owned 49 apartment communities with 7,656 apartment homes. Substantially all these VIEs are partnerships that are involved in the ownership or operation of qualifying affordable housing apartment communities and which are structured to provide for the pass-through of low-income housing tax credits and deductions to their partners. Real estate with a carrying value of $379.9 million collateralized $351.8 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.

In addition to the consolidated VIEs discussed above, at June 30, 2014, our consolidated financial statements included certain consolidated and unconsolidated VIEs that are part of the legacy asset management business we sold during 2012, which is discussed in Note 4. The assets and liabilities related to these consolidated and unconsolidated VIEs are each condensed into single line items within other assets and accrued liabilities and other, respectively, in our condensed consolidated balance sheets.

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 in the Aimco Operating Partnership that are held by limited partners other than Aimco are reflected in Aimco's accompanying balance sheets as noncontrolling interests in Aimco Operating Partnership. Interests in partnerships consolidated into the Aimco Operating Partnership that are held by third parties are reflected in our accompanying balance sheets as noncontrolling interests in consolidated real estate partnerships. The assets of consolidated real estate partnerships owned or controlled by the Aimco Operating Partnership generally are not available to pay creditors of Aimco or the Aimco Operating 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 of a limited liability company.

Temporary Equity and Partners' Capital

The following table presents a reconciliation of the Aimco Operating Partnership's Preferred OP Units from December 31, 2013 to June 30, 2014 (in thousands). These amounts are presented within temporary equity in Aimco's condensed consolidated balance sheets as preferred noncontrolling interests in the Aimco Operating Partnership, and within temporary capital in the Aimco Operating Partnership's condensed consolidated balance sheets as redeemable preferred units.

Balance, December 31, 2013	$79,953
Distributions to preferred unitholders	(3,207)
Redemption of preferred units and other	(1,036)
Net income	3,207
Balance, June 30, 2014	$78,917

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Aimco Equity (including Noncontrolling Interests)

The following table presents a reconciliation of Aimco's consolidated permanent equity accounts from December 31, 2013 to June 30, 2014 (in thousands):

	Aimco Equity	Noncontrolling interests in consolidated real estate partnerships	Common noncontrolling interests in Aimco Operating Partnership	Total Equity
Balance, December 31, 2013	$967,457	$233,008	$(27,721)	$1,172,744
Contributions	—	10,201	—	10,201
Issuance of preferred stock	123,658	—	—	123,658
Repurchase of preferred stock	(9,500)	—	—	(9,500)
Preferred stock dividends	(2,455)	—	—	(2,455)
Common dividends and distributions	(76,004)	(23,723)	(4,026)	(103,753)
Redemptions of common OP Units	—	—	(7,107)	(7,107)
Amortization of stock-based compensation cost	3,508	—	—	3,508
Effect of changes in ownership for consolidated entities	(8,179)	(76)	8,186	(69)
Change in accumulated other comprehensive loss	(639)	39	(34)	(634)
Other	287	—	—	287
Net income	141,969	13,615	7,346	162,930
Balance, June 30, 2014	$1,140,102	$233,064	$(23,356)	$1,349,810

Partners' Capital attributable to the Aimco Operating Partnership

The following table presents a reconciliation of the consolidated partners' capital balances in permanent capital that are attributable to the Aimco Operating Partnership from December 31, 2013 to June 30, 2014 (in thousands):

	Partners' capital attributable to the Partnership
Balance, December 31, 2013	$939,736
Issuance of Preferred Units to Aimco	123,658
Repurchase of Preferred Units from Aimco	(9,500)
Distributions to preferred units held by Aimco	(2,455)
Distributions to common units held by Aimco	(76,004)
Distributions to common units held by Limited Partners	(4,026)
Redemption of common OP Units	(7,107)
Amortization of Aimco stock-based compensation cost	3,508
Effect of changes in ownership for consolidated entities	7
Change in accumulated other comprehensive loss	(673)
Other	287
Net income	149,315
Balance, June 30, 2014	$1,116,746

A separate reconciliation of noncontrolling interests in consolidated real estate partnerships and total partners' capital for the Aimco Operating Partnership is not presented as these amounts are identical to the corresponding noncontrolling interests in consolidated real estate partnerships and total equity for Aimco, which are presented above.

Use of Estimates

The preparation of our condensed 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.

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Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, and International Accounting Standards Board issued their final standard on revenue from contracts with customers, which was issued by the FASB as Accounting Standards Update 2014-09, Revenue from Contracts with Customers, or ASU 2014-09. ASU 2014-09, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, supersedes most current GAAP applicable to revenue recognition and converges U.S. and international accounting standards in this area. The core principle of the new guidance is that revenue shall only be recognized when an entity has transferred control of goods or services to a customer and for an amount reflecting the consideration to which the entity expects to be entitled for such exchange.

ASU 2014-09 is effective for public entities for annual reporting periods beginning after December 15, 2016, with no early adoption permitted, and allows for full retrospective adoption applied to all periods presented or modified retrospective adoption with the cumulative effect of initially applying the standard recognized at the date of initial application. We have not yet determined the effect ASU 2014-09 will have on our consolidated financial statements.

Note 3 — Disposals and Discontinued Operations

In April 2014, the FASB issued Accounting Standards Update 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, or ASU 2014-08. ASU 2014-08 revised the definition of, and the requirements for reporting, a "discontinued operation." Specifically, ASU 2014-08 revised the reporting requirements to only allow a component of an entity, or group of components of an entity, to be reported in discontinued operations if their disposal represents a “strategic shift that has (or will have) a major effect on an entity’s operations and financial results.”

For public companies, ASU 2014-08 is generally required to be applied prospectively to disposals of components of an entity or classifications as held for sale of components of an entity that occur in annual periods commencing after December 15, 2014; however, we elected to adopt ASU 2014-08 effective January 1, 2014, as permitted by the transition provisions, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued.

Under ASU 2014-08, we believe routine sales of apartment communities and certain groups of apartment communities generally do not meet the requirements for reporting within discontinued operations. During the three and six months ended June 30, 2014, we sold six and eleven consolidated apartment communities with an aggregate of 2,127 and 3,733 apartment homes, respectively. Based on our prospective application of the revised discontinued operation definition, the results of operations for the three and six months ended June 30, 2014 and 2013, for these apartment communities are reflected within income from continuing operations in our condensed consolidated statements of operations. These apartment communities did not generate a significant amount of income (before gain on dispositions) prior to their sale during the three and six months ended June 30, 2014. The sale of these apartment communities resulted in gains on disposition of real estate of $66.7 million (which is net of $8.6 million of related income taxes) and $136.2 million (which is net of $8.7 million of related income taxes), respectively, for the three and six months ended June 30, 2014, which are reflected below income from discontinued operations within our condensed consolidated statements of operations. We report gains on disposition net of incremental direct costs incurred in connection with the transactions, including any prepayment penalties incurred upon repayment of property debt collateralized by the apartment communities being sold. Such prepayment penalties totaled $2.7 million and $8.5 million for consolidated dispositions during the three and six months ended June 30, 2014, respectively. In addition to the sales of consolidated apartment communities, during the three months ended June 30, 2014, we sold our partnership interests in nine unconsolidated apartment communities with 427 apartment homes, for gross proceeds to us of less than $0.1 million.

In accordance with GAAP prior to our adoption of ASU 2014-08, we reported as discontinued operations apartment communities that met the definition of a component of an entity and had been sold or met the criteria to be classified as held for sale. For years ended December 31, 2013 or earlier, and interim periods within those years, we included the results of such apartment communities, including any gain or loss on their disposition, less applicable income taxes, in income from discontinued operations within the consolidated statements of operations. During the three and six months ended June 30, 2013, we sold two and five consolidated apartment communities with an aggregate of 164 and 230 apartment homes, respectively, and during the year ended December 31, 2013, we sold 29 consolidated apartment communities with an aggregate of 6,953 apartment homes. The results of operations for the three and six months ended June 30, 2013, for those apartment communities sold as of December 31, 2013, and gains related to apartment communities sold during the three and six months ended June 30, 2013, are included in discontinued operations and are summarized below, along with the related amounts of income from discontinued operations attributable to Aimco, the Aimco Operating Partnership and noncontrolling interests (in thousands).

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	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Rental and other property revenues	$18,647	$37,267
Property operating expenses	(8,075)	(16,628)
Depreciation and amortization	(4,838)	(9,718)
(Provision for) recovery of real estate impairment losses	(103)	124
Operating income	5,631	11,045
Interest income	115	193
Interest expense	(4,172)	(8,373)
Income before gain on dispositions of real estate and income tax	1,574	2,865
Gain on dispositions of real estate	2,663	5,992
Income tax benefit	265	140
Income from discontinued operations, net	$4,502	$8,997
Loss from discontinued operations attributable to noncontrolling interests in consolidated real estate partnerships	5,313	7,530
Income from discontinued operations attributable to the Aimco Operating Partnership	9,815	16,527
Income from discontinued operations attributable to noncontrolling interests in Aimco Operating Partnership	(550)	(866)
Income from discontinued operations attributable to Aimco	$9,265	$15,661

The gain on dispositions for the three and six months ended June 30, 2013, is net of incremental direct costs incurred in connection with the transactions, including $0.7 million and $0.9 million, respectively, of prepayment penalties incurred upon repayment of property debt collateralized by the apartment communities sold. For periods prior to our adoption of ASU 2014-08, we classified interest expense related to property debt within discontinued operations when the related apartment community was sold or classified as held for sale.

In connection with sales of apartment communities during the three and six months ended June 30, 2014, the purchasers assumed approximately $8.8 million and $38.6 million, respectively, of non-recourse property debt. In connection with sales of apartment communities during the six months ended June 30, 2013, the purchasers assumed approximately $2.1 million of non-recourse property debt.

We are currently marketing for sale certain apartment communities that are inconsistent with our long-term investment strategy. At the end of each reporting period, we evaluate whether such apartment communities meet the criteria to be classified as held for sale. As of June 30, 2014, we had six properties with an aggregate of 224 units classified as held for sale.

Note 4 — Other Significant Transactions

Asset Management Business Disposition

In December 2012, we sold the Napico portfolio, our legacy asset management business. The transaction was primarily seller-financed, and the associated notes are scheduled to be repaid over several years. The notes will be repaid from the operation and liquidation of the portfolio and are collateralized by the buyer’s interests in the portfolio.

In accordance with the provisions of GAAP applicable to sales of real estate or interests therein, for accounting purposes, we have not recognized the sale and are accounting for the transaction under the profit sharing method. Until full payment has been received for the seller-financed notes, we will continue to recognize the portfolio’s assets and liabilities, each condensed into single line items within other assets and accrued liabilities and other, respectively, in our consolidated balance sheets, for all dates following the transaction. Similarly, we will continue to recognize the portfolio’s results of operations, also condensed into a single line item within our consolidated statements of operations, for periods subsequent to the transaction. To date we have received all required payments under the seller-financed notes.

At June 30, 2014, the Napico portfolio consisted of 17 partnerships that held investments in 14 apartment communities that were consolidated and 59 apartment communities that were accounted for under the equity or cost methods of accounting. The portfolio's assets and liabilities included in our condensed consolidated balance sheets are summarized below (in thousands):

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	June 30, 2014	December 31, 2013
Real estate, net	$116,622	$120,175
Cash and cash equivalents	24,904	22,602
Investment in unconsolidated real estate partnerships	10,003	10,817
Other assets	10,099	10,255
Total assets	$161,628	$163,849
Total indebtedness	$106,559	$106,032
Accrued and other liabilities	8,653	19,263
Total liabilities	$115,212	$125,295
Noncontrolling interests in consolidated real estate partnerships	44,436	35,818
Equity attributable to Aimco and the Aimco Operating Partnership	1,980	2,736
Total liabilities and equity	$161,628	$163,849

During the six months ended June 30, 2014, approximately $9.2 million of non-recourse debt payable to a noncontrolling limited partner was contributed to the partnership's capital, pursuant to the dissolution provisions of the partnership, resulting in an increase in noncontrolling interests.

Summarized information regarding the Napico portfolio’s results of operations, including any expense we recognize under the profit sharing method, is shown below in thousands. The net loss related to Napico (before noncontrolling interests) is included in other, net in our condensed consolidated statements of operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues	$5,675	$6,912	$11,350	$12,359
Expenses	(5,677)	(5,132)	(10,878)	(10,796)
Equity loss of unconsolidated entities, gains or losses on dispositions and other, net	41	(2,985)	(1,953)	(5,474)
Net income (loss) related to legacy asset management business	39	(1,205)	(1,481)	(3,911)
Income tax benefit (expense) associated with legacy asset management business	240	(9)	349	(35)
(Income) loss allocated to noncontrolling interests in consolidated real estate partnerships	(711)	1,569	188	4,251
Net (losses) income of legacy asset management business attributable to Aimco and the Aimco Operating Partnership	$(432)	$355	$(944)	$305

The results of operations for the consolidated apartment communities sold by the owner of this portfolio through December 31, 2013, are presented within income from discontinued operations in our consolidated statement of operations for the three and six months ended June 30, 2013, and are excluded from the summary above.

Based on our limited economic ownership in this portfolio, most of the assets and liabilities are allocated to noncontrolling interests and do not significantly affect our consolidated equity and partners’ capital. Additionally, the operating results of this portfolio generally have an insignificant effect on the amounts of income or loss attributable to us. Income or loss attributable to these noncontrolling interests will continue to be recognized commensurate with the recognition of the results of operations of the portfolio. If full payment is received on the notes and we meet the requirements to recognize the sale for accounting purposes, we expect to recognize a gain attributable to Aimco and the Aimco Operating Partnership.

Equity and Partners’ Capital Transactions

During the three months ended June 30, 2014, Aimco issued 5,000,000 shares of 6.875% Class A Cumulative Preferred Stock, par value $0.01 per share, in an underwritten public offering, for net proceeds per share of $24.15 (reflecting a public offering price of $25.00 per share, less an underwriting discount and transaction costs of approximately $0.85 per share). The offering generated net proceeds of $120.8 million.

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During the three months ended June 30, 2014, Aimco also issued 117,400 shares of its 7.00% Class Z Cumulative Preferred Stock, par value $0.01 per share, through an at-the-market, or ATM, offering program for net proceeds per share of $25.14 (reflecting an average price to the public of $25.65 per share, less an underwriting discount and transaction costs of approximately $0.51 per share). The ATM offerings generated net proceeds of $3.0 million.
In connection with Aimco's preferred stock issuances, Aimco contributed the net proceeds to the Aimco Operating Partnership in exchange for an equal number of the corresponding class of partnership preferred units.
Note 5 — Fair Value Measurements
Recurring Fair Value Measurements
We measure at fair value on a recurring basis our investment in the securitization trust that holds certain of our property debt, which we classify as available for sale (AFS) securities, and our interest rate swaps. Information regarding these items measured at fair value, both of which are classified within Level 2 of the GAAP fair value hierarchy, is presented below (in thousands):

	AFS Investments	Interest Rate Swaps	Total
Fair value at December 31, 2012	$59,145	$(7,968)	$51,177
Investment accretion included in interest income	1,681	—	1,681
Unrealized losses included in interest expense	—	(24)	(24)
Losses on interest rate swaps reclassified into interest expense from accumulated other comprehensive loss	—	836	836
Unrealized (losses) gains included in equity and partners’ capital	(3,055)	1,608	(1,447)
Fair value at June 30, 2013	$57,771	$(5,548)	$52,223
Fair value at December 31, 2013	$58,408	$(4,604)	$53,804
Investment accretion included in interest income	1,864	—	1,864
Unrealized losses included in interest expense	—	(24)	(24)
Losses on interest rate swaps reclassified into interest expense from accumulated other comprehensive loss	—	844	844
Unrealized losses included in equity and partners’ capital	(51)	(1,427)	(1,478)
Fair value at June 30, 2014	$60,221	$(5,211)	$55,010

Our investments classified as AFS are presented within other assets in the accompanying consolidated balance sheets. We hold the most subordinate position in the securitization, along with several mezzanine positions. We estimate the fair value of these investments using an income and market approach with primarily observable inputs, including yields and other information regarding similar types of investments, and adjusted for certain unobservable inputs specific to these investments. We are accreting the discount to the $100.9 million face value of the investments into interest income using the effective interest method over the remaining expected term of the investments, which, as of June 30, 2014, was approximately 6.9 years. Our amortized cost basis for these investments, which represents the original cost adjusted for interest accretion less interest payments received, was $61.6 million and $59.8 million at June 30, 2014 and December 31, 2013, respectively. The amortized cost exceeded the fair value of the most subordinate position at June 30, 2014, primarily due to increases in market interest rates and a decrease in demand for similar investments as compared to when we purchased the investments. We currently expect to hold each of the investments to their maturity dates and we believe we will fully recover our basis in the investments. Accordingly, we believe the current impairment in the fair value, as compared to the amortized cost basis, of the most subordinate position is temporary and we have not recognized any of the loss in value in earnings.
For our variable rate debt, we are sometimes required by limited partners in our consolidated real estate partnerships to limit our exposure to interest rate fluctuations by entering into interest rate swap agreements, which moderate our exposure to interest rate risk by effectively converting the interest on variable rate debt to a fixed rate. 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.

As of June 30, 2014 and December 31, 2013, we had interest rate swaps with aggregate notional amounts of $50.5 million and $50.7 million, respectively. As of June 30, 2014, these swaps had a weighted average remaining term of 6.5 years. We have designated these interest rate swaps as cash flow hedges. The fair value of these swaps is presented within accrued liabilities and other in our consolidated balance sheets, and we recognize any changes in the fair value as an adjustment of accumulated other comprehensive loss within equity and partners' capital to the extent of their effectiveness.

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If the forward rates at June 30, 2014, remain constant, we estimate that during the next 12 months, we would reclassify into earnings approximately $1.7 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.

Fair Value Disclosures

We believe that the aggregate fair value of our cash and cash equivalents, receivables and payables approximates their aggregate carrying amounts at June 30, 2014 and December 31, 2013, due to their relatively short-term nature and high probability of realization. The estimated aggregate fair value of our consolidated debt (including outstanding borrowings under our revolving credit facility) was approximately $4.4 billion and $4.5 billion at June 30, 2014 and December 31, 2013, respectively, as compared to aggregate carrying amounts of $4.2 billion and $4.4 billion, respectively. We estimate the fair value of our consolidated debt using an income and market approach, including comparison of the contractual terms to observable and unobservable inputs such as market interest rate risk spreads, contractual interest rates, remaining periods to maturity, collateral quality and loan to value ratios on similarly encumbered assets within our portfolio. We classify the fair value of our consolidated debt within Level 3 of the GAAP valuation hierarchy based on the significance of certain of the unobservable inputs used to estimate their fair values.

Note 6 — Commitments and Contingencies

Commitments

In connection with our development, redevelopment and capital improvement activities, we have entered into various construction related contracts. Additionally, pursuant to financing and/or other arrangements on our One Canal Street, Lincoln Place, and The Preserve at Marin projects, we are contractually obligated to complete the planned activities. As of June 30, 2014, our commitments related to these capital activities totaled approximately $237.7 million, approximately half of which we expect to incur during the next 12 months. We also enter into certain commitments for future purchases of goods and services in connection with the operations of our apartment communities. Those commitments generally have terms of one year or less and reflect expenditure levels comparable to our historical expenditures.

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 condensed consolidated balance sheet, until such time as our obligation to deliver tax benefits is relieved. The remaining compliance periods for our tax credit syndication arrangements range from less than one year to 12 years. We do not anticipate that any material refunds or reductions of investor capital contributions will be required in connection with these arrangements.

Income Taxes

On October 25, 2012, the Internal Revenue Service, or IRS, issued Final Partnership Administrative Adjustments with respect to the Aimco Operating Partnership’s 2006 and 2007 tax years. On January 18, 2013, AIMCO-GP, Inc., in its capacity as tax matters partner of the Aimco Operating Partnership, filed a petition challenging those adjustments in the United States Tax Court in Washington, D.C. On December 20, 2013, the parties agreed on the terms of a settlement of that litigation. On July 23, 2014, the United States Tax Court approved the stipulated decision document previously filed by the IRS and the Aimco Operating Partnership. The settlement had no material effect on our unrecognized tax benefits, financial condition or results of operations.

On March 19, 2014, the IRS notified the Aimco Operating Partnership of its intent to audit the 2011 and 2012 tax years. We do not believe the audit will have any material effect on our unrecognized tax benefits, financial condition or results of operations.

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.

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Limited Partnerships
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