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

FORM 10-Q

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

For the quarterly period ended March 31, 2006

NTS REALTY HOLDINGS LIMITED PARTNERSHIP

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation or organization)

001-32389
(Commission File No.)

41-2111139
(I.R.S. Employer Identification No.)

10172 Linn Station Road
Louisville, Kentucky 40223
(Address of principal executive offices)

(502) 426-4800
(Registrant’s telephone number, including area code)

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

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

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

As of May 12, 2006, there were 11,381,608 of the registrant’s limited partnership units outstanding.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements included in this quarterly report on Form 10-Q, particularly those included in Part I, Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), may be considered "forward-looking statements" because the statements relate to matters which have not yet occurred. For example, phrases such as "we anticipate," "believe" or "expect" indicate that it is possible that the event anticipated, believed or expected may not occur. If these events do not occur, the result which we expected also may, or may not, occur in a different manner, which may be more or less favorable to us. We do not undertake any obligation to update these forward-looking statements.

Any forward-looking statements included in MD&A, or elsewhere in this report, reflect our managing general partner's best judgment based on known factors, but involve risks and uncertainties. Actual results could differ materially from those anticipated in any forward-looking statements as a result of a number of factors, including but not limited to those described in our filings with the Securities and Exchange Commission, particularly our most recent annual report on Form 10-K, which was filed on April 3, 2006. Any forward-looking information provided by us pursuant to the safe harbor established by the Private Securities Litigation Reform Act of 1995 should be evaluated in the context of these factors.

PART I – FINANCIAL INFORMATION
Item 1 – Financial Statements

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
Balance Sheets as of March 31, 2006 and December 31, 2005

	(Unaudited) March 31, 2006	December 31, 2005
ASSETS:		
Cash and equivalents	$ 21,350	$ 5,409,318
Cash and equivalents - restricted	436,499	1,260,937
Accounts receivable, net of allowance for doubtful accounts of $260,945 at March 31, 2006 and $342,002 at December 31, 2005	2,166,451	2,091,285
Land, buildings and amenities, net	308,825,055	143,544,705
Long-lived assets held for sale	5,350,179	27,912,717
Other assets	9,599,800	7,589,861
Total assets	$ 326,399,334	$ 187,808,823
LIABILITIES:		
Mortgages and notes payable	$ 229,322,181	$ 138,012,832
Accounts payable and accrued expenses	2,658,921	2,801,960
Accounts payable and accrued expenses due to affiliate	1,515,642	373,138
Distributions payable	1,138,161	2,276,321
Security deposits	1,072,266	776,144
Long-lived liabilities held for sale	103,057	274,975
Other liabilities	2,594,843	1,243,258
Total liabilities	238,405,071	145,758,628
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
PARTNERS' EQUITY	87,994,263	42,050,195
Total liabilities and partners' equity	$ 326,399,334	$ 187,808,823

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
Statement of Partners' Equity as of March 31, 2006
(Unaudited)

	General Partner Interests	Limited Partners Interests	General Partner	Limited Partners	Total
PARTNERS' EQUITY:					
Initial equity	714,491	10,667,117	$ 3,131,381	$ 46,750,444	$ 49,881,825
Net loss prior year	-	-	(134,392)	(2,006,434)	(2,140,826)
Net income current year	-	-	2,955,634	44,126,595	47,082,229
Cash distributions declared to date	-	-	(428,695)	(6,400,270)	(6,828,965)
Balances on March 31, 2006	714,491	10,667,117	$ 5,523,928	$ 82,470,335	$ 87,994,263

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP

Statements of Operations for the Three Months Ended March 31, 2006 and 2005

(Unaudited)

	2006	2005
REVENUE:		
Rental income	$ 8,837,519	$ 6,547,132
Tenant reimbursements	495,299	506,310
Total revenue	9,332,818	7,053,442
EXPENSES:		
Operating expenses	1,696,685	1,458,832
Operating expenses reimbursed to affiliate	1,047,729	748,377
Management fees	479,460	312,411
Property taxes and insurance	955,385	640,696
Professional and administrative expenses	579,533	693,052
Professional and administrative expenses reimbursed to affiliate	405,886	352,286
Depreciation and amortization	2,891,022	1,824,779
Total operating expenses	8,055,700	6,030,433
OPERATING INCOME	1,277,118	1,023,009
Interest and other income	94,497	40,899
Interest expense	(2,522,184)	(1,641,692)
Loss on disposal of assets	(97,671)	(15,192)
LOSS FROM CONTINUING OPERATIONS	(1,248,240)	(592,976)
Discontinued operations, net	59,126	104,702
Gain on sale of discontinued operations	48,271,343	-
NET INCOME (LOSS)	$ 47,082,229	$ (488,274)
Loss from continuing operations allocated to limited partners	$ (1,169,880)	$ (555,751)
Discontinued operations, net allocated to limited partners	55,414	98,129
Gain on sale of discontinued operations allocated to limited partners	45,241,061	-
NET INCOME (LOSS) ALLOCATED TO LIMITED PARTNERS	$ 44,126,595	$ (457,622)
Loss from continuing operations per limited partnership unit	$ (0.11)	$ (0.05)
Discontinued operations, net per limited partnership unit	0.01	0.01
Gain on sale of discontinued operations per limited partnership unit	4.24	-
NET INCOME (LOSS) PER LIMITED PARTNERSHIP UNIT	$ 4.14	$ (0.04)
Number of limited partnership interests	10,667,117	10,667,117

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP

Statements of Cash Flows for the Three Months Ended March 31, 2006 and 2005

(Unaudited)

		2006		2005
OPERATING ACTIVITIES:				
Net income (loss)	$	47,082,229	$	(488,274)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Gain from sale of discontinued assets		(48,271,343)		-
Loss on disposal of assets		97,671		29,315
Depreciation and amortization		3,130,820		2,320,404
Write-off of loan costs		-		113,102
Changes in assets and liabilities:				
Cash and equivalents - restricted		(49,641)		(561,577)
Accounts receivable		(74,533)		(330,714)
Other assets		(306,412)		(1,139,684)
Accounts payable and accrued expenses		(143,039)		562,433
Accounts payable and accrued expenses due to affiliate		1,142,504		324,303
Distributions declared payable		(1,138,161)		-
Security deposits		194,975		180,762
Other liabilities		142,654		831,408
Net cash provided by operating activities		1,807,724		1,841,478
INVESTING ACTIVITIES:				
Additions to land, buildings and amenities		(1,395,715)		(1,644,698)
Proceeds from sale of discontinued operations		66,687,685		-
Acquisitions		(131,162,176)		-
Cash and equivalents - restricted		874,079		(2,000,000)
Net cash used in investing activities		(64,996,127)		(3,644,698)
FINANCING ACTIVITIES:				
Proceeds from mortgages and notes payable		42,500,000		30,000,000
Proceeds from revolving note payable		28,625,190		-
Principal payments on mortgages and notes payable		(13,193,823)		(281,367)
Payoff of note payable		-		(14,712)
Payoff of revolving note payable		-		(14,971,350)
Additions to loan costs		(130,932)		(63,574)
Net cash provided by financing activities		57,800,435		14,668,997
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS		(5,387,968)		12,865,777
CASH AND EQUIVALENTS, beginning of period		5,409,318		2,573,855
CASH AND EQUIVALENTS, end of period	$	21,350	$	15,439,632
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Acquisitions of land, buildings and amenities by debt assumption	$	(33,377,982)	$	-
Mortgage payable assumed in acquisition	$	33,377,982	$	-

The accompanying notes to financial statements are an integral part of this statement.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
Notes to Financial Statements
(Unaudited)

The unaudited financial statements included herein should be read in conjunction with NTS Realty Holdings Limited Partnership's ("NTS Realty") 2005 annual report on Form 10-K as filed with the Securities and Exchange Commission on April 3, 2006. In the opinion of our managing general partner, all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation have been made to the accompanying financial statements for the three months ended March 31, 2006 and 2005. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period. As used in this quarterly report on Form 10-Q the terms "we," "us" or "our," as the context requires, may refer to NTS Realty or its interests in its properties.

Note 1 – Summary of Significant Accounting Policies

Organization and Distribution Policy

We are in the business of developing, constructing, owning and operating multifamily properties, commercial and retail real estate and land leases. At March 31, 2006, we owned thirty-one properties, comprised of nine multifamily properties; eighteen office and business centers; three retail properties; and one ground lease. The properties are located in and around Louisville (19) and Lexington (1), Kentucky; Fort Lauderdale (3), Florida; Indianapolis (4), Indiana; Nashville (2), Tennessee; Richmond (1), Virginia; and Atlanta (1), Georgia. Our office and business centers aggregate approximately 1.7 million square feet. We own multifamily properties containing approximately 2,540 units and retail properties containing approximately 210,000 square feet of space, as well as one ground lease associated with a 120-space parking lot attached to one of our properties.

We pay distributions if and when authorized by our managing general partner. We are required to pay distributions on a quarterly basis, equal to sixty-five percent (65%) of our "net cash flow from operations" as this term is defined in regulations promulgated by the Treasury Department under the Internal Revenue Code of 1986, as amended; provided that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity level taxation for federal, state or local income tax purposes, we will adjust the amount distributed to reflect our obligation to pay tax. Any distribution other than a distribution with respect to the final quarter of a calendar year shall be made no later than forty-five (45) days after the last day of such quarter based on our estimate of "net cash flow from operations" for the year. Any distribution with respect to the final quarter of a calendar year shall be made no later than ninety (90) days after the last day of such quarter based on actual "net cash flow from operations" for the year, adjusted for any excess or insufficient distributions made with respect to the first three quarters of the calendar year.

"Net cash flow from operations" may be reduced by the amount of reserves as determined by us each quarter. NTS Realty Capital will establish these reserves for, among other things, working capital or capital improvement needs. Therefore, there is no assurance that we will have "net cash flow from operations" from which to pay distributions in the future. For example, our partnership agreement permits our managing general partner to reinvest sales or refinancing proceeds in new and existing properties or to create reserves to fund future capital expenditures. Because "net cash flow from operations" is calculated after reinvesting sales or refinancing proceeds or establishing reserves, we may not have any "net cash flow from operations" from which to pay distributions.

We paid quarterly distributions of $0.10 per unit to limited partners on April 14, 2006.

Note 2 – Use of Estimates and Reclassifications in the Preparation of Financial Statements

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications have been made to the March 31, 2005 and December 31, 2005 financial statements to conform to the March 31, 2006 classifications. These reclassifications have no effect on previously reported operating results or partners' equity.

Note 3 – Real Estate Transactions

Acquisitions

During the three months ended March 31, 2006 and the year ended December 31, 2005, we had property acquisitions summarized as follows:

Property	Our Ownership	Date of Purchase		Purchase Price
The Lakes Apartments	100%	August 26, 2005	$	15,975,000
The Grove at Richland Apartments	100%	February 3, 2006		45,757,500
The Grove at Swift Creek Apartments	100%	February 3, 2006		27,200,000
The Grove at Whitworth Apartments	100%	February 3, 2006		44,254,500
Castle Creek Apartments	100%	March 23, 2006		27,000,000
Lake Clearwater Apartments	100%	March 23, 2006		23,000,001

On August 24, 2005, we closed on a $20.0 million line of credit from PNC Bank, National Association. We used a portion of the proceeds from the line of credit to pay the purchase price for The Lakes Apartments, pending permanent financing. On March 23, 2006, the line of credit was increased to $24.0 million to assist in future acquisitions and other working capital needs.

On August 26, 2005, we purchased The Lakes Apartments, located adjacent to Willow Lake Apartments, in Indianapolis, Indiana. The Lakes is a 230-unit luxury multifamily property which includes amenities such as a fitness center, car wash, swimming pool and lighted tennis court.

On November 1, 2005, we announced that we entered into two agreements to purchase two multifamily properties located in Nashville, Tennessee and one multifamily property located in Richmond, Virginia from an unaffiliated Delaware limited partnership. Subject to the terms and conditions of the agreements, we agreed to pay approximately $117.2 million for the properties. The properties in Nashville consist of apartment complexes with 292 units and 301 units, respectively, while the Richmond property has 240 units.

On February 3, 2006, we closed on our two agreements to purchase two multifamily properties located in Nashville, Tennessee and one agreement to purchase a multifamily property in Richmond, Virginia for a purchase price totaling approximately $117.2 million (a portion of which was satisfied by the assumption of a mortgage loan with an outstanding balance of approximately $33.4 million). The Tennessee properties are commonly known as The Grove at Richland and The Grove at Whitworth, while the Virginia property is commonly known as The Grove at Swift Creek.

On February 7, 2006, we announced that we entered into an agreement to purchase two multifamily properties located in Indianapolis, Indiana. These properties are commonly known as AMLI at Castle Creek and AMLI at Lake Clearwater. Castle Creek has 276 units and Lake Clearwater has 216 units. Subject to the terms and conditions of the agreement, we agreed to pay a purchase price totaling approximately $50.0 million.

On March 23, 2006, we closed on our agreement to purchase the two multifamily properties located in Indianapolis, Indiana, using a bank loan of approximately $42.5 million, guaranteed by the partnership, and an advance on our line of credit for the balance.

The acquisitions were accounted for using the purchase method of accounting in accordance with SFAS No. 141 "Business Combinations." The assets and liabilities purchased were recorded at their fair market value at the date of the acquisition. We allocated the purchase price for each of the properties to net tangible and identified intangible assets acquired based on fair values (including land, buildings, tenant improvements, acquired above and below market leases and the origination cost of acquired in-place leases) and acquired liabilities. For the 2006 acquisitions listed above, we recorded land, buildings and amenities for the acquired in-place leases of approximately $166.7 million. We also recorded approximately $200,000 in security deposits and approximately $541,000 in prepaid liabilities and accrued property taxes. We recorded an intangible asset for the acquired in-place leases of approximately $657,000, which is included in other assets. This will be amortized over a period of one year, which approximates the weighted average lease lives. Amortization of approximately $50,000 was included in our amortization expense for the three months ended March 31, 2006. No above or below market leases or customer relationship intangibles exist. At the date of the acquisitions, the carrying value of mortgages and other liabilities approximated fair market value. We retained an independent appraiser to assess fair value based on estimated cash flow projections that utilize discount and capitalization rates deemed appropriate and available market information.

Pro Forma

The following table presents our unaudited pro forma results of operations and per unit amounts as if we had consummated our 2006 and 2005 acquisitions as of the beginning of each period presented.

	(Unaudited) For the Three Months Ended March 31, 2006	(Unaudited) For the Three Months Ended March 31, 2005
Revenues	$ 11,233,525	$ 11,152,600
Expenses and other income, net	13,453,721	13,169,576
Loss from continuing operations	$ (2,220,196)	$ (2,016,976)
Net income/(loss)	$ 46,110,273	$ (1,912,274)
Loss from continuing operations allocated to limited partners	$ (2,080,821)	$ (1,890,358)
Net income/(loss) allocated to limited partners	$ 43,215,654	$ (1,792,229)
Loss from continuing operations per limited partnership unit	$ (0.20)	$ (0.18)
Net income/(loss) per limited partnership unit	$ 4.05	$ (0.17)
Number of limited partnership interests	10,667,117	10,667,117

Dispositions

On February 2, 2006, we closed on our agreements to sell Golf Brook Apartments and Sabal Park Apartments, our multifamily properties located in Orlando, Florida, to an unaffiliated Florida corporation for a purchase price of approximately $71.5 million, resulting in a gain of approximately $48.3 million.

During the three months ended March 31, 2006, we had property dispositions summarized as follows:

Property	Our Ownership	Date of Sale	Purchase Price
Golf Brook Apartments	100%	February 2, 2006	$ 43,153,500
Sabal Park Apartments	100%	February 2, 2006	28,350,000

On March 6, 2006, we announced that we entered into an agreement to sell Commonwealth Business Center Phases I and II, two of our business centers located in Jefferson County, Kentucky, to an unaffiliated Kentucky limited liability company for $7.1 million.

We have presented separately as discontinued operations in all periods the results of operations for Golf Brook Apartments, Sabal Park Apartments and Commonwealth Business Centers I and II. The assets and liabilities held for sale have been separately identified on our balance sheets at March 31, 2006 and December 31, 2005.

The components of discontinued operations are outlined below and include the results of operations for the respective periods in which we owned such assets during the three months ended March 31, 2006 and 2005.

	(Unaudited) 2006	(Unaudited) 2005
REVENUE:		
Rental income	$ 649,239	$ 1,497,643
Tenant reimbursements	45,662	32,810
Total revenue	694,901	1,530,453
EXPENSES:		
Operating expenses and operating expenses reimbursed to affiliate	386,443	661,927
Management fees	30,314	77,064
Property taxes and insurance	95,742	172,707
Depreciation and amortization	48,681	317,685
Total expenses	561,180	1,229,383
DISCONTINUED OPERATING INCOME	133,721	301,070
Interest and other income	1,064	3,325
Interest expense	(75,659)	(185,570)
Loss on disposal of assets	-	(14,123)
Gain on sale of discontinued operations	48,271,343	-
Discontinued operations, net	$ 48,330,469	$ 104,702

The components of long-lived assets held for sale consist primarily of land, buildings and amenities for the properties being sold. The components of long-lived liabilities held for sale include the accrued property tax liabilities and security deposit liabilities for the properties being sold.

Note 4 – Concentration of Credit Risk

We own and operate multifamily properties, commercial and retail real estate and a land lease in Louisville and Lexington, Kentucky, Fort Lauderdale, Florida, Indianapolis, Indiana, Nashville, Tennessee, Richmond, Virginia and Atlanta, Georgia.

Our financial instruments that are exposed to concentrations of credit risk consist of cash and equivalents. We maintain our cash accounts primarily with banks located in Kentucky. The total cash balances are insured by the FDIC up to $100,000 per bank account. We may at times, in certain accounts, have deposits in excess of $100,000.

Note 5 – Cash and Equivalents

Cash and equivalents include cash on hand and short-term, highly liquid investments with initial maturities of three months or less. We have a cash management program which provides for the overnight investment of excess cash balances. Under an agreement with a bank, excess cash is invested in a mutual fund for U.S. government and agency securities each night.

Note 6 – Cash and Equivalents - Restricted

Cash and equivalents - restricted represents cash on hand and short-term, highly liquid investments with initial maturities of three months or less which have been escrowed with certain mortgage companies and banks for property taxes, insurance and tenant improvements in accordance with certain loan and lease agreements and certain security deposits.

Note 7 – Property and Depreciation

Land, buildings and amenities are stated at cost. Costs directly associated with the acquisition, development and construction of a project are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which are 5-30 years for land improvements, 7-30 years for buildings and improvements and 5-30 years for amenities. Tenant improvements are generally depreciated over the life of the initial or renewal term of the respective tenant lease. Depreciation expense for the three months ended March 31, 2006 and 2005 was approximately $2,708,000 and $1,494,000, respectively.

Statement of Financial Accounting Standards ("SFAS") No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," specifies circumstances in which certain long-lived assets must be reviewed for impairment. If the carrying amount of an asset exceeds the sum of its expected future cash flows, the asset's carrying value must be written down to fair value. In determining the value of an investment property and whether the investment property is impaired, management considers several factors such as projected rental and vacancy rates, property operating expenses, capital expenditures and interest rates. The capitalization rate used to determine property valuation is based on the market in which the investment property is located, length of leases, tenant financial strength, the economy in general, demographics, environment, property location, visibility, age and physical condition among others. All of these factors are considered by management in determining the value of any particular investment property. The value of any particular investment property is sensitive to the actual results of any of these factors, either individually or taken as a whole. If the actual results differ from management's judgment, the valuation could be negatively or positively affected. Application of this standard during the three months ended March 31, 2006 and 2005 did not result in an impairment loss.

Note 8 – Mortgages and Notes Payable

Mortgages and notes payable consist of the following:

	(Unaudited) March 31, 2006	December 31, 2005
Mortgage payable to an insurance company in monthly installments, bearing interest at 5.07%, maturing on March 15, 2015, secured by certain land and buildings, with a carrying value of $28,434,317	$ 29,387,665	$ 29,543,665
Mortgage payable to a bank in monthly installments, bearing interest at a variable rate based on LIBOR one-month rate plus 2.50%, currently 7.13%, due January 1, 2008, secured by certain land and buildings, with a carrying value of $16,895,909. The mortgage is guaranteed by Mr. Nichols (75%) and Mr. Lavin (25%)	13,692,000	13,758,000
Mortgage payable to an insurance company in monthly installments, bearing interest at 5.98%, maturing January 15, 2015, secured by certain land and buildings, with a carrying value of $166,098,207	73,916,039	74,154,709
Mortgage payable to an insurance company in monthly installments, bearing interest at 5.35%, maturing January 15, 2015, secured by certain land and buildings, with a carrying value of $166,098,207	33,340,404	-
Revolving note payable to a bank for $24.0 million, with interest payable in monthly installments, unsecured, at a variable rate based on LIBOR plus 1.75%, currently 6.58%, due August 24, 2006	16,066,527	-
Mortgage payable to a bank in monthly installments, bearing interest at 9.00%, maturing August 1, 2010, secured by certain land and a building, with a carrying value of $2,905,923	2,697,890	2,720,522
Mortgage payable to an insurance company in monthly installments, bearing interest at 8.45%, maturing November 1, 2015, secured by certain land and a building, with a carrying value of $2,490,340	2,872,997	2,920,614
Mortgage payable to an insurance company in monthly installments, bearing interest at 8.375%, maturing December 1, 2010, secured by certain land, buildings and amenities, with a carrying value of $2,721,545	2,791,550	2,815,322
Mortgage payable to a bank in monthly installments, bearing interest at 5.11%, maturing December 1, 2014, secured by certain land and buildings, with a carrying value of $15,411,224	12,057,109	12,100,000
Note payable to a bank, bearing interest at LIBOR plus 2.50%, maturing October 1, 2006	42,500,000	-
	$ 229,322,181	$ 138,012,832

Based on the borrowing rates currently available to us for loans with similar terms and average maturities, the fair value of long-term debt on March 31, 2006 was approximately $211.6 million.

Our mortgages may be prepaid but are generally subject to a yield-maintenance premium. Certain mortgages and notes payable contain covenants and requirements that we maintain specified debt limits and ratios related to our debt balances and property values. We complied with all covenants and requirements at March 31, 2006. We intend to renew or refinance our notes payable coming due in the next twelve months.

Note 9 – Accounts Payable and Accrued Expenses Due to Affiliate

Accounts payable and accrued expenses due to affiliate includes amounts owed to NTS Development Company for reimbursement of employee costs and overhead expenses and fees for services rendered as provided for in our management agreement.

Note 10 – Related Party Transactions

On April 11, 2006, pursuant to the terms of the settlement agreement with respect to the class action litigation involving the Partnerships, the independent directors of our managing general partner approved an amended and restated management agreement with NTS Development Company, an affiliate of NTS Realty's general partner. The independent directors engaged a nationally recognized real estate expert to assist them in their review of the management agreement entered into as of December 28, 2004. The amended and restated management agreement became effective as of December 29, 2005.

Pursuant to the agreement with us, NTS Development Company receives property management fees and repair and maintenance fees. The property management fees are paid in an amount equal to 5% of the gross collected revenue from our properties. The construction supervision fees are paid in an amount equal to 5% of the costs incurred which relate to capital improvements. These construction supervision fees are capitalized as part of land, buildings and amenities. Also pursuant to the agreement, NTS Development Company receives commercial leasing fees equal to 4% of the gross rental amount for new leases and 2% of the gross rental amount for new leases in which a broker is used and for renewals or extensions. NTS Development Company is reimbursed its actual costs for services rendered to NTS Realty.

Employee costs are allocated amongst NTS Realty, other affiliates of our managing general partner and for the benefit of third parties, so that a full time employee can be shared by multiple entities. Each employee's services which are dedicated to a particular entity's operations are allocated as a percentage of each employee's costs to that entity. We only reimburse charges from NTS Development Company for actual costs of employee services incurred for our benefit.

We were charged the following amounts pursuant to an agreement with NTS Development Company for the three months ended March 31, 2006 and 2005. These charges include items which have been expensed as operating expenses reimbursed to affiliate or professional and administrative expenses reimbursed to affiliate and items which have been capitalized as other assets or as land, buildings and amenities. Certain of these items are included in our results of discontinued operations.

	(Unaudited) 2006	(Unaudited) 2005
Property management fees	$ 509,774	$ 389,475
Operating expenses reimbursement - Property	836,186	611,852
Operating expenses reimbursement - Leasing	98,288	50,790
Operating expenses reimbursement - Administrative	363,933	296,783
Operating expenses reimbursement - Other	25,329	20,966
Total operating expenses reimbursed to affiliate	1,323,736	980,391
Professional and administrative expenses reimbursed to affiliate	405,886	352,286
Construction supervision fees	72,901	-
Commercial leasing fees	82,650	-
Total related party transactions	$ 2,394,947	$ 1,722,152

Property, leasing, administrative and other operating expenses reimbursed include employee costs charged to us by NTS Development Company and other actual costs incurred by NTS Development Company on our behalf, which were reimbursed by us.

During the three months ended March 31, 2006 and 2005, we were charged approximately $24,000 and $15,000, respectively, for property maintenance fees from affiliates of NTS Development Company.

NTS Development Company leased 20,368 square feet in NTS Center, at a rental rate of $14.50 per square foot. We received rental payments of approximately $74,000 from NTS Development Company during the three months ended March 31, 2006 and 2005. The average per square foot rental rate for similar space in NTS Center as of March 31, 2006 was $14.18 per square foot.

NTS Development Company leased 1,604 square feet in Commonwealth Business Center Phase I, at a rental rate of $5.50 per square foot. We received rental payments of approximately $2,000 from NTS Development Company during the three months ended March 31, 2006 and 2005. The average per square foot rental rate for similar space as of March 31, 2006 was $5.50 per square foot.

Pursuant to the amended and restated management agreement with us, NTS Development Company received a disposition fee equal to 1% of the sales price of Golf Brook Apartments and Sabal Park Apartments. The total fee was $715,035, which is included in discontinued operations on our statement of operations.

Note 11 – Commitments and Contingencies

We, as an owner of real estate, are subject to various environmental laws of federal, state and local governments. Our compliance with existing laws has not had a material adverse effect on our financial condition and results of operations. However, we cannot predict the impact of new or changed laws or regulations on our current properties or on properties that we may acquire in the future.

Litigation

On May 6, 2004, the Superior Court of the State of California for the County of Contra Costa granted its final approval of the settlement agreement jointly filed by the general partners (the “Former General Partners”) of the Partnerships, along with certain of their affiliates, with the class of plaintiffs in the action originally captioned Buchanan, et al. v. NTS-Properties Associates, et al. (Case No. C 01-05090) (the “California Litigation”) on December 5, 2003. At the final hearing, class members were given the opportunity to object to the final approval of the settlement agreement, the entry of a final judgment dismissing with prejudice the California Litigation, or an application of an award for attorneys’ fees and expenses to plaintiffs’ counsel. The Superior Court’s order provided, among other things, that: (1) the settlement agreement, and all transactions contemplated thereby, including the merger of the Partnerships into us, were fair, reasonable and adequate, and in the best interests of the class of plaintiffs; (2) the plaintiffs’ complaint and each and every cause of action and claim set forth therein is dismissed with prejudice; and (3) each class member who did not request to be excluded from the settlement released all known and unknown claims against the defendants, including those claims being pursued in a competing class action in Kentucky, which is discussed in further detail below.

On June 11, 2004, several class members who objected to the settlement agreement but whose objections were overruled by the Superior Court, filed an appeal in the Court of Appeal of the State of California, First Appellate District. On July 28, 2005, the Court of Appeal issued its decision affirming the Superior Court’s approval of the settlement, and rejecting the objectors’ arguments. On October 5, 2005, the Court of Appeal of the State of California, First Appellate District entered a Remittitur Order stating that the time for appeal had expired and that the judgment of the Appellate Court was final. This effectively concludes the litigation. The matter was then sent back to the Superior Court of the State of California for the County of Contra Costa in order to conduct proceedings to effectuate the settlement.

On February 27, 2003, two individuals filed a class and derivative action in the Circuit Court of Jefferson County, Kentucky captioned Bohm, et al. v. J.D. Nichols, et al. (Case No. 03-CI-01740) (the “Kentucky Litigation”) against certain of the Former General Partners and several individuals and entities affiliated with us. The complaint was amended to include the general partner of NTS-Properties III and the general partner of NTS-Properties Plus Ltd. The plaintiffs are seeking, among other things, compensatory and punitive damages in an unspecified amount, an accounting, a declaratory judgment and injunctive relief.

On March 2, 2004, the Former General Partners filed a motion to dismiss the Kentucky Litigation. After the motion to dismiss was briefed, the settlement agreement in the California Litigation (discussed above) received final court approval. The Circuit Court of Jefferson County, Kentucky, instructed the plaintiffs in the Kentucky Litigation to file an amended complaint in light of the approved settlement of the California Litigation. The plaintiffs' six opt-outs from the California Litigation filed a corrected second amended complaint on August 11, 2004.

On February 9, 2005, the Circuit Court instructed the defendants to file a responsive pleading only as to direct claims asserted by the plaintiffs in the Corrected Second Amended Complaint. On March 9, 2005, the Former General Partners, along with the other defendants, filed motions to dismiss the "corrected" second amended complaint.

On July 7, 2005, two of the plaintiffs in the Kentucky Litigation voluntarily dismissed their claims against the defendants. The Former General Partners believe that these dismissals affect the value and scope of plaintiffs' claims. Accordingly, defendants remanded the hearing on the motion to dismiss originally scheduled for July 15, 2005, in order to properly advise the Court of the effect of the voluntary dismissals. A hearing on the motion to dismiss has been rescheduled for September 29, 2006.

Our legal counsel and we believe that the litigation pending in Kentucky is without merit, and therefore, are continuing to vigorously defend against it. No amounts have been accrued for the settlement of this action in our financial statements.

We do not believe there is any other litigation threatened against us other than routine litigation arising out of the ordinary course of business, some of which is expected to be covered by insurance, none of which is expected to have a material effect on our financial position or results of operations.

Note 12 – Segment Reporting

Our reportable operating segments include – Multifamily, Commercial, Retail and Land Real Estate Operations. The following unaudited financial information of the operating segments has been prepared using a management approach, which is consistent with the basis and manner in which our management internally disaggregates financial information for the purpose of assisting in making internal operating decisions. We evaluate performance based on stand-alone operating segment net income or loss. Expenses at the Partnership level are represented in the nonsegment column.

	(Unaudited) Three Months Ended March 31, 2006					
	Multifamily	**Commercial**	**Retail**	**Land**	**Nonsegment**	**Total**
Rental income	$ 4,705,684	$ 3,846,493	$ 346,083	$ 9,042	$ (69,783)	$ 8,837,519
Tenant reimbursements	-	475,517	19,782	-	-	495,299
Total revenue	4,705,684	4,322,010	365,865	9,042	(69,783)	9,332,818
Operating expenses and operating expenses reimbursed to affiliate	1,429,336	1,283,101	31,842	135	-	2,744,414
Management fees	247,467	212,573	18,968	452	-	479,460
Property taxes and insurance	529,181	379,771	10,298	414	35,721	955,385
Professional and administrative expenses and professional and administrative expenses reimbursed to affiliate	-	-	-	-	985,419	985,419
Depreciation and amortization	1,737,260	1,081,649	71,461	652	-	2,891,022
Total operating expenses	3,943,244	2,957,094	132,569	1,653	1,021,140	8,055,700
Operating income (loss)	762,440	1,364,916	233,296	7,389	(1,090,923)	1,277,118
Interest and other income	6,681	58,079	-	-	29,737	94,497
Interest expense	(1,198,750)	(947,802)	(99,089)	-	(276,543)	(2,522,184)
Loss on disposal of assets	(62,193)	(35,478)	-	-	-	(97,671)
(Loss) income from continuing operations	(491,822)	439,715	134,207	7,389	(1,337,729)	(1,248,240)
Discontinued operations, net	8,532	50,594	-	-	-	59,126
Gain on sale of discontinued operations	48,271,343	-	-	-	-	48,271,343
Net income (loss)	$ 47,788,053	$ 490,309	$ 134,207	$ 7,389	$ (1,337,729)	$ 47,082,229

	(Unaudited)					
	Three Months Ended March 31, 2005					
	Multifamily	**Commercial**	**Retail**	**Land**	**Nonsegment**	**Total**
Rental income	$ 2,248,341	$ 4,037,509	$ 341,392	$ 9,042	$ (89,152)	$ 6,547,132
Tenant reimbursements	-	493,097	13,213	-	-	506,310
Total revenue	2,248,341	4,530,606	354,605	9,042	(89,152)	7,053,442
Operating expenses and operating expenses reimbursed to affiliate	920,133	1,257,537	29,404	135	-	2,207,209
Management fees	112,518	186,442	13,451	-	-	312,411
Property taxes and insurance	213,365	372,212	9,135	403	45,581	640,696
Professional and administrative expenses and professional and administrative expenses reimbursed to affiliate	-	-	-	-	1,045,338	1,045,338
Depreciation and amortization	594,522	1,154,777	74,828	652	-	1,824,779
Total operating expenses	1,840,538	2,970,968	126,818	1,190	1,090,919	6,030,433
Operating income (loss)	407,803	1,559,638	227,787	7,852	(1,180,071)	1,023,009
Interest and other income	1,378	14,941	12	-	24,568	40,899
Interest expense	(410,686)	(837,933)	(91,251)	-	(301,822)	(1,641,692)
Loss on disposal of assets	(7,758)	(7,434)	-	-	-	(15,192)
(Loss) income from continuing operations	(9,263)	729,212	136,548	7,852	(1,457,325)	(592,976)
Discontinued operations, net	122,783	(18,081)	-	-	-	104,702
Net income (loss)	$ 113,520	$ 711,131	$ 136,548	$ 7,852	$ (1,457,325)	$ (488,274)

Note 13 – Subsequent Event

On April 11, 2006, the independent directors of our managing general partner approved NTS Realty's amended and restated agreement of limited partnership. The amended and restated agreement became effective as of December 29, 2005.

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements in Item 1 and the cautionary statements below.

Critical Accounting Policies

General

A critical accounting policy is one that would materially affect our operations or financial condition, and requires management to make estimates or judgments in certain circumstances. These judgments often result from the need to make estimates about the effect of matters that are inherently uncertain. Critical accounting policies discussed in this section are not to be confused with accounting principles and methods disclosed in accordance with U.S. generally accepted accounting principles ("GAAP"). GAAP requires information in financial statements about accounting principles, methods used and disclosures pertaining to significant estimates. The following disclosure discusses judgments known to management pertaining to trends, events or uncertainties known which were taken into consideration upon the application of those policies and the likelihood that materially different amounts would be reported upon taking into consideration different conditions and assumptions.

Impairment and Valuation

Statement of Financial Accounting Standards ("SFAS") No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," specifies circumstances in which certain long-lived assets must be reviewed for impairment. If this review indicates that the carrying amount of an asset exceeds the sum of its expected future cash flows, the asset's carrying value must be written down to fair value. In determining the value of an investment property and whether the investment property is impaired, management considers several factors such as projected rental and vacancy rates, property operating expenses, capital expenditures, interest rates and recent appraisals when available. The capitalization rate used to determine property valuation is based on among others, the market in which the investment property is located, length of leases, tenant financial strength, the economy in general, demographics, environment, property location, visibility, age and physical condition. All of these factors are considered by management in determining the value of any particular investment property. The value of any particular investment property is sensitive to the actual results of any of these factors, either individually or taken as a whole. If the actual results differ from management's judgment, the valuation could be negatively or positively affected.

Our property acquisitions were accounted for using the purchase method of accounting in accordance with SFAS No. 141 "Business Combinations." Each property's assets and liabilities acquired from unaffiliated third parties was adjusted to reflect its fair market value. In accordance with SFAS No. 141, we have allocated the purchase price of each acquired investment property among land, buildings and improvements, other intangibles, including acquired above market leases, acquired below market leases and acquired in-place lease origination cost which is the market cost avoidance of executing the acquired leases. Allocation of the purchase price is an area that requires complex judgments and significant estimates. We used the information contained in a third-party appraisal as the primary basis for allocating the purchase price between land and buildings. A pro rata portion of the purchase price was allocated to the value of avoiding a lease-up period for acquired in-place leases. The value of in-place leases is amortized to expense over the remaining initial term of the respective leases. A portion of the purchase price was allocated to the estimated lease origination cost based on estimated lease execution costs for similar leases and considered various factors including geographic location and size of leased space. We then evaluated acquired leases based upon current market rates at the acquisition date and various other factors including geographic location, size and the location of leased space within the property, tenant profile and the credit risk of the tenant in determining whether the acquired lease is above or below market. After acquired leases were determined to be at, above or below market, we allocated a pro rata portion of the purchase price to any acquired above or below market lease based upon the present value of the difference between the contractual lease rate and the estimated market rate. We also consider an allocation of purchase price to in-place leases that have a customer relationship intangible value. The characteristics we consider in allocating these values include the nature and extent of existing business relationships with the tenant, growth prospects for developing new business with the tenant and the tenant's credit quality and expectations of lease renewals. We did not have any tenants with whom we have identified a developed relationship that we believe had any intangible value.

Recognition of Rental Income

Under GAAP, we are required to recognize rental income based on the effective monthly rent for each lease. The effective monthly rent is equal to the average monthly rent during the term of the lease, not the stated rent for any particular month. The process, known as "straight-lining" or "stepping" rent generally has the effect of increasing rental revenues during the early phases of a lease and decreasing rental revenues in the latter phases of a lease. Due to the impact of "straight-lining," the cash collected for rent exceeded rental income by approximately $6,000 for the three months ended March 31, 2006. Rental income exceeded the cash collected for rent by approximately $288,000, for the three months ended March 31, 2005. If rental income calculated on a straight-line basis exceeds the cash rent due under the lease, the difference is recorded as an increase in deferred rent receivable and included as a component of accounts receivable on the relevant balance sheet. If the cash rent due under the lease exceeds rental income calculated on a straight-line basis, the difference is recorded as a decrease in deferred rent receivable and is recorded as a decrease of accounts receivable on the relevant balance sheet. We defer recognition of contingent rental income, such as percentage or excess rent, until the specified target that triggers the contingent rental income is achieved. We periodically review the collectability of outstanding receivables. Allowances are generally taken for tenants with outstanding balances due for a period greater than ninety days and tenants with outstanding balances due for a period less than ninety days but that we believe are potentially uncollectible.

Recognition of Lease Termination Income

We recognize lease termination income upon receipt of the income. We accrue lease termination income if there is a signed termination agreement, all of the conditions of the agreement have been met and the tenant is no longer occupying the property.

Cost Capitalization and Depreciation Policies

We review all expenditures and capitalize any item exceeding $2,500 deemed to be an upgrade or a tenant improvement with an expected useful life greater than one year. Land, buildings and amenities are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Buildings and improvements have estimated useful lives between 7-30 years, land improvements have estimated useful lives between 5-30 years and amenities have estimated useful lives between 5-30 years. Acquired above and below market leases are amortized on a straight-line basis over the life of the related leases as an adjustment to rental income. Acquired in-place lease origination cost is amortized over the life of the lease as a component of amortization expense.

Results of Operations

At March 31, 2006, we owned thirty-one properties, comprised of nine multifamily properties, eighteen office and business centers, three retail properties and one ground lease. We generate substantially all of our operating income from property operations.

Net income from continuing operations for the three months ended March 31, 2006 was approximately $47,082,000. Net loss from continuing operations for the three months ended March 31, 2005 was approximately $(488,000). The change is primarily due to the gain on the sale of Golf Brook and Sabal Park Apartments of approximately $48.3 million in February 2006. Rental income increased from the period ended March 31, 2005 to the period ended March 31, 2006, primarily as a result of the 2006 acquisitions of The Grove at Richland Apartments, The Grove at Swift Creek Apartments, The Grove at Whitworth Apartments, Castle Creek Apartments and Lake Clearwater Apartments and the August 2005 acquisition of The Lakes Apartments.

The following tables include certain selected summarized operating data for the three months ended March 31, 2006 and 2005. This data should be read in conjunction with our financial statements, including the notes attached hereto.

	(Unaudited)					
	Three Months Ended March 31, 2006					
	Land	Retail	Commercial	Multifamily	Nonsegment	Total
Total revenues	$ 9,042	$ 365,865	$ 4,322,010	$ 4,705,684	$ (69,783)	$ 9,332,818
Operating expenses and operating expenses reimbursed to affiliate	135	31,842	1,283,101	1,429,336	-	2,744,414
Depreciation and amortization	652	71,461	1,081,649	1,737,260	-	2,891,022
Total interest expense	-	99,089	947,802	1,198,750	276,543	2,522,184
Net income (loss)	7,389	134,207	490,309	47,788,053	(1,337,729)	47,082,229

	(Unaudited)					
	Three Months Ended March 31, 2005					
	Land	Retail	Commercial	Multifamily	Nonsegment	Total
Total revenues	$ 9,042	$ 354,605	$ 4,530,606	$ 2,248,341	$ (89,152)	$ 7,053,442
Operating expenses and operating expenses reimbursed to affiliate	135	29,404	1,257,537	920,133	-	2,207,209
Depreciation and amortization	652	74,828	1,154,777	594,522	-	1,824,779
Total interest expense	-	91,251	837,933	410,686	301,822	1,641,692
Net income (loss)	7,852	136,548	711,131	113,520	(1,457,325)	(488,274)

Occupancy levels at our continuing properties by segment as of March 31, 2006 and 2005 were as follows:

	2006	2005
Commercial	77.3%	85.6%
Multifamily	94.2%	85.0%
Retail	100.0%	99.5%
Land	N/A	N/A

We believe the changes in occupancy on March 31 from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend or uncertainty.

The average occupancy levels at our continuing properties by segment for the three months ended March 31, 2006 and 2005 were as follows:

	2006	2005
Commercial	77.5%	85.6%
Multifamily	93.1%	84.4%
Retail	100.0%	99.5%
Land	N/A	N/A

We believe the changes in average occupancy from period to period are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend or uncertainty.

The leasing and renewal negotiations for our commercial properties are primarily handled by leasing agents that are employees of NTS Development Company. All advertising for the commercial properties is coordinated by NTS Development Company's marketing staff located in Louisville, Kentucky.

In an effort to continue to improve occupancy at our multifamily properties, we have on-site leasing staff, who are employees of NTS Development Company, at each of the multifamily properties. The staff handles all on-site visits from potential tenants, coordinates local advertising with NTS Development Company's marketing staff, makes visits to local companies to promote fully furnished apartments, and negotiates lease renewals with current residents.

The following discussion relating to changes in our results of operations includes only material line items within our Statements of Operations or line items for which there was a material change between the three months ended March 31, 2006 and 2005.

Rental Income and Tenant Reimbursements

Rental income and tenant reimbursements from continuing operations for the three months ended March 31, 2006 and 2005 were approximately $9,333,000 and $7,053,000, respectively. The increase of $2,280,000, or 32%, was primarily the result of the 2006 acquisitions of The Grove at Richland Apartments, The Grove at Swift Creek Apartments, The Grove at Whitworth Apartments, Castle Creek Apartments and Lake Clearwater Apartments and the August 2005 acquisition of The Lakes Apartments.

Operating Expenses and Operating Expenses Reimbursed to Affiliate

Operating expenses from continuing operations for the three months ended March 31, 2006 and 2005 were approximately $1,697,000 and $1,459,000, respectively. The increase of $238,000, or 16%, was primarily due to the 2006 acquisitions of The Grove at Richland Apartments, The Grove at Swift Creek Apartments, The Grove at Whitworth Apartments, Castle Creek Apartments and Lake Clearwater Apartments and the August 2005 acquisition of The Lakes Apartments.

Operating expenses reimbursed to affiliate from continuing operations for the three months ended March 31, 2006 and 2005 were approximately $1,048,000 and $748,000, respectively. The increase of $300,000, or 40%, was primarily due to the 2006 acquisitions of The Grove at Richland Apartments, The Grove at Swift Creek Apartments, The Grove at Whitworth Apartments, Castle Creek Apartments and Lake Clearwater Apartments and the August 2005 acquisition of The Lakes Apartments.

Operating expenses reimbursed to affiliate are for the services performed by employees of NTS Development Company, an affiliate of our general partners. These employee services include property management, leasing, maintenance, security and other services necessary to manage and operate our business.

Management Fees

Management fees from continuing operations for the three months ended March 31, 2006 and 2005 were approximately $479,000 and $312,000, respectively. The increase of $167,000, or 54%, was primarily due to the 2006 acquisitions of The Grove at Richland Apartments, The Grove at Swift Creek Apartments, The Grove at Whitworth Apartments, Castle Creek Apartments and Lake Clearwater Apartments and the August 2005 acquisition of The Lakes Apartments.

Pursuant to our amended and restated management agreement, NTS Development Company receives property management fees equal to 5% of the gross collected revenue from our properties. Management fees are calculated as a percentage of cash collections, however, for revenue reporting purposes are recorded on the accrual basis. As a result, the fluctuations in revenue between years will differ from the fluctuations of management fee expense.

Property Taxes and Insurance

Property taxes and insurance from continuing operations for the three months ended March 31, 2006 and 2005 were approximately $955,000 and $641,000, respectively. The increase of $314,000, or 49%, was primarily due to the 2006 acquisitions of The Grove at Richland Apartments, The Grove at Swift Creek Apartments, The Grove at Whitworth Apartments, Castle Creek Apartments and Lake Clearwater Apartments and the August 2005 acquisition of The Lakes Apartments.

Professional and Administrative Expenses and Professional and Administrative Expenses Reimbursed to Affiliate

Professional and administrative expenses from continuing operations for the three months ended March 31, 2006 and 2005 were approximately $580,000 and $693,000, respectively. The decrease of $113,000, or 16%, was primarily due to decreased legal and professional fees in relation to the merger and the class action litigation. Professional and administrative expenses for the three months ended March 31, 2006 included approximately $0 and $135,000 in merger and litigation expenses, respectively. Professional and administrative expenses for the three months ended March 31, 2005 included approximately $153,000 and $153,000 in merger and litigation expenses, respectively.

Professional and administrative expenses reimbursed to affiliate from continuing operations for the three months ended March 31, 2006 and 2005 were approximately $406,000 and $352,000, respectively. The increase of $54,000, or 15%, was primarily due to increased personnel costs.

Professional and administrative expenses reimbursed to affiliate are for the services performed by employees of NTS Development Company, an affiliate of our general partners. These employee services include legal, financial and other services necessary to manage and operate our business.

Professional and administrative expenses reimbursed to affiliate consisted of the following:

	(Unaudited)	
	Three Months Ended March 31,	
	2006	2005
Finance	$ 108,000	$ 101,000
Accounting	213,000	157,000
Investor Relations	55,000	47,000
Human Resources	4,000	3,000
Overhead	26,000	44,000
Total	$ 406,000	$ 352,000

Depreciation and Amortization

Depreciation and amortization expense from continuing operations for the three months ended March 31, 2006 and 2005 was approximately $2,891,000 and $1,825,000, respectively. The increase of $1,066,000, or 58%, was primarily due to the 2006 acquisitions of The Grove at Richland Apartments, The Grove at Swift Creek Apartments, The Grove at Whitworth Apartments, Castle Creek Apartments and Lake Clearwater Apartments and the August 2005 acquisition of The Lakes Apartments.

Interest and Other Income

Interest and other income for the three months ended March 31, 2006 and 2005 was approximately $94,000 and $41,000, respectively. The increase of $53,000 was primarily the result of a forfeited deposit due to the cancellation of the sales agreement for the Sears Office Building.

Interest Expense

Interest expense from continuing operations for the three months ended March 31, 2006 and 2005 was approximately $2,522,000 and $1,642,000, respectively. The increase of $880,000, or 54%, was primarily due to additional loan proceeds obtained in the third and fourth quarters of 2005 and the first quarter of 2006.

Loss on Disposal of Assets

The loss on disposal of assets from continuing operations for the three months ended March 31, 2006 and 2005 can be attributed to assets that were not fully depreciated at the time of replacement, spread amongst the majority of our properties. These replacements include heating and air conditioning units, common area renovations, stairwell upgrades, access control upgrades, roof replacements, among others.

Discontinued Operations

Discontinued operations, net for the three months ended March 31, 2006 and 2005 were approximately $59,000 and $105,000, respectively. The decrease of $46,000, or 44%, was primarily due to 2006 only having one month of results because Golf Brook and Sabal Park Apartments were sold on February 2, 2006.

Gain on Sale of Discontinued Operations

Gain on sale of discontinued operations for the three months ended March 31, 2006 and 2005 was approximately $48,271,000 and $0, respectively. The increase was due to the sale of Golf Brook and Sabal Park Apartments on February 2, 2006.

Liquidity and Capital Resources

Our most liquid asset is our cash and equivalents, which consist of cash and short-term investments, but do not include any restricted cash. Operating income generated by the properties will be the primary source from which we generate cash. Other sources of cash include the proceeds from mortgage loans and notes payable. Our main uses of cash will relate to capital expenditures, required payments of mortgages and notes payable, distributions and property taxes.

	(Unaudited) Three Months Ended March 31,	
	2006	**2005**
Operating activities	$ 1,807,724	$ 1,841,478
Investing activities	(64,996,127)	(3,644,698)
Financing activities	57,800,435	14,668,997
Net (decrease) increase in cash and equivalents	$ (5,387,968)	$ 12,865,777

Cash Flow from Operating Activities

Net cash provided by operating activities decreased from approximately $1,841,000 to $1,808,000 for the three months ended March 31, 2005 and 2006, respectively. The change was not significant and is not indicative of any known trend or uncertainty.

Cash Flow from Investing Activities

Net cash used in investing activities increased from approximately $3,645,000 to $64,996,000 for the three months ended March 31, 2005 and 2006, respectively. The increase was primarily due to the 2006 acquisitions of The Grove at Richland Apartments, The Grove at Swift Creek Apartments, The Grove at Whitworth Apartments, Castle Creek Apartments and Lake Clearwater. The increase is partially offset by the sale of Golf Brook and Sabal Park Apartments in February 2006.

Cash Flow from Financing Activities

Net cash provided by financing activities increased from approximately $14,669,000 to $57,800,000 for the three months ended March 31, 2005 and 2006, respectively. The change was primarily the result of loan proceeds obtained in 2006 used to fund our apartment acquisitions.

Future Liquidity

Our future liquidity depends significantly on our properties' occupancy remaining at a level which provides for debt payments and adequate working capital, currently and in the future. If occupancy were to fall below that level and remain at or below that level for a significant period of time, our ability to make payments due under our debt agreements and to continue paying daily operational costs would be greatly impaired. In the next twelve months, we intend to operate the properties in a similar manner to their operation in recent years. Cash reserves which consist of unrestricted cash as shown on our balance sheet were approximately $21,000 on March 31, 2006.

On March 20, 2006, NTS Realty announced that the board of directors of its managing general partner, NTS Realty Capital, Inc., approved a quarterly distribution of $0.10 per unit on NTS Realty's limited partnership units. The distribution was paid on April 14, 2006, to limited partners of record at the close of business on April 17, 2006.

We expect to incur capital expenditures of approximately $8.4 million funded by borrowings on our debt during the next twelve months primarily for roof replacements and tenant origination costs necessary to continue leasing our properties. This discussion of future liquidity details our material commitments. We anticipate seeking renewal or refinancing of our notes payable coming due in the next twelve months.

On April 11, 2006, pursuant to the terms of the settlement agreement with respect to the class action litigation involving the Partnerships, the independent directors of our managing general partner approved an amended and restated management agreement with NTS Development Company, an affiliate of NTS Realty's general partner. The independent directors engaged a nationally recognized real estate expert to assist them in their review of the existing management agreement. The amended and restated management agreement became effective as of December 29, 2005. The resulting disposition fee of approximately $715,000, construction supervision fees of approximately $73,000 and commercial leasing fees of approximately $83,000 may reasonably be expected to have a significant and material continuing impact on our future liquidity.

Property Transactions

On August 24, 2005, we closed on a $20.0 million line of credit from PNC Bank, National Association. We used a portion of the proceeds from the line of credit to pay the purchase price for The Lakes Apartments pending permanent financing. On March 23, 2006, the line of credit was increased to $24.0 million to assist in future acquisitions and other working capital needs.

On August 26, 2005, we purchased The Lakes Apartments, located adjacent to Willow Lake Apartments, in Indianapolis, Indiana. The Lakes is a 230-unit luxury multifamily property which includes amenities such as a fitness center, car wash, swimming pool and a lighted tennis court.

On November 1, 2005, we announced that we entered into two agreements to purchase two multifamily properties located in Nashville, Tennessee and one multifamily property located in Richmond, Virginia from an unaffiliated Delaware limited partnership. Subject to the terms and conditions of the Agreements, we agreed to pay approximately $117.25 million for the properties. The properties in Nashville consist of apartment complexes with 292 units and 301 units, respectively, while the Richmond property has 240 units.

On February 2, 2006, we closed on our agreements to sell Golf Brook Apartments and Sabal Park Apartments, our multifamily properties located in Orlando, Florida, to an unaffiliated Florida corporation for a purchase price of approximately $71.5 million, resulting in a significant gain.

On February 3, 2006, we closed on our two agreements to purchase two multifamily properties located in Nashville, Tennessee and one agreement to purchase a multifamily property in Richmond, Virginia for a purchase price totaling approximately $117.2 million (a portion of which was satisfied by the assumption of a mortgage loan with an outstanding balance of approximately $33.4 million). The Tennessee properties are commonly known as The Grove at Richland and The Grove at Whitworth, while the Virginia property is commonly known as The Grove at Swift Creek.

On February 7, 2006, we announced that we entered into an agreement to purchase two multifamily properties located in Indianapolis, Indiana. These properties are commonly known as AMLI at Castle Creek and AMLI at Lake Clearwater. Castle Creek has 276 units and Lake Clearwater has 216 units. Subject to the terms and conditions of the agreement, we agreed to pay a purchase price totaling approximately $50.0 million.

On March 6, 2006, we announced that we entered into an agreement to sell Commonwealth Business Center Phases I and II, two of our business centers located in Jefferson County, Kentucky, to an unaffiliated Kentucky limited liability company for $7.1 million.

On March 23, 2006, we closed on our agreement to purchase the two multifamily properties located in Indianapolis, Indiana, using a bank loan of approximately $42.5 million, guaranteed by the partnership, and an advance on our line of credit for the balance.

Contractual Obligations and Commercial Commitments

The following table represents our obligations and commitments to make future payments as of March 31, 2006 under contracts, such as debt and lease agreements, and under contingent commitments, such as debt guarantees.

	Payment Due by Period				
	Total	**Within One Year**	**One - Three Years**	**Three - Five Years**	**After Five Years**
Contractual Obligations					
Mortgages and notes payable	$ 229,322,181	$ 60,745,919	$ 19,237,707	$ 10,864,884	$ 138,473,671
Capital lease obligations	-	-	-	-	-
Operating leases (1)	-	-	-	-	-
Other long-term obligations (2)	-	-	-	-	-
Total contractual cash obligations	$ 229,322,181	$ 60,745,919	$ 19,237,707	$ 10,864,884	$ 138,473,671

(1) We are party to numerous small operating leases for office equipment such as copiers, postage machines and fax machines, which represent an insignificant obligation.
(2) We are party to several annual maintenance agreements with vendors for such items as outdoor maintenance, pool service and security systems, which represent an insignificant obligation.

	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		Within One Year	**One - Three Years**	**Three - Five Years**	**After Five Years**
Other Commercial Commitments					
Line of credit	$ -	$ -	$ -	$ -	$ -
Standby letters of credit and guarantees	-	-	-	-	-
Other commercial commitments (1)	-	-	-	-	-
Total commercial commitments	$ -	$ -	$ -	$ -	$ -

(1) We do not, as a practice, enter into long-term purchase commitments for commodities or services. We may from time to time agree to "fee for service arrangements" which are for a term of greater than one year.

Website Information

Our website address is www.ntsdevelopment.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act are available and may be accessed free of charge through the “About NTS” section of our website as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC. Our website and the information contained therein or connected thereto are not incorporated into this Quarterly Report on Form 10-Q.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

Our primary market risk exposure with regard to financial instruments is expected to be our exposure to changes in interest rates. We refinanced substantially all of our debt acquired at the time of our merger with instruments which bear interest at a fixed rate with the exception of approximately $29.8 million at variable rates. We anticipate that a hypothetical 100 basis point increase in interest rates would result in an approximate $8.7 million decrease in the fair value of our fixed rate debt while increasing interest expense on our variable rate debt by approximately $298,000 annually.

Item 4 – Controls and Procedures

Our managing general partner has established disclosure controls and procedures to ensure that our material information is made known to the officers of our managing general partner who certify our financial reports, to our management and to the board of directors of our managing partner.

Our managing general partner’s Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures as of March 31, 2006. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2006. There were no changes in our internal controls over financial reporting that materially affected or were reasonably likely to materially affect our internal control over financial reporting during the first quarter of 2006.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

On May 6, 2004, the Superior Court of the State of California for the County of Contra Costa granted its final approval of the settlement agreement jointly filed by the general partners (the "Former General Partners") of the Partnerships, along with certain of their affiliates, with the class of plaintiffs in the action originally captioned Buchanan, et al. v. NTS-Properties Associates, et al. (Case No. C01-05090) (the "California Litigation") on December 5, 2003. At the final hearing, class members were given the opportunity to object to the final approval of the settlement agreement, the entry of a final judgment dismissing with prejudice the California Litigation, or an application of an award for attorneys' fees and expenses to plaintiffs' counsel. The Superior Court's order provided, among other things, that: (1) the settlement agreement, and all transactions contemplated thereby, including the merger of the Partnerships into us, were fair, reasonable and adequate, and in the best interests of the class of plaintiffs; (2) the plaintiffs' complaint and each and every cause of action and claim set forth therein is dismissed with prejudice; and (3) each class member who did not request to be excluded from the settlement released all known and unknown claims against the defendants, including those claims being pursued in a competing class action in Kentucky, which is discussed in further detail below.

On June 11, 2004, several class members who objected to the settlement agreement but whose objections were overruled by the Superior Court, filed an appeal in the Court of Appeal of the State of California, First Appellate District. On July 28, 2005, the Court of Appeal issued its decision affirming the Superior Court's approval of the settlement, and rejecting the objectors' arguments. On October 5, 2005, the Court of Appeal of the State of California, First Appellate District entered a Remittitur Order stating that the time for appeal had expired and that the judgment of the Appellate Court was final. This effectively concludes the litigation. The matter was then sent back to the Superior Court of the State of California for the County of Contra Costa in order to conduct proceedings to effectuate the settlement.

On February 27, 2003, two individuals filed a class and derivative action in the Circuit Court of Jefferson County, Kentucky captioned Bohm, et al. v. J.D. Nichols, et al. (Case No. 03-CI-01740) (the "Kentucky Litigation") against certain of the Former General Partners and several individuals and entities affiliated with us. The complaint was amended to include the general partner of NTS-Properties III and the general partner of NTS-Properties Plus Ltd. The plaintiffs are seeking, among other things, compensatory and punitive damages in an unspecified amount, an accounting, a declaratory judgment and injunctive relief.

On March 2, 2004, the Former General Partners filed a motion to dismiss the Kentucky Litigation. After the motion to dismiss was briefed, the settlement agreement in the California Litigation (discussed above) received final court approval. The Circuit Court of Jefferson County, Kentucky, instructed the plaintiffs in the Kentucky Litigation to file an amended complaint in light of the approved settlement of the California Litigation. The plaintiffs' six opt-outs from the California Litigation filed a corrected second amended complaint on August 11, 2004.

On February 9, 2005, the Circuit Court instructed the defendants to file a responsive pleading only as to direct claims asserted by the plaintiffs in the Corrected Second Amended Complaint. On March 9, 2005, the Former General Partners, along with the other defendants, filed motions to dismiss the "corrected" second amended complaint.

On July 7, 2005, two of the plaintiffs in the Kentucky Litigation voluntarily dismissed their claims against the defendants. The Former General Partners believe that these dismissals affect the value and scope of plaintiffs' claims. Accordingly, defendants remanded the hearing on the motion to dismiss originally scheduled for July 15, 2005, in order to properly advise the Court of the effect of the voluntary dismissals. A hearing on the motion to dismiss has been rescheduled for September 29, 2006.

Our legal counsel and we believe that the litigation pending in Kentucky is without merit, and therefore, are continuing to vigorously defend against it. No amounts have been accrued for the settlement of this action in our financial statements.

We do not believe there is any other litigation threatened against us other than routine litigation arising out of the ordinary course of business, some of which is expected to be covered by insurance, none of which is expected to have a material effect on our financial position or results of operations.

Item 1A – Risk Factors

There have not been material changes to our Risk Factors as disclosed in our most recent annual report on Form 10-K as filed with the Securities and Exchange Commission on April 3, 2006.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

On November 21, 2005, we announced that Mr. J.D. Nichols, Chairman of NTS Realty Capital, Inc., our managing general partner, adopted three pre-arranged trading plans to purchase our limited partnership units pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The plans authorize their administrator, PNC Investment, to purchase our limited partnership units from time to time, through no later than October 2006, on behalf of three entities controlled or established by Mr. Nichols. Under the terms of the plans, Mr. Nichols has no discretion or control over the timing, effectuation or the amount of each purchase. During the period ended March 31, 2006, the three entities controlled or established by Mr. Nichols purchased our limited partnership units as follows:

Period	Total Number of Units Purchased	Average Price Paid Per Unit	Total Number of Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Units That May Yet Be Purchased Under the Plans or Programs
January 2006	23,000	$6.12	23,000	(1)
February 2006	16,800	$6.97	16,800	(1)
March 2006	11,000	$8.37	11,000	(1)
Total	50,800	$6.89	50,800	(1)

(1) A description of the maximum number of units that may be purchased under the trading plans is included in the narrative preceding this table.

Item 3 – Defaults Upon Senior Securities
None.

Item 4 – Submission of Matters to a Vote of Security Holders
None.

Item 5 – Other Information
None.

Item 6 – Exhibits

Exhibit No.		
2.01	Agreement and Plan of Merger by and among NTS Realty Holdings Limited Partnership, NTS-Properties III, NTS-Properties IV, NTS-Properties V, a Maryland limited partnership, NTS-Properties VI, a Maryland limited partnership and NTS-Properties VII, Ltd., dated February 3, 2004	(3)
2.02	Contribution Agreement by and between NTS Realty Holdings Limited Partnership and ORIG, LLC, dated February 3, 2004	(3)
3.01	Certificate of Limited Partnership of NTS Realty Holdings Limited Partnership	(1)
3.02	Amended and Restated Agreement of Limited Partnership of NTS Realty Holdings Limited Partnership, dated as of December 29, 2005	(7)

Exhibit No.		
3.03	Certificate of Incorporation of NTS Realty Capital, Inc.	(8)
3.04	By-Laws of NTS Realty Capital, Inc.	(2)
10.01	Amended and Restated Management Agreement between NTS Realty Holdings Limited Partnership and NTS Development Company, dated as of December 29, 2005	(6)
10.02	Form of Lease Agreement between NTS Realty Holdings Limited Partnership and SHPS, Inc.	(4)
10.03	Purchase and Sale Agreement between NTS Realty Holdings Limited Partnership and Investors Capital Mortgage Group, Inc., dated September 30, 2005 (Golf Brook Apartments)	(5)
10.04	Purchase and Sale Agreement between NTS Realty Holdings Limited Partnership and Investors Capital Mortgage Group, Inc., dated September 30, 2005 (Sabal Park Apartments)	(5)
10.05	Agreement for Purchase and Sale between Schaedle Worthington Hyde Properties, L.P. and NTS Realty Holdings Limited Partnership, dated November 1, 2005 (The Grove at Richland and The Grove at Whitworth)	(5)
10.06	Agreement for Purchase and Sale between Schaedle Worthington Hyde Properties, L.P. and NTS Realty Holdings Limited Partnership, dated November 1, 2005 (The Grove at Swift Creek)	(5)
10.07	Purchase and Sale Agreement between AMLI at Castle Creek, L.P. and AMLI Residential Properties, L.P. and NTS Realty Holdings Limited Partnership, dated February 7, 2006 (Castle Creek and Lake Clearwater)	(5)
10.08	Unconditional and Continuing Guarantee by NTS Realty Holdings Limited Partnership in favor of National City Bank, dated March 23, 2006	(5)
14.01	Code of Conduct and Ethics of NTS Realty Holdings Limited Partnership, adopted as of December 28, 2004	(4)
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended	(8)
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended	(8)
32.1	Certification of Chief Executive Officer Pursuant to U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	(8)
32.2	Certification of Chief Financial Officer Pursuant to U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	(8)
99.01	Form of Lock-Up Agreement by and between NTS Realty Holdings Limited Partnership and each of the executive officers of NTS Realty Capital, Inc.	(1)
99.02	Registration Statement on Form S-4/A (Amendment No. 5), as filed by the Registrant with the Securities and Exchange Commission on October 27, 2004	(3)

(1) Incorporated by reference to the Registrant’s Registration Statement on Form S-4, as filed with the Securities and Exchange Commission on February 4, 2004

(2) Incorporated by reference to the Registrant’s Registration Statement on Form S-4/A (Amendment No. 1), as filed with the Securities and Exchange Commission on June 18, 2004

(3) Incorporated by reference to the Registrant’s Registration Statement on Form S-4/A (Amendment No. 5), as filed with the Securities and Exchange Commission on October 27, 2004

(4) Incorporated by reference to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the Securities and Exchange Commission on March 31, 2005

(5) Incorporated by reference to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the Securities and Exchange Commission on April 3, 2006

(6) Incorporated by reference to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on April 17, 2006

(7) Incorporated by reference to the Registrant’s Information Statement on Form DEF 14C, as filed with the Securities and Exchange Commission on May 9, 2006

(8) Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP

By: NTS REALTY CAPITAL, INC.
Its: Managing General Partner

By: */s/ Brian F. Lavin*
Brian F. Lavin
Its: President and Chief Executive Officer
Date: May 12, 2006

By: */s/ Gregory A. Wells*
Gregory A. Wells
Its: Chief Financial Officer
Date: May 12, 2006

EXHIBIT 3.03

CERTIFICATE OF INCORPORATION
OF
NTS REALTY CAPITAL, INC.

I. The name of the Corporation is NTS REALTY CAPITAL, INC.

II. The address of its registered office in the State of Delaware is 9 East Loockerman, in the City of Dover, 19901, County of Kent. The name of its registered agent at such address is National Registered Agents, Inc.

III. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

IV. The total number of shares of stock which the Corporation shall have authority to issue are:

1,000 Common Stock, par value $.00001 per share.

V. The Corporation is to have perpetual existence.

VI. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the bylaws of the Corporation, subject to any specific limitation provided by any bylaws adopted by the stockholders.

VII. Meetings of stockholders may be held within or outside of the State of Delaware, as the by-laws may provide. The books of the Corporation may be kept (subject to any provision contained in the bylaws) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the bylaws of the Corporation. Elections of directors need not be by written ballot unless the bylaws of the Corporation shall so provide.

VIII. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. If the General Corporation Law of the State of Delaware, or any other applicable law, is amended to authorize corporation action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, or any other applicable law, as so amended. Any repeal or modification of this Article VIII by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

IX. The Corporation shall indemnify, to the full extent that it shall have power under applicable law to do so and in a manner permitted by such law, any person made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Corporation against liabilities and expenses reasonably incurred or paid by such person in connection with such action, suit or proceeding. The Corporation may indemnify, to the full extent that it shall have power under applicable law to do so and in a manner permitted by such law, any person made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against liabilities and expenses reasonably incurred or paid by such person in connection with such action, suit or proceeding. The words "liabilities" and "expenses" shall include, without limitation: liabilities, losses, damages, judgments, fines, penalties, amounts paid in settlement, expenses, attorneys' fees and costs. The indemnification provided by or granted pursuant to this Article IX shall not be deemed exclusive of any other rights to which any person indemnified or being advanced expenses may be entitled under any statute, bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

The Corporation may purchase and maintain insurance on behalf of any person referred to in the preceding paragraph against any liability asserted against and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article IX or otherwise.

For purposes of this Article IX, references to the "Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article IX with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

The provisions of this Article IX shall be deemed to be a contract between the Corporation and each director or officer who serves in any such capacity at any time while this Article IX and the relevant provisions of the General Corporation Law of the State of Delaware or other applicable law, if any, are in effect, and any repeal or modification of such law or of this Article IX shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

For purposes of this Article IX, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner not opposed to the best interests of the Corporation.

X. Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of the General Corporation Law of the State of Delaware or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of the General Corporation Law of the State of Delaware, order a meeting of the creditors or class of creditors, and/or of the stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths (3/4) in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

XI. The Corporation hereby expressly elects not to be governed by Section 203 of the General Corporation Law of the State of Delaware.

XII. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by law, and all rights conferred upon the stockholders herein are granted subject to this reservation.

XIII. The name and address of incorporator is as follows:

Julie Spencer	444 N. Michigan Ave., Suite 2500 Chicago, Illinois 60611

IN WITNESS WHEREOF, the undersigned, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, makes this Certificate of Incorporation, hereby declaring and certifying that the facts herein stated are true, and accordingly, has hereunto set his hand this 8th day of December, 2003.

/s/ Julie Spencer
Julie Spencer, Incorporator

EXHIBIT 31.1

CERTIFICATION

I, Brian F. Lavin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NTS Realty Holdings Limited Partnership;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the board of directors of the registrant:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 12, 2006

/s/ Brian F. Lavin
President and Chief Executive Officer of
NTS Realty Capital, Inc., the Managing General Partner of
NTS Realty Holdings Limited Partnership

EXHIBIT 31.2

CERTIFICATION

I, Gregory A. Wells, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NTS Realty Holdings Limited Partnership;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the board of directors of the registrant:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 12, 2006

/s/ Gregory A. Wells
Chief Financial Officer of
NTS Realty Capital, Inc., the Managing General Partner of
NTS Realty Holdings Limited Partnership

EXHIBIT 32.1

CERTIFICATION

I, Brian F. Lavin, President and Chief Executive Officer of NTS Realty Capital, Inc., the managing general partner of NTS Realty Holdings Limited Partnership (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The quarterly report on Form 10-Q of the Company for the three months ended March 31, 2006 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2006

/s/ Brian F. Lavin
President and Chief Executive Officer of
NTS Realty Capital, Inc., the Managing General Partner of
NTS Realty Holdings Limited Partnership

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION

I, Gregory A. Wells, Chief Financial Officer of NTS Realty Capital, Inc., the managing general partner of NTS Realty Holdings Limited Partnership (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The quarterly report on Form 10-Q of the Company for the three months ended March 31, 2006 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2006

/s/ Gregory A. Wells
Chief Financial Officer of
NTS Realty Capital, Inc., the Managing General Partner of
NTS Realty Holdings Limited Partnership

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.