

APARTMENT INVESTMENT & MANAGEMENT CO

Form S-4/A

November 22, 2010

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**As filed with the Securities and Exchange Commission on November 19, 2010**

**Registration No. 333-169872**

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

**Amendment No. 2**

**to**

**Form S-4**

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

**APARTMENT INVESTMENT AND MANAGEMENT COMPANY**

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

**Maryland**

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

**6798**

*(Primary standard industrial  
classification code number)*

**84-1259577**

*(IRS Employer  
Identification Number)*

**AIMCO PROPERTIES, L.P.**

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

**Delaware**

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

**6513**

*(Primary standard industrial  
classification code number)*

**84-1275621**

*(IRS Employer  
Identification Number)*

**4582 South Ulster Street Parkway, Suite 1100**

**Denver, Colorado 80237**

**(303) 757-8101**

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

**John Bezzant**

**Senior Vice President**

**Apartment Investment and Management Company**

**4582 South Ulster Street Parkway, Suite 1100**

**Denver, Colorado 80237**

**(303) 757-8101**

*(Name, address, including zip code and telephone number, including area code of agent for service)*

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

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

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

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

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

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

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

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

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

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

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

**SUBJECT TO COMPLETION, DATED NOVEMBER 19, 2010**

**INFORMATION STATEMENT/PROSPECTUS**

**NATIONAL PROPERTY INVESTORS III**

National Property Investors III, or NPI, plans to enter into an agreement and plan of merger with AIMCO Properties, L.P., or Aimco OP. Under the proposed merger agreement:

- (i) First, NPI will be merged with and into Aimco OP's subsidiary, National Property Investors III, LP, a Delaware limited partnership, or New NPI, with New NPI as the surviving entity. New NPI was formed for the purpose of effecting this merger and does not have any assets or operations. In this merger, each unit of limited partnership interest in NPI, or NPI Unit, will be converted into an identical unit of limited partnership in New NPI, or New NPI Units, and the general partnership interest in NPI now held by the general partner will be converted into a general partnership interest in New NPI. All interests in New NPI outstanding immediately prior to the merger will be cancelled in the merger; and
- (iii) Second, Aimco OP's subsidiary, AIMCO NPI III Merger Sub LLC, a Delaware limited liability company, or the Aimco Subsidiary, will be merged with and into New NPI, with New NPI as the surviving entity. The Aimco Subsidiary was formed for the purpose of effecting this merger and does not have any assets or operations. In this merger, each NPI Unit will be converted into the right to receive, at the election of the holder of such unit, either:

\$57.24 in cash, or

\$57.24 in partnership common units of Aimco OP, or OP Units.

The number of OP Units offered for each NPI Unit will be calculated by dividing \$57.24 by the average closing price of common stock of Apartment Investment and Management Company, or Aimco, as reported on the New York Stock Exchange, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger. For example, as of November 12, 2010, the average closing price of Aimco common stock over the preceding ten consecutive trading days was \$22.15, which would have resulted in 2.58 OP Units offered for each NPI Unit. However, if Aimco OP determines that the law of the state or other jurisdiction in which a limited partner resides would prohibit the issuance of OP Units in that state or other jurisdiction (or that registration or qualification in that state or jurisdiction would be prohibitively costly), then such limited partner will not be entitled to elect OP Units, and will receive cash.

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

Within ten days after the mergers, Aimco OP will prepare and mail to you an election form pursuant to which you can elect to receive cash or OP Units. You may elect your form of consideration by completing and returning the election

form in accordance with its instructions. If the information agent does not receive a properly completed election form from you before 5:00 p.m., New York time, on the 30th day after the mergers, you will be deemed to have elected to receive cash. You may also use the election form to elect to receive, in lieu of the merger consideration, the appraised value of your NPI Units, determined through an arbitration proceeding.

In addition and separate from the merger consideration, you may elect to receive an additional cash payment of \$9.42 in exchange for executing a waiver and release of certain claims. In order to receive such additional payment, you must complete the relevant section of the election form, execute the waiver and release that is attached to the election form and return both the election form and the executed waiver and release to the information agent as described above.

Prior to entering into the merger agreement, the agreement of limited partnership of NPI will be amended to (i) eliminate the prohibition on transactions between NPI, on one hand, and its general partners and their affiliates, on the other, and (ii) authorize the managing general partner to complete the mergers described above without any further action by the limited partners. This amendment must be approved by NPI's general partner and a majority in interest of the limited partners. NPI's general partner, NPI Equity Investments, Inc., or the General Partner, has determined that the amendment and the transactions contemplated thereby are advisable and in the best interests of NPI and its limited partners and has approved the amendment and the transactions. As of November 12, 2010, there were issued and outstanding 48,039 NPI Units, and Aimco OP and its affiliates owned 37,419 of those units, or approximately 77.89% of the number of units outstanding. As more fully described herein, 21,380 of the NPI Units owned by an affiliate of the General Partner are subject to a voting restriction, which requires the NPI Units to be voted in proportion to the votes cast with respect to NPI Units not subject to this voting restriction. The General Partner's affiliates have indicated that they will vote all of their NPI Units that are not subject to this restriction, 16,039 Units or approximately 33.39% of the outstanding NPI Units, in favor of the amendment and the transactions. As a result, affiliates of the General Partner will vote a total of 28,901 NPI Units, or approximately 60.16% of the outstanding NPI Units, in favor of the amendment and the transactions.

Aimco OP and its affiliates have indicated that they intend to take action by written consent, as permitted under the partnership agreement, to approve the amendment and the transactions on or about \_\_\_\_\_, 2010. **As a result, approval of the merger is assured, and your consent to the merger is not required.**

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

This information statement/prospectus contains information about the proposed amendment of the limited partnership agreement of NPI, the proposed merger agreement and the transactions contemplated thereby and the securities offered hereby, and the reasons that the General Partner has decided that the transactions are in the best interests of NPI and its limited partners. The General Partner has conflicts of interest with respect to the transactions that are described in greater detail herein. Please read this information statement/prospectus carefully, including the section entitled "Risk Factors" beginning on page 12. It provides you with detailed information about the proposed amendment of the limited partnership agreement of NPI, the proposed merger agreement and the transactions contemplated thereby and the securities offered hereby. The proposed merger agreement is attached to this information statement/prospectus as Annex A. The proposed amendment of the limited partnership agreement of NPI is attached to this information statement/prospectus as Annex E.

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

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



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

**CALIFORNIA  
MASSACHUSETTS  
NEW YORK**

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

**ADDITIONAL INFORMATION**

This information statement/prospectus incorporates important business and financial information about Aimco from documents that it has filed with the Securities and Exchange Commission but that have not been included in or delivered with this information statement/prospectus. For a listing of documents incorporated by reference into this information statement/prospectus, please see *Where You Can Find Additional Information* beginning on page 88 of this information statement/prospectus.

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

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

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

**ABOUT THIS INFORMATION STATEMENT/PROSPECTUS**

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

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**SUMMARY TERM SHEET**

*This summary term sheet highlights the material information with respect to the merger agreement, the merger and the other matters described herein. It may not contain all of the information that is important to you. You are urged to carefully read the entire information statement/prospectus and the other documents referred to in this information statement/prospectus, including the merger agreement. Aimco, Aimco OP, the General Partner and Aimco's subsidiaries that may be deemed to directly or indirectly beneficially own limited partnership units of USRP are referred to herein, collectively, as the Aimco Entities.*

**The Transactions:**

*Amendment of NPI's Partnership Agreement.* Prior to entering into the proposed merger agreement, NPI's partnership agreement will be amended to (i) eliminate the prohibition on transactions between NPI, on the one hand, and its general partners and their affiliates, on the other, and (ii) authorize the General Partner to complete the mergers described below without any further action by the limited partners. See *The Transactions - Amendment to Partnership Agreement* beginning on page 31. A copy of the proposed amendment to NPI partnership agreement is attached as Annex F to this information statement/prospectus.

*The Mergers.* Following the amendment of NPI's partnership agreement, NPI plans to enter into a merger agreement with Aimco OP. The merger agreement contemplates two merger transactions. First, NPI will be merged with and into New NPI with New NPI as the surviving entity. In this merger, each NPI Unit will be converted into an identical unit of limited partnership in New NPI and the general partnership interest in NPI now held by the general partner will be converted into a general partnership interest in New NPI. All interests in New NPI outstanding immediately prior to the merger will be cancelled in the merger. NPI's partnership agreement in effect immediately prior to the merger will be adopted as the partnership agreement of New NPI, with the following changes: (i) references therein to the California Uniform Limited Partnership Act, as amended, or the California Act, will be amended to refer to the Delaware Revised Uniform Limited Partnership Act, as amended, or the Delaware Act; (ii) a description of the merger will be added; and (iii) the name of the partnership will be National Property Investors III, LP. Second, the Aimco Subsidiary will be merged with and into New NPI, with New NPI as the surviving entity. In this second merger, each NPI Unit will be converted into the right to receive the merger consideration described below. A copy of the proposed merger agreement is attached as Annex A to this information statement/prospectus. You are encouraged to read the proposed merger agreement carefully in its entirety because it is the legal agreement that governs the mergers.

**Merger Consideration:** In the second merger, each NPI Unit will be converted into the right to receive, at the election of the holder of such NPI Unit, either \$57.24 in cash or equivalent value in OP Units, except in those jurisdictions where the law prohibits the offer of OP Units (or registration would be prohibitively costly). The number of OP Units issuable with respect to each NPI Unit will be calculated by dividing the \$2.76 per unit cash merger consideration by the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger. For a full description of the determination of the merger consideration, see *The Transactions - Determination of Merger Consideration* beginning on page 31.

**Effects of the Transactions:** After the amendment of NPI's partnership agreement and the two mergers, Aimco OP will be the sole limited partner in New NPI, and will own all of the outstanding New NPI Units. As a result, after the transactions, you will cease to have any rights in New NPI as a limited partner. See *Special Factors*

Effects of the Transactions, beginning on page 5.

Appraisal Rights: Pursuant to the terms of the proposed merger agreement, Aimco OP will provide each limited partner with contractual dissenters appraisal rights that are similar to the dissenters appraisal rights available to a stockholder of a corporation in a merger under Delaware law, and which will enable a limited partner to obtain an appraisal of the value of the limited partner's NPI Units in connection with the transactions. See The Transactions Appraisal Rights, beginning on page 34. A description of the appraisal rights being provided, and the procedures that a limited partner must follow to seek such rights, is attached to this information statement/prospectus as Annex B.

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**Additional Payment for Waiver and Release:** In addition to the merger consideration, each limited partner unaffiliated with Aimco OP or its affiliates may elect to receive an additional cash payment of \$9.42 per NPI Unit in exchange for executing a waiver and release of potential claims such unaffiliated limited partner may have had in the past, may now have or may have in the future (through and including the date of the consummation of the merger) against NPI, the General Partner, Aimco OP or its affiliates and certain other persons and entities, including but not limited to claims related to the merger agreement and the transactions contemplated thereby, but excluding claims limited partners may have under federal securities laws. See *The Transactions – Waiver and Release and Additional Consideration*, beginning on page 32.

**Parties Involved:**

National Property Investors III, or NPI, is a California limited partnership organized on February 1, 1979 for the purpose of operating income-producing residential real estate. NPI presently owns and operates one investment property, Lakeside Apartments, a 568 unit apartment project located in Lisle, Illinois. See *Information About National Property Investors III*, beginning on page 25. NPI's principal address is 55 Beattie Place, P.O. Box 1089, Greenville, South Carolina 29602, and its telephone number is (864) 239-1000.

Apartment Investment and Management Company, or Aimco, is a Maryland corporation that is a self-administered and self-managed real estate investment trust, or REIT, focused on the ownership and management of quality apartment communities located in the 20 largest markets in the United States. Aimco is one of the largest owners and operators of apartment properties in the United States. Aimco's common stock is listed and traded on the NYSE under the symbol AIV. See *Information about the Aimco Entities*, beginning on page 23.

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

National Property Investors III, or New NPI, is a Delaware limited partnership formed on October 8, 2010, for the purpose of consummating the merger with NPI. New NPI's general partner is Aimco OP, and its sole limited partner is the Aimco Subsidiary. See *Information about the Aimco Entities*, beginning on page 23.

AIMCO NPI III Merger Sub LLC, or the Aimco Subsidiary, is a Delaware limited liability company formed on September 29, 2010, for the purpose of acting as limited partner of New NPI prior to the merger, and consummating the merger with New NPI. See *Information about the Aimco Entities*, beginning on page 23.

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

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

The value of the single property owned by NPI is not sufficient to justify its continued operation as a public company. As a public company with a significant number of unaffiliated limited partners, NPI incurs costs associated with preparing audited annual financial statements, unaudited quarterly financial statements, tax returns for partners on schedule K-1, periodic SEC reports and other expenses. The Aimco Entities estimate these costs to be approximately \$55,000 per year.

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NPI has been operating at a loss for the past several years. Since 2007, Aimco OP has made loans of \$16,808,000 to NPI to help fund a redevelopment project as well as operating expenses, but it is not willing to continue to make advances to NPI. The Aimco Entities do not believe that NPI can obtain financing from an independent third party. If the Aimco Entities acquire 100% ownership of NPI, they will have greater flexibility in financing and operating its property.

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

**Conflicts of Interest:** The General Partner is indirectly wholly owned by Aimco. Therefore, the General Partner has a conflict of interest with respect to the transactions. The General Partner has fiduciary duties to AIMCO/IPT, Inc., the General Partner's sole stockholder and an affiliate of Aimco, on the one hand, and to NPI and its limited partners, on the other hand. The duties of the General Partner to NPI and its limited partners conflict with the duties of the General Partner to AIMCO/IPT, Inc., which could result in the General Partner approving a transaction that is more favorable to Aimco than might be the case absent such conflict of interest. See, **The Transactions – Conflicts of Interest**, beginning on page 32.

**Risk Factors:** In evaluating the proposed amendment of NPI's partnership agreement, the proposed merger agreement and the transactions contemplated thereby, NPI limited partners should carefully read this information statement/prospectus and especially consider the factors discussed in the section entitled **Risk Factors** beginning on page 12. Some of the risk factors associated with the merger are summarized below:

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

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

There are a number of significant differences between NPI Units and Aimco OP Units relating to, among other things, the nature of the investment, voting rights, distributions and liquidity and transferability/redemption. For more information regarding those differences, see **Comparison of NPI Units and Aimco OP Units**, beginning on page 55.

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

**Material United States Federal Income Tax Consequences of the Transactions:** The merger between NPI and New NPI will generally be treated as a partnership merger for Federal income tax purposes. In general, NPI will not recognize gain as a result of contribution of its assets to New NPI, and the merger between NPI and New NPI will not result in any tax consequences to the limited partners of NPI. The merger between NPI and the Aimco Subsidiary will generally be treated as a partnership merger for Federal income tax purposes. In general, any payment of cash for NPI Units will be treated as a sale of such NPI Units by such holder, and any exchange of NPI Units for OP Units under the terms of the merger agreement will be treated, in accordance with Sections 721 and 731 of the Internal Revenue Code of 1986, as amended, or the Code, as a tax free transaction, except to the extent described in **Material United States Federal Income Tax Matters – Taxation of**



Aimco OP and OP Unitholders United States Federal Income Tax Consequences Relating to the Transactions, beginning on page 60.

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

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**SPECIAL FACTORS**

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

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

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

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

The value of the single property owned by NPI is not sufficient to justify its continued operation as a public company. As a public company with a significant number of unaffiliated limited partners, NPI incurs costs associated with preparing audited annual financial statements, unaudited quarterly financial statements, tax returns for partners on schedule K-1, periodic SEC reports and other expenses. The Aimco Entities estimate these costs to be approximately \$55,000 per year.

NPI has been operating at a loss for the past several years. Since 2007, Aimco OP has made loans of \$16,808,000 to NPI to help fund a redevelopment project as well as operating expenses, but it is not willing to continue to make advances to NPI. The Aimco Entities do not believe that NPI can obtain additional financing from an independent third party. If the Aimco Entities acquire 100% ownership of NPI, they will have greater flexibility in financing and operating its property.

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

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

*Liquidation of NPI.* The General Partner and the other Aimco Entities considered a liquidation of NPI in which NPI's property would be marketed and sold to a third party for cash, with any net proceeds remaining, after payment of all liabilities, distributed to NPI's limited partners. The primary advantage of such a transaction would be that the sale price would reflect arm's-length negotiations and might therefore be higher than the appraised value which has been used to determine the merger consideration. The General Partner and the other Aimco Entities rejected this alternative because of: (i) the risk that a third party purchaser might not be found that would offer a satisfactory price or at all; (ii) the costs that NPI would incur in connection with marketing and selling the property; (iii) the fact that limited partners would recognize taxable gain on the sale; and (iv) the prepayment penalties that NPI would incur in repaying

its mortgage debt upon a sale of the property.

*Contribution of the property to Aimco OP.* The Aimco Entities considered a transaction in which NPI's property would be contributed to Aimco OP in exchange for OP Units. The primary advantage of such a transaction would be that NPI limited partners would not recognize taxable gain. The Aimco Entities rejected this alternative because it would not offer an opportunity for immediate liquidity to those limited partners who desire it.

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**Effects of the Transactions**

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

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

Option to Defer Taxable Gain. Limited partners are given a choice of merger consideration, and may elect to receive either cash or OP Units in the merger, except in those jurisdictions where the law prohibits the offer of OP Units (or registration would be prohibitively costly). Limited partners who receive OP Units in the merger may defer recognition of taxable gain.

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

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

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

Elimination of Costs Associated with SEC Reporting Requirements and Multiple Limited Partners. After the merger, the Aimco Entities will own all of the interests in NPI, and NPI will terminate its registration and cease filing periodic reports with the SEC. As a result, NPI will no longer incur costs associated with preparing audited annual financial statements, unaudited quarterly financial statements, tax returns for partners on schedule K-1, periodic SEC reports and other expenses. The Aimco Entities estimate these expenses to be approximately \$55,000 per year.

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

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

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

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

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

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

affiliate of Aimco, on the one hand, and to NPI and its limited partners, on the other hand. The duties of the General Partner to NPI and its limited partners conflict with the duties of the General Partner to AIMCO/IPT, Inc., which could result in the General Partner approving a transaction that is more favorable to Aimco than might be the case absent such conflict of interest. In negotiating the merger agreement, no one separately represented the interests of the unaffiliated limited partners. If an independent advisor had been engaged, it is possible that such advisor could have negotiated better terms for NPI's unaffiliated limited partners.

*Detriments to NPI.* The transactions are not expected to have any detriments to NPI.

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*Detriments to the Aimco Entities.* The transactions are expected to have the following principal detriments to the Aimco Entities:

**Increased Interest in NPI.** Upon completion of the merger, the Aimco Entities' interest in the net book value of NPI will increase from 78.1% to 100%, or from a deficit of \$19,120,000 to a deficit of \$24,478,000 as of December 31, 2009, and their interest in the net losses of NPI will increase from 78.1% to 100%, or from \$2,683,000 to \$3,435,000 for the period ended December 31, 2009. As a result, Aimco OP will bear the burden of all future operating or other losses, as well as any decline in the value of NPI's property.

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

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

For a discussion of the material United States federal income tax consequences of the merger, see *Material United States Federal Income Tax Matters - United States Federal Income Tax Consequences Relating to the Transactions.*

## **Fairness of the Transactions**

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

The merger consideration of \$57.24 per NPI Unit was based on an independent third party appraisal of NPI's property by CRA, an independent valuation firm.

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

The merger consideration is greater than the Aimco Entities' estimate of liquidation value because there was no deduction for certain amounts that would be payable upon an immediate sale of the property, such as prepayment penalties on the mortgage debt, currently estimated to be \$6,994,277.

The merger consideration exceeds the net book value per unit (a deficit of \$556.19 per NPI Unit at September 30, 2010).

The merger consideration exceeds the price paid by the Aimco Entities to purchase units of limited partnership interest in NPI during the past two years (\$5.00 per unit in October 2008).

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

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

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

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

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

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

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

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

The merger consideration is greater than some of the prices at which NPI Units have historically sold in the secondary market (\$5.00 to \$300.00 per NPI Unit from January 1, 2008 through December 31, 2009).

The merger consideration is greater than some of the prices at which NPI Units have recently sold in the secondary market (\$40.00 to \$121.12 per NPI Unit from January 1, 2010 through October 19, 2010).

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

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

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

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

The transactions do not require the approval of any unaffiliated limited partners.

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

The merger consideration is less than some of the prices at which NPI Units have recently sold in the secondary market (\$40 to \$121.12 per NPI Unit from January 1, 2010 through October 19, 2010).

The merger consideration is less than some of the prices at which NPI Units have historically sold in the secondary market (\$5 to \$300 per NPI Unit from January 1, 2008 through December 31, 2009).

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

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

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



OP Units.

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

The Aimco Entities did not assign relative weights to the above factors in reaching their decision that the merger is fair to NPI and its unaffiliated limited partners. However, in determining that the benefits of the proposed merger outweigh the costs and risks, they relied primarily on the following factors: (i) the merger consideration of \$57.24 per NPI Unit is based on independent third party appraisal of NPI's property, (ii) limited partners may defer recognition of taxable gain by electing to receive OP Units in the merger (except in certain jurisdictions) and (iii) limited partners are entitled to contractual dissenters' appraisal rights. The Aimco Entities were aware of, but did not place much emphasis on, information regarding prices at which NPI Units may have sold in the secondary market because they do not view that information as a reliable measure of value. The NPI Units are not traded on an

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exchange or other reporting system, and transactions in the secondary market are very limited and sporadic. In addition, some of the historical prices are not comparable to current value because of intervening events, including a property sale, distribution of proceeds and advances from the General Partner.

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

## **The Appraisal**

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

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

Inspected the property and its environs;

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

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

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

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

Utilized appropriate appraisal methodology to derive estimates of value; and

Reconciled the estimates of value into a single value conclusion.

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

The income capitalization approach is based on the premise that value is derived by converting anticipated benefits into property value. Anticipated benefits include the present value of the net income and the present value of the net proceeds resulting from the re-sale of the property. CRA reported that the property has an adequate operations history

to determine its income-producing capabilities over the near future. In addition, performance levels of competitive properties served as an adequate check as to the reasonableness of the property's actual performance. As such, the income capitalization approach was utilized in the appraisal of the property.

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

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at a probable net operating income; (iv) develop an appropriate overall capitalization rate to apply to the net operating income; and (v) estimate value by dividing the net operating income by the overall capitalization rate. In addition, any adjustments to account for differences between the current conditions and stabilized conditions are also considered. The assumptions utilized by CRA with respect to the property are set forth below. The property-specific assumptions were determined by CRA to be reasonable based on its review of historical operating and financial data for the property and comparison of said data to the operating statistics of similar properties in the influencing market areas. The capitalization rate for the property was determined to be reasonable by CRA based on their review of applicable data ascertained within the market in which the property is located. The capitalization rate was determined to be reasonable by CRA based on their review of applicable data ascertained within the market in which the property is located.

The sales comparison approach is an estimate of value based upon a process of comparing recent sales of similar properties in the surrounding or competing areas to the subject property. Inherent in and central to this approach is the principle of substitution. This comparative process involves judgment as to the similarity of the subject property and the comparable sales with respect to many value factors such as location, contract rent levels, quality of construction, reputation and prestige, age and condition, and the interest transferred, among others. The value estimated through this approach represents the probable price at which the subject property would be sold by a willing seller to a willing and knowledgeable buyer as of the date of value. The reliability of this technique is dependent upon the availability of comparable sales data, the verification of the sales data, the degree of comparability and extent of adjustment necessary for differences, and the absence of atypical conditions affecting the individual sales prices. CRA reported that, although the volume of sales activity is down as a result of market conditions, its research revealed adequate sales activity to form a reasonable estimation of the subject property's market value pursuant to the sales comparison approach.

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

According to CRA's report, the basic steps in processing the sales comparison approach are outlined as follows: (i) research the market for recent sales transactions, listings, and offers to purchase or sell of properties similar to the subject property; (ii) select a relevant unit of comparison and develop a comparative analysis; (iii) compare comparable sale properties with the subject property using the elements of comparison and adjust the price of each comparable to the subject property; and (iv) reconcile the various value indications produced by the analysis of the comparables.

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

*Summary of Independent Appraisal of Lakeside Apartments.* CRA performed a complete appraisal of Lakeside Apartments. The appraisal report of Lakeside Apartments is dated May 19, 2010, and provides an estimate of the property's market value as of April 21, 2010. The summary set forth below describes the material conclusions reached by CRA based on the value determined under the valuation approaches and subject to the assumptions and limitations described below. According to CRA's report, the estimated aggregate market value of Lakeside

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Apartments is \$48,800,000 as of April 21, 2010. The following is a summary of the appraisal report dated May 19, 2010:

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

The direct capitalization analysis resulted in a valuation conclusion for Lakeside Apartments of approximately \$48,800,000.

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

- potential gross income from apartment unit rentals of \$545,422 per month or \$6,545,064 for the appraised year;
- a loss to lease allowance of 1.5% of the gross rent potential;
- rent concessions of 1.0% of the gross rent potential;
- a combined vacancy and credit loss allowance of 7.0%;
- estimated utility recovery of \$810 per unit;
- other income of \$700 per unit;
- projected total expenses (including reserves) of \$3,363,869;
- capitalization rate of 7.0%.

Using a direct capitalization analysis, CRA calculated the value of Lakeside Apartments by dividing the stabilized net operating income (including an allowance for reserves) by the concluded capitalization rate of 7.0%. CRA calculated the value conclusion of Lakeside Apartments under the income capitalization approach of approximately \$48,800,000 as of April 21, 2010.

*Valuation Under Sales Comparison Approach.* CRA estimated the property value of Lakeside Apartments under the sales comparison approach by analyzing sales from the influencing market that were most similar to Lakeside Apartments in terms of age, size, tenant profile and location. CRA reported that adequate sales existed to formulate a defensible value for Lakeside Apartments under the sales comparison approach.

The sales comparison approach resulted in a valuation conclusion for Lakeside Apartments of approximately \$48,300,000.

In reaching a valuation conclusion for Lakeside Apartments, CRA examined and analyzed comparable sales of five properties in the influencing market. The sales reflected unadjusted sales prices ranging from \$47,222 to \$154,068 per unit. After adjustment, the comparable sales illustrated a value range of \$59,028 to \$96,797 per unit, with mean and median adjusted sale prices of \$82,534 and \$82,800 per unit, respectively. CRA reported that two of the comparable sales required the least adjustment and were accorded most significance in the analysis, and that the adjusted indicators exhibited by these two sales ranged from \$81,606 to \$96,797 per unit. CRA estimated a value of \$85,000 per unit for Lakeside Apartments. Applied to Lakeside Apartments' 586 units, this resulted in CRA's total value estimate for Lakeside Apartments of approximately \$48,300,000.

CRA also performed an EGIM analysis. The EGIM (Effective Gross Income Multiplier) is the ratio of the sale price of a property to its effective gross income at the time of sale. The EGIM is used to compare the income-producing characteristics of properties. In the appraisal, the indicated EGIM of approximately 7.1 on a stabilized basis, calculated by dividing the value concluded for the appraised property via the sale comparison approach by its projected effective gross income, was compared to the EGIMs produced by the sales data. In the appraisal, the EGIM fell within the range of EGIMs produced by the sales data under analysis and suggests that the value concluded for the property via comparative analysis was reasonable based on the income-producing characteristics of Lakeside Apartments.

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*Reconciliation of Values and Conclusion of Appraisal.* For the appraisal of Lakeside Apartments, CRA relied principally on the income capitalization approach to valuation, and the direct capitalization method was given greatest consideration in the conclusion of value under this approach. CRA relied secondarily on the sales comparison approach, and reported that the value conclusion derived pursuant to the sales comparison approach was supportive of the conclusion derived pursuant to the income capitalization approach. The income capitalization approach using a direct capitalization method resulted in a value of \$48,800,000, and the sales comparison approach resulted in a value of \$48,300,000. CRA concluded that the market value of Lakeside Apartments as of April 21, 2010 was \$48,800,000.

*Assumptions, Limitations and Qualifications of CRA's Valuations.* CRA's appraisal report was subject to the following assumptions and limiting conditions: no responsibility was assumed for the legal description or for matters including legal or title considerations, and title to the property was assumed to be good and marketable unless otherwise stated; the property was appraised free and clear of any or all liens or encumbrances unless otherwise stated; responsible ownership and competent property management were assumed; the information furnished by others was believed to be reliable, and no warranty was given by CRA for the accuracy of such information; all engineering was assumed to be correct; there were no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable, and no responsibility was assumed for such conditions or for arranging for engineering studies that may be required to discover them; there was full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance was stated, defined, and considered in the appraisal report; all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity had been stated, defined, and considered in the appraisal report; all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in the appraisal report was based; the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the appraisal report; the distribution, if any, of the total valuation in the appraisal report between land and improvements applies only under the stated program of utilization; unless otherwise stated in the appraisal report, the existence of hazardous substances, including without limitation, asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection, and the appraiser had no knowledge of the existence of such materials on or in the property unless otherwise stated; the appraiser has not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the Americans with Disabilities Act; and former personal property items such as kitchen and bathroom appliances were, at the time of the appraisal report, either permanently affixed to the real estate or were implicitly part of the real estate in that tenants expected the use of such items in exchange for rent and never gained any of the rights of ownership, and the intention of the owners was not to remove the articles which are required under the implied or express warranty of habitability.

*Compensation of Appraiser.* CRA's fee for the appraisal was approximately \$7,124. Aimco OP paid for the costs of the appraisal. In addition to the appraisal performed in connection with the transactions, during the prior two years, CRA has been paid approximately \$106,669 for appraisal services by Aimco OP and its affiliates. Except as set forth above, during the prior two years, no material relationship has existed between CRA and NPI or Aimco OP or any of their affiliates. Aimco OP believes that its relationship with CRA had no negative impact on its independence in conducting the appraisals.

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





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**RISK FACTORS**

**Risks Related to the Transactions**

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

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

*The terms of the transactions have not been determined in arm's-length negotiations.* The terms of the transactions, including the merger consideration, were determined through discussions between officers and directors of the General Partner, on the one hand, and officers of Aimco, on the other. All of the officers and directors of the General Partner are also officers of Aimco. There are no independent directors of the General Partner. If the terms of the transactions had been determined through arm's-length negotiations, the terms might be more favorable to NPI and its limited partners.

*The amendment of the partnership agreement and the merger agreement does not require approval by a majority of the unaffiliated limited partners.* Under the provisions of the NPI partnership agreement and applicable law, the amendment of the partnership agreement, the mergers and the transactions contemplated thereby must be approved by a majority in interest of the limited partnership units. As of November 12, 2010, Aimco OP and its affiliates owned approximately 77.89% of the outstanding NPI Units. Of the NPI Units owned by affiliates of the General Partner, 21,380 of such units are subject to a voting restriction, which requires such units to be voted in proportion to the votes cast with respect to NPI Units not subject to this restriction. The General Partner's affiliates have indicated that they will vote all of their NPI Units that are not subject to this restriction, 16,039 NPI Units or approximately 33.39% of the outstanding NPI Units, in favor of the amendment of the partnership agreement, the mergers and the transactions contemplated thereby. As a result, affiliates of the General Partner will vote a total of 28,901 Units, or approximately 60.16% of the outstanding NPI Units, enabling them to approve the transactions without the consent or approval of any unaffiliated limited partners.

*Alternative valuations of NPI's property might exceed the appraised value relied on to determine the merger consideration.* Aimco determined the merger consideration in reliance on the appraised value of NPI's property. See, Special Factors – The Appraisal, beginning on page 8, for more information about the appraisal. Although an independent appraiser was engaged to perform a complete appraisal of the property, valuation is not an exact science. There are a number of other methods available to value real estate, each of which may result in different valuations of a property. Also, others using the same valuation methodology could make different assumptions and judgments, and obtain different results.

*The actual sales price of NPI's property could exceed the appraised value that Aimco relied on to determine the merger consideration.* No recent attempt has been made to market Lakeside Apartments to unaffiliated third parties. There can be no assurance that Lakeside Apartments could not be sold for a value higher than the appraised value used

to determine the merger consideration if it was marketed to third-party buyers interested in a property of this type.

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

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*No opinion has been obtained from an independent financial advisor that the transactions are fair to unaffiliated limited partners.* While the General Partner and each of the other Aimco Entities believes that the terms of the transactions are fair to NPI limited partners unaffiliated with the General Partner or Aimco for the reasons discussed in Special Factors Fairness of the Transactions beginning on page 6, no opinion has been obtained as to whether the transactions are fair to the limited partners of NPI unaffiliated with the General Partner or Aimco from a financial point of view.

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

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

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

For a description of risks related to an investment in Aimco and Aimco OP, please see the information set forth under Part I Item 1A. Risk Factors in the Annual Reports on Form 10-K for the year ended December 31, 2009 of each of Aimco and Aimco OP. Aimco's Annual Report is incorporated herein by reference and is available electronically through the SEC's website, [www.sec.gov](http://www.sec.gov), or by request to Aimco. Aimco OP's Annual Report on Form 10-K for the year ended December 31, 2009 (excluding the report of the independent registered public accounting firm, the financial statements and the notes thereto) is included as Annex H to this information statement/prospectus.

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

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

*Cash distributions by Aimco OP are not guaranteed and may fluctuate with partnership performance.* Aimco OP makes quarterly distributions to holders of OP Units (on a per unit basis) that generally are equal to dividends paid on the Aimco common stock (on a per share basis). However, such distributions will not necessarily continue to be equal to such dividends. Although Aimco OP makes quarterly distributions on its OP Units, there can be no assurance regarding the amounts of available cash that Aimco OP will generate or the portion that its general partner will choose to distribute. The actual amounts of available cash will depend upon numerous factors, including profitability of operations, required principal and interest payments on our debt, the cost of acquisitions (including related debt service payments), its issuance of debt and equity securities, fluctuations in working capital, capital expenditures, adjustments in reserves, prevailing economic conditions and financial, business and other factors, some of which may be beyond Aimco OP's control. Cash distributions depend primarily on cash flow, including from reserves, and not on

profitability, which is affected by non-cash items. Therefore, cash distributions may be made during periods when Aimco OP records losses and may not be made during periods when it records profits. The Aimco OP partnership agreement gives the general partner discretion in establishing reserves for the proper conduct of the partnership's business that will affect the amount of available cash. Aimco is required to make reserves for the future payment of principal and interest under its credit facilities and other indebtedness. In

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addition, Aimco OP's credit facility limits its ability to distribute cash to holders of OP Units. As a result of these and other factors, there can be no assurance regarding actual levels of cash distributions on OP Units, and Aimco OP's ability to distribute cash may be limited during the existence of any events of default under any of its debt instruments.

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

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

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

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

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

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

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

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

Any agreements between Aimco OP and the general partner and its affiliates will not grant to the OP Unitholders, separate and apart from Aimco OP, the right to enforce the obligations of the general

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partner and such affiliates in favor of Aimco OP. Therefore, the general partner, in its capacity as the general partner of Aimco OP, will be primarily responsible for enforcing such obligations.

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

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

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

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

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

*Aimco OP may be treated as a publicly traded partnership taxable as a corporation.* If Aimco OP were treated as a publicly traded partnership taxed as a corporation for United States Federal income tax purposes, material adverse consequences to the partners and their owners would result. In addition, Aimco would not qualify as a REIT for United States Federal income tax purposes, which would have a material adverse impact on Aimco and its shareholders. Aimco believes and intends to take the position that Aimco OP should not be treated as a publicly traded partnership or taxable as a corporation. No assurances can be given that the Internal Revenue Service, or the IRS,



would not assert, or that a court would not sustain a contrary position. Accordingly, each prospective investor is urged to consult his tax advisor regarding the classification and treatment of Aimco OP as a partnership for United States Federal income tax purposes.

*The limited partners may recognize gain on the transaction.* If a limited partner receives or is deemed to receive cash or consideration other than OP Units in connection with the merger, the receipt of such cash or other

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consideration would be taxable to the limited partner either as boot or under the disguised sale rules. Subject to certain exceptions, including exceptions applicable to periodic distributions of operating cash flow, any transfer or deemed transfer of cash by Aimco OP to the limited partner (or its owners), including cash paid at closing, within two years before or after such a contribution of property that has an adjusted tax basis in excess of its fair market value, will generally be treated as part of a disguised sale. The application of the disguised sale rules is complex and depends, in part, upon the facts and circumstances applicable to the limited partner (and its owners), which Aimco has not undertaken to review. Accordingly, limited partners and their owners are particularly urged to consult with their tax advisors concerning the extent to which the disguised sale rules would apply.

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

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

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

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

The following tables set forth Aimco's selected summary historical financial data as of the dates and for the periods indicated. Aimco's historical consolidated statements of income data set forth below for each of the five fiscal years in the period ended December 31, 2009 and the historical consolidated balance sheet data for each of the five fiscal year-ends in the period ended December 31, 2009, are derived from information included in Aimco's Current Report on Form 8-K filed with the SEC on November 19, 2010. Aimco's historical consolidated statements of income data set forth below for each of the nine months ended September 30, 2010 and 2009, and the historical consolidated balance sheet data as of September 30, 2010, are derived from Aimco's unaudited interim Quarterly Report on Form 10-Q for the quarter ended September 30, 2010.

You should read this information together with Management's Discussion and Analysis of Financial Condition and Results of Operations and with the consolidated financial statements and notes to the consolidated financial statements included in Aimco's Current Report on Form 8-K filed with the SEC on November 19, 2010 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed with the SEC on November 1, 2010, which are incorporated by reference in this information statement/prospectus. See Where You Can Find Additional Information in this information statement/prospectus.

	<b>For the Nine Months Ended September 30,</b>		<b>For the Years Ended December 31,</b>				
	<b>2010</b>	<b>2009(1)</b>	<b>2009(1)</b>	<b>2008(1)</b>	<b>2007(1)</b>	<b>2006(1)</b>	<b>2005(1)</b>
	<b>(unaudited)</b>						
	<b>(dollar amounts in thousands, except per unit data)</b>						
<b>Consolidated Statements of Operations:</b>							
Total revenues	\$ 869,180	\$ 859,848	\$ 1,151,736	\$ 1,199,423	\$ 1,132,109	\$ 1,043,683	\$ 866,992
Total operating expenses(2)	(770,635)	(783,101)	(1,051,394)	(1,151,459)	(958,070)	(879,107)	(731,102)
Operating income(2)	98,545	76,747	100,342	47,964	174,039	164,576	135,890
Loss from continuing operations(2)	(123,944)	(136,045)	(198,703)	(119,163)	(50,097)	(44,798)	(36,366)
Income from discontinued operations, net(3)	68,532	86,289	153,903	746,165	175,603	331,820	161,718
Net (loss) income	(55,412)	(49,756)	(44,800)	627,002	125,506	287,022	125,352
Net loss (income) attributable to noncontrolling interests	5,147	(20,725)	(19,474)	(214,995)	(95,595)	(110,234)	(54,370)
Net income attributable to preferred stockholders	(36,626)	(37,631)	(50,566)	(53,708)	(66,016)	(81,132)	(87,948)

Net (loss) income attributable to Aimco common stockholders	(86,891)	(108,112)	(114,840)	351,314	(40,586)	93,710	(21,223)
Earnings (loss) per common share basic and diluted:							
Loss from continuing operations attributable to Aimco common stockholders	\$ (1.12)	\$ (1.18)	\$ (1.75)	\$ (2.11)	\$ (1.42)	\$ (1.48)	\$ (1.33)
Net (loss) income attributable to Aimco common stockholders	\$ (0.75)	\$ (0.95)	\$ (1.00)	\$ 3.96	\$ (0.43)	\$ 0.98	\$ (0.23)

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	<b>For the Nine Months Ended September 30,</b>		<b>For the Years Ended December 31,</b>				<b>2005(1)</b>
	<b>2010</b>	<b>2009(1)</b>	<b>2009(1)</b>	<b>2008(1)</b>	<b>2007(1)</b>	<b>2006(1)</b>	
	<b>(unaudited)</b>						
<b>(dollar amounts in thousands, except per unit data)</b>							
<b>Consolidated</b>							
<b>Balance Sheets:</b>							
Real estate, net of accumulated depreciation	\$ 6,685,389		\$ 6,795,391	\$ 6,956,631	\$ 6,729,914	\$ 6,265,294	\$ 5,573,491
Total assets	7,617,072		7,906,468	9,441,870	10,617,681	10,292,587	10,019,160
Total indebtedness	5,542,562		5,541,148	5,919,771	5,534,154	4,852,928	4,192,292
Total equity	1,462,808		1,534,703	1,646,749	2,048,546	2,650,182	3,060,969
<b>Other Information:</b>							
Dividends declared per common share	\$ 0.20	\$ 0.20	\$ 0.40	\$ 7.48	\$ 4.31	\$ 2.40	\$ 3.00
Total consolidated properties (end of period)	419	458	426	514	657	703	619
Total consolidated apartment units (end of period)	93,008	104,301	95,202	117,719	153,758	162,432	158,548
Total unconsolidated properties (end of period)	59	79	77	85	94	102	264
Total unconsolidated apartment units (end of period)	6,933	8,657	8,478	9,613	10,878	11,791	35,269
Units managed (end of period)(4)	27,357	33,623	31,974	35,475	38,404	42,190	46,667

(1) Certain reclassifications have been made to conform to the September 30, 2010 financial statement presentation, including retroactive adjustments to reflect additional properties sold or classified as held for sale as of September 30, 2010, as discontinued operations (see Note 3 to the condensed consolidated financial statements in Item 1 Financial Statements in Aimco's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, and Note 13 to the consolidated financial statements in Item 8 Financial Statements and Supplementary Data in Aimco's Current Report on Form 8-K, filed with the SEC on November 19, 2010, which are incorporated by reference in this information statement/prospectus.).

(2) Total operating expenses, operating income and loss from continuing operations for the year ended December 31, 2008, include a \$91.1 million pre-tax provision for impairment losses on real estate development assets, which is discussed further in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in Aimco's Current Report on Form 8-K filed with the SEC on November 19, 2010, which is incorporated by reference in this information statement/prospectus.

(3)

Income from discontinued operations for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 includes \$221.8 million, \$800.3 million, \$117.6 million, \$337.1 million and \$162.7 million in gains on disposition of real estate, respectively. Income from discontinued operations for 2009, 2008 and 2007 is discussed further in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in Aimco's Current Report on Form 8-K filed with the SEC on November 19, 2010, which is incorporated by reference in this information statement/prospectus.

- (4) Units managed represents units in properties for which Aimco provides asset management services only, although in certain cases Aimco may indirectly own generally less than one percent of the economic interest in such properties through a partnership syndication or other fund.

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

The following table sets forth Aimco OP's selected summary historical financial data as of the dates and for the periods indicated. Aimco OP's historical consolidated statements of income data set forth below for each of the five fiscal years in the period ended December 31, 2009 and the historical consolidated balance sheet data for each of the five fiscal year-ends in the period ended December 31, 2009, are derived from information included in Annex J to this information statement/prospectus. Aimco OP's historical consolidated statements of income data set forth below for each of the nine months ended September 30, 2010 and 2009, and the historical consolidated balance sheet data as of September 30, 2010, are derived from Aimco OP's unaudited interim Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 included as Annex I to this information statement/prospectus.

You should read this information together with Management's Discussion and Analysis of Financial Condition and Results of Operations and with the consolidated financial statements included in Annex J and Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed with the SEC on November 1, 2010, which is included as [Annex I](#) to this information statement/prospectus.

	<b>For the Nine Months Ended September 30,</b>		<b>For the Years Ended December 31,</b>				
	<b>2010</b>	<b>2009(1)</b>	<b>2009(1)</b>	<b>2008(1)</b>	<b>2007(1)</b>	<b>2006(1)</b>	<b>2005(1)</b>
	<b>(unaudited)</b>						
	<b>(dollar amounts in thousands, except per unit data)</b>						
<b>Consolidated Statements of Operations:</b>							
Total revenues	\$ 869,180	\$ 859,848	\$ 1,151,736	\$ 1,199,423	\$ 1,132,109	\$ 1,043,683	\$ 866,992
Total operating expenses(2)	(770,635)	(783,101)	(1,051,394)	(1,151,459)	(958,070)	(879,107)	(731,102)
Operating income(2)	98,545	76,747	100,342	47,964	174,039	164,576	135,890
Loss from continuing operations(2)	(123,302)	(135,431)	(197,883)	(118,377)	(49,348)	(41,838)	(31,908)
Income from discontinued operations, net(3)	68,532	86,289	153,903	746,165	175,603	331,820	161,718
Net (loss) income	(54,770)	(49,142)	(43,980)	627,788	126,255	289,982	129,810
Net loss (income) attributable to noncontrolling interests	1,795	(24,665)	(22,442)	(155,749)	(92,138)	(92,917)	(49,064)
Net income attributable to preferred unitholders	(39,918)	(42,189)	(56,854)	(61,354)	(73,144)	(90,527)	(98,946)
Net (loss) income attributable to the Partnership's common unitholders	(92,893)	(115,996)	(123,276)	403,700	(43,508)	104,592	(22,458)

Earnings (loss) per common unit - basic and diluted:														
Loss from continuing operations attributable to the Partnership's common unitholders	\$	(1.12)	\$	(1.17)	\$	(1.75)	\$	(1.96)	\$	(1.40)	\$	(1.47)	\$	(1.32)
Net (loss) income attributable to the Partnership's common unitholders	\$	(0.75)	\$	(0.94)	\$	(1.00)	\$	4.11	\$	(0.42)	\$	0.99	\$	(0.21)



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	<b>For the Nine Months Ended September 30,</b>		<b>For the Years Ended December 31,</b>				
	<b>2010</b>	<b>2009(1)</b>	<b>2009(1)</b>	<b>2008(1)</b>	<b>2007(1)</b>	<b>2006(1)</b>	<b>2005(1)</b>
	<b>(unaudited)</b>						
<b>(dollar amounts in thousands, except per unit data)</b>							
<b>Consolidated</b>							
<b>Balance Sheets:</b>							
Real estate, net of accumulated depreciation	\$ 6,685,894		\$ 6,795,896	\$ 6,957,136	\$ 6,730,419	\$ 6,265,799	\$ 5,573,996
Total assets	7,633,385		7,922,139	9,456,721	10,631,746	10,305,903	10,031,761
Total indebtedness	5,542,562		5,541,148	5,919,771	5,534,154	4,852,928	4,192,292
Total partners' capital	1,479,121		1,550,374	1,661,600	2,152,326	2,753,617	3,164,111
<b>Other Information:</b>							
Distributions declared per common unit	\$ 0.20	\$ 0.20	\$ 0.40	\$ 7.48	\$ 4.31	\$ 2.40	\$ 3.00
Total consolidated properties (end of period)	419	458	426	514	657	703	619
Total consolidated apartment units (end of period)	93,008	104,301	95,202	117,719	153,758	162,432	158,548
Total unconsolidated properties (end of period)	59	79	77	85	94	102	264
Total unconsolidated apartment units (end of period)	6,933	8,657	8,478	9,613	10,878	11,791	35,269
Units managed (end of period)(4)	27,357	33,623	31,974	35,475	38,404	42,190	46,667

- (1) Certain reclassifications have been made to conform to the September 30, 2010 financial statement presentation, including retroactive adjustments to reflect additional properties sold or classified as held for sale as of September 30, 2010, as discontinued operations (see Note 3 to the condensed consolidated financial statements in Item 1 Financial Statements in Aimco OP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, and Note 13 to the consolidated financial statements in Item 8 Financial Statements and Supplementary Data included in Annex J to this information statement/prospectus.
- (2) Total operating expenses, operating income and loss from continuing operations for the year ended December 31, 2008, include a \$91.1 million pre-tax provision for impairment losses on real estate development assets, which is discussed further in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations included in Annex J to this information statement/prospectus.
- (3) Income from discontinued operations for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 includes \$221.8 million, \$800.3 million, \$117.6 million, \$337.1 million and \$162.7 million in gains on

disposition of real estate, respectively. Income from discontinued operations for 2009, 2008 and 2007 is discussed further in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations included in Annex J to this information statement/prospectus.

- (4) Units managed represents units in properties for which Aimco OP provides asset management services only, although in certain cases Aimco OP may indirectly own generally less than one percent of the economic interest in such properties through a partnership syndication or other fund.

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**SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF  
NATIONAL PROPERTY INVESTORS III**

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

You should read this information together with Management's Discussion and Analysis of Financial Condition and Results of Operations and with the financial statements and notes to the financial statements for the fiscal year ended December 31, 2009 included in NPI's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 filed with the SEC on November 15, 2010, which are attached to this information statement/prospectus. See "Where You Can Find Additional Information" in this information statement/prospectus.

	<b>For the Nine Months Ended September 30,</b>		<b>For the Years Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>
	<b>(Unaudited)</b>			
	<b>(Dollar amounts in thousands, except per unit data)</b>			
<b>Operating Data:</b>				
Total Revenues	\$ 5,118	\$ 5,039	\$ 6,812	\$ 6,366
Loss from Continuing Operations	(2,509)	(2,612)	(3,435)	(3,188)
Net Loss	(2,509)	(2,612)	(3,435)	(3,188)
Loss from Continuing Operations per unit	(51.71)	(53.82)	(70.78)	(65.68)
Net Loss per limited partnership unit	(51.71)	(53.82)	(70.78)	(65.68)
Distributions per limited partnership unit				
Deficit of earnings to fixed charges	(2,509)	(2,616)	(3,418)	(3,372)
<b>Balance Sheet Data:</b>				
Cash and Cash Equivalents	224	174	194	85
Real Estate, Net of Accumulated Depreciation	17,400	20,701	19,841	23,055
Total Assets	18,551	23,219	20,927	24,076
Mortgage Notes Payable	29,142	29,435	29,375	29,608
Due to Affiliates	15,209	16,190	14,552	13,605
General Partners' Deficit	(268)	(235)	(243)	(209)
Limited Partners' Deficit	(26,719)	(23,420)	(24,235)	(20,834)
Total Partners' Deficit	(26,987)	(23,655)	(24,478)	(21,043)
Total Distributions				
Book value per limited partnership unit	(556.19)	(487.52)	(504.49)	(433.69)
<b>Cash Flow Data:</b>				
Net increase (decrease) in cash and cash equivalents	30	89	109	(170)

Net cash provided by operating activities	646	440	364	819
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**Table of Contents****COMPARATIVE PER SHARE DATA**

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

The OP Units are not listed on any securities exchange nor do they trade in an active secondary market. However, after a one-year holding period, OP Units are redeemable for shares of Aimco common stock (on a one-for-one basis) or cash equal to the value of such shares, as Aimco elects. As a result, the trading price of Aimco common stock is considered a reasonable estimate of the fair market value of an OP Unit. The number of OP Units offered in the merger with respect to each NPI Unit was calculated by dividing the per unit cash merger consideration by the average closing price of Aimco common stock, as reported on the NYSE over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger. The closing price of Aimco common stock as reported on the NYSE on October 25, 2010 was \$23.84.

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

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

	<b>Nine Months Ended September 30, 2010</b>	<b>Fiscal Year Ended December 31, 2009      2008      2007</b>		
<b>Cash dividends declared per share/unit</b>				
Aimco Common Stock	\$ 0.20	\$ 0.40	\$ 2.40	\$ 2.40
Aimco OP Units	\$ 0.20	\$ 0.40	\$ 2.40	\$ 2.40
NPI Units				
<b>Loss per common share/unit from continuing operations</b>				
Aimco Common Stock	\$ (1.12)	\$ (1.75)	\$ (2.11)	\$ (1.42)
Aimco OP Units	\$ (1.12)	\$ (1.75)	\$ (1.96)	\$ (1.40)
NPI Units	\$ (51.71)	\$ (70.78)	\$ (65.68)	\$ (9.84)
		<b>September 30, 2010</b>	<b>December 31, 2009</b>	
<b>Book value per share/unit</b>				
Aimco Common Stock(1)		\$ 10.20	\$ 10.64	
Aimco OP Units(2)		9.39	9.88	

NPI Units	(556.19)	(504.49)
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- (1) Based on 117.0 million and 116.5 million shares of common stock outstanding at September 30, 2010 and December 31, 2009, respectively.
- (2) Based on 125.3 million and 124.9 million common OP Units and equivalents outstanding at September 30, 2010 and December 31, 2009, respectively.

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**INFORMATION ABOUT THE AIMCO ENTITIES**

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

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

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

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

As of September 30, 2010, Aimco:

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

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

provided services for or managed 27,357 units in 323 properties, primarily pursuant to long-term asset management agreements. In certain cases, Aimco may indirectly own generally less than one percent of the operations of such properties through a syndication or other fund.

Of these properties, Aimco consolidated 225 conventional properties with 69,540 units and 194 affordable properties with 23,468 units.

Through its wholly owned subsidiaries, AIMCO-GP, the general partner of Aimco OP, and AIMCO-LP Trust, Aimco owns a majority of the ownership interests in Aimco OP. As of September 30, 2010, Aimco held approximately 93% of the common partnership units and equivalents of Aimco OP. Aimco conducts substantially all of its business and owns substantially all of its assets through Aimco OP. Interests in Aimco OP that are held by limited partners other than Aimco include partnership common units or OP Units, partnership preferred units and high performance partnership units, or HPU's. Aimco OP's income is allocated to holders of OP Units and equivalents based on the weighted average number of OP Units and equivalents outstanding during the period. The holders of the OP Units receive distributions, prorated from the date of issuance, in an amount equivalent to the dividends paid to holders of Aimco common stock. Holders of OP Units may redeem such units for cash or, at Aimco OP's option, Aimco common stock. Partnership preferred units entitle the holders thereof to a preference with respect to distributions or upon liquidation. At September 30, 2010, after elimination of shares held by consolidated subsidiaries, 117,033,718 shares of Aimco common stock were outstanding and Aimco OP had 8,278,966 OP Units and equivalents outstanding for a combined total of 125,312,684 shares of Aimco common stock and Aimco OP Units outstanding (excluding partnership preferred units).

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

AIMCO/IPT, Inc. holds a 70% interest in AIMCO IPLP, L.P. as its general partner. AIMCO/IPT, Inc. and AIMCO IPLP, L.P. share voting and dispositive power over 21,566 NPI Units, or approximately 44.89% of the outstanding NPI Units. Aimco OP holds a 30% interest in AIMCO IPLP, L.P. as its limited partner.

National Property Investors III, LP, or New NPI, is a Delaware limited partnership formed on October 8, 2010, for the purpose of consummating the merger with NPI. New NPI has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement. New NPI's general partner is Aimco OP, and its sole limited partner is the Aimco Subsidiary.

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



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The names, positions and business addresses of the directors and executive officers of Aimco, Aimco OP, AIMCO-GP, AIMCO/IPT, Inc., AIMCO IPLP, L.P., the General Partner and the Aimco Subsidiary, as well as a biographical summary of the experience of such persons for the past five years or more, are set forth on Annex C attached hereto and are incorporated in this information statement/prospectus by reference. During the last five years, none of Aimco, Aimco-GP, AIMCO/IPT, Inc., AIMCO IPLP, L.P., Aimco OP, NPI or the General Partners nor, to the best of their knowledge, any of the persons listed in Annex C of this information statement/prospectus (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining further violations of or prohibiting activities subject to federal or state securities laws or finding any violation with respect to such laws. Additional information about Aimco is included in documents incorporated by reference into this information statement/prospectus. Additional information about Aimco OP is included in Annexes H, I and J to this information statement/prospectus. See Where You Can Find Additional Information.

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

**Table of Contents****INFORMATION ABOUT NATIONAL PROPERTY INVESTORS III**

National Property Investors III is a California limited partnership organized on February 1, 1979. During 1979, NPI commenced a public offering for the sale of 66,000 limited partnership units. A total of 48,049 units of the limited partnership were issued for \$500 each, for an aggregate capital contribution of \$24,024,500. In addition, the general partners contributed a total of \$1,000 to NPI. Since its initial offering, NPI has not received, nor are limited partners required to make, additional capital contributions. NPI's partnership agreement provides that the partnership is to terminate on December 31, 2022 unless terminated prior to such date. The General Partner is a wholly owned subsidiary of Aimco.

NPI was organized for the purpose of operating income-producing residential real estate. At September 30, 2010, NPI owned and operated one property, Lakeside Apartments, a 568 unit apartment project located in Lisle, Illinois.

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

Property	Average Annual Rental Rates				
	2009	2008	2007	2006	2005
Lakeside Apartments	\$ 11,634/unit	\$ 11,520/unit	\$ 10,505/unit	\$ 9,580/unit	\$ 9,097/unit

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

Property	Average Occupancy							
	For the Nine Months Ended September 30,		For the Years Ended December 31,					
	2010	2009	2009	2008	2007	2006	2005	
Lakeside Apartments	95%	89%	90%	87%	86%	97%	94%	

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

During 2005 NPI commenced a redevelopment project at Lakeside Apartments. In August 2006, the scope of the redevelopment project was significantly expanded and was forecasted to cost approximately \$16,300,000 with the majority of the work started in October 2006 and to be completed by November 2008. During the year ended December 31, 2007 the anticipated cost of the project was increased again by approximately \$7,393,000 to a total project cost of approximately \$23,693,000. The project was completed during the three months ended March 31, 2009 at a total cost of approximately \$22,637,000. The redevelopment consisted of site, building exterior, common area and unit interior improvements. The site improvements consisted of landscape enhancements and replacements, repair of retaining walls and correction of erosion problems, lighting upgrades and the addition of patio privacy fences. The building exterior improvements consisted of rear entrance door replacements, gutter improvements, foundation work

and exterior painting. The common area improvements consisted of upgrading the leasing center, replacing the clubhouse with a business center and conference room, fitness center with locker rooms, and the addition of a boathouse for lake recreation activities. In addition, the west clubhouse was upgraded and includes a social/game room, locker rooms and new decking. The unit interior improvements consisted of kitchen and bath upgrades, replacement of original fireplaces and other interior renovations. NPI funded the redevelopment from operations and advances from Aimco OP.

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

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The following table sets forth certain information relating to the mortgages encumbering Lakeside Apartments at September 30, 2010.

	<b>Principal, Balance at September 30, 2010 (In thousands)</b>	<b>Interest Rate(1)</b>	<b>Period Amortized</b>	<b>Maturity Date</b>	<b>Principal Balance Due at Maturity(2) (In thousands)</b>
1st mortgage	\$ 20,188	7.14%	360 months	01/01/22	\$ 15,791
2nd mortgage	8,954	5.90%	360 months	01/01/22	7,185
	\$ 29,142				\$ 22,976

(1) Fixed rate mortgages.

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

**Distributions to Limited Partners**

NPI presently has only NPI Units issued and outstanding. The NPI Units are entitled to allocations of profit and loss, and distributions, relating to NPI's interest in Lakeside Apartments. As of November 12, 2010, there were 48,039 NPI Units outstanding, and Aimco OP and its affiliates owned 37,419 of those units, or approximately 77.89% of those units.

There were no distributions made by NPI during the years ended December 31, 2009 and 2008 or during the nine months ended September 30, 2010. Future cash distributions will depend on the levels of net cash generated from operations, the timing of debt maturities, property sales and refinancings. NPI's cash available for distribution is reviewed on a monthly basis. There can be no assurance, however, that NPI will generate sufficient funds from operations, after planned capital improvement expenditures, to permit any distributions to its partners in subsequent periods.

**Certain Relationships and Related Transactions**

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

The NPI partnership agreement also provides that the General Partner and its affiliates receive 5% of gross receipts from NPI's property as compensation for providing property management services. NPI was charged by affiliates approximately \$335,000 and \$315,000 for the years ended December 31, 2009 and 2008, respectively, and

approximately \$253,000 and \$250,000 for the nine months ended September 30, 2010 and 2009, respectively.

Affiliates of the General Partner charged NPI for reimbursement of accountable administrative expenses amounting to approximately \$156,000 and \$350,000 for the years ended December 31, 2009 and 2008, respectively. A portion of these reimbursements for the years ended December 31, 2009 and 2008 are for construction management services for certain capital improvement expenditures (not related to the redevelopment project described in the following sentence) provided by an affiliate of the General Partner of approximately \$72,000 and \$9,000, respectively. In connection with a redevelopment project at the property, which was completed during the second quarter of 2009 at a total cost of approximately \$22,637,000, an affiliate of the General Partner received a redevelopment supervision fee of 4% of the actual redevelopment costs incurred. NPI was charged approximately \$20,000 and \$230,000 in redevelopment supervision fees during the years ended December 31, 2009 and 2008, respectively.

Affiliates of the General Partner charged NPI for reimbursement of accountable administrative expenses amounting to approximately \$99,000 and \$128,000 for the nine months ended September 30, 2010 and 2009, respectively. A portion of these reimbursements for the nine months ended September 30, 2010 and 2009 are for

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construction management services for certain capital improvement expenditures (not related to the redevelopment project) provided by an affiliate of the General Partner of approximately \$49,000 and \$57,000, respectively. In connection with the redevelopment project completed in 2009, an affiliate of the General Partner received a redevelopment supervision fee of 4% of the actual redevelopment costs incurred. NPI was charged approximately \$20,000 in redevelopment supervision fees during the nine months ended September 30, 2009. There were no such redevelopment supervision fees for the nine months ended September 30, 2010. At September 30, 2010, approximately \$249,000 of accountable administrative expenses were owed to affiliates of the General Partner.

For services relating to the administration of NPI and operation of NPI's property, the General Partner is entitled to receive payment for non-accountable expenses up to a maximum of \$100,000 per year based upon the number of NPI Units sold, subject to certain limitations. There were no such fees for the years ended December 31, 2009 and 2008 or the nine months ended September 30, 2010 and 2009, as no operating distributions were made.

Upon the sale of NPI's property, the General Partner would be entitled to an Incentive Compensation Fee equal to a percentage of the difference between the total amount distributed to the limited partners and the appraised value of their investment at February 1, 1992. Payment of the Incentive compensation Fee is subordinated to the receipt by the limited partners, of: (a) distributions from capital transaction proceeds of an amount equal to their appraised investment in NPI at February 1, 1992, and (b) distributions from all sources (capital transactions as well as cash flow) of an amount equal to six percent (6%) per annum cumulative, non-compounded, on their appraised investment in NPI at February 1, 1992. As of September 30, 2010, these preferences were met. Accordingly, the General Partner will be entitled to this fee upon completion of the transactions described in The Merger Agreement The Mergers.

In March 2008, the General Partner terminated the revolving credit facility that was established on behalf of NPI and certain affiliated partnerships to fund deferred maintenance and working capital needs of NPI and certain other affiliated partnerships. The General Partner does not have a commitment, intent or implication to fund cash flow deficits or furnish other direct or indirect financial assistance to NPI.

NPI may receive advances of funds from Aimco OP, an affiliate of the General Partner, although Aimco OP is not obligated to fund such advances. During the years ended December 31, 2009 and 2008, NPI received advances of approximately \$2,162,000 and \$5,426,000, respectively, from Aimco OP to fund a rental achievement escrow, redevelopment capital improvements, real estate taxes and operations at Lakeside Apartments. Aimco OP charges interest on advances under the terms permitted by the NPI partnership agreement. The advances bear interest at the prime rate plus 2% per annum. Interest expense during the years ended December 31, 2009 and 2008 was approximately \$758,000 and \$733,000, respectively. During the year ended December 31, 2009, NPI made payments of principal and accrued interest of approximately \$2,035,000. There were no payments made during the year ended December 31, 2008.

During the nine months ended September 30, 2010 and 2009, the Partnership received advances of approximately \$578,000 and \$2,162,000, respectively, from Aimco OP to fund real estate taxes and redevelopment capital improvements, respectively, at Lakeside Apartments. The advances bear interest at the prime rate plus 2% (5.25% at September 30, 2010) per annum. Interest expense was approximately \$567,000 and \$554,000 for the nine months ended September 30, 2010 and 2009, respectively. During the nine months ended September 30, 2010 and 2009, NPI repaid \$540,000 and \$180,000 of advances and accrued interest. At September 30, 2010, the total advances and accrued interest owed to Aimco OP was approximately \$14,960,000. NPI may receive additional advances of funds from Aimco OP although Aimco OP is not obligated to provide such advances. For more information on Aimco OP, see Annexes H, I and J to this information statement/prospectus.

NPI insures its property up to certain limits through coverage provided by Aimco, which is generally self-insured for a portion of losses and liabilities related to workers' compensation, property casualty, general liability and vehicle

liability. NPI insures its property above the Aimco limits through insurance policies obtained by Aimco from insurers unaffiliated with the General Partner. During the years ended December 31, 2009 and 2008, NPI was charged by Aimco and its affiliates approximately \$99,000 and \$107,000, respectively, for insurance coverage and fees associated with policy claims administration. During the nine months ended September 30, 2010, NPI was charged by Aimco and its affiliates approximately \$117,000 for insurance coverage and fees associated with policy

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claims administration. Additional charges will be incurred by NPI during 2010 as other insurance policies renew later in the year.

In addition to its indirect ownership of the general partner interests in NPI, Aimco and its affiliates owned 37,419 NPI Units representing approximately 77.89% of the number of NPI Units outstanding, at November 12, 2010. Pursuant to the NPI partnership agreement, limited partners holding a majority of the units are entitled to take action with respect to a variety of matters that include voting on certain amendments to the NPI partnership agreement and voting to remove the General Partner. As a result of its ownership of 77.89% of the outstanding NPI Units, Aimco and its affiliates are in a position to influence all such voting decisions with respect to NPI. However, with respect to the 21,380 NPI Units acquired on January 19, 1996, AIMCO IPLP, L.P., an affiliate of the General Partner and of Aimco, or AIMCO-IPLP, agreed to vote such NPI Units: (i) against any increase in compensation payable to the General Partner or to its affiliates; and (ii) on all other matters submitted by it or its affiliates, in proportion to the votes cast with respect to NPI Units not subject to this voting restriction. Except for the foregoing, no other limitations are imposed on AIMCO IPLP's, Aimco's or any other affiliates' right to vote each NPI Unit held. Although the General Partner owes fiduciary duties to NPI's limited partners, it also owes fiduciary duties to its sole stockholder, which is wholly owned by Aimco. As a result, the duties of the General Partner to NPI and its limited partners may come into conflict with the duties of the General Partner to its sole stockholder.

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

NPI has no directors or executive officers of its own. The names and ages of, as well as the positions and offices held by, the present directors and officers of the General Partner as of September 30, 2010 are set forth in Annex C to this information statement/prospectus. One or more of those persons are also directors and/or officers of a general partner (or general partner of a general partner) of limited partnerships which either have a class of securities registered pursuant to Section 12(g) of the Exchange Act, or are subject to the reporting requirements of Section 15(d) of the Exchange Act. Further, one or more of those persons are also officers of Aimco and the general partner of Aimco OP, entities that have a class of securities registered pursuant to Section 12(g) of the Exchange Act, or are subject to the reporting requirements of Section 15(d) of the Exchange Act. There are no family relationships between or among any officers or directors. No remuneration was paid to NPI nor its directors or officers during the year ended December 31, 2009.

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

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

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

The General Partner owns all of the outstanding general partner interests in NPI, which constitute 1% of the total interests in the partnership. NPI has no directors or executive officers of its own. The General Partner is a Florida corporation, which is indirectly wholly owned by Aimco. None of the general partner or any of its directors or executive officers owns any of the NPI Units. The following table sets forth certain information as of November 12, 2010 with respect to the ownership by any person (including any group, as that term is used



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in Section 13(d)(3) of the Exchange Act) known to us to be the beneficial owner of more than 5% of the units of limited partnership of the partnership.

<b>Entity Name and Address</b>	<b>Approximate Number of Units</b>	<b>Approximate Percent of Class</b>
Apartment Investment and Management Company(1) 4582 South Ulster Street Parkway, Suite 1100 Denver, CO 80237	37,419(2)	77.89%
AIMCO-GP, Inc.(1) 4582 South Ulster Street Parkway, Suite 1100 Denver, CO 80237	37,419(2)	77.89%
AIMCO Properties, L.P.(1) 4582 South Ulster Street Parkway, Suite 1100 Denver, CO 80237	37,419(2)	77.89%
AIMCO IPLP, L.P.(3) 4582 South Ulster Street Parkway, Suite 1100 Denver, CO 80237	21,566(4)	44.89%
AIMCO/IPT, Inc.(3) 4582 South Ulster Street Parkway, Suite 1100 Denver, CO 80237	21,566(4)	44.89%

- (1) AIMCO-GP, Inc., a Delaware corporation, is the sole general partner of AIMCO Properties, L.P., and owns approximately a 1% general partner interest in AIMCO Properties, L.P. AIMCO-GP, Inc. is wholly owned by Apartment Investment and Management Company. As of November 12, 2010, AIMCO-LP Trust, a Delaware trust wholly owned by Apartment Investment and Management Company, owns approximately a 92% interest in the OP Units and equivalents of AIMCO Properties, L.P.
- (2) AIMCO Properties, L.P., AIMCO-GP, Inc. and Apartment Investment and Management Company share voting and dispositive power over 37,419 NPI Units, representing approximately 77.89% of the class. AIMCO-GP, Inc. holds its NPI Units, directly or indirectly, as nominee for AIMCO Properties, L.P. and so AIMCO Properties, L.P. may be deemed the beneficial owner of the NPI Units held by AIMCO-GP, Inc. Apartment Investment and Management Company may be deemed the beneficial owner of the NPI Units held by AIMCO Properties, L.P. and AIMCO-GP, Inc. by virtue of its indirect ownership or control of these entities.
- (3) AIMCO IPLP, L.P. is indirectly wholly owned by Aimco. AIMCO/IPT, Inc., which is wholly owned by Aimco, holds a 70.0% interest in AIMCO IPLP, L.P. as its general partner. AIMCO Properties, L.P. holds a 30% interest in AIMCO IPLP, L.P. as the limited partner.
- (4) AIMCO IPLP, L.P. and AIMCO/IPT, Inc. share voting and dispositive power over 21,566 NPI Units, representing approximately 44.89% of the class.

**Additional Information**

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

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**THE TRANSACTIONS**

**Background of the Transactions**

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

In early 2010, the General Partner began to consider strategic alternatives for NPI and its sole property, Lakeside Apartments. The General Partner considered the costs of operating NPI, including audit, tax and SEC reporting costs. The General Partner looked at these costs, among other things, in light of Aimco's significant ownership percentage. The General Partner also considered past loans that had been made by Aimco OP to NPI, including an aggregate of approximately \$16,808,000 between 2005 and 2009, related to a redevelopment project, as well as operations at Lakeside Apartments. Certain expenses related to the redevelopment were capitalized and are being depreciated over the remaining life of the related assets. No such costs were capitalized during the six months ended June 30, 2010. Aimco OP has indicated an unwillingness to make additional advances to NPI.

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

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

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

On May 21, 2010, CRA informed Mr. McCandless that it had valued Lakeside Apartments at \$48.8 million. During the following two weeks, Mr. McCandless discussed CRA's assumptions and valuation with Mr. John Bezzant, Senior Vice President - Transactions of Aimco and a Director and Senior Vice President of the General Partner and Mr. Nikhil Venkatesh, Vice President - Portfolio Strategy of Aimco and Vice President of the General Partner. Mr. Bezzant reviewed the \$48.8 million value in light of fiduciary duties owed to unaffiliated limited partners and Aimco OP's investment criteria. Aimco OP's investment criteria was to acquire the property at a price that did not significantly exceed Aimco OP's estimate of the value of the property, which it calculated by adding the appraised value of the property to other assets and deducting therefrom the amount of liabilities associated with the property, including

mortgage debt (but excluding prepayment penalty). Mr. Bezzant determined that Aimco OP would pay the appraised value for Lakeside Apartments.

On October 8, 2010, the General Partner's board of directors held a meeting to discuss the proposed transaction. The board decided to approve and effect a transaction with Aimco OP that would give Aimco OP indirect ownership of Lakeside Apartments. On October 8, 2010, the General Partner approved and authorized the transactions. The General Partner and the Aimco Entities considered a number of possible alternatives to the

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proposed transactions, as described in greater detail above. However, the General Partner ultimately determined that the proposed transactions are in the best interests of NPI and its limited partners.

**Amendment to Partnership Agreement**

Prior to entering into the proposed merger agreement, NPI's partnership agreement will be amended to (i) eliminate the prohibition on transactions between NPI, on the one hand, and its general partners and their affiliates, on the other, and (ii) authorize the General Partner to complete the mergers described below without any further action by the limited partners. The proposed amendment to NPI's partnership agreement is included in this information statement/prospectus as Annex F.

**Determination of Merger Consideration**

Upon completion of the transactions, limited partners in NPI will receive, for each NPI Unit outstanding immediately prior to consummation of the mergers, at the election of the holder, either \$57.24 in cash or equivalent value in Aimco OP Units, except in those jurisdictions where the law prohibits the offer of OP Units in this transaction (or registration would be prohibitively costly). Because Aimco wholly owns the General Partner, the merger consideration has not been determined in an arm's-length negotiation. In order to arrive at a fair consideration, CRA, an independent real estate appraisal firm, was engaged to perform a complete appraisal of NPI's property. For more detailed information about the independent appraiser's determination of the estimated value of the property, see Special Factors The Appraisal. The per unit cash merger consideration payable to each holder of NPI Units is greater than the General Partner's estimate of the proceeds that would be available for distribution to limited partners (following the repayment of debt and other liabilities of NPI) if the property was sold at a price equal to its appraised value. The General Partner did not deduct certain amounts that would be payable upon an immediate sale of the partnership's property, such as prepayment penalties on the mortgage debt of the property. The estimated prepayment penalty would have been \$6,994,277. The General Partner calculated the equity of the partnership by (i) adding to the appraised value the value of any other non-real estate assets of NPI that would not be included in the appraisal; and (ii) deducting all liabilities, including mortgage debt, debt owed to the General Partner or its affiliates, accounts payable and accrued expenses and certain other costs. The amount of liabilities deducted includes an estimate of \$227,200 for expenses attributable to the property that would be incurred prior to the transactions but payable after the transactions. This calculation, which is summarized below, resulted in per unit cash merger consideration of \$57.24.

Appraised value of Lakeside Apartments	\$ 48,800,000
Plus: Cash and cash equivalents	46,404
Plus: Other assets	389,694
Less: Mortgage debt, including accrued interest	(29,367,278)
Less: Loans from affiliates of the general partner	(14,610,059)
Less: Payables owed to the General Partner and/or affiliates	(279,301)
Less: Incentive Compensation Fee allocable to General Partner	(840,600)
Less: Accounts payable and accrued expenses owed to third parties	(953,665)
Less: Other liabilities	(208,049)
Less: Estimated trailing payables	(227,200)
Net partnership equity	\$ 2,749,946
Percentage of net partnership equity allocable to limited partners	100%
Net partnership equity allocable to limited partners	\$ 2,749,946
Total number of Units	48,039

Cash consideration per unit	\$	57.24
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The number of OP Units offered per NPI Unit was calculated by dividing the per unit cash merger consideration by the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the mergers.

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Although there is no public market for OP Units, after a one-year holding period, each OP Unit is generally redeemable for cash in an amount equal to the value of one share of Aimco common stock at the time, subject to Aimco's right to acquire each OP Unit in exchange for one share of Aimco common stock (subject to antidilution adjustments). Therefore, the General Partner considers the trading price of Aimco common stock to be a reasonable estimate of the fair market value of an OP Unit. As of November 12, 2010, the average closing price of Aimco common stock over the preceding ten consecutive trading days was \$22.15, which would have resulted in OP Unit consideration of 2.58 OP Units per NPI Unit.

## **Conflicts of Interest**

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

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

The parties to a going private transaction such as the proposed transaction are often subject to claims alleging that the transaction is unfair to unaffiliated security holders. Litigation in these situations can arise even if the transaction is ultimately found to be fair to the unaffiliated security holders. In order to attempt to reduce the probability of any such claims, and the related costs of defending against any such claims, Aimco OP has decided to offer unaffiliated limited partners, in addition to the merger consideration, an additional payment of \$9.42 per NPI Unit in exchange for executing a waiver and release of potential claims the limited partner may have against the Releasees (as defined below). The amount of \$9.42 per unit was determined by dividing \$100,000 by the number of outstanding NPI Units held by unaffiliated limited partners. This \$100,000 amount represents Aimco OP's estimate of the value of such a release in potentially reducing its costs to defend against such claims. Unaffiliated limited partners may elect to receive the additional consideration by completing the election form, executing the waiver and release that is attached to the election form and returning the election form and the executed waiver and release in accordance with the instructions provided. In executing the waiver and release, the limited partner, on behalf of himself, his heirs, estate, executor, administrator, successors and assigns, will release Aimco OP and its predecessors, successors and assigns and its present and former parents, subsidiaries, affiliates, investors, insurers, reinsurers, officers, directors, employees, agents, administrators, auditors, attorneys, accountants, information and solicitation agents, investment bankers, and other representatives, including, but not limited to, Aimco and the General Partner (collectively, the Releasees), from any and all claims and causes of action, whether brought individually, on behalf of a class, or derivatively, demands, rights, or liabilities, including, but not limited to, claims for negligence, gross negligence, fraud, breach of fiduciary duty (including, but not limited to, duties of care, loyalty or candor), mismanagement, corporate waste, misrepresentation, whether intentional or negligent, misstatements and omissions to disclose, breach of contract, violations of any state or federal statutes, rules or regulations, whether known claims or unknown claims, whether past claims, present claims or future claims through and including the date of the consummation of the merger, including, but not limited to, those claims that have arisen or arise, directly or indirectly, out of or relate, directly or indirectly, to (a) the merger agreement and the transactions contemplated thereby (excluding only such unaffiliated limited partner's rights, if any, under the merger agreement), (b) any other circumstance, agreement, activity, action, omission, event or matter occurring or existing on or prior to the date of the consummation of the mergers, (c) the ownership of any limited partnership interest in NPI, including, but not limited to, any and all claims related to the management of NPI or the properties owned by NPI (whether currently or previously), the payment of management fees or other monies to the General Partner and to affiliates of NPI and prior sales of properties, or

(d) the purchase, acquisition, holding, sale or voting of one or more limited partnership interests in NPI (collectively, the Released Claims ).

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



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

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

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

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

## **Future Plans for the Property**

After the transactions, Aimco OP will be the sole limited partner in New NPI, and will own all of the outstanding New NPI Units. The General Partner will continue to be the General Partner of New NPI after the transactions, and NPI's partnership agreement in effect immediately prior to the mergers will be adopted as the partnership agreement of New NPI, with the following changes: (i) references therein to the California Act will be amended to refer to the Delaware Act; (ii) a description of the merger will be added; and (iii) the name of the partnership will be National Property Investors III, LP. Aimco OP intends to retain the New NPI Units after the mergers. After the mergers, Aimco will evaluate the capital improvement needs of Lakeside Apartments, and anticipates making certain routine capital expenditures with respect to the property during the remainder of 2010.

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

For a discussion of the material United States federal income tax consequences of the transactions, see Material United States Federal Income Tax Matters - United States Federal Income Tax Consequences Relating to the Transactions.

## **Regulatory Matters**

No material federal or state regulatory requirements must be satisfied or approvals obtained in connection with the transactions, except (1) filing a registration statement that includes this information statement/prospectus with the SEC

and obtaining the SEC's declaration that the registration statement is effective under the Securities Act, (2) registration or qualification of the issuance of OP Units under state securities laws, and (3) filing certificates of merger with the Secretary of State of the State of Delaware and the Secretary of State of the State of California.

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### **Accounting Treatment of the Transactions**

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

### **Appraisal Rights**

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

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

The costs of planning and implementing the mergers, including the cash merger consideration and the preparation of this information statement/prospectus, will be borne by Aimco OP without regard to whether the merger is effectuated. The estimated amount of these costs is approximately \$854,229 (assuming all limited partners elect to receive the cash merger consideration and all limited partners unaffiliated with Aimco OP elect to receive an additional cash payment in exchange for executing a waiver and release). Aimco OP is paying for the costs of the mergers with funds on hand or from drawings under its revolving credit facility. The revolving credit facility is pursuant to Aimco OP's Amended and Restated Senior Secured Credit Agreement, as amended, with a syndicate of financial institutions, with Bank of America, N.A. as administrative agent, swing line lender and L/C issuer. As of September 30, 2010, the Credit Agreement consisted of \$300.0 million of revolving loan commitments. Borrowings under the revolving credit facility bear interest based on a pricing grid determined by leverage (either at LIBOR plus 5.00% with a LIBOR floor of 1.50% or, at Aimco OP's option, a base rate equal to the Prime rate plus a spread of 3.75%). The revolving credit facility matures May 1, 2013, and may be extended for an additional year, subject to certain conditions, including payment of a 35.0 basis point fee on the total revolving commitments. The amount available under the revolving credit facility at September 30, 2010, was \$258.7 million (after giving effect to \$41.3 million outstanding for undrawn letters of credit issued under the revolving credit facility). The proceeds of revolving loans are generally permitted to be used to fund working capital and for other corporate purposes. Aimco OP's obligations under the Amended and Restated Senior Secured Credit Agreement are secured by its interests in its subsidiaries.

### **Approvals Required**

Under applicable law, the amendment of the partnership agreement of NPI and the transactions contemplated thereby must be approved by the General Partner and a majority in interest of the limited partners. The General Partner has determined that the amendment and the transactions contemplated thereby, including the mergers, are advisable and in

the best interests of NPI and its limited partners and has approved the amendment and the transactions. As of November 12, 2010, there were issued and outstanding 48,039 NPI Units, and Aimco OP and its affiliates owned 37,419 of those units, or approximately 77.89% of the outstanding NPI Units. As more fully described herein, 21,380 of the NPI Units owned by an affiliate of the General Partner are subject to a voting restriction, which requires such NPI Units to be voted in proportion to the votes cast with respect to NPI Units not subject to this voting restriction. The General Partner's affiliates have indicated that they will vote all of their NPI Units that are not subject to this restriction, 16,039 NPI Units or approximately 33.39% of the outstanding NPI Units, in favor of the amendment and the transactions. As a result, affiliates of the General Partner will vote a total of

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28,901 NPI Units, or approximately 60.16% of the outstanding NPI Units, in favor of the amendment and the transactions. Aimco OP and its affiliates have indicated that they intend to take action by written consent, as permitted under the partnership agreement, to approve the amendment and the transactions on or about \_\_\_\_\_, 2010. **As a result, approval of the amendment and the transactions contemplated thereby is assured and your consent is not required.**

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**THE MERGER AGREEMENT**

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

**The Mergers**

The proposed amendment to NPI's partnership agreement authorizes NPI to enter into an agreement and plan of merger with New NPI, the Aimco Subsidiary and Aimco OP, which contemplates the following transactions:

*Merger of NPI with and into New NPI.* First, NPI will be merged with and into New NPI with New NPI as the surviving entity. In this merger, each NPI Unit will be converted into an identical unit of limited partnership in New NPI and the general partnership interest in NPI now held by the general partner will be converted into a general partnership interest in New NPI. All interests in New NPI outstanding immediately prior to the merger will be cancelled in the merger. NPI's partnership agreement in effect immediately prior to the merger will be adopted as the partnership agreement of New NPI, with the following changes: (i) references therein to the California Uniform Limited Partnership Act, as amended, or the California Act, will be amended to refer to the Delaware Revised Uniform Limited Partnership Act, as amended, or the Delaware Act; (ii) a description of the merger will be added; and (iii) the name of the partnership will be National Property Investors III, LP.

*Merger of the Aimco Subsidiary with and into New NPI.* Second, the Aimco Subsidiary will be merged with and into New NPI, with New NPI as the surviving entity. In the merger, each NPI Unit outstanding immediately prior to consummation of the merger will be converted into the right to receive, at the election of the holder, either \$57.24 in cash or equivalent value in OP Units (calculated by dividing \$57.24 by the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger); *provided, however*, that if Aimco OP determines that the law of the state or other jurisdiction in which a limited partner resides would prohibit the issuance of Aimco OP Units in that state or other jurisdiction (or that registration or qualification in that state or jurisdiction would be prohibitively costly), then such limited partner will only be entitled to receive \$57.24 in cash for each NPI Unit.

In this second merger, Aimco OP's interest in the Aimco Subsidiary will be converted into New NPI Units. After the merger, Aimco OP will be the sole limited partner in New NPI, and will own all of the outstanding New NPI Units. The General Partner of NPI immediately prior to the merger will continue to serve as the general partner of the surviving entity. The agreement of limited partnership of New NPI, as in effect immediately prior to the consummation of the merger, will be the agreement of limited partnership of the surviving entity after the merger, until thereafter amended in accordance with the provisions thereof and applicable law.

**Conditions to Obligations to Complete the Mergers**

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

**Termination of the Merger Agreement**

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

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### **Amendment**

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

### **Governing Law**

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

### **Appraisal Rights**

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

### **Election Forms**

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

In addition, limited partners who are not affiliated with Aimco OP may elect to receive an additional cash payment of \$9.42 per NPI Unit in exchange for executing a waiver and release of certain claims. The waiver and release do not apply to claims limited partners may have under the Federal securities laws. In order to receive such additional consideration, limited partners must complete the election form, execute the waiver and release that is attached to the election form and return both the election form and the executed waiver and release to the information agent as described above. For a full description of the waiver and release and additional consideration, see "The Transactions Waiver and Release and Additional Consideration" beginning on page 32.



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

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

**General**

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

**Purpose And Business**

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

**Management By The General Partner**

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

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

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

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

**Outstanding Classes Of Units**

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

Class	Units Outstanding	Quarterly Distribution per Unit	Liquidation
			Preference (per Unit)
Partnership Common Units (OP Units)	122,972,734	\$	N/A
Class G Partnership Preferred Units(1)	4,050,000	\$ 0.586	\$ 25.00
Class T Partnership Preferred Units	6,000,000	\$ 0.50	\$ 25.00
Class U Partnership Preferred Units	12,000,000	\$ 0.484	\$ 25.00
Class V Partnership Preferred Units	3,450,000	\$ 0.50	\$ 25.00
Class Y Partnership Preferred Units	3,450,000	\$ 0.492	\$ 25.00
Series A CRA Perpetual Partnership Preferred Units(2)	114	\$ 2,274.44	\$ 500,000.00
Class One Partnership Preferred Units(3)	90,000	\$ 2.00	\$ 91.43
Class Two Partnership Preferred Units(3)	23,700	\$ 0.115	\$ 25.00
Class Three Partnership Preferred Units(3)	1,366,771	\$ 0.4923	\$ 25.00
Class Four Partnership Preferred Units(3)	755,999	\$ 0.50	\$ 25.00
Class Six Partnership Preferred Units(3)	796,668	\$ 0.53125	\$ 25.00
Class Seven Partnership Preferred Units(3)	27,960	\$ 0.5938	\$ 25.00

Class Eight Partnership Preferred Units(4)	6,250	\$	N/A
Class I High Performance Partnership Units (HPUs)(4)	2,339,950	\$	N/A

- (1) On October 7, 2010, Aimco OP redeemed all of the outstanding Class G Partnership Preferred Units. The redemption was funded primarily from the proceeds of Aimco OP's issuance to Aimco of 4,000,000 Class U Partnership Preferred Units during September 2010.
- (2) During 2006, Aimco sold 200 shares of its Series A Community Reinvestment Act Perpetual Preferred Stock, \$0.01 par value per share, or the CRA Preferred Stock, with a liquidation preference of \$500,000 per share, for

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net proceeds of \$97.5 million. The Series A Community Reinvestment Act Perpetual Partnership Preferred Units, or the CRA Preferred Units, have substantially the same terms as the CRA Preferred Stock. Holders of the CRA Preferred Units are entitled to cumulative cash dividends payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year, when and as declared, beginning on September 30, 2006. For the period from the date of original issuance through March 31, 2015, the distribution rate is a variable rate per annum equal to the Three-Month LIBOR Rate (as defined in the articles supplementary designating the CRA Preferred Stock) plus 1.25%, calculated as of the beginning of each quarterly dividend period. The rate at September 30, 2010 was 1.78%. Upon liquidation, holders of the CRA Preferred Stock are entitled to a preference of \$500,000 per share, plus an amount equal to accumulated, accrued and unpaid dividends, whether or not earned or declared. The CRA Preferred Units rank prior to Common OP Units and on the same level as Aimco OP's other Preferred OP Units, with respect to the payment of distributions and the distribution of amounts upon liquidation, dissolution or winding up. The CRA Preferred Units are not redeemable prior to June 30, 2011, except in limited circumstances related to Aimco's REIT qualification. On and after June 30, 2011, the CRA Preferred Units are redeemable for cash, in whole or from time to time in part, upon the redemption, at Aimco's option, of its CRA Preferred Stock at a price per share equal to the liquidation preference, plus accumulated, accrued and unpaid distributions, if any, to the redemption date.

- (3) The Class One, Class Two, Class Three, Class Four, Class Six and Class Seven preferred OP Units are redeemable, at the holders' option. Aimco OP, at its sole discretion, may settle such redemption requests in cash or shares of Aimco's Class A Common Stock in a value equal to the redemption preference. In the event Aimco OP requires Aimco to issue shares to settle a redemption request, it would issue to Aimco a corresponding number of common OP Units. Aimco OP has a redemption policy that requires cash settlement of redemption requests for the redeemable preferred OP Units, subject to limited exceptions.
- (4) The holders of Class Eight preferred OP Units and HPUs receive the same amount of distributions that are paid to holders of an equivalent number of Aimco OP's outstanding common OP Units.

## **Distributions**

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

Distributions payable with respect to any interest in Aimco OP that was not outstanding during the entire quarterly period in respect of which any distribution is made will be prorated based on the portion of the period that such interest was outstanding. The general partner in its sole and absolute discretion may distribute to the limited partners Available Cash on a more frequent basis and provide for an appropriate record date. The partnership agreement requires the general partner to take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with the requirements for qualification as a REIT, to cause Aimco OP to distribute sufficient amounts to enable the general partner to transfer funds to Aimco and enable Aimco to pay stockholder dividends that will (i) satisfy the requirements, or the REIT Requirements, for qualifying as a REIT under the Code and the applicable Treasury Regulations and (ii) avoid any United States Federal income or excise tax liability of Aimco.

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

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

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

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

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

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

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

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

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

**Withholding**

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



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

## **Return Of Capital**

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

## **Redemption Rights Of Qualifying Parties**

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

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

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

**Transfers And Withdrawals**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

calendar year.

### **Reports**

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

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

## **Tax Matters Partner**

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

## **Dissolution and Winding Up**

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

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





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

Aimco's charter authorizes the issuance of up to 422,157,736 shares of common stock. As of November 12, 2010, 117,033,419 shares were issued and outstanding. The Aimco common stock is traded on the NYSE under the symbol AIV. Computershare Limited serves as transfer agent and registrar of the Aimco common stock. On November 12, 2010, the closing price of the Aimco common stock on the NYSE was \$24.63. The following table shows the high and low reported sales prices and dividends paid per share of Aimco's common stock in the periods indicated.

<b>Quarter Ended</b>	<b>High</b>	<b>Low</b>	<b>Dividends</b>
December 31, 2010 (through November 12, 2010)	\$ 25.61	\$ 21.22	\$ 0.10
September 30, 2010	22.82	18.12	0.10
June 30, 2010	24.21	18.14	0.10
March 31, 2010	19.17	15.01	0.00
December 31, 2009	17.09	11.80	0.20
September 30, 2009	15.91	7.36	0.10
June 30, 2009	11.10	5.18	0.10
March 31, 2009	12.89	4.57	0.00
December 31, 2008(1)	43.67	7.01	3.88
September 30, 2008(1)	42.28	29.25	3.00
June 30, 2008	41.24	33.33	0.60
March 31, 2008	41.11	29.91	0.00

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

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

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

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

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

Aimco's charter authorizes 88,429,764 shares of preferred stock with a par value of \$0.01 per share. Aimco is authorized to issue shares of preferred stock in one or more classes or subclasses, with such designations, preferences, conversion and other rights, voting powers, restriction, limitations as to dividends, qualifications and terms and conditions of redemption, in each case, if any as are permitted by Maryland law and as the Aimco Board of Directors may determine by resolution. As of September 30, 2010, Aimco had issued and outstanding the following classes of preferred stock:

Class	Shares Authorized	Shares Outstanding	Quarterly Dividend per Share	Liquidation Preference per Share	Conversion Price
Class G Cumulative Preferred Stock(1)	4,050,000	4,050,000	\$ 0.586	\$ 25	NA
Class T Cumulative Preferred Stock	6,000,000	6,000,000	\$ 0.50	\$ 25	NA
Class U Cumulative Preferred Stock	12,000,000	12,000,000	\$ 0.484	\$ 25	NA
Class V Cumulative Preferred Stock	3,450,000	3,450,000	\$ 0.50	\$ 25	NA
Class Y Cumulative Preferred Stock	3,450,000	3,450,000	\$ 0.492	\$ 25	NA
Series A CRA Perpetual Preferred Stock(2)	240	114	\$ 2,274.44	\$ 500,000	NA

- (1) On October 7, 2010, Aimco redeemed all of the 4,050,000 outstanding shares of Class G Cumulative Preferred Stock. The redemption was funded primarily from the proceeds of Aimco's issuance during September 2010 of 4,000,000 shares of its Class U Cumulative Preferred Stock.
- (2) During 2006, Aimco sold 200 shares of Series A Community Reinvestment Act Perpetual Preferred Stock, \$0.01 par value per share, or the CRA Preferred Stock, with a liquidation preference of \$500,000 per share, for net proceeds of \$97.5 million. For the period from the date of original issuance through March 31, 2015, the dividend rate is a variable rate per annum equal to the Three-Month LIBOR Rate (as defined in the articles supplementary designating the CRA Preferred Stock) plus 1.25%, calculated as of the beginning of each quarterly dividend period. The rate at September 30, 2010 was 1.78%. Upon liquidation, holders of the CRA Preferred Stock are entitled to a preference of \$500,000 per share, plus an amount equal to accumulated, accrued and unpaid dividends, whether or not earned or declared. The CRA Preferred Stock ranks prior to the Aimco common stock and on the same level as Aimco's outstanding shares of preferred stock with respect to the payment of dividends and the distribution of amounts upon liquidation, dissolution or winding up. The CRA Preferred Stock is not redeemable prior to June 30, 2011, except in limited circumstances related to REIT qualification. On and after June 30, 2011, the CRA Preferred Stock is redeemable for cash, in whole or from time to time in part, at Aimco's option, at a price per share equal to the liquidation preference, plus accumulated, accrued and unpaid dividends, if any, to the redemption date.

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

*Dividends.* Holders of each authorized class of preferred stock are entitled to receive, when and as declared by Aimco s board of directors, out of funds legally available for payment, quarterly cash dividends in the amount per share set forth in the table above under the heading, Quarterly Dividend Per Share. The dividends are cumulative from the date of original issue, whether or not in any dividend period or periods Aimco declares any dividends or have funds legally available for the payment of such dividend. Holders of preferred stock are not

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entitled to receive any dividends in excess of cumulative dividends on the preferred stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the preferred stock that may be in arrears.

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

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

*Redemption.* Except as described below and in certain limited circumstances, including circumstances relating to maintaining Aimco's ability to qualify as a REIT, Aimco may not redeem the shares of preferred stock.

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

<b>Class</b>	<b>Date</b>	<b>Price</b>
Class G Cumulative Preferred Stock(1)	July 15, 2008	100%
Class T Cumulative Preferred Stock	July 31, 2008	100%
Class U Cumulative Preferred Stock	March 24, 2009	100%
Class V Cumulative Preferred Stock	September 29, 2009	100%
Class Y Cumulative Preferred Stock	December 21, 2009	100%
Series A CRA Perpetual Preferred Stock	June 30, 2011	100%

(1) On October 7, 2010, Aimco redeemed all of the outstanding Class G Cumulative Preferred Stock.

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

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

common stock issued upon such conversion. Holders of preferred stock at the close of business on a record date for the payment of dividends on the preferred stock will be entitled to receive an amount equal to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the conversion of such shares following such record date.

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



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

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

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

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

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

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

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

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

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

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

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

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

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

**OP Units**

**Common Stock**

**Nature of Investment**

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

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

**Voting Rights**

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

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

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

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

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**OP Units**

**Common Stock**

**Distributions/Dividends**

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

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

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**OP Units**

**Common Stock**

**Liquidity and Transferability/Redemption**

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

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

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

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**COMPARISON OF NPI UNITS AND AIMCO OP UNITS**

The rights of NPI limited partners are currently governed by the Uniform Limited Partnership Act of the State of California, as amended from time to time, and the NPI partnership agreement. The rights of the limited partners of Aimco OP are currently governed by the Delaware Act and the Aimco OP partnership agreement.

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

**NPI Units**

**OP Units**

**Nature of Investment**

The NPI Units constitute equity interests entitling each partner to his or her pro rata share of distributions to be made to the partners of NPI.

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

**Voting Rights**

With limited exceptions, under the NPI partnership agreement, upon the vote of a majority in units of all limited partners (other than the original limited partner), the limited partners may make amendments to NPI's partnership agreement. Other than the original limited partner, the limited partners holding a majority of units may remove the general partner and elect a successor general partner. If the general partner withdraws or is otherwise removed, the general partner elected in place thereof may elect to carry on the business of NPI. An affiliate of the general partner of NPI currently owns a majority of each series of NPI's limited partnership units.

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

Under the Aimco OP partnership agreement, the general partner has the power to effect the acquisition, sale, transfer, exchange or other disposition of any assets of Aimco OP (including, but not limited to, the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by Aimco OP) or the merger, consolidation, reorganization or other combination of Aimco OP with or into another entity, all without the consent of the OP Unitholders.

The general partner may cause the dissolution of Aimco OP by an event of withdrawal, as defined in the Delaware Act (including, without limitation, bankruptcy), unless, within 90 days after the withdrawal, holders of a majority in interest, as defined in the

Delaware Act, agree in writing, in their sole and absolute discretion, to continue the business of Aimco OP and to the appointment of a successor general partner. The general partner may elect to dissolve Aimco OP in its sole and absolute discretion, with or without the consent of the OP Unitholders. OP Unitholders cannot remove the general partner of Aimco OP with or without cause.



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**NPI Units**

**OP Units**

**Distributions**

Cash from operations, cash from sales or refinancing and cash from property reserve account will be distributed to each partner (and, in the case of cash from sales or refinancing and cash from property reserve account in the order of priority set forth in the NPI partnership agreement) unless (i) NPI is restricted from making distributions under the terms of notes, mortgages or other types of debt obligations which it may issue or assume in conjunction with borrowed funds, or (ii) the general partner determines, in its absolute discretion, that a restriction or suspension of distributions is in the best interests of NPI. The distributions payable to the partners are not fixed in amount and depend upon the operating results and net sales or refinancing proceeds available from the disposition of NPI's assets.

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

**Table of Contents****NPI Units****Liquidity and Transferability/Redemption**

There is a limited market for the NPI Units and the NPI Units are not listed on any securities exchange. Under the NPI partnership agreement, holders of NPI Units have the right, subject to certain exceptions, to assign five or more NPI Units by means of a written instrument, the terms of which are not in contravention of any of the provisions of the NPI partnership agreement and which instrument has been duly executed by the assignor of such NPI Units. Any assignment of NPI Units must be made in compliance with the then applicable rules of any applicable governmental authority. Notwithstanding the above, no partner may make an assignment of any NPI Units if the NPI Units sought to be assigned, when added to the total of all other NPI Units assigned within the period of 12 consecutive months prior to the proposed date of assignment, would result in the termination of the partnership under the Code. No assignee of a limited partner's interest may become a substituted limited partner unless (a) a duly executed and acknowledged written instrument of assignment covering no less than five NPI Units (subject to certain exceptions) has been filed with NPI, which instrument specifies the number of NPI Units being assigned and sets forth the intention of the assignor that the assignee succeed to the assignor's interest as a substituted limited partner, (b) the assignor and assignee execute and acknowledge such other instruments as the general partner deems necessary or desirable to effect the substitution, including the written acceptance and adoption by the assignee of the provisions of the NPI partnership agreement and delivery to the general partner of a special power of attorney, (c) the written consent of the general partner to the substitution is obtained, which consent may be granted or denied in the general partner's absolute discretion, (d) a transfer fee not to exceed \$50 has been paid to NPI to cover all reasonable expenses connected with the substitution, and (e) the assignment provisions of the NPI partnership agreement have been complied with. Unauthorized assignments and transfers are *void ab initio*. The NPI partnership agreement contains no redemption rights.

**OP Units**

There is no public market for the OP Units and the OP Units are not listed on any securities exchange. Under the Aimco OP partnership agreement, until the expiration of one year from the date on which a holder acquired OP Units, subject to certain exceptions, such OP Unitholder may not transfer all or any portion of its OP Units to any transferee without the consent of the general partner, which consent may be withheld in its sole and absolute discretion. After the expiration of one year, such OP Unitholder has the right to transfer all or any portion of its OP Units to any person, subject to the satisfaction of certain conditions specified in the partnership agreement, including the general partner's right of first refusal. See Description of OP Units Transfers and Withdrawals. After the first anniversary of becoming a holder of OP Units, a holder has the right, subject to the terms and conditions of the partnership agreement, to require Aimco OP to redeem all or a portion of such holder's OP Units in exchange for shares of common stock or a cash amount equal to the value of such shares, as Aimco OP may elect. See Description of OP Units Redemption Rights of Qualifying Parties. Upon receipt of a notice of redemption, Aimco OP may, in its sole and absolute discretion but subject to the restrictions on the ownership of common stock imposed under the Aimco charter and the transfer restrictions and other limitations thereof, elect to cause Aimco to acquire some or all of the tendered OP Units in exchange for common stock, based on an exchange ratio of one share of common stock for each OP Unit, subject to adjustment as provided in the partnership agreement.

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**NPI Units**

California case law provides that, in exercising management functions, a general partner is under a fiduciary duty of good faith and fair dealing towards other partners, but may not be held liable for mistakes or losses incurred in the good faith exercise of reasonable business judgment.

The NPI partnership agreement does not contain any provision that expressly restricts or limits the liability of the General Partner and its affiliates.

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

**Compensation and Distributions**

*NPI.* NPI has no employees and depends on the General Partner and its affiliates for the management and administration of all partnership activities. The NPI partnership agreement provides that the General Partner and its affiliates receive 5% of gross receipts from all of NPI's properties as compensation for providing property management

**OP Units**

**Fiduciary Duty**

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

**Investment Policy**

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

services, and also provides that the General Partner and its affiliates receive certain payments for other services and reimbursement of certain expenses incurred on behalf of NPI.

In addition, under the NPI partnership agreement, (i) Adjusted Cash From Operations (as defined in the NPI partnership agreement) is distributed as follows: ninety-nine percent to the limited partners and one percent to the General Partner, and (ii) Cash From Sales or Refinancings and Cash from Property Reserve Account (each as defined in the NPI partnership agreement) is distributed in the following order of priority: (x) first, to the holders of NPI Units in proportion to their interest in NPI, an amount equal to the Net Tangible Asset Value (as defined in the NPI partnership agreement); (y) second, to the General Partner in an amount equal to all or any part of any Incentive

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Compensation Fee (as defined in the NPI partnership agreement) due and owing as provided in the NPI partnership agreement, and (z) third, with respect to the remainder, one hundred percent thereof to the holders of NPI Units. Notwithstanding the foregoing, NPI may be restricted from making distributions under the terms of notes, mortgages or other types of debt obligations which it may issue or assume in conjunction with borrowed funds, and distributions may also be restricted or suspended in circumstances when the General Partner determines, in its absolute discretion, that such action is in the best interests of NPI.

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

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

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

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**MATERIAL UNITED STATES FEDERAL INCOME TAX MATTERS**

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

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

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

***Tax Consequences of the Merger between NPI and New NPI (the Redomestication )***

The merger of an existing partnership into another partnership is considered a continuation of the existing partnership if its partners, who own more than 50% of the profits and capital in the existing partnership, obtain more than 50% of the profits and capital in the resulting partnership. Because the partners of NPI will receive the same number of units of limited partnership interest in the Delaware partnership, New NPI, as they had in the California partnership, NPI, the Delaware partnership will be considered a continuation of the California partnership for tax purposes. NPI will not recognize gain as a result of contributing its assets to New NPI. New NPI will have the same federal identification number as that of NPI and will have the same tax basis, holding period, and depreciation method for each of its assets as that of NPI. The partners of NPI will not recognize any gain from the merger of NPI with and into New NPI. The bases of the partners in New NPI will be equal to their bases in the terminated partnership, NPI, and their holding periods in their units in New NPI will be the same as their holding periods in the NPI units. Aimco believes that completion of the Redomestication will not result in any tax consequences to the limited partners of NPI.

***Tax Consequences of the Merger between New NPI and the Aimco Subsidiary (the Merger ) to NPI and Aimco OP***

When the assets or operations of two partnerships such as New NPI and Aimco OP are combined in a transaction pursuant to which one of the partnerships ceases to exist as a partnership (the terminated partnership )

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for Federal income tax purposes, and the members of the terminated partnership become members of the surviving partnership (the resulting partnership), that combined transaction is generally treated as a partnership merger.

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

### ***Tax Consequences of the Merger between New NPI and the Aimco Subsidiary (the Merger) to Aimco and the Aimco Entities***

Aimco and the Aimco Entities (other than Aimco OP, which is discussed separately, above) are not expected to recognize any gain or loss on the transaction.

### ***Tax Consequences of Exchanging NPI Units Solely for Cash***

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

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

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

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

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

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

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



the IRS would not assert that the additional cash payment should be treated as part of the Merger Consideration. Holders that elect to receive the additional cash payment in exchange for executing a waiver and release should consult their tax advisors concerning the tax treatment of such payment.

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

*United States Holders*

In general, backup withholding and information reporting will apply to all payments made to a United States Holder pursuant to the Merger. A United States Holder will generally be subject to backup withholding (at a rate of 28% through 2010 and a rate of 31% thereafter, absent further Congressional action) with respect to payments made pursuant to the Merger unless such holder, among other conditions, provides a correct taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules, or otherwise establishes a basis for exemption from backup withholding. Exempt United States Holders (including, among others, all corporations) are not subject to these backup withholding and information reporting requirements. A holder who does not provide Aimco OP with his correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the holder's income tax liability.

*Non-United States Holders*

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

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

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

**Taxation of Aimco OP and OP Unitholders**

***Partnership Status***

Aimco believes that Aimco OP is classified as a partnership, and not as an association taxable as a corporation or as a publicly traded partnership taxable as a corporation for United States Federal income tax purposes. If Aimco OP were treated as a publicly traded partnership taxed as a corporation for United States Federal income tax purposes, material

adverse consequences to the Transferor and its owners would result. In addition, classification of Aimco OP as an association or publicly traded partnership taxable as a corporation would also result in the termination of Aimco's status as a REIT for United States Federal income tax purposes, which would have a material adverse impact on Aimco. See Material United States Federal Income Tax Matters Taxation of Aimco and Aimco Stockholders Tax Aspects of Aimco's Investments in Partnerships. The following discussion

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assumes that Aimco OP is, and will continue to be, classified and taxed as a partnership (and not as a publicly traded partnership) for United States Federal income tax purposes.

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

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

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

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

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

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

### ***Cash Distributions***

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

If cash distributions, including a deemed cash distribution as discussed below, received by an OP Unitholder in any taxable year exceed his allocable share of Aimco OP taxable income for the year, the excess will generally constitute, for United States Federal income tax purposes, a return of capital to the extent of such OP Unitholder's adjusted tax basis in his Aimco OP interest. Such return of capital will not be includible in the taxable income of the OP Unitholder, for United States Federal income tax purposes, but it will reduce, but not below zero, the adjusted tax basis of Aimco OP interests held by the OP Unitholder. If an OP Unitholder's tax basis in his Aimco OP interest is

reduced to zero, a subsequent cash distribution received by the OP Unitholder will be subject to tax as capital gain and/or ordinary income, but only if, and to the extent that, such distribution exceeds the subsequent positive adjustments, if any, to the tax basis of the OP Unitholder's Aimco OP interest as determined at the end of the taxable year during which such distribution is received. A decrease in an OP Unitholder's share of Aimco OP liabilities resulting from the payment or other settlement, or reallocation of such liabilities is generally treated, for

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United States Federal income tax purposes, as a deemed cash distribution. The Transaction documents permit Aimco to make such debt payments. A decrease in an OP Unitholder's percentage interest in Aimco OP because of the issuance by Aimco OP of additional OP Units or otherwise, may decrease an OP Unitholder's share of nonrecourse liabilities of Aimco OP and thus, may result in a corresponding deemed distribution of cash. A deemed distribution of cash resulting from the payment, settlement, or other reduction or reallocation of Aimco OP liabilities formerly allocated to an OP Unitholder will result in taxable gain to such OP Unitholder to the extent such deemed distribution of cash exceeds the OP Unitholder's basis in his OP Units

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

***Tax Consequences Relating To Contributed Assets and Transferred Liabilities***

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

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

If an investor transfers property to Aimco OP in exchange for an OP Unit, and the adjusted tax basis of such property differs from its fair market value, Partnership Tax Items must be allocated in a manner such that the contributing partner is charged with, or benefits from, the unrealized gain or unrealized loss associated with such property at the time of the contribution. This may result in a tax liability without a corresponding receipt of cash. Where a partner

contributes cash to a partnership that holds appreciated property, Treasury Regulations provide for a similar allocation of such items to the other partners. These rules may apply to a contribution by Aimco to Aimco OP of cash proceeds received by Aimco from the offering of its stock. Such allocations are solely for United States Federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements

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among the OP Unitholders. The general purpose underlying this provision is to specially allocate certain Partnership Tax Items in order to place both the noncontributing and contributing partners in the same tax position that they would have been in had the contributing partner contributed property with an adjusted tax basis equal to its fair market value. Treasury Regulations provide Aimco OP with several alternative methods and allow Aimco OP to adopt any other reasonable method to make allocations to reduce or eliminate these book-tax differences. The general partner, in its sole and absolute discretion and in a manner consistent with Treasury Regulations, will select and adopt a method of allocating Partnership Tax Items for purposes of eliminating such disparities. The method selected by Aimco OP in its sole discretion could cause the transferor (or its partners) to incur a tax liability without a corresponding receipt of cash. Each prospective investor is urged to consult his tax advisor regarding the tax consequences of any special allocations of Partnership Tax Items resulting from the contribution of property to Aimco OP.

***Disguised Sales Rules***

As described above, if a contributing partner receives or is deemed to receive for United States Federal income tax purposes, cash or other consideration in addition to OP Units upon the contribution of property to Aimco OP or within two years before or after such consideration (other than certain safe harbor distributions), the transaction will likely be treated as part contribution of property and part sale of property under the disguised sale rules. The disguised sale rules may also apply where property is transferred to Aimco OP subject to certain liabilities. In such event, the contributing partner will recognize gain or loss with respect to the portion of the property that is deemed to be sold to Aimco OP. If the disguised sale rules apply, all or a portion of the liabilities associated with the contributed property may be treated as consideration received by the contributing partner in a sale of the property to Aimco OP. The disguised sale rules may apply if, for example, the issuance of OP Units to New NPI limited partners in connection with the merger is integrated with any other acquisition between Aimco and any OP Unitholder or any related party. For example, the IRS may assert that any redemption or exchange for several years between Aimco OP and any OP Unitholder who receives OP Units in the current transaction constitutes an integrated disguised sale that may result in taxation (without receipt of cash) for OP Unitholders who do not dispose of their OP Units. No assurances can be given that the IRS would not be successful in such an assertion. Each prospective investor is urged to consult his tax advisor regarding the application of the disguised sale rules.

***Limitations On Deductibility Of Losses***

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

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



*Passive Activity Loss Limitation.* The passive activity loss rules of section 469 of the Internal Revenue Code limit the use of losses derived from passive activities, which generally includes an investment in limited partnership interests such as the OP Units. If an investment in an OP Unit is treated as a passive activity, an OP Unitholder who is an individual investor, as well as certain other types of investors, would not be able to use

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losses from Aimco OP to offset nonpassive activity income, including salary, business income, and portfolio income (e.g., dividends, interest, royalties, and gain on the disposition of portfolio investments) received during the taxable year. Passive activity losses that are disallowed for a particular taxable year may, however, be carried forward to offset passive activity income earned by the OP Unitholder in future taxable years. In addition, such disallowed losses may be claimed as a deduction, subject to the basis and at risk limitations discussed above, upon a taxable disposition of an OP Unitholder's entire interest in Aimco OP, regardless of whether such OP Unitholder has received any passive activity income during the year of disposition.

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

### ***Section 754 Election***

Aimco OP has made the election permitted by section 754 of the Internal Revenue Code. Such election is irrevocable without the consent of the IRS. The election will generally permit a purchaser of OP Units, such as Aimco when it acquires Aimco OP Units from OP Unitholders, to adjust its share of the basis in Aimco OP's properties pursuant to section 743(b) of the Internal Revenue Code to fair market value (as reflected by the value of consideration paid for the OP Units), as if such purchaser had acquired a direct interest in Aimco OP assets. The section 743(b) adjustment is attributed solely to a purchaser of OP Units and is not added to the bases of Aimco OP's assets associated with all of the OP Unitholders in Aimco OP.

### ***Depreciation***

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

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

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

If Aimco OP redeems an OP Unitholder's OP Units for cash (which is not contributed by Aimco to effect the redemption), the tax consequences generally would be the same as described in the preceding paragraphs, except that

if Aimco OP redeems less than all of an OP Unitholder's OP Units, the OP Unitholder would recognize taxable gain only to the extent that the cash, plus the amount of Aimco OP liabilities allocable to the redeemed OP Units, exceeded the OP Unitholder's adjusted tax basis in all of such OP Unitholder's OP Units immediately before the redemption.

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

The law is currently uncertain regarding the treatment of an abandoned interest in a partnership, and whether an abandonment gives rise to a deductible loss is a question of fact. Even if an investor were able to successfully abandon his interest in an OP Unit and thereby recognized loss to the extent of his basis in such OP Unit, under authority recently issued by the IRS, it is likely that such loss would be capital, rather than ordinary, in nature. Prospective investors are urged to consult their tax advisors regarding the application, effect and method of abandoning an interest in an OP Unit.

***Alternative Minimum Tax***

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

***Information Returns and Audit Procedures***

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

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

cost of any expenses incurred in connection with an examination of such OP Unitholder's personal tax return.

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

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

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

Treasury Regulations require participants in a reportable transaction to disclose certain information about the transaction to the IRS with their tax returns and retain certain information relating to the transaction (the Disclosure Requirement). In addition, organizers, sellers, and certain advisors of a reportable transaction are required to maintain certain records, including lists identifying the investors in a transaction, and to furnish those records, as well as detailed information regarding the transaction, to the IRS upon demand (the List Maintenance Requirement). While the Disclosure Requirement and the List Maintenance Requirement are directed towards tax shelters, the regulations are written quite broadly, and apply to transactions that would not typically be considered tax shelters. There are significant penalties for failure to comply with these requirements.

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

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

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

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

*Taxation of Aimco*

The REIT provisions of the Internal Revenue Code are highly technical and complex. The following summary sets forth certain aspects of the provisions of the Internal Revenue Code that govern the United States Federal

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income tax treatment of a REIT and its stockholders. This summary is qualified in its entirety by the applicable Internal Revenue Code provisions, Treasury Regulations, and administrative and judicial interpretations thereof, all of which are subject to change, possibly with retroactive effect.

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

### ***Taxation of REITs in General***

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

The rates at which individual stockholders are taxed on corporate dividends are set to increase to 39.6% after December 31, 2010, absent further Congressional action. With limited exceptions, however, dividends received by stockholders from Aimco or from other entities that are taxed as REITs are generally not eligible for the reduced rates formerly applicable to qualified dividend income, and will continue to be taxed at rates applicable to ordinary income. See *Taxation of Aimco and Aimco Stockholders Taxation of Stockholders Taxation of Taxable Domestic Stockholders Distributions*.

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

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

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

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

If Aimco has net income from prohibited transactions, which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, other than foreclosure



property, such income will be subject to a 100% tax.

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

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

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

If Aimco should fail to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain net income for such year, and (iii) any undistributed taxable income from prior periods, Aimco would be required to pay a 4% excise tax on the excess of the required distribution over the sum of (a) the amounts actually distributed, plus (b) retained amounts on which income tax is paid at the corporate level.

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

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

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

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

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

### *Requirements for Qualification*

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

1. that is managed by one or more trustees or directors;
2. the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;

3. that would be taxable as a domestic corporation, but for the special Internal Revenue Code provisions applicable to REITs;
4. that is neither a financial institution nor an insurance company subject to certain provisions of the Internal Revenue Code;
5. the beneficial ownership of which is held by 100 or more persons;
6. in which, during the last half of each taxable year, not more than 50% in value of the outstanding stock is owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities); and

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7. that meets other tests described below (including with respect to the nature of its income and assets).

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

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

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

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

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

### *Effect of Subsidiary Entities*

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

*Disregarded Subsidiaries.* Aimco's indirect interests in Aimco OP and other Subsidiary Partnerships are held through wholly owned corporate subsidiaries of Aimco organized and operated as *qualified REIT subsidiaries* within the meaning of the Internal Revenue Code. A qualified REIT subsidiary is any corporation, other than a taxable REIT

subsidiary as described below, that is wholly owned by a REIT, or by other disregarded subsidiaries, or by a combination of the two. If a REIT owns a qualified REIT subsidiary, that subsidiary is disregarded for Federal income tax purposes, and all assets, liabilities and items of income, deduction and credit of the subsidiary are treated as assets, liabilities and items of income, deduction and credit of the REIT itself, including for purposes of the gross income and asset tests applicable to REITs as summarized below. Each qualified REIT subsidiary, therefore, is not subject to Federal corporate income taxation, although it may be subject to state or local taxation. Other entities that are wholly owned by a REIT, including single member limited liability companies, are also

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generally disregarded as separate entities for Federal income tax purposes, including for purposes of the REIT income and asset tests. Disregarded subsidiaries, along with partnerships in which Aimco holds an equity interest, are sometimes referred to herein as pass-through subsidiaries.

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

*Taxable Subsidiaries.* A REIT, in general, may jointly elect with subsidiary corporations, whether or not wholly owned, to treat the subsidiary corporation as a taxable REIT subsidiary (TRS). A TRS also includes any corporation, other than a REIT, with respect to which a TRS in which a REIT owns an interest, owns securities possessing 35% of the total voting power or total value of the outstanding securities of such corporation. The separate existence of a TRS or other taxable corporation, unlike a disregarded subsidiary as discussed above, is not ignored for Federal income tax purposes. As a result, a parent REIT is not treated as holding the assets of a TRS or as receiving any income that the TRS earns. Rather, the stock issued by the TRS is an asset in the hands of the parent REIT, and the REIT recognizes as income, the dividends, if any, that it receives from the subsidiary. This treatment can affect the income and asset test calculations that apply to the REIT, as described below. Because a parent REIT does not include the assets and income of such subsidiary corporations in determining the parent's compliance with the REIT requirements, such entities may be used by the parent REIT to indirectly undertake activities that the REIT rules might otherwise preclude it from doing directly or through pass-through subsidiaries (for example, activities that give rise to certain categories of income such as management fees or foreign currency gains). As a taxable corporation, a TRS is required to pay regular Federal income tax, and state and local income tax where applicable.

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

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

Several provisions of the Internal Revenue Code regarding arrangements between a REIT and a TRS ensure that a TRS will be subject to an appropriate level of Federal income taxation. For example, a TRS is limited in its ability to deduct interest payments made to its REIT owner. In addition, Aimco would be obligated to pay a 100% penalty tax

on some payments that it receives from, or on certain expenses deducted by, its taxable REIT subsidiaries, if the IRS were to successfully assert that the economic arrangements between Aimco and its taxable REIT subsidiaries are not comparable to similar arrangements among unrelated parties. See Taxation of REITs in General Penalty Tax.

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*Income Tests*

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

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

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

Rents received by Aimco directly or through the Subsidiary Partnerships will qualify as rents from real property in satisfying the gross income requirements described above, only if several conditions are met, including the following. If rent is partly attributable to personal property leased in connection with a lease of real property, the portion of the total rent attributable to the personal property will not qualify as rents from real property unless it constitutes 15% or less of the total rent received under the lease. Moreover, for rents received to qualify as rents from real property, the REIT generally must not operate or manage the property (subject to certain exceptions) or furnish or render services to the tenants of such property, other than through an independent contractor from which the REIT derives no revenue. Aimco and its affiliates are permitted, however, to directly perform services that are usually or customarily rendered in connection with the rental of space for occupancy only and are not otherwise considered rendered to the occupant of the property. In addition, Aimco and its affiliates may directly or indirectly provide non-customary services to tenants of its properties without disqualifying all of the rent from the property if the payment for such services does not exceed 1% of the total gross income from the property. For purposes of this test, the income received from such non-customary services is deemed to be at least 150% of the direct cost of providing the services. Moreover, Aimco is generally permitted to provide services to tenants or others through a TRS without disqualifying the rental income received from tenants for purposes of the REIT income requirements.

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

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

If Aimco fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for the year if it is entitled to relief under certain provisions of the Internal Revenue Code. These relief provisions will be generally available if Aimco's failure to meet these tests was due to reasonable cause and not due to willful neglect, Aimco attaches a schedule of the sources of its income to its tax return, and any incorrect



information on the schedule was not due to fraud with intent to evade tax. It is not possible to state whether Aimco would be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions are inapplicable to a particular set of circumstances involving Aimco, Aimco will not qualify as a REIT. As discussed above under Taxation of Aimco and Aimco Stockholders Taxation of REITs in General, even where these

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relief provisions apply, a tax is imposed based upon the amount by which Aimco fails to satisfy the particular gross income test.

### *Asset Tests*

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

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

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

Third, of the investments included in the 25% asset class, the value of any one issuer's securities owned by Aimco may not exceed 5% of the value of Aimco's total assets, Aimco may not own more than 10% of any one issuer's outstanding voting securities, and Aimco may not own more than 10% of the total value of the outstanding securities of any one issuer. The 5% and 10% asset tests do not apply to securities of taxable REIT subsidiaries.

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

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

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

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

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

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

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

Aimco believes that its holding of securities and other assets comply, and will continue to comply, with the foregoing REIT asset requirements, and it intends to monitor compliance on an ongoing basis. No independent appraisals have been obtained, however, to support Aimco's conclusions as to the value of its assets, including Aimco OP's total assets and the value of Aimco OP's interest in the taxable REIT subsidiaries. Moreover, values of some assets may not be susceptible to a precise determination, and values are subject to change in the future. Furthermore, the proper classification of an instrument as debt or equity for Federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT asset requirements. Accordingly, there can be no assurance that the IRS will not contend that Aimco's interests in its subsidiaries or in the securities of other issuers will cause a violation of the REIT asset requirements and loss of REIT status.

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

*Annual Distribution Requirements*

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

the sum of

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

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

the sum of certain items of noncash income.

These distributions must be paid in the taxable year to which they relate, or in the following taxable year if they are declared in October, November, or December of the taxable year, are payable to stockholders of record on a specified

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

To the extent that Aimco distributes at least 90%, but less than 100%, of its REIT taxable income, as adjusted, it will be subject to tax thereon at ordinary corporate tax rates. In any year, Aimco may elect to retain,

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rather than distribute, its net capital gain and pay tax on such gain. In such a case, Aimco's stockholders would include their proportionate share of such undistributed long-term capital gain in income and receive a corresponding credit for their share of the tax paid by Aimco. Aimco's stockholders would then increase the adjusted basis of their Aimco shares by the difference between the designated amounts included in their long-term capital gains and the tax deemed paid with respect to their shares.

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

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

85% of its REIT ordinary income for such year,

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

(d) any undistributed taxable income from prior periods,

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

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

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

*Failure to Qualify*

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

*Prohibited Transactions*

Net income derived by a REIT from a prohibited transaction is subject to a 100% excise tax. The term prohibited transaction generally includes a sale or other disposition of property (other than foreclosure property) that is held primarily for sale to customers in the ordinary course of a trade or business. Aimco intends to conduct its operations so that no asset owned by Aimco or its pass-through subsidiaries will be held for sale to customers, and that a sale of any such asset will not be in the ordinary course of Aimco's business. Whether property is held primarily for sale to customers in the ordinary course of a trade or business depends, however, on the particular

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facts and circumstances. No assurance can be given that any property sold by Aimco will not be treated as property held for sale to customers, or that Aimco can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent the imposition of the 100% excise tax. The 100% tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates.

### *Penalty Tax*

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

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

### ***Tax Aspects Of Aimco's Investments In Partnerships***

#### *General*

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

#### *Entity Classification.*

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



*Tax Allocations With Respect To The Properties.*

Under the Internal Revenue Code and the Treasury Regulations, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for tax purposes in a manner such that the contributing partner is charged with, or benefits from the unrealized gain or unrealized loss associated with the property at the time of the contribution. The

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

In general, certain unitholders will be allocated lower amounts of depreciation deductions for tax purposes and increased taxable income and gain on the sale by Aimco OP or other Subsidiary Partnerships of the contributed properties. This will tend to eliminate the Book-Tax Difference over the life of these partnerships. However, the special allocations do not always entirely rectify the Book-Tax Difference on an annual basis or with respect to a specific taxable transaction such as a sale. Thus, the carryover basis of the contributed properties in the hands of Aimco OP or other Subsidiary Partnerships may cause Aimco to be allocated lower depreciation and other deductions, and possibly greater amounts of taxable income in the event of a sale of such contributed assets in excess of the economic or book income allocated to it as a result of such sale. This may cause Aimco to recognize, over time, taxable income in excess of cash proceeds, which might adversely affect Aimco's ability to comply with the REIT distribution requirements. See Taxation of Aimco and Aimco Stockholders Taxation of Aimco Annual Distribution Requirements.

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

*Sale Of The Properties.*

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

***Taxation of Taxable REIT Subsidiaries***

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

***Taxation of Stockholders***

*Taxable Domestic Stockholders*

*Distributions.* Provided that Aimco qualifies as a REIT, distributions made to Aimco's taxable domestic stockholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) will generally be taken into account by them as ordinary income and will not be eligible for the dividends received deduction for corporations. With limited exceptions, dividends received from REITs are not eligible for taxation at

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the preferential income tax rates for qualified dividends received by individuals from taxable C corporations. Stockholders that are individuals, however, are taxed at the preferential rates on dividends designated by and received from REITs to the extent that the dividends are attributable to (i) income retained by the REIT in the prior taxable year on which the REIT was subject to corporate level income tax (less the amount of tax), (ii) dividends received by the REIT from taxable REIT subsidiaries or other taxable C corporations, or (iii) income in the prior taxable year from the sales of built-in gain property acquired by the REIT from C corporations in carryover basis transactions (less the amount of corporate tax on such income).

Distributions (and retained net capital gains) that are designated as capital gain dividends will generally be taxed to stockholders as long-term capital gains, to the extent that they do not exceed Aimco's actual net capital gain for the taxable year, without regard to the period for which the stockholder has held its stock. However, corporate stockholders may be required to treat up to 20% of certain capital gain dividends as ordinary income. Long-term capital gains are generally taxable at maximum Federal rates of 15% through 2010 (and are set to increase to 20% thereafter, absent further Congressional action) in the case of stockholders who are individuals, and 35% in the case of stockholders that are corporations. Capital gains attributable to the sale of depreciable real property held for more than 12 months are subject to a 25% maximum Federal income tax rate for taxpayers who are individuals, to the extent of previously claimed depreciation deductions.

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

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

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

*Dispositions of Aimco Stock.* A stockholder will realize gain or loss upon the sale, redemption or other taxable disposition of stock in an amount equal to the difference between the sum of the fair market value of any property and cash received in such disposition, and the stockholder's adjusted tax basis in the stock at the time of the disposition. In general, a stockholder's tax basis will equal the stockholder's acquisition cost, increased by the excess of net capital gains deemed distributed to the stockholder (as discussed above), less tax deemed paid on such net capital gains, and reduced by returns of capital. In general, capital gains recognized by individuals upon the sale or disposition of shares of Aimco stock will be subject to taxation at long term capital gains rates if the Aimco stock is held for more than 12 months, and will be taxed at ordinary income rates if the Aimco stock is held for 12 months or less. Gains

recognized by stockholders that are corporations are currently subject to Federal income tax at a maximum rate of 35%, whether or not classified as long-term capital gains. Capital losses recognized by a stockholder upon the disposition of Aimco stock held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the stockholder but not ordinary income (except in the case of individuals, who may offset up to \$3,000 of ordinary income each year). In addition, any loss upon a sale or exchange of shares of Aimco stock by a stockholder who has held the

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shares for six months or less, after applying holding period rules, will be treated as a long-term capital loss to the extent of distributions received from Aimco that are required to be treated by the stockholder as long-term capital gain.

A redemption of Aimco stock (including preferred stock or equity stock) will be treated under Section 302 of the Internal Revenue Code as a dividend subject to tax at ordinary income tax rates (to the extent of Aimco's current or accumulated earnings and profits), unless the redemption satisfies certain tests set forth in Section 302(b) of the Internal Revenue Code enabling the redemption to be treated as a sale or exchange of the stock. The redemption will satisfy such test if it (i) is substantially disproportionate with respect to the holder (which will not be the case if only the stock is redeemed, since it generally does not have voting rights), (ii) results in a complete termination of the holder's stock interest in Aimco, or (iii) is not essentially equivalent to a dividend with respect to the holder, all within the meaning of Section 302(b) of the Internal Revenue Code. In determining whether any of these tests have been met, shares considered to be owned by the holder by reason of certain constructive ownership rules set forth in the Internal Revenue Code, as well as shares actually owned, must generally be taken into account. Because the determination as to whether any of the alternative tests of Section 302(b) of the Internal Revenue Code is satisfied with respect to any particular holder of the stock will depend upon the facts and circumstances as of the time the determination is made, prospective investors are advised to consult their own tax advisors to determine such tax treatment. If a redemption of the stock is treated as a distribution that is taxable as a dividend, the amount of the distribution would be measured by the amount of cash and the fair market value of any property received by the stockholders. The stockholder's adjusted tax basis in such redeemed stock would be transferred to the holder's remaining stockholdings in Aimco. If, however, the stockholder has no remaining stockholdings in Aimco, such basis may, under certain circumstances, be transferred to a related person or it may be lost entirely.

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

### *Taxation Of Foreign Stockholders*

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

*Ordinary Dividends.* The portion of dividends received by Non-U.S. Holders payable out of Aimco's earnings and profits which are not attributable to capital gains of Aimco and which are not effectively connected with a U.S. trade or business of the Non-U.S. Holder will be subject to U.S. withholding tax at the rate of 30% (unless reduced by treaty

and the Non-U.S. Holder provides appropriate documentation regarding its eligibility for treaty benefits). In general, Non-U.S. Holders will not be considered engaged in a U.S. trade or business solely as a result of their ownership of securities. In cases where the dividend income from a Non-U.S. Holder's investment in securities is, or is treated as, effectively connected with the Non-U.S. Holder's conduct of a U.S. trade or business, the Non-U.S. Holder generally will be subject to U.S. tax at graduated rates, in the same manner as domestic

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stockholders are taxed with respect to such dividends, such income must generally be reported on a U.S. income tax return filed by or on behalf of the non-U.S. holder, and the income may also be subject to the 30% branch profits tax in the case of a Non-U.S. Holder that is a corporation.

*Non-Dividend Distributions.* Unless Aimco stock constitutes a United States real property interest (a *USRPI*) within the meaning of the Foreign Investment in Real Property Tax Act of 1980 (*FIRPTA*), distributions by Aimco which are not dividends out of the earnings and profits of Aimco will not be subject to U.S. income tax. If it cannot be determined at the time at which a distribution is made whether or not the distribution will exceed current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to dividends. However, the Non-U.S. Holder may seek a refund from the IRS of any amounts withheld if it is subsequently determined that the distribution was, in fact, in excess of current and accumulated earnings and profits of Aimco. If Aimco stock constitutes a *USRPI*, distributions by Aimco in excess of the sum of its earnings and profits plus the stockholder's basis in its Aimco stock will be taxed under the *FIRPTA* at the rate of tax, including any applicable capital gains rates, that would apply to a domestic stockholder of the same type (e.g., an individual or a corporation, as the case may be), and the collection of the tax will be enforced by a refundable withholding at a rate of 10% of the amount by which the distribution exceeds the stockholder's share of Aimco's earnings and profits.

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

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

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



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

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

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

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

Gain from the sale of Aimco stock that would not otherwise be subject to taxation under FIRPTA will nonetheless be taxable in the United States to a Non-U.S. Holder in two cases. First, if the Non-U.S. Holder's investment in the Aimco stock is effectively connected with a U.S. trade or business conducted by such Non-U.S. Holder, the Non-U.S. Holder will be subject to the same treatment as a U.S. stockholder with respect to such gain. Second, if the Non-U.S. Holder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a tax home in the United States, the nonresident alien individual will be subject to a 30% tax on the individual's capital gain.

*Estate Tax*

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

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

Aimco will report to its U.S. stockholders and to the IRS the amount of distributions paid during each calendar year, and the amount of tax withheld, if any. Under the backup withholding rules, a stockholder may be subject to backup withholding (at a rate of 28% through 2010 and a rate of 31% thereafter, absent further Congressional action) with respect to distributions paid unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact or (ii) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules. A stockholder who does not provide Aimco with his correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability. In addition, Aimco may be required to withhold a portion of capital gain distributions to any Non-U.S. Holders. The IRS has issued final Treasury Regulations regarding the withholding, backup withholding and information reporting rules as applied to Non-U.S. Holders. Prospective investors in securities should consult their tax advisors regarding the application of these Treasury Regulations.

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

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

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

A transaction may be a reportable transaction based upon any of several indicia, including, among other things, if it could result in tax losses or book-tax differences in excess of prescribed thresholds. The transaction contemplated herein may result in book-tax differences in excess of prescribed thresholds and as such, could be a reportable transaction under the Treasury Regulations involving tax shelters. Characterization of this

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

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

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from Federal income taxation. However, they are subject to taxation on their unrelated business taxable income (UBTI). While many investments in real estate may generate UBTI, the IRS has ruled that dividend distributions from a REIT to a tax-exempt entity do not constitute UBTI. Based on that ruling, and provided that (1) a tax-exempt stockholder has not held its Aimco stock as debt financed property within the meaning of the Internal Revenue Code (i.e., where the acquisition or holding of the property is financed through a borrowing by the tax-exempt stockholder), and (2) the Aimco stock is not otherwise used in an unrelated trade or business, Aimco believe that distributions from Aimco and income from the sale of the Aimco stock should not give rise to UBTI to a tax-exempt stockholder.

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

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

the UBTI Percentage is at least 5%,

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

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

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

### **Other Tax Consequences**

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

The rules dealing with Federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. For example, Congress is considering proposals that would delay the scheduled increase in the maximum tax rates applicable to individual taxpayers on qualified dividend income and long term capital gains, for taxable years beginning after December 31, 2010, to 39.6% and 20% respectively. In addition, for taxable years beginning after December 31, 2012, certain U.S. holders who are individuals, estates or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare tax on dividend and other income, including capital gains from the sale or other disposition of our stock.

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No assurance can be given as to whether, or in what form, the proposals described above (or any other proposals affecting REITs or their stockholders) will be enacted. Changes to the Federal laws and interpretations thereof could adversely affect an investment in Aimco or Aimco OP.

Recently enacted legislation will require, after December 31, 2012, withholding at a rate of 30% on dividends in respect of, and gross proceeds from the sale of, our common stock held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury to report, on an annual basis, information with respect to shares in the institution held by certain United States persons and by certain non-US entities that are wholly or partially owned by United States persons. Accordingly, the entity through which our common stock is held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and gross proceeds from the sale of, our common stock held by an investor that is a non-financial non-US entity will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to us that such entity does not have any substantial United States owners or (ii) provides certain information regarding the entity's substantial United States owners, which we will in turn provide to the Secretary of the Treasury. Non-United States stockholders are encouraged to consult with their tax advisors regarding the possible implications of the legislation on their investment in our common stock.

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

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

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

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

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

Information Agent Fees	\$ 7,500
Printing Fees	2,400
Postage Fees	4,500
Tax and Accounting Fees	45,000
Appraisal Fees	6,900
Legal Fees	100,000
Total	\$ 166,300

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**LEGAL MATTERS**

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



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**EXPERTS**

The consolidated financial statements of Aimco for the year ended December 31, 2009 appearing in Aimco's Current Report on Form 8-K dated November 19, 2010 (including the schedule appearing therein), and the effectiveness of Aimco's internal control over financial reporting appearing in Aimco's Annual Report on Form 10-K for the year ended December 31, 2009 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements and Aimco management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2009 are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Aimco OP for the year ended December 31, 2009 appearing in Aimco OP's Current Report on Form 8-K dated November 19, 2010 (including the schedule appearing therein), and the effectiveness of Aimco OP's internal control over financial reporting appearing in Aimco OP's Annual Report on Form 10-K for the year ended December 31, 2009 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and included in Annex J and Annex H to this information statement/prospectus. Such consolidated financial statements and Aimco OP management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2009 are included herein in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

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

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**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

***Information Incorporated by Reference***

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

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

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

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

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

Aimco's Current Reports on Form 8-K, dated February 2, 2010 (filed February 4, 2010), dated February 3, 2010 (filed February 5, 2010), dated April 26, 2010 (filed April 29, 2010), dated May 24, 2010 (filed May 24, 2010), dated July 30, 2010 (filed July 30, 2010), dated September 1, 2010 (filed September 3, 2010), dated September 7, 2010 (filed September 7, 2010), dated September 10, 2010 (filed September 10, 2010), dated September 29, 2010 (filed September 30, 2010), dated October 29, 2010 (filed October 29, 2010) and dated November 19, 2010 (filed November 19, 2010).

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

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

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

***Information Included in the Annexes to this Information Statement/Prospectus***

Important information is also included in the Annexes attached hereto, including the following:

Annex A Agreement and Plan of Merger;

Annex B Appraisal Rights of Limited Partners;

Annex C Officers and Directors;

Annex D NPI s Annual Report on Form 10-K for the year ended December 31, 2009;

Annex E NPI s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010;

Annex F Amendment to Partnership Agreement;

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Annex G Summary of Appraisal Table;

Annex H Aimco OP's Annual Report on Form 10-K for the year ended December 31, 2009 (excluding the report of the independent registered public accounting firm, the financial statements and the notes thereto);

Annex I Aimco OP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010; and

Annex J Aimco OP's Current Report on Form 8-K, filed with the SEC on November 19, 2010, which includes Aimco OP's Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and Financial Statements and Supplementary Data for the year ended December 31, 2009, revised to reflect discontinued operations and changes in business segments.

References to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995 are included in NPI's Annual Report on Form 10-K for the year ended December 31, 2009 which is included as Annex D to this information statement/prospectus; in NPI's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, which is included as Annex E to this information statement/prospectus; and in Aimco's Annual Report on Form 10-K for the year ended December 31, 2009 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, which are incorporated by reference in this information statement/prospectus. However, because the merger is a going private transaction, those safe-harbor provisions do not apply to any forward-looking statements NPI or Aimco make in connection with the merger.

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**ANNEX A**

**Agreement and Plan of Merger**

AGREEMENT AND PLAN OF MERGER (this **Agreement** ), dated as of \_\_\_\_\_, 2010, by and among NATIONAL PROPERTY INVESTORS III, a California limited partnership ( **NPI** ), NATIONAL PROPERTY INVESTORS III, LP, a Delaware limited partnership ( **New NPI** ), AIMCO NPI III MERGER SUB LLC, a Delaware limited liability company (the **Aimco Subsidiary** ), and AIMCO PROPERTIES, L.P., a Delaware limited partnership ( **Aimco OP** ).

WHEREAS, NPI Equity Investments, Inc., the managing general partner of NPI and New NPI ( **NPI Equity** ), has determined that the merger of NPI with and into New NPI, with New NPI as the surviving entity, and the subsequent merger of the Aimco Subsidiary with and into New NPI, with New NPI as the surviving entity, in each case, on the terms set forth herein, are advisable and in the best interests of NPI and New NPI and their respective partners; and

WHEREAS, Aimco OP is the sole member of the Aimco Subsidiary and the sole limited partner of New NPI; and

WHEREAS the Board of Directors of AIMCO-GP, Inc., the general partner of Aimco OP ( **AIMCO-GP** ), has determined that the merger of NPI with and into New NPI, with New NPI as the surviving entity, and the subsequent merger of the Aimco Subsidiary with and into New NPI, with New AP NPI as the surviving entity, in each case, on the terms as set forth herein, are advisable and in the best interests of Aimco OP and its partners, and the Aimco Subsidiary; and

WHEREAS, a majority in interest of the limited partners of NPI have approved this Agreement and the transactions contemplated hereby; and

WHEREAS, the parties desire to enter this Agreement to evidence the terms, provisions, representations, warranties, covenants and conditions upon which the Mergers (as defined below) will be consummated.

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

Section 1. *The First Merger.* Subject to the terms and conditions set forth herein, NPI shall be merged with and into New NPI (the **First Merger** ), with New NPI as the surviving entity (the **First Surviving Entity** ). As soon as practicable after all of the conditions to the First Merger set forth herein have been satisfied, NPI and New NPI shall (i) execute a certificate of merger and cause such certificate to be filed with the Secretary of State of the State of California and (ii) execute a certificate of merger and cause such certificate to be filed with the Secretary of State of the State of Delaware. The First Merger shall become effective upon the filing of such certificates (the **First Effective Time** ). At the First Effective Time, the First Merger shall have the effect provided by applicable law and this Agreement, including, but not limited to, the following consequences:

(a) *Certificate of Limited Partnership.* The certificate of limited partnership of New NPI in effect immediately prior to the First Effective Time shall be the certificate of limited partnership of the First Surviving Entity unless and until subsequently amended.

(b) *Partnership Agreement.* The limited partnership agreement of NPI in effect immediately prior to the First Effective Time, as amended as set forth on Exhibit A hereto, shall be the partnership agreement of the First Surviving

Entity unless and until subsequently amended. The general partners and each limited partner of the First Surviving Entity shall have the rights under, be bound by and be subject to the terms and conditions of, such partnership agreement.

(c) General Partner. NPI Equity shall be the managing general partner of the First Surviving Entity.

(d) Conversion of Equity Interests.

(i) Interests in NPI. Each general partnership interest of NPI outstanding immediately prior to the First Effective Time and held by a general partner shall be converted into an equivalent general partnership interest in the

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First Surviving Entity (each new general partnership interest, a **New NPI GP Interest** ). Each unit of limited partnership interest of NPI outstanding immediately prior to the First Effective Time shall be converted into an equivalent unit of limited partnership interest in the First Surviving Entity (a **New NPI Unit** ).

(ii) Interests in New NPI. The interest of each partner in New NPI immediately prior to the First Effective Time shall be cancelled.

Section 2. *The Second Merger*. Subject to the terms and conditions set forth herein, immediately following the First Effective Time, the Aimco Subsidiary shall be merged with and into New NPI (the **Second Merger** and, together with the First Merger, the **Mergers** ), with New NPI as the surviving entity (the **Second Surviving Entity** ). As soon as practicable after all of the conditions to the Second Merger set forth herein have been satisfied, New NPI shall cause to be filed a certificate of merger with respect to the Second Merger with the Secretary of State of the State of Delaware. The Second Merger shall become effective upon the filing of such certificate (the **Second Effective Time** ). At the Second Effective Time, the Second Merger shall have the effect provided by applicable law and this Agreement, including, but not limited to, the following consequences:

(a) Certificate of Limited Partnership. The certificate of limited partnership of New NPI in effect immediately prior to the Second Effective Time shall be the certificate of limited partnership of the Second Surviving Entity unless and until subsequently amended.

(b) Partnership Agreement. The limited partnership agreement of New NPI in effect immediately prior to the Second Effective Time shall be the partnership agreement of the Second Surviving Entity (the **Partnership Agreement** ) unless and until subsequently amended. The general partners and each limited partner of the Second Surviving Entity shall have the rights under, be bound by and be subject to the terms and conditions of, the Partnership Agreement.

(c) General Partners. NPI Equity shall be the managing general partner of the Second Surviving Entity.

(d) Treatment of Limited Partners Interests in New NPI.

(i) In connection with the Second Merger and in accordance with the procedures set forth in Section 2(d)(iii) hereto, each New NPI Unit outstanding immediately prior to the Second Effective Time, except New NPI Units held by limited partners who have perfected their appraisal rights pursuant to Exhibit B hereto, shall be converted into the right to receive, at the election of the holder thereof, either (x) \$57.24 in cash (the **Cash Consideration** ) or (y) a number of partnership common units ( **OP Units** ) of Aimco OP calculated by dividing \$57.24 by the average closing price of Apartment Investment and Management Company common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the date of the Second Effective Time (the **OP Unit Consideration** , and, together with the Cash Consideration, the **Merger Consideration** ).

(ii) Notwithstanding Section 2(d)(i), if Aimco OP determines that the law of the state or other jurisdiction in which a holder of New NPI Units resides would prohibit the issuance of OP Units in that state or jurisdiction, or that the registration in that state or other jurisdiction would be prohibitively costly (each such state or jurisdiction, a **Specified Jurisdiction** ), then such holder will only be entitled to receive the Cash Consideration for each New NPI Unit.

(iii) Aimco OP shall prepare a form of election (the **Election Form** ) describing the Second Merger, pursuant to which each holder of New NPI Units will have the right to elect to receive either the Cash Consideration or the OP Unit Consideration (subject to Section 2(d)(ii)). Aimco OP shall mail or cause to be mailed an Election Form to each holder of New NPI Units, together with any other materials that Aimco OP determines to be necessary or prudent, no later than ten (10) days after the Second Effective Time. An election to receive the Cash Consideration or the OP Unit Consideration shall be effective only if a properly executed Election Form is received by Aimco OP or its designees

prior to 5:00 p.m., Eastern Time on the day that is thirty (30) days after the mailing of such Election Form by Aimco OP. If a holder New NPI Units fails to return a duly completed Election Form within the time period specified in the Election Form, such holder shall be deemed to have elected to receive the Cash Consideration. In addition, each holder of New NPI Units that resides in a Specified Jurisdiction will be

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deemed to have elected the Cash Consideration. NPI, New NPI, the Aimco Subsidiary and Aimco OP agree that holders of New NPI Units shall have the right to revoke any election made in connection with the Second Merger at any time prior to the expiration of the time period stated in the Election Form. Aimco OP and NPI Equity, by mutual agreement, shall have the right to make rules, not inconsistent with the terms of this Agreement, governing the validity of Election Forms and the issuance and delivery of the Merger Consideration, as applicable.

(e) Treatment of General Partners' Interests. Each New NPI GP Interest outstanding immediately prior to consummation of the Second Merger shall remain outstanding and unchanged, with all of the rights set forth in the Partnership Agreement.

(f) Treatment of Interests in the Aimco Subsidiary. The entire membership interest in the Aimco Subsidiary immediately prior to the Second Effective Time shall be converted into one hundred (100) New NPI Units of the Second Surviving Entity.

Section 3. Appraisal Rights. In connection with the First Merger, none of the partners in NPI or New NPI will have any dissenters' appraisal rights. In connection with the Second Merger, the holders of New NPI Units immediately prior to the Second Merger shall have the appraisal rights set forth in Exhibit B hereto.

Section 4. Covenants. Aimco OP agrees to pay for, or reimburse NPI and New NPI for, all expenses incurred by NPI and New NPI in connection with the Mergers and the transactions contemplated hereby. Aimco OP agrees to pay cash or issue and deliver OP Units to the former holders of New NPI Units, in accordance with Section 2(d) of this Agreement.

Section 5. Conditions to the Mergers. Notwithstanding any provisions of this Agreement to the contrary, none of the parties hereto shall be required to consummate the transactions contemplated hereby if any third-party consent, authorization or approval that any of the parties hereto deem necessary or desirable in connection with this Agreement, or the consummation of the transactions contemplated hereby, has not been obtained or received.

Section 6. Tax Treatment.

(a) First Merger. The parties hereto acknowledge and agree that for federal income tax purposes, the First Merger will be treated as follows:

(i) NPI will be deemed to have obtained as a result of the First Merger an initial capital account balance in the First Surviving Entity reflecting the tax bases of the assets so treated as contributed by NPI to the First Surviving Entity.

(ii) Each partner in the First Surviving Entity will have an initial capital account balance in the First Surviving Entity equal to its proportionate share of such initial capital account balance so deemed obtained by NPI.

(iii) In accordance with the foregoing, the respective initial capital account balances of the general partners and limited partners of the First Surviving Entity immediately following the First Effective Time shall be the same as those of the general partners and the limited partners of NPI immediately prior to the First Effective Time.

(iv) The First Merger should not be treated as a realization event and, in accordance with the foregoing, the First Surviving Entity shall be treated as the continuation of NPI for federal income tax purposes.

(b) Second Merger. The parties hereto intend and agree that, for Federal income tax purposes, (i) any payment of cash for New NPI Units shall be treated as a sale of such New NPI Units by such holder and a purchase of such New NPI Units by Aimco OP for the cash so paid under the terms of this Agreement in accordance with the guidelines set forth

in Treas. Reg. Sections 1.708-1(c)(3) and 1.708-1(c)(4), and (ii) each such holder of New NPI Units who accepts cash explicitly agrees and consents to such treatment. Furthermore, the parties hereto intend and agree that, for Federal income tax purposes, (i) any exchange of New NPI Units for OP Units under the terms of this Agreement shall be treated in accordance with Sections 721 and 731 of the Internal Revenue Code of 1986, as amended, and (ii) each such holder of New NPI Units who accepts OP Units explicitly agrees and consents to such treatment. Any cash and/or OP Units to which a holder of New NPI Units is entitled pursuant to this Agreement shall

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be paid only after the receipt of a consent from such holder that, for Federal income tax purposes, the receipt of cash and/or OP Units shall be treated as described in this Section 6(b).

Section 7. *Further Assurances.*

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

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

Section 8. *Amendment.* Subject to applicable law, this Agreement may be amended, modified or supplemented by written agreement of the parties hereto at any time prior to the consummation of the Mergers with respect to any of the terms contained herein.

Section 9. *Abandonment.* At any time prior to consummation of the Mergers, this Agreement may be terminated and the Mergers may be abandoned without liability to any party hereto by any of the Aimco Subsidiary, Aimco OP, NPI or New NPI, in each case, acting in its sole discretion and for any reason or for no reason, notwithstanding approval of this Agreement by any of the members of the Aimco Subsidiary, the partners of NPI or the general partner of Aimco OP.

Section 10. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to the conflict of law provisions thereof.

Section 11. *No Third-Party Beneficiaries.* No provision of this Agreement is intended to confer upon any person, entity, or organization other than the parties hereto any rights or remedies hereunder, other than the appraisal rights given to holders of New NPI Units pursuant to Section 3.

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**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed as of the date first above written.

**NATIONAL PROPERTY INVESTORS III**

By: NPI Equity, Inc.,  
Its Managing General Partner

By:  
Name:  
Title:

**NATIONAL PROPERTY INVESTORS III, LP**

By: NPI Equity, Inc.,  
Its Managing General Partner

By:  
Name:  
Title:

**AIMCO NPI III MERGER SUB LLC**

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

By: AIMCO-GP, Inc.  
Its General Partner

By:  
Name:  
Title:

**AIMCO PROPERTIES, L.P.**

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

By:  
Name:  
Title:

[Signature Page Merger Agreement]

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**EXHIBIT A**

**AMENDMENT  
TO  
PARTNERSHIP AGREEMENT  
OF  
NATIONAL PROPERTY INVESTORS III**

This AMENDMENT TO THE PARTNERSHIP AGREEMENT OF NATIONAL PROPERTY INVESTORS III (this Amendment ) is entered into as of \_\_\_\_\_, 2010 by and among NPI Equity Investments, Inc., a Florida corporation, in its capacity as managing general partner (the Managing General Partner ), and each of the Limited Partners. All capitalized terms used in this Amendment but not otherwise defined herein shall have the respective meanings given to them in the Partnership Agreement (as defined below).

**Recitals**

WHEREAS, National Property Investors III, a California limited partnership (the Partnership ), is governed pursuant to the terms of that certain Partnership Agreement, dated as of February 1, 1979, as amended and restated July 1, 1979 and as further amended to date (the Partnership Agreement );

WHEREAS, the Partnership and National Property Investors III, LP, a Delaware limited partnership (the Delaware Partnership ), are parties to an Agreement and Plan of Merger, dated as of [ \_\_\_\_\_ ], 2010 (the Merger Agreement );

WHEREAS, pursuant to the Merger Agreement, the Partnership will be merged with and into the Delaware Partnership, with the Delaware Partnership as the surviving entity;

WHEREAS, pursuant to the Merger Agreement, at the effective time of the merger, the Partnership Agreement, as further amended by this Amendment, will become the partnership agreement of the Delaware Partnership; and

WHEREAS, the merger will be effected upon the approval or consent of (i) the managing general partner of each of the Partnership and the Delaware Partnership, and (ii) a majority in interest of the limited partners of each of the Partnership and the Delaware Partnership.

NOW, THEREFORE, in consideration of the premises, the agreement of the parties herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, the parties hereby agree as follows:

1. Amendments to the Partnership Agreement. At the effective time of the Merger, the Partnership Agreement shall be amended as follows:

(a) In the first paragraph of the Partnership Agreement, the following words are deleted: pursuant to the Uniform Limited Partnership Act of the State of California.

(b) All other references therein to the Uniform Limited Partnership Act of the State of California or to the Uniform Limited Partnership Act of California shall be deemed to refer to the Delaware Revised Uniform Limited Partnership Act.

(c) Section 1 of the Partnership Agreement is hereby amended and restated to read in its entirety as follows:

1.1 The name of the Partnership is National Property Investors III, LP, and its principal place of business is 55 Beattie Place, P.O. Box 1089, Greenville, South Carolina 29602 and thereafter such other place or places as the Managing General Partner may from time to time determine.

1.2 National Property Investors III was originally formed as a limited partnership (the California Partnership ) pursuant to the provisions of the California Uniform Limited Partnership Act, upon the

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terms and conditions set forth in an agreement made as of February 1, 1979. Pursuant to an Agreement and Plan of Merger, dated as of \_\_\_\_\_, 2010, by and between the California Partnership and National Property Investors III, LP, a Delaware limited partnership (the Delaware Partnership), the California Partnership was merged with and into the Delaware Partnership, with the Delaware Partnership as the surviving entity (the Surviving Entity) in the merger (the Merger). At the effective time of the Merger (the Effective Time), the Merger had the effect provided by applicable law, and the following consequences: (a) the certificate of limited partnership of the Delaware Partnership in effect immediately prior to the Effective Time became the certificate of limited partnership of the Surviving Entity; (b) the limited partnership agreement of the California Partnership in effect immediately prior to the Effective Time, as amended as set forth on Annex A to the Merger Agreement, became the partnership agreement of the Surviving Entity (as so amended, the Partnership Agreement); (c) NPI Equity Investments, Inc., a Florida corporation, remained as sole Managing General Partner of the Surviving Entity, and its interest in the California Partnership immediately prior to the Effective Time was converted into an equivalent interest in the Surviving Entity; (d) the interests of the general partner in the Delaware Partnership immediately prior to the Effective Time was cancelled; (e) each limited partner in the California Partnership became a limited partner in the Surviving Entity, with an interest in the Surviving Entity equivalent to the interest such limited partner had in the California Partnership immediately prior to the Effective Time; (f) the interest of each limited partner in the Delaware Partnership immediately prior to the Effective Time was cancelled. References herein to the Partnership are to the California Partnership prior to the Merger and to the Delaware Partnership, as the Surviving Entity in the Merger, from and after the Effective Time.

(d) Section 2.1.15 of the Partnership Agreement is hereby amended and restated to read in its entirety as follows:

2.1.15 General Partner shall refer to NPI Equity Investments, Inc., a Florida corporation, or to any other person or entity who succeeds it in such capacity.

(e) Section 2.1.22 of the Partnership Agreement is hereby amended and restated to read in its entirety as follows:

2.1.22 Managing General Partner shall refer to NPI Equity Investments, Inc., or to any other person or entity who succeeds in such capacity.

(f) Section 2.1.32 of the Partnership Agreement is hereby amended to delete such section in its entirety.

(g) Section 16.5 of the Partnership Agreement is hereby amended by deleting the last sentence thereof.

(h) Section 20.1.1 of the Partnership Agreement is hereby amended by deleting everything after the word foregoing.

(i) Section 22.7 of the Partnership Agreement is hereby amended and restated to read in its entirety as follows:

The name and address of the Managing General Partners is:

NPI Equity Investments, Inc.  
4582 S. Ulster St., Suite 1100  
Denver, CO 80237

(j) Section 22.9 of the Partnership Agreement is hereby amended and restated to read in its entirety as follows:

22.9 Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties expressly agree that all the terms and provisions of hereof shall be construed under the laws of the State of Delaware and that the Delaware Revised Uniform Limited Partnership Act as now adopted or as may be hereafter amended shall govern the partnership aspects of this Agreement.





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2. *Miscellaneous.*

(a) *Effect of Amendment.* In the event of any inconsistency between the terms of the Partnership Agreement and the terms of this Amendment, the terms of this Amendment shall prevail. In the event of any conflict of apparent conflict between any of the provisions of the Partnership Agreement as amended by this Amendment, such conflicting provisions shall be reconciled and construed to give effect to the terms and intent of this Amendment.

(b) *Ratification.* Except as otherwise expressly modified hereby, the Partnership Agreement shall remain in full force and effect, and all of the terms and provisions of the Partnership Agreement, as herein modified, are hereby ratified and reaffirmed.

(c) *Governing Law.* THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE.

*[Remainder of page intentionally left blank.]*

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IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first set forth above.

**The Managing General Partner:**

NPI EQUITY INVESTMENTS, INC.  
a Florida corporation

By:

Name:  
Title:

**The Limited Partners:**

By: NPI Equity Investments, Inc.

attorney-in-fact

By:

Name:  
Title:

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**EXHIBIT B**

**Appraisal Rights of Limited Partners**

Capitalized terms used but not defined herein shall have the respective meanings ascribed thereto in the Agreement and Plan of Merger, dated as of \_\_\_\_\_, 2010 (the **Merger Agreement**), by and among National Property Investors III, a California limited partnership ( **NPI** ), National Property Investors III, LP, a Delaware limited partnership ( **New NPI** ), AIMCO NPI III Merger Sub LLC, a Delaware limited liability company (the **Aimco Subsidiary**), and AIMCO Properties, L.P., a Delaware limited partnership ( **Aimco OP** ). In connection with the Second Merger, limited partners of New NPI shall have the following appraisal rights:

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

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

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

(d) Upon the submission of any such demand by a Nonconsenting Limited Partner, Aimco OP shall, within 40 days after the Election Deadline, submit to the arbitration panel a duly verified list containing the names and addresses of all Nonconsenting Limited Partners who have demanded payment for their New NPI Units and with whom

agreements as to the value of their New NPI Units have not been reached with Aimco OP. The arbitration panel shall give notice of the time and place fixed for the hearing of such demand by registered or certified mail to Aimco OP and to the Nonconsenting Limited Partners shown on the list at the addresses

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therein stated. The forms of the notices shall be approved by the panel, and the costs thereof shall be borne by Aimco OP.

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

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

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

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

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

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**ANNEX B**

**Appraisal Rights of Limited Partners**

Capitalized terms used but not defined herein shall have the respective meanings ascribed thereto in the Agreement and Plan of Merger, dated as of October [ ], 2010 (the **Merger Agreement** ), by and among National Property Investors III, a California limited partnership ( **NPI** ), National Property Investors III, LP, a Delaware limited partnership ( **New NPI** ), AIMCO NPI III Merger Sub LLC, a Delaware limited liability company (the **Aimco Subsidiary** ), and AIMCO Properties, L.P., a Delaware limited partnership ( **Aimco OP** ). In connection with the Second Merger, limited partners of New NPI shall have the following appraisal rights:

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

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

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

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

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therein stated. The forms of the notices shall be approved by the panel, and the costs thereof shall be borne by Aimco OP.

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

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

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

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

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



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

NPI, New NPI, Aimco OP and the Aimco Subsidiary do not have directors, officers or significant employees of their own. The names and positions of the executive officers and directors of Aimco, AIMCO-GP and NPI Equity Investments, Inc, the general partner of NPI, or NPI Equity, are set forth below. The business address of each executive officer and director is 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237. Each executive officer and director is a citizen of the United States of America.

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

<b>Name</b>	<b>Biographical Summary of Current Directors and Officers</b>
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Terry Considine	Mr. Considine has been Chairman of the Board of Directors and Chief Executive Officer of Aimco and AIMCO-GP, Inc. since July 1994. Mr. Considine also serves on the board of directors of Intrepid Potash, Inc. a publicly held producer of potash, and, until its acquisition in
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early 2009, Mr. Considine served as Chairman of the Board and Chief Executive Officer of American Land Lease, Inc. Mr. Considine has over 40 years of experience in the real estate and other industries. Among other real estate ventures, in 1975, Mr. Considine founded and managed the predecessor companies that became Aimco at its initial public offering in 1994.

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