

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. 333-169873

**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

SHELTER PROPERTIES II

Shelter Properties II, or SP II, plans to enter into an agreement and plan of merger with a wholly owned subsidiary of Aimco Properties, L.P., or Aimco OP. Under the proposed merger agreement, the Aimco Subsidiary, AIMCO SP II Merger Sub LLC, will be merged with and into SP II, with SP II as the surviving entity. The Aimco Subsidiary was formed for the purpose of effecting this transaction and does not have any assets or operations. In the merger, each Unit of Limited Partnership Interest of SP II, or SP Unit, will be converted into the right to receive, at the election of the holder of such SP Unit, either:

\$350.64 in cash, or

\$350.64 in partnership common units of Aimco OP, or OP Units.

The number of OP Units offered for each SP Unit will be calculated by dividing \$350.64 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 15.83 OP Units offered for each SP Unit. However, if AIMCO OP determines that the law of the state or other jurisdiction in which a limited partner resides would prohibit the issuance of OP Units in that state or other jurisdiction (or that registration or qualification in that state or jurisdiction would be prohibitively costly), then such limited partner will not be entitled to elect OP Units, and will receive cash.

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

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

In addition and separate from the merger consideration, you may elect to receive an additional cash payment of \$17.76 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 proposed merger agreement, the certificate and agreement of limited partnership of SP II will be amended to provide that a majority in interest of the SP Units may approve business combination transactions involving SP II, including the merger contemplated by the proposed merger agreement.

Under South Carolina law, the amendment of SP II's certificate and agreement of limited partnership must be approved by SP II's general partners and by holders of a majority of the outstanding SP Units. Once amended, SP II's certificate and agreement of limited partnership will provide that the merger may be approved by SP II's general partners and by a majority of the outstanding SP Units. SP II's general partners have determined that the amendment and the proposed merger are advisable and in the best interests of SP II and its limited partners and have approved the amendment of SP II's certificate and agreement of limited partnership, the proposed merger agreement and the transactions contemplated thereby. As of November 12, 2010, there were issued and outstanding 27,500 SP Units, and Aimco OP and its affiliates owned 21,868.5 of those units, or approximately 79.52% of the number of units outstanding. Aimco OP and its affiliates have indicated that they intend to take action by written consent, as permitted under the partnership agreement, to approve the amendment, the proposed merger agreement and the transactions contemplated thereby on or about _____, 2010. **As a result, approval of the transactions is assured, and your consent 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 SP II's certificate and agreement of limited partnership, the proposed merger agreement, the transactions contemplated thereby, and the securities offered hereby, and the reasons that SP II's corporate general partner, Shelter Realty II Corporation, or the Corporate General Partner, has decided that the transactions are in the best interests of SP II and its limited partners. The Corporate 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 14. It provides you with detailed information about the proposed amendment of SP II's certificate and agreement of limited partnership, the proposed merger agreement, 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 SP II's certificate and agreement of limited partnership 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 merger or determined if this information statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This information statement/prospectus is dated, 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 SP 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 90 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 SP Units in connection with the merger, and a prospectus of Aimco under Section 5 of the Securities Act with respect to shares of Aimco common stock that may be issued in exchange for such OP Units tendered for redemption by the holder thereof. This document also constitutes an information statement under Section 14(c) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, with respect to the action to be taken by written consent to approve the amendment of SP II's certificate and agreement of limited partnership, the proposed merger agreement, 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 Partners and Aimco's subsidiaries that may be deemed to directly or indirectly beneficially own limited partnership units of USRP are referred to herein, collectively, as the Aimco Entities.

The Transactions:

Amendment of SP II's Certificate and Agreement of Limited Partnership. Prior to entering into the proposed merger agreement, SP II's certificate and agreement of limited partnership will be amended to provide that a majority in interest of the SP Units may approve business combination transactions involving SP II, including the merger contemplated by the proposed merger agreement. See *The Transactions - Amendment of Certificate and Agreement of Limited Partnership* beginning on page 33. A copy of the proposed amendment to SP II's partnership agreement is attached as Annex F to this information statement/prospectus.

The Merger. Following the amendment of SP II's certificate and agreement of limited partnership, SP II plans to enter into a merger agreement with the Aimco Subsidiary and Aimco OP. Under the proposed merger agreement, at the effective time of the merger, the Aimco Subsidiary will be merged with and into SP II, with SP II as the surviving entity. 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 proposed merger, each SP Unit outstanding immediately prior to consummation of the merger will be converted into the right to receive, at the election of the holder of such SP Unit, either \$350.64 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 SP Unit will be calculated by dividing the \$350.64 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 33.

Effects of the Transactions: After the amendment of SP II's partnership agreement and the merger, Aimco OP will be the sole limited partner in SP II, and will own all of the outstanding SP Units. As a result, after the transactions, you will cease to have any rights in SP II 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 SP Units in connection with the transactions. See *The Transactions - Appraisal Rights*, beginning on page 36. A description of the appraisal rights being provided, and the procedures that a limited partner must follow to seek such rights, is attached to this information statement/prospectus as Annex B.

Additional Payment for Waiver and Release: In addition to the merger consideration, each limited partner unaffiliated with Aimco OP or its affiliates may elect to receive an additional cash payment of \$17.76 per SP 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 SP II, the Corporate 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 34.

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Parties Involved:

Shelter Properties II, or SP II, was organized as a limited partnership under the laws of the State of South Carolina on October 10, 1980. SP II is engaged in the business of operating and holding real estate property for investment. SP II presently owns and operates two investment properties: Parktown Townhouses, a 309 unit apartment project located in Deer Park, Texas, and Signal Pointe Apartments, a 368 unit apartment project located in Winter Park, Florida. See Information About Shelter Properties II, beginning on page 27. SP II'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 25.

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 25.

AIMCO SP II 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 SP II. See Information about the Aimco entities, beginning on page 25.

Reasons for the Transactions: Aimco and Aimco OP are in the business of acquiring, owning and managing apartment properties such as those owned by SP II, and have decided to proceed with the merger as a means of acquiring the properties currently owned by SP II 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 SP II of the expenses associated with a sale of the properties, including marketing and other transaction costs. The Aimco Entities decided to proceed with the merger at this time for the following reasons:

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

The value of the two properties owned by SP II is not sufficient to justify its continued operation as a public company. As a public company with a significant number of unaffiliated limited partners, SP II 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 \$60,000 per year.

SP II has been operating at a loss for the past couple of years. During 2008 and 2009, Aimco OP made loans of approximately \$17,267,000 to SP II to help fund redevelopment of Signal Pointe Apartments as well as operating expenses at both of SP II's properties. The Aimco Entities do not believe that SP II can obtain

financing from an independent third party. If the Aimco Entities acquire 100% ownership of SP II, they will have greater flexibility in financing and operating its properties.

Fairness of the Transactions: Although the Aimco Entities have interests that may conflict with those of SP II'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 Corporate General Partner is indirectly wholly owned by Aimco. Therefore, the Corporate General Partner has a conflict of interest with respect to the transactions. The Corporate General

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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 SP II and its limited partners, on the other hand. The duties of the Corporate General Partner to SP II and its limited partners conflict with the duties of the Corporate General Partner to AIMCO/IPT, Inc., which could result in the Corporate General Partner approving a transaction that is more favorable to Aimco than might be the case absent such conflict of interest. See, *The Transactions Conflicts of Interest*, beginning on page 34.

Risk Factors: In evaluating the proposed amendment of SP II's certificate and agreement of limited partnership, the proposed merger agreement and the transactions contemplated thereby, SP II limited partners should carefully read this information statement/prospectus and especially consider the factors discussed in the section entitled *Risk Factors* beginning on page 14. Some of the risk factors associated with the merger are summarized below:

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

SP II 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 SP 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 SP Units and Aimco OP Units*, beginning on page 56.

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 will generally be treated as a partnership merger for Federal income tax purposes. In general, any payment of cash for SP Units will be treated as a sale of such SP Units by such holder, and any exchange of SP Units for OP Units under the terms of the merger agreement will be treated, in accordance with Sections 721 and 731 of the Internal Revenue Code of 1986, as amended, or the Code, as a tax free transaction, except to the extent described in *Material United States Federal Income Tax Matters - Taxation of Aimco OP and OP Unitholders - United States Federal Income Tax Consequences Relating to the Merger*, beginning on page 62.

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 Merger

Aimco and Aimco OP are in the business of acquiring, owning and managing apartment properties such as those owned by SP II, and have decided to proceed with the merger as a means of acquiring the properties currently owned by SP II 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 SP II of the expenses associated with a sale of the properties, including marketing and other transaction costs.

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

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

The value of the two properties owned by SP II is not sufficient to justify its continued operation as a public company. As a public company with a significant number of unaffiliated limited partners, SP II 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 \$60,000 per year.

SP II has been operating at a loss for the past couple of years. During 2008 and 2009, Aimco OP made loans of approximately \$17,267,000 to SP II to help fund redevelopment of Signal Pointe Apartments as well as operating expenses at both of SP II's properties. The Aimco Entities do not believe that SP II can obtain additional financing from an independent third party. If the Aimco Entities acquire 100% ownership of SP II, they will have greater flexibility in financing and operating its properties.

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

Continuation of SP II as a Public Company Operating the Properties. As discussed above, the Corporate General Partner and the other 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 SP II to generate sufficient funds to cover operating expenses without advances from Aimco OP which would not be available in the future.

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

SPII would incur in repaying its mortgage debt upon a sale of the properties.

Contribution of the properties to Aimco OP. The Aimco Entities considered a transaction in which SP II's properties would be contributed to Aimco OP in exchange for OP Units. The primary advantage of such a transaction would be that SP II 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 merger will have the following benefits and detriments to unaffiliated limited partners, SP II and the Aimco Entities:

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

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

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

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

Benefits to SP II. The merger is expected to have the following principal benefits to SP II:

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 SP II, and SP II will terminate its registration and cease filing periodic reports with the SEC. As a result, SP II 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 \$60,000 per year.

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

Increased Interest in SP II. Upon completion of the merger, Aimco OP will be the sole limited partner of SP II. As a result, the Aimco Entities will receive all of the benefit from any future appreciation in value of the properties 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 properties.

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

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

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

Detriments to SP II. The merger is not expected to have any detriments to SP II.

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

Increased Interest in SP II. Upon completion of the merger, the Aimco Entities' interest in the net book value of SP II will increase from 79.7% to 100%, or from a deficit of \$12,069,000 to a deficit of \$15,151,000 as of December 31, 2009, and their interest in the net losses of SP II will increase from 79.7% to 100%, or from \$1,716,000 to \$2,152,000 for the period ended December 31, 2009. Upon completion of the merger, Aimco OP will be the sole limited partner of SP II. 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 SP II's properties.

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

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 Merger.**

Fairness of the Transactions

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

The merger consideration of \$350.64 per SP Unit was based on an independent third party appraisal of SP II's properties 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 SP II's properties, plus the amount of its other assets, less the amount of SP II'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 properties, such as prepayment penalties on the mortgage debt, currently estimated to be \$9,079,343.

The merger consideration exceeds the net book value per unit (a deficit of \$628.25 per SP Unit at September 30, 2010).

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

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

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

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

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

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

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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 properties to a third party or third parties, 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 SP Units have historically sold in the secondary market (\$150 to \$675 per SP Unit from January 1, 2008 through December 31, 2009).

The merger consideration is greater than the prices at which SP Units have recently sold in the secondary market (\$150 to \$200 per SP 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 Corporate General Partner has substantial conflicts of interest with respect to the merger as a result of (i) the fiduciary duties it owes to unaffiliated limited partners, who have an interest in receiving the highest possible consideration, and (ii) the fiduciary duties it owes to its sole stockholder, a subsidiary of Aimco, which has an interest in obtaining the SP II properties for the lowest possible consideration.

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

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

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

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

The merger consideration is less than some of the prices at which SP Units have historically sold in the secondary market (\$150 to \$675 per SP 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 properties.

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 SP II properties, 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 SP II 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 \$350.64 per SP Unit is based on independent third party appraisals of SP II's properties, (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 SP Units may have sold in the secondary market because they do not view that information as a reliable measure of value. The SP Units are not traded on an 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 Corporate General Partner.

Procedural Fairness. The Aimco Entities determined that the merger is fair from a procedural standpoint despite the absence of any customary procedural safeguards, such as the engagement of an unaffiliated

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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 Appraisals

Selection and Qualifications of Independent Appraiser. The Corporate General Partner retained the services of CRA to appraise the market value of SP II's properties. 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 appraisals related to the merger.

Factors Considered. CRA performed complete appraisals of Parktown Townhouses and Signal Pointe 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. SP II furnished CRA with all of the necessary information requested by CRA in connection with the appraisals. The appraisals were not prepared in conjunction with a request for a specific value or a value within a given range. In preparing its valuation of each 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 appraisals. 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 each 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 each property's actual performance. As such, the income capitalization approach was utilized in the appraisal of each property.

As part of the income capitalization approach, CRA used the direct capitalization method to estimate a value for Parktown Townhouses and Signal Pointe Apartments. According to CRA's reports, the basic steps in the direct

capitalization analysis are as follows: (i) calculate potential gross income from all sources that a competent owner could legally generate; (ii) estimate and deduct an appropriate vacancy and collection loss factor to arrive at effective gross income; (iii) estimate and deduct operating expenses that would be expected during a stabilized year to arrive at a probable net operating income; (iv) develop an appropriate overall capitalization rate to apply to the net operating income; and (v) estimate value by dividing the net operating income by the overall capitalization rate. In addition, any adjustments to account for differences between the current conditions and stabilized conditions are also considered. The assumptions utilized by CRA with respect to each 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 each property and comparison of said data to the operating statistics of similar properties in the

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influencing market areas. The capitalization rate for each property was determined to be reasonable by CRA based on their review of applicable data ascertained within the market in which each 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. 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 each of the subject property's market value pursuant to the sales comparison approach.

In each of the appraisals, numerous sales were uncovered and the specific sales included in the appraisal reports were deemed representative of the most comparable data available at the time the appraisals were 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 reports, 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 value estimate. CRA reviewed each approach in order to determine its appropriateness relative to each property. The accuracy of the data available and the quantity of evidence were weighted in each approach. For the appraisals of Parktown Townhouses and Signal Pointe Apartments, CRA relied principally on the income capitalization approach to valuation. For each property, 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.

Parktown Townhouses

Summary of Independent Appraisal of Parktown Townhouses. CRA performed a complete appraisal of Parktown Townhouses. The appraisal report of Parktown Townhouses is dated June 7, 2010 and provides an estimate of the property's market value as of May 25, 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 market value of Parktown Townhouses was \$21,600,000 as of May 25, 2010. The following is a summary of the appraisal report dated June 7, 2010:

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

The direct capitalization analysis resulted in a valuation conclusion for Parktown Townhouses of approximately \$21,600,000.

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

- potential gross income from apartment unit rentals of \$299,028 per month or \$3,588,336 for the appraised fiscal year;
- a 4.0% loss to lease allowance;
- rent concessions of 1.5% of the gross rent potential;
- a combined vacancy and collection loss factor of 7%;
- other income of \$550 per unit for the appraised fiscal year;
- estimated utility recovery of \$750 per unit for the appraised fiscal year;
- projected total expenses (including reserves) of \$1,810,370;
- capitalization rate of 8.0%.

Using a direct capitalization analysis, CRA calculated the value of Parktown Townhouses by dividing the stabilized net operating income (including an allowance for reserves) by the concluded capitalization rate of 8.0%.

CRA calculated the market value of the fee simple interest in the Parktown Townhouses under the income capitalization approach of approximately \$21,600,000 as of May 25, 2010.

Valuation Under Sales Comparison Approach. CRA estimated the property value of Parktown Townhouses under the sales comparison approach by analyzing sales from the influencing market that were most similar to Parktown Townhouses in terms of age, size, tenant profile and location. CRA reported that, while sales volume for most types of commercial real estate have declined considerably from historical levels, an adequate number of apartments sales existed to formulate a defensible value for Parktown Townhouses under the sales comparison approach. CRA reported that the primary limitation of the sales data was the lack of truly comparable properties that featured a single-story townhouse-style design and large average floor plan size similar to Parktown Townhouses.

The sales comparison approach resulted in a valuation conclusion for Parktown Townhouses of approximately \$21,600,000.

In reaching a valuation conclusion for Parktown Townhouses, CRA examined and analyzed comparable sales of four properties in the influencing market. The sales reflected unadjusted sales prices ranging from \$49,462 to \$63,333 per unit. After adjustment, the comparable sales illustrated a value range of \$66,700 to \$76,000 per unit, with mean and median adjusted sale prices of \$69,682 and \$68,013 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 sales prices for these properties ranged from \$66,700 to \$76,000 per unit. CRA estimated a value of \$70,000 per unit for Parktown Townhouses. Applied to Parktown Townhouses 309 units, this resulted in CRA's total value estimate for Parktown Townhouses of approximately \$21,600,000 as of May 25, 2010.

CRA also performed an effective gross income multiplier (EGIM) analysis. The EGIM 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 each of the appraisals, including the appraisal of Parktown Townhouses, the indicated

EGIM for the appraised property, calculated by dividing the value concluded for the appraised property via the sale comparison approach by its projected effective gross income, was compared to the EGIMs produced by the sales data. In each of the appraisals, including the Parktown Townhouses appraisal, the appraised property's indicated EGIM fell within the range of EGIMs produced by the sales data under analysis. This comparison was made to check the reasonableness of the values concluded for the appraised properties via comparative analysis. The EGIM analysis resulted in an indicated EGIM of approximately 6.1 on a stabilized basis. CRA reported that that the indicated EGIM was aligned toward the middle of the range exhibited by the most recent transactions (5.2 to 6.5 with an average of 6.1), which is considered reasonable. CRA reported that the indicator suggested that the value concluded for the property via comparative analysis was reasonable based on the income-producing characteristics of Parktown Townhouses.

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Reconciliation of Values and Conclusion of Appraisal. For the appraisal of Parktown Townhouses, 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 \$21,600,000, and the sales comparison approach resulted in a value of \$21,600,000. CRA concluded that the market value of Parktown Townhouses as of May 25, 2010 was \$21,600,000.

Signal Pointe Apartments

Summary of Independent Appraisal of Signal Pointe Apartments. CRA performed a complete appraisal of Signal Pointe Apartments. The appraisal report of Signal Pointe Apartments is dated August 30, 2010 and provides an estimate of the property's market value as of August 11, 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 Signal Pointe Apartments was \$30,200,000 as of August 11, 2010. The following is a summary of the appraisal report dated August 30, 2010:

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

The direct capitalization analysis resulted in a valuation conclusion for Signal Pointe Apartments of approximately \$30,200,000.

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

- potential gross income from apartment unit rentals of \$326,070 per month or \$3,912,840 for the appraised year;
- no loss to lease allowance;
- rent concessions of 4.5% of the gross rent potential;
- a combined vacancy and collection loss factor of 5.5%;
- estimated utility recovery of \$600 per unit for the appraised fiscal year;
- other income of \$560 per unit for the appraised fiscal year;
- projected total expenses (including reserves) of \$1,911,053;
- capitalization rate of 6.75%.

Using a direct capitalization analysis, CRA calculated the value of Signal Pointe Apartments by dividing the stabilized net operating income (including an allowance for reserves) by the concluded capitalization rate of 6.75%.

CRA calculated the market value of the fee simple interest in the Signal Pointe Apartments under the income capitalization approach of approximately \$30,200,000 as of August 11, 2010.

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

The sales comparison approach resulted in a valuation conclusion for Signal Pointe Apartments of approximately \$30,400,000.

In reaching a valuation conclusion for Signal Pointe Apartments, CRA examined and analyzed comparable sales of five properties in the influencing market. The sales reflected unadjusted sales prices ranging from \$67,411

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to \$100,116 per unit. After adjustment, the comparable sales illustrated a value range of \$77,523 to \$86,236 per unit, with mean and median adjusted sale prices of \$81,668 and \$82,245 per unit, respectively. CRA gave consideration to the improvement taking place in overall market fundamentals and the recognition that the sales comparison approach is based on trailing market indicators. CRA reported that, to account for the improvement in market conditions that is taking place at the time of the report, the most dated transactions were adjusted upward. CRA estimated a value of \$82,500 per unit for Signal Pointe Apartments. Applied to Signal Pointe Apartments 368 units, this resulted in CRA's total value estimate for Signal Pointe Apartments of approximately \$30,400,000 as of August 11, 2010.

CRA also performed an effective gross income multiplier (EGIM) analysis, which resulted in an indicated EGIM of approximately 7.7. CRA reported that the indicated EGIM was well within the range exhibited by the sales transactions (6.5 to 8.5). CRA reported that the indicator suggested that the value concluded for the property via comparative analysis was reasonable based on the income-producing characteristics of Signal Pointe Apartments.

Reconciliation of Values and Conclusion of Appraisal. For the appraisal of Signal Pointe 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 \$30,200,000, and the sales comparison approach resulted in a value of \$30,400,000. CRA concluded that the market value of Signal Pointe Apartments as of August 11, 2010 was \$30,200,000.

Assumptions, Limitations and Qualifications of CRA's Valuation. In preparing each of the appraisals, CRA relied, without independent verification, on the information furnished by others. Each of CRA's appraisal reports 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 each property was assumed to be good and marketable unless otherwise stated; each property was appraised free and clear of any or all liens or encumbrances unless otherwise stated; responsible ownership and competent property management were assumed; 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 each report was based; the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in either report; the distribution, if any, of the total valuation in each report between land and improvements applies only under the respective stated program of utilization; unless otherwise stated in each 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 each 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 this 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 each appraisal report, either permanently affixed to the real estate or were implicitly part of the real estate in that tenants expect the use of such items in exchange for rent and never gain any of the rights of ownership, and the intention of the owners is not to remove the articles which are required under the

implied or express warranty of habitability.

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Compensation of Appraiser. CRA's fees for the appraisals totaled approximately \$13,840. Aimco OP paid for the costs of the appraisals. In addition to the appraisals performed in connection with the merger, during the prior two years, CRA has been paid approximately \$99,953 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 SP II 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 Merger

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

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

Neither the amendment of SP II's certificate and agreement of limited partnership nor the merger agreement requires approval by a majority of the limited partners unaffiliated with Aimco OP. Under the provisions of SP II's certificate and agreement of limited partnership and applicable South Carolina law, the amendment of SP II's certificate and agreement of limited partnership must be approved by a majority in interest of the SP Units. As of November 12, 2010, Aimco OP and its affiliates owned approximately 79.52% of the outstanding SP Units, enabling them to approve the amendment without the consent or approval of any unaffiliated limited partners. Once amended, SP II's certificate and agreement of limited partnership will provide that the merger may be approved by SP II's general partners and by holders of more than fifty percent (50%) of the outstanding SP Units.

The terms of the merger 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 Corporate General Partner, on the one hand, and officers of Aimco, on the other. All of the officers and directors of the Corporate General Partner are also officers of Aimco. There are no independent directors of the Corporate General Partner. If the terms of the transactions had been determined through arm's-length negotiations, the terms might be more favorable to SP II and its limited partners.

Alternative valuations of SP II's properties might exceed the appraised value relied on to determine the merger consideration. Aimco determined the merger consideration in reliance on the appraised values of SP II's two properties. See, *Special Factors – The Appraisals*, beginning on page 8, for more information about the appraisals. Although an independent appraiser was engaged to perform complete appraisals of the properties, 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. For example, in connection with the refinancing of the mortgages encumbering Parktown Townhouses, the lender valued this property at \$17,580,000, an amount that is lower than the property's appraised value. As of September 30, 2010, Aimco internally valued Signal Pointe Apartments at \$33,690,000.

The actual sales price of SP II's properties could exceed the appraised value that Aimco relied on to determine the merger consideration. On September 25, 2009, SP II and eight other entities that collectively own nine apartment complexes containing an aggregate of 2,393 units entered into a purchase and sale contract with an unaffiliated third party, Standard Portfolios LLC, to sell nine apartment complexes owned by SP II and the other eight entities to

Standard Portfolios LLC for a total sales price of \$156,097,000, \$18,917,000 of which was allocated to Parktown Townhouses under the terms of the purchase and sale contract. The purchase and sale contract was terminated by Standard Portfolios LLC on November 13, 2009. No recent attempt has been made to market Signal Pointe Apartments to unaffiliated third parties. There can be no assurance that the properties could not be sold for a value higher than their respective appraised values used to determine the merger consideration if they were marketed to third-party buyers interested in properties of this type.

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

No opinion has been obtained from an independent financial advisor that the merger is fair to unaffiliated limited partners. While the Corporate General Partner and each of the other Aimco Entities believes that the terms of the merger are fair to SP II limited partners unaffiliated with the Corporate 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 merger is fair to the limited partners of SP II unaffiliated with the Corporate General Partner or Aimco from a financial point of view.

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

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

Risks Related to an Investment in Aimco or Aimco OP

For a description of risks related to an investment in Aimco and Aimco OP, please see the information set forth under Part I Item 1A. Risk Factors in the Annual Reports on Form 10-K for the year ended December 31, 2009 of each of Aimco and Aimco OP. Aimco's Annual Report is incorporated herein by reference and is available electronically through the SEC's website, www.sec.gov, 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

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from reserves, and not on profitability, which is affected by non-cash items. Therefore, cash distributions may be made during periods when Aimco OP records losses and may not be made during periods when it records profits. The Aimco OP partnership agreement gives the general partner discretion in establishing reserves for the proper conduct of the partnership's business that will affect the amount of available cash. Aimco is required to make reserves for the future payment of principal and interest under its credit facilities and other indebtedness. In addition, Aimco OP's credit facility limits its ability to distribute cash to holders of OP Units. As a result of these and other factors, there can be no assurance regarding actual levels of cash distributions on OP Units, and Aimco OP's ability to distribute cash may be limited during the existence of any events of default under any of its debt instruments.

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

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

Any agreements between Aimco OP and the general partner and its affiliates will not grant to the OP Unitholders, separate and apart from Aimco OP, the right to enforce the obligations of the general partner and such affiliates in favor of Aimco OP. Therefore, the general partner, in its capacity as the general partner of Aimco OP, will be primarily responsible for enforcing such obligations.

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

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

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

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

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.

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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.

	For the Nine Months Ended September 30, 2010		For the Years Ended December 31,				
	2010	2009(1)	2009(1)	2008(1)	2007(1)	2006(1)	2005(1)
	(Unaudited)						
	(Dollar amounts in thousands, except per unit data)						
Consolidated Statements of Operations:							
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	(36,626)	(37,631)	(50,566)	(53,708)	(66,016)	(81,132)	(87,948)

Stockholders									
Net (loss) income									
tributable 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									
tributable to Aimco									
Common									
Stockholders	\$ (1.12)	\$ (1.18)	\$ (1.75)	\$ (2.11)	\$ (1.42)	\$ (1.48)	\$ (1.33)		
Net (loss) income									
tributable to Aimco									
Common									
Stockholders	\$ (0.75)	\$ (0.95)	\$ (1.00)	\$ 3.96	\$ (0.43)	\$ 0.98	\$ (0.23)		

Consolidated

Balance Sheets:

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		

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