

APARTMENT INVESTMENT & MANAGEMENT CO

Form DEF 14A

March 27, 2006

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

Apartment Investment and Management Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

 - (2) Aggregate number of securities to which transaction applies:

 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4582 SOUTH ULSTER STREET PARKWAY, SUITE 1100
DENVER, COLORADO 80237

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held On May 10, 2006

You are cordially invited to attend the 2006 Annual Meeting of Stockholders (the Meeting) of APARTMENT INVESTMENT AND MANAGEMENT COMPANY (Aimco or the Company) to be held on Wednesday, May 10, 2006, at 9:00 a.m. at the principal executive offices of the Company at 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237, for the following purposes:

1. To elect six directors, for a term of one year each, until the next Annual Meeting of Stockholders and until their successors are elected and qualify;
2. To ratify the selection of Ernst & Young LLP, to serve as independent registered public accounting firm for the Company for the fiscal year ending December 31, 2006;
3. To approve the sale of up to an aggregate of 5,000 High Performance Partnership Units of AIMCO Properties, L.P.;
4. To transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

Only stockholders of record at the close of business on March 3, 2006, will be entitled to notice of, and to vote at, the Meeting or any adjournment(s) thereof.

WHETHER OR NOT YOU EXPECT TO BE AT THE MEETING, PLEASE SIGN AND DATE THE ENCLOSED PROXY, WHICH IS BEING SOLICITED BY THE BOARD OF DIRECTORS, AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE. The proxy is revocable at any time prior to the exercise thereof by written notice to the Company, and stockholders who attend the Meeting may withdraw their proxies and vote their shares personally if they so desire.

You may choose to vote your shares by using a toll-free telephone number or the Internet, as described on the proxy card. You may also mark, sign, date and mail your proxy in the envelope provided, and if you choose to vote your shares by telephone or the Internet, there is no need for you to mail your proxy card. Votes submitted via the Internet or by telephone must be received by 1:00 a.m. Central Time on May 9, 2006. The method by which you decide to vote will not limit your right to vote at the Meeting. If you later decide to attend the Meeting in person, you may vote your shares even if you previously have submitted a proxy by telephone, the Internet or by mail.

The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. Stockholders voting via the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, that must be borne by the stockholder.

BY ORDER OF THE BOARD OF DIRECTORS

Miles Cortez
Secretary

March 27, 2006

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**APARTMENT INVESTMENT AND MANAGEMENT COMPANY
4582 SOUTH ULSTER STREET PARKWAY, SUITE 1100
DENVER, COLORADO 80237**

**PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 10, 2006**

This Proxy Statement is furnished to stockholders of Apartment Investment and Management Company (Aimco or the Company), a real estate investment trust (REIT), in connection with the solicitation of proxies in the form enclosed herewith for use at the Annual Meeting of Stockholders of the Company (the Meeting) to be held Wednesday, May 10, 2006, at 9:00 a.m. at the principal executive offices of the Company at 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237, and at any and all adjournments or postponements thereof, for the purposes set forth in the Notice of Meeting. This Proxy Statement and the enclosed form of proxy are first being mailed to stockholders on or about April 5, 2006.

This solicitation is made by mail on behalf of the Board of Directors (the Board) of the Company. Costs of the solicitation will be borne by the Company. Further solicitation of proxies may be made by telephone, fax or personal interview by the directors, officers and employees of the Company and its affiliates, who will not receive additional compensation for the solicitation. The Company has retained the services of The Altman Group, Inc., for an estimated fee of \$4,500, plus out-of-pocket expenses, to assist in the solicitation of proxies from brokerage houses, banks, and other custodians or nominees holding stock in their names for others. The Company will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy material to stockholders.

Holders of record of the Class A Common Stock of the Company (Common Stock) as of the close of business on the record date, March 3, 2006 (the Record Date), are entitled to receive notice of, and to vote at, the Meeting. Each share of Common Stock entitles the holder to one vote. At the close of business on the Record Date, there were 97,101,521 shares of Common Stock issued and outstanding.

Shares represented by proxies in the form enclosed, if the proxies are properly executed and returned and not revoked, will be voted as specified. Where no specification is made on a properly executed and returned proxy, the shares will be voted: **FOR** the election of all nominees for director; **FOR** the ratification of the selection of Ernst & Young LLP as Aimco's independent registered public accounting firm for the fiscal year ending December 31, 2006; and **FOR** the approval of the sale of up to an aggregate of 5,000 High Performance Partnership Units of AIMCO Properties, L.P. (the Operating Partnership). To be voted, proxies must be filed with the Secretary of the Company prior to voting. Proxies may be revoked at any time before voting by filing a notice of revocation with the Secretary of the Company, by filing a later dated proxy with the Secretary of the Company or by voting in person at the Meeting. Shares represented by proxies that reflect abstentions or broker non-votes (i.e., shares held by a broker or nominee that are represented at the Meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

The Company's 2005 Annual Report to Stockholders is being mailed with this Proxy Statement. The principal executive offices of the Company are located at 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237.

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**PROPOSAL 1:
ELECTION OF DIRECTORS**

Pursuant to Aimco's Articles of Restatement (the Charter) and Amended and Restated Bylaws (the Bylaws), directors are elected at each Annual Meeting of Stockholders and hold office for one year, and until their successors are duly elected and qualify. Aimco's Bylaws currently authorize a Board consisting of not fewer than three nor more than nine persons.

The nominees for election to the six positions on the Board selected by the Nominating and Corporate Governance Committee of the Board and proposed by the Board to be voted upon at the Meeting are James N. Bailey, Terry Considine, Richard S. Ellwood, J. Landis Martin, Thomas L. Rhodes and Michael A. Stein. Messrs. Bailey, Considine, Ellwood, Martin, Rhodes and Stein were elected to the Board at the last Annual Meeting of Stockholders. Messrs. Bailey, Ellwood, Martin, Rhodes and Stein are not employed by, or affiliated with, Aimco, other than by virtue of serving as directors of Aimco. Unless authority to vote for the election of directors has been specifically withheld, the persons named in the accompanying proxy intend to vote for the election of Messrs. Bailey, Considine, Ellwood, Martin, Rhodes and Stein to hold office as directors for a term of one year until their successors are elected and qualify at the next Annual Meeting of Stockholders. All nominees have advised the Board that they are able and willing to serve as directors.

If any nominee becomes unavailable for any reason (which is not anticipated), the shares represented by the proxies may be voted for such other person or persons as may be determined by the holders of the proxies (unless a proxy contains instructions to the contrary). In no event will the proxy be voted for more than six nominees.

Directors will be elected by a favorable vote of a plurality of the shares of voting stock present and entitled to vote, in person or by proxy, at the Meeting. Accordingly, abstentions or broker non-votes as to the election of directors will not affect the election of the candidates receiving the plurality of votes. Unless instructed to the contrary in the proxy, the shares represented by the proxies will be voted FOR the election of the six nominees named above as directors.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH
OF THE SIX NOMINEES.**

**PROPOSAL 2:
RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

The firm of Ernst & Young LLP, the Company's independent registered public accounting firm for the year ended December 31, 2005, was selected by the Audit Committee to act in the same capacity for the fiscal year ending December 31, 2006, subject to ratification by Aimco's stockholders. The aggregate fees billed for services rendered by Ernst & Young LLP during the years ended December 31, 2005 and 2004, are described below under the caption Principal Accountant Fees and Services.

Representatives of Ernst & Young LLP will be present at the Meeting and will be given the opportunity to make a statement if they so desire and to respond to appropriate questions.

The affirmative vote of a majority of the votes cast regarding the proposal is required to ratify the selection of Ernst & Young LLP. Accordingly, abstentions or broker non-votes will not affect the outcome of the vote on the proposal. Unless instructed to the contrary in the proxy, the shares represented by the proxies will be voted FOR the proposal to ratify the selection of Ernst & Young LLP to serve as independent registered public accounting firm for the Company for the fiscal year ending December 31, 2006.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION
OF THE SELECTION OF ERNST & YOUNG LLP.**

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PROPOSAL 3:

APPROVAL OF THE SALE OF HIGH PERFORMANCE UNITS

As an additional step in furtherance of Aimco's goal of increasing Aimco's adjusted funds from operations, dividend income and share price by making equity ownership the primary economic motivation of its officers, in January 1998, AIMCO Properties, L.P. (the Operating Partnership) sold an aggregate of 15,000 Class I High Performance Partnership Units (the Class I Units) to a joint venture formed by 14 of Aimco's officers and to three of Aimco's independent directors. Based on the success of the Class I Units, in January 2001, the Board decided to offer to sell to employees of Aimco's subsidiaries additional High Performance Units. In 2001, upon approval of stockholders, the Operating Partnership sold an aggregate of 15,000 of its Class II, III, and IV High Performance Partnership Units (the Class II Units, Class III Units and Class IV Units) to three limited liability companies formed by over 50 employees. In 2002, upon approval of stockholders, the Operating Partnership sold 4,398 of its Class V High Performance Partnership Units (the Class V Units) to a limited liability company formed by over 40 employees. In 2003, upon approval of stockholders, the Operating Partnership sold 5,000 of its Class VI High Performance Units (Class VI Units) to a limited liability company formed by approximately 40 employees. In 2004, upon the approval of stockholders, the Operating Partnership sold 4,109 of its Class VII High Performance Units (Class VII Units) to a limited liability company formed by approximately 22 employees. In 2005, upon the approval of stockholders, the Operating Partnership sold 5,000 of its Class VIII High Performance Units (Class VIII Units) to a limited liability company formed by 15 employees. Unlike Common Stock, common partnership units in the Operating Partnership (OP Units) and options to purchase Common Stock, the High Performance Units provide the following advantages to Aimco:

the Operating Partnership receives cash consideration for an interest that will have nominal cost to Aimco unless the total return to Aimco's stockholders for the relevant measurement period exceeds a minimum hurdle rate and is significantly better than the industry average (as measured by the MSCI US REIT Index); and

any value received by the purchasers of the High Performance Units is not readily transferable and constitutes a long-term investment in Aimco, providing a substantial and enduring alignment of the long-term economic interests of Aimco and the participating officers and employees.

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The following table details the results of the High Performance Units that have been previously issued and for which the relevant measurement period has ended:

	Class I Units	Class II Units	Class III Units	Class IV Units	Class V Units	Class VI Units
Measurement Period	1/1/98- 12/31/00	1/1/01- 12/31/01	1/1/01- 12/31/02	1/1/01- 12/31/03	1/1/02- 12/31/04	1/1/03- 12/31/05
Aimco Total Return	59.24%	0.21%	(11.40)%	(10.09)%	5.01%	29.86%
Morgan Stanley REIT Index Total Return	0.58%	12.83%	16.94%	59.91%	86.35%	101.61%(1)
Minimum Return for Measurement Period	30.00%	11.00%	23.21%	36.76%	36.76%	36.76%
Outperformance Return	29.24%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted Average Market Value of Outstanding Equity (in millions)	\$2,623	\$3,858	\$4,063	\$4,012	\$3,844	\$3,821
Outperformance Stockholder Value Added(2)	\$767	\$0	\$0	\$0	\$0	\$0
Value of Units(2)	\$115	\$0	\$0	\$0	\$0	\$0

(1) Effective June 20, 2005, the Morgan Stanley REIT Index ceased to exist. The MSCI US REIT Index replaced the Morgan Stanley REIT Index and the Aimco Board designated the MSCI US REIT Index as the peer index for purposes of valuing the Class VI Units, the Class VII Units and the Class VIII Units.

(2) In millions, at end of measurement period.

As shown in the above table, the Class II Units, the Class III Units, the Class IV Units, the Class V Units and the Class VI Units were valued at \$0, and therefore, the allocable investments made by the holders of \$1.275 million, \$1.793 million, \$1.793 million, \$937,601, and \$985,000, respectively, were lost.

In addition to the Class I Units, Class II Units, Class III Units, Class IV Units, Class V Units and Class VI Units described above, the Operating Partnership has issued 4,109 Class VII Units and 5,000 Class VIII Units, which have measurement periods of January 1, 2004, through December 31, 2006, and January 1, 2005, through December 31, 2007, respectively.

The following table details the results of the High Performance Units that have been previously issued and for which the relevant measurement periods have not yet ended:

	Class VII Units	Class VIII Units
Measurement Period	1/1/04-12/31/06	1/1/05-12/31/07
Aimco Total Return(1)	39.27%	9.35%
MSCI US REIT Index Total Return(1)(2)	47.44%	12.13%
Minimum Return for Measurement Period	23.21%	11.00%
Outperformance Return(1)	0.00%	0.00%
Weighted Average Market Value of Outstanding Equity (in millions)(1)	\$3,790	\$3,506
Outperformance Stockholder Value Added (at 12/31/05)	\$0	\$0
Value of Units (at 12/31/05)	\$0	\$0

- (1) For the period from 1/1/04 through 12/31/05 for Class VII Units and 1/1/05 through 12/31/05 for the Class VIII Units.
- (2) The Morgan Stanley REIT Index was the original peer comparison index. However, effective June 20, 2005, the Morgan Stanley REIT Index ceased to exist and the Aimco Board designated the MSCI US REIT Index as the peer comparison index.

As shown in the above table, the Class VII Units and the Class VIII Units were valued at \$0 for the portion of the measurement period through December 31, 2005, however, the full measurement period ends on December 31, 2006, for the Class VII Units and on December 31, 2007 for the Class VIII Units.

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This year, the Board has decided to sell a new class of High Performance Units (the Class IX High Performance Partnership Units or Class IX Units), which have substantially the same characteristics as the Class VIII Units sold in 2005 except for a different three year measurement period. Up to 5,000 Class IX Units will be offered for sale. The specific characteristics of the Class IX Units are shown below:

The Class IX Units will have a three-year measurement period starting on January 1, 2006, and ending December 31, 2008.

The Class IX Units will have nominal value unless the Aimco total return (dividend income plus share price appreciation) exceeds 115% of the cumulative total return of the MSCI US REIT Index and has a cumulative total return for the three year period of at least 36.8% (equivalent to 11% per year compounded).

The amount, if any, by which the total return of the Common Stock over the measurement period exceeds the applicable total return hurdle will be considered the Outperformance Return.

Outperformance Return multiplied by Aimco's average market capitalization will be considered Outperformance Stockholder Value Added for stockholders.

If the minimum total return hurdle is met as of December 31, 2008, the holders of the new High Performance Units will thereafter receive distributions and allocations of income and loss at the same time and in the same amount (subject to certain exceptions upon liquidation of the Operating Partnership) as a number of OP Units equal to (i) 5% of Outperformance Stockholder Value Added (subject to proration if fewer than 5,000 Class IX Units are sold), divided by (ii) the average volume weighted price of Common Stock over the 20 trading days ending on the determination date (subject to the limits on dilution described below).

Investment in the new joint venture that will purchase the High Performance Units will be offered to certain of Aimco's officers, and there will be no participation by the independent board members.

After the measurement period, the Class IX Units may be distributed to the joint venture participants. Thereafter, the Class IX Units are not transferable (except to family trusts or partnerships) until the holder of the units dies, and are not exchangeable for Common Stock unless there is a change of control of Aimco.

The dilutive impact to Aimco's stockholders from the Class IX Units will be limited to 1.0% (subject to proration if fewer than 5,000 Class IX Units are sold).

In calculating the Aimco total returns for the Class IX Units, the initial value of the Common Stock will be \$38.54. It is an average of the volume-weighted daily trading price of the Common Stock for the 20 consecutive trading days immediately preceding the end of the period on December 31, 2005. This was also the price used to determine the total return of the Common Stock for purposes of valuing the Class VI Units issued in January 2003, for which the measurement period ended on December 31, 2005.

Aimco's Board has determined, based upon the advice of an independent valuation expert, that the fair value of the 5,000 Class IX Units is \$875,000 in the aggregate. The employees who are offered the opportunity to invest in the Class IX Units will do so through a senior management partnership, SMP 2009, L.L.C., a Delaware limited liability company (the SMP), which will hold the Class IX Units until their valuation date. The SMP will be formed solely for the purpose of holding the Class IX Units until their valuation date, and the SMP will have no assets other than the Class IX Units. The terms of the limited liability company agreement of the SMP will restrict the employees' ability to transfer their interests, and provides the SMP with a right to repurchase the interest of any employee at the original purchase price if such employee's employment with Aimco is terminated for any reason (other than by death or disability) before the end of the measurement period. As with previous High Performance Units, the employees are

investing through a limited liability company to ensure that there is no opportunity to profit from the ownership of High Performance Units before the valuation date.

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Aimco intends to offer the Class IX Units without registration under the Securities Act of 1933, as amended (the Act), in reliance upon Section 4(2) and Regulation D thereunder. Neither Aimco, the Operating Partnership, the SMP nor any other person or entity will offer or sell the securities by any form of general solicitation or general advertising. As indicated above, the aggregate price for the Class IX Units will be less than \$1 million. Each employee-investor will receive the requisite information to make an informed investment decision. Each employee-investor must represent that he or she is acquiring the securities for himself or herself and not for any other person and that he or she understands that the securities have not been registered under the Act, and cannot be resold unless they are registered or an exemption from registration is available and that the certificates representing the securities will bear a restrictive legend to such effect. Interests in the SMP will be offered and sold only to a limited number of employees. The total number of purchasers (excluding accredited investors as defined in Rule 501 under the Act) will not exceed 35. Each purchaser who is not an accredited investor must have such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the investment.

A family partnership controlled by Terry Considine is expected to own up to approximately 90% of the SMP (for HPU VIII, a Considine family partnership owns approximately 89% of the limited liability company). Other employees will own the remaining interests in the SMP; however, the total number of purchasers will not exceed 35 (excluding accredited investors). The \$875,000 aggregate purchase price to be paid by the SMP for the Class IX Units will be funded with cash contributions from the employees participating in the SMP. Aimco will not make loans to executive officers to fund their cash contributions to the SMP, but Aimco may make loans to facilitate the participation of non-executive officers. These loans will be full recourse, will be payable through payroll deductions and will be required to be paid in full by October 31, 2006. To the extent that offerees elect not to participate, their interests will be offered to other participants on a proportionate basis.

Holders of the Class IX Units will not be able to redeem their Class IX Units unless a change of control (as defined in the Operating Partnership's Agreement of Limited Partnership) occurs. Prior to the date (the Valuation Date) that is the earlier of (i) January 1, 2009 or (ii) the date on which a change of control occurs, each Class IX Unit will entitle the holder thereof to receive distributions and allocations of income and loss from the Operating Partnership in the same amounts and at the same times (subject to certain exceptions upon liquidation of the Operating Partnership) as would a holder of 0.01 OP Units. If, on the Valuation Date, the cumulative Total Return of the Common Stock from January 1, 2006 to December 31, 2008 (the Measurement Period) exceeds 115% of the cumulative Total Return of a peer group index over the same period, and is at least the equivalent of a 36.8% cumulative Total Return over the three year period (the Minimum Return), then, on and after the Valuation Date, each Class IX Unit will convert into a number of Class IX Units equal to (i) the product of (A) 5% (subject to proration if fewer than 5,000 Class IX Units are sold) of the amount by which the cumulative Total Return of the Common Stock over the Measurement Period exceeds the greater of the Minimum Return or 115% of a peer group index (such excess being the Outperformance Return), multiplied by (B) the weighted average market value of Aimco's equity capitalization (including Common Stock and OP Units but not preferred stock or preferred units), divided by (ii) the product of (A) the market value of one share of Common Stock on the Valuation Date and (B) the number of Class IX Units then outstanding. However, the new number of Class IX Units may not exceed 1.0% (subject to proration if fewer than 5,000 Class IX Units are sold) of the number of shares of Common Stock and OP Units outstanding, on a fully diluted basis (based on the sum of (i) the fully diluted number of shares used to determine Adjusted Funds From Operations (AFFO) per share and (ii) the fully diluted number of common OP Units and equivalents outstanding on the Valuation Date). If, on the Valuation Date, the cumulative Total Return of the Common Stock does not satisfy these criteria, then each Class IX Unit will convert into 0.01 of a Class IX Unit. On and after the Valuation Date, each Class IX Unit will entitle the holder thereof to receive distributions and allocations of income and loss from the Operating Partnership in the same amounts and at the same time (subject to certain exceptions upon liquidation of the Operating Partnership) as would a holder of one OP Unit. For purposes of determining the market value of Common Stock or OP Units as of any date, the average of the volume-weighted daily trading price of the Common Stock for the 20 consecutive trading days immediately preceding such date is used, except that the value of a share of Common Stock as of January 1, 2006, will be \$38.54, the price used to determine the value of the

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Class VI Units as of December 31, 2005 (which is the average of the volume-weighted daily trading price of the Common Stock for the 20 consecutive trading days immediately preceding December 31, 2005).

The MSCI US REIT Index will be used as the peer group index (the Peer Group Index) for purposes of the new High Performance Units. The MSCI US REIT Index is a capitalization-weighted index, with dividends reinvested, of the most actively traded real estate investment trusts. As of January 3, 2006, the MSCI US REIT Index was comprised of 111 real estate investment trusts selected by Morgan Stanley Capital International Inc. The Board of Aimco has selected this index because it believes that it is the real estate investment trust index most widely reported and accepted among institutional investors. The Board may select a different index if it determines that the MSCI US REIT Index is no longer an appropriate comparison for Aimco; if the MSCI US REIT Index is not maintained throughout the Measurement Period; or for any other reason that the Board determines.

Total Return means, for any security and for any period, the cumulative total return for such security over such period, as measured by (i) the sum of (a) the cumulative amount of dividends paid in respect of such security for such period (assuming that all cash dividends are reinvested in such security as of the payment date for such dividend based on the security price on the dividend payment date), and (b) an amount equal to (x) the security price at the end of such period, minus (y) the security price at the beginning of such period, divided by (ii) the security price at the beginning of the measurement period; provided, however, that if the foregoing calculation results in a negative number, the Total Return shall be equal to zero.

The Class IX Units are subject to certain restrictions on transfer. The SMP may not transfer the Class IX Units until after the Valuation Date, and then only to its participants or to one of their family members (or a family-owned entity). Individuals may not transfer High Performance Units except to a family member (or a family-owned entity) or in the event of death or disability. The Class IX Units are not convertible into Common Stock. However, in the event of a change of control of Aimco, holders of the Class IX Units will have redemption rights similar to those of holders of OP Units. Upon the occurrence of a change of control, any holder of the Class IX Units may, subject to certain restrictions, require the Operating Partnership to redeem all or a portion of the Class IX Units held by such party in exchange for a cash payment per unit equal to their market value at the time of redemption. However, in the event that any Class IX Units are tendered for redemption, the Operating Partnership's obligation to pay the redemption price is subject to the prior right of Aimco to acquire such Class IX Units in exchange for an equal number of shares of Common Stock (subject to certain adjustments).

Although Aimco does not believe that the sale of the Class IX Units will have an anti-takeover effect, the Class IX Units could increase the potential cost of acquiring control of Aimco and thereby discourage an attempt to take control of Aimco. However, the Board is not aware of any attempt to take control of Aimco and the Board has not approved the sale of the Class IX Units with the intention of discouraging any such attempt.

If Aimco's Total Return over the Measurement Period exceeds 115% of the Total Return of the MSCI US REIT Index and exceeds the Minimum Return of 36.8% over three years, then the holders of the Class IX Units could be entitled to as much as 1% (percentage based on the valuation date and is subject to proration if fewer than 5,000 Class IX Units are sold) of future distributions made by the Operating Partnership. This would have a dilutive effect on future earnings per share of Common Stock, and on Aimco's equity ownership in the Operating Partnership after the Valuation Date. However, the maximum dilutive effect for the new class of High Performance Units will be 1.0% of the number of shares of Common Stock and OP Units outstanding, on a fully diluted basis (based on the sum of (i) the fully diluted number of shares used to determine AFFO per share and (ii) the fully diluted number of common OP Units and equivalents outstanding on the Valuation Date).

The table below illustrates the value of the Class IX Units on the Valuation Date under different circumstances. The table demonstrates the value of the Class IX Units at given prices for Common Stock and the total return calculated at that price compared to both the Minimum Return and 115% of the peer group total return. For purposes of this illustration, the value of the Class IX Units is calculated by multiplying (a) 5% of the Outperformance Return, by (b) the weighted average market value of Aimco's equity

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capitalization (including Common Stock and OP Units not held by Aimco) over the Measurement Period. However, this determination of value does not represent the actual fair market value of the Class IX Units on the Valuation Date because the Class IX Units are subject to substantial restrictions on transfer and, in the absence of a change of control, do not entitle the holders thereof to any redemption rights. Except as otherwise indicated, it is assumed, for purposes of the illustration, that the Valuation Date is January 1, 2009, and the weighted average market value of outstanding equity (Common Stock and OP Units not held by Aimco) during the Measurement Period is \$4.088 billion. Other important assumptions are set forth in the footnotes below the following table.

The table below is for illustrative purposes only and there can be no assurance that actual outcomes will be within the ranges used. Some of the factors that could affect the results set forth in the table are the Total Return of the Common Stock relative to the Total Return of the MSCI US REIT Index, and the market value of the average outstanding equity of Aimco during the Measurement Period. These factors may be affected by general economic conditions, local real estate conditions and the dividend policy of Aimco.

Class IX High Performance Partnership Units Three Year Program
Valuation Analysis as of December 31, 2005
5,000 Class IX High Performance Partnership Units
\$875,000 Cash proceeds to Company from initial investment(1)

AIMCO	115% of MSCI US REIT Index Total	Out- performance	Average Market Capitalization	Out- performance	Value Added	Value of High Performance Units	OP Unit Dilution	OP Unit Dilution as a Percentage of Total Diluted Shares	
									Stockholder Performance
Stock Price	AIMCO Total Return(2)	Minimum Return(3)	115% of MSCI US REIT Index Total Return(3)	Out- performance Return(4)	Market Capitalization (thousands)(5)	Value Added (thousands)(6)	Value of High Performance Units (thousands)(7)	OP Unit Dilution (thousands)(8)	OP Unit Dilution as a Percentage of Total Diluted Shares (9)
\$44.00	32.85%	36.8%		0.00%	\$ 4,087,976	\$	\$ 2	0.00%	
			40.00%	0.00%	4,087,976		2	0.00%	
			60.00%	0.00%	4,087,976		2	0.00%	
46.00	38.04%	36.8%		1.24%	4,087,976	50,626	2,531	55	0.05%
			40.00%	0.00%	4,087,976		2	0.00%	
			60.00%	0.00%	4,087,976		2	0.00%	
48.00	43.23%	36.8%		6.43%	4,087,976	262,768	13,138	274	0.26%
			40.00%	3.23%	4,087,976	131,952	6,598	137	0.13%
			60.00%	0.00%	4,087,976		2	0.00%	
50.00	48.42%	36.8%		11.62%	4,087,976	474,910	23,745	475	0.45%
			40.00%	8.42%	4,087,976	344,094	17,205	344	0.32%
			60.00%	0.00%	4,087,976		3	0.00%	
52.00	53.61%	36.8%		16.81%	4,087,976	687,052	34,353	661	0.62%
			40.00%	13.61%	4,087,976	556,236	27,812	535	0.50%
			60.00%	0.00%	4,087,976		3	0.00%	
54.00	58.80%	36.8%		22.00%	4,087,976	899,194	44,960	833	0.78%
			40.00%	18.80%	4,087,976	768,378	38,419	711	0.67%
			60.00%	0.00%	4,087,976		3	0.00%	
56.00	63.99%	36.8%		27.19%	4,087,976	1,111,336	55,567	992	0.94%

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			40.00%	23.99%	4,087,976	980,520	49,026	875	0.83%
			60.00%	3.99%	4,087,976	162,925	8,146	145	0.14%
58.00	69.17%	36.8%		32.37%	4,087,976	1,323,478	61,780	1,065	1.00%(10)
			40.00%	29.17%	4,087,976	1,192,662	59,633		