

APARTMENT INVESTMENT & MANAGEMENT CO
Form 424B2
March 18, 2004

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PROSPECTUS SUPPLEMENT
(To Prospectus dated November 6, 2001)

7,000,000 Shares

7.75% CLASS U CUMULATIVE PREFERRED STOCK

A brief description of the Class U Cumulative Preferred Stock can be found under "Summary" in this prospectus supplement.

We intend to apply to list the Class U Cumulative Preferred Stock on the New York Stock Exchange. We expect that the Class U Cumulative Preferred Stock will begin trading on the New York Stock Exchange within 30 days after it is first issued.

You are urged to carefully read the "Risk Factors" section beginning on page S-7, where specific risks associated with the Class U Cumulative Preferred Stock are described, along with the other information in this prospectus supplement before you make your investment decision.

PRICE \$25 PER SHARE

	Price to Public	Underwriting Discount and Commissions	Proceeds to Aimco
<i>Per share</i>	\$25	\$.7875	\$24.2125
<i>Total</i>	\$175,000,000	\$5,512,500	\$169,487,500

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We have given the underwriters an option to purchase 1,000,000 additional shares of Class U Cumulative Preferred Stock.

Morgan Stanley & Co. Incorporated expects that the Class U Cumulative Preferred Stock will be ready for delivery in book-entry form only through The Depository Trust Company on or about March 24, 2004.

MORGAN STANLEY

BEAR, STEARNS & CO. INC.

RAYMOND JAMES

RBC CAPITAL MARKETS

UBS INVESTMENT BANK

March 17, 2004

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This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of Class U Preferred Stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the Class U Preferred Stock. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference, on the other hand, the information in this prospectus supplement shall control.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information that is different from that contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We are offering to sell the Class U Preferred Stock only where offers and sales are permitted. The information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus supplement or of any sale of the Class U Preferred Stock.

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SUMMARY

This summary highlights information from this prospectus supplement. It may not contain all of the information that is important to you in deciding whether to invest in the Class U Preferred Stock. To understand this offering fully, you should read the entire prospectus carefully, including the risk factors and financial statements, as well as the documents we have filed with the Securities and Exchange Commission that are incorporated by reference. Unless otherwise indicated, all information in this prospectus supplement assumes that the underwriters' over-allotment option is not exercised.

The Company

Apartment Investment and Management Company, or Aimco, is a Maryland corporation incorporated on January 10, 1994. We are a self-administered and self-managed real estate investment trust, or REIT, engaged in the acquisition, ownership, management and redevelopment of apartment properties. As of December 31, 2003, we owned or managed a portfolio of 1,629 apartment properties (individually a "property" and collectively the "properties") containing 287,560 apartment units located in 47 states, the District of Columbia and Puerto Rico. Based on apartment unit data compiled by the National Multi Housing Council, as of December 31, 2003, we were the largest REIT owner and operator of multifamily apartment properties in the United States. Our portfolio includes garden style, mid-rise and high-rise properties and we serve approximately one million residents per year.

We own an equity interest in and consolidate the majority of the properties in our owned real estate portfolio. These properties represent the consolidated real estate holdings in our financial statements, or consolidated properties. In addition, we have an equity interest in but do not consolidate certain properties that are accounted for under the equity method. These properties represent the investment in unconsolidated real estate partnerships in our financial statements, or unconsolidated properties. Additionally, we manage (both property and asset) but do not own an equity interest in other properties, although in certain cases we may indirectly own generally less than one percent of the operations of such properties through a partnership syndication or other fund. The equity holdings and managed properties are as follows as of December 31, 2003:

	Total Portfolio	
	Properties	Units
Consolidated properties	679	174,172
Unconsolidated properties	441	62,823
Property managed for third parties	96	11,137
Asset managed for third parties	413	39,428
Total	1,629	287,560

We own a majority of the ownership interests in AIMCO Properties, L.P., which we refer to as the Aimco Operating Partnership. Through our wholly owned subsidiaries, AIMCO-GP, Inc. and AIMCO-LP, Inc, we held approximately an 89% interest in the common partnership units and equivalents of the Aimco Operating Partnership as of December 31, 2003. We conduct substantially all of our business and own substantially all of our assets through the Aimco Operating Partnership. Except as the context otherwise requires, "we," "our," "us" and the "Company" refer to Aimco, the Aimco Operating Partnership and Aimco's consolidated corporate subsidiaries and consolidated real estate partnerships, collectively.

Since our initial public offering in July 1994, we have completed numerous acquisition transactions, expanding our portfolio of owned or managed properties from 132 properties with 29,343 apartment units to 1,629 properties with 287,560 apartment units as of December 31, 2003. These acquisitions have included purchases of properties and interests in entities that own or manage properties, as well as corporate mergers.

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Our principal executive offices are located at 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237 and our telephone number is (303) 757-8101. Our website is located at www.aimco.com; the information available on our website is not incorporated into this prospectus supplement.

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The Offering

Issuer	Apartment Investment and Management Company
Securities Offered	7,000,000 shares of Class U Cumulative Preferred Stock ("Class U Preferred Stock") (8,000,000 shares if the underwriters' option to purchase an additional 1,000,000 shares within 30 days of completion of this offering is exercised in full).
Dividends	Dividends are cumulative from the date of original issue and are payable quarterly on or about the 15 th day of January, April, July and October of each year, when and as declared, beginning on July 15, 2004. We will pay cumulative dividends on the Class U Preferred Stock in an amount per share equal to \$1.9375 per year, equivalent to 7.75% of the \$25 liquidation preference.
Liquidation Preference	\$25 per share of Class U Preferred Stock, plus an amount equal to accumulated, accrued and unpaid dividends, whether or not earned or declared.
Optional Redemption	The Class U Preferred Stock is not redeemable prior to March 24, 2009, except in limited circumstances relating to the ownership limitation necessary to preserve our qualification as a REIT. On and after March 24, 2009, the Class U Preferred Stock will be redeemable for cash, in whole or from time to time in part, at a price per share equal to the liquidation preference, plus accumulated, accrued and unpaid dividends, if any, to the redemption date. The redemption price for the Class U Preferred Stock, other than any portion thereof consisting of accumulated, accrued and unpaid dividends, will be payable solely with the proceeds from the sale of equity securities by us or our subsidiaries.
Ranking	The Class U Preferred Stock will rank prior to our common stock, and on the same level as our remaining outstanding shares of preferred stock, with respect to the payment of dividends and the distribution of amounts upon liquidation, dissolution or winding up.
Voting Rights	You will generally not have any voting rights. If, however, we have not paid dividends on the Class U Preferred Stock for six or more quarterly periods, whether or not consecutive, you, together with holders of other classes of preferred stock, will be entitled to elect two additional directors to our Board of Directors until all unpaid dividends on the Class U Preferred Stock have been paid or declared and set apart for payment. In addition, certain material adverse changes to the terms of the stock cannot be made without the affirmative vote of holders of at least 66 ² / ₃ % of the outstanding shares of Class U Preferred Stock. Any vote with respect to the Class U Preferred Stock, including for the election of additional directors, will be together with the holders of shares of any class or series of stock ranking on a parity with the Class U Preferred Stock that are entitled to similar voting rights, voting as a single class.

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Ownership Limit	You may not acquire more than 8.7% of the aggregate value of all outstanding shares of our common and preferred stock. In addition, you may not own more than 8.7% of our outstanding common stock.
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Listing We intend to apply to list the shares of Class U Preferred Stock on the New York Stock Exchange, or NYSE, under the symbol "AIVPrU." If approved for listing, trading on the NYSE is expected to begin within 30 days after the closing of this offering.

Form The Class U Preferred Stock will be issued and maintained in book-entry form registered in the name of the nominee of The Depository Trust Company except under limited circumstances.

Use of Proceeds We intend to use the net proceeds to redeem \$100.0 million of Class P Convertible Cumulative Preferred Stock and \$69.3 million of Class S Cumulative Redeemable Preferred Stock. This redemption will be funded by the Aimco Operating Partnership's concurrent redemption of \$100.0 million of Class P Partnership Preferred Units and \$69.3 million of Class S Partnership Preferred Units that we hold, as described under "Use of Proceeds."

For additional information regarding the terms of the Class U Preferred Stock, see "Description of Class U Cumulative Preferred Stock" beginning on page S-24.

Your investment in the Class U Preferred Stock involves certain risks. For a discussion of some of these risks, please see "Risk Factors," beginning on page S-7, and the other information included in or incorporated by reference in this prospectus supplement and the accompanying prospectus, before deciding whether an investment in the Class U Preferred Stock is suitable for you.

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Summary Historical Financial Information

The following table sets forth our summary historical financial information. The summary historical financial information for the three years ended December 31, 2003 is based on our audited financial statements incorporated by reference in this prospectus supplement and the accompanying prospectus. The following information should be read in conjunction with our historical financial statements and notes to the financial statements incorporated by reference in this prospectus supplement and the accompanying prospectus. Certain reclassifications have been made to 2002 and 2001 amounts to conform to the 2003 presentation. These reclassifications primarily represent presentation changes related to discontinued operations resulting from the 2002 adoption of Statement of Financial Accounting Standards No. 144.

	Year Ended December 31,		
	2003	2002	2001
(In thousands, except per share data)			
Operating Data:			
Total revenues	\$1,516,283	\$1,387,831	\$1,273,037
Total expenses	1,059,350	889,372	878,734
Operating income	456,933	498,459	394,303
Income from continuing operations	70,709	159,951	95,115
Income from discontinued operations, net	88,148	9,095	12,237
Net income	158,857	169,046	107,352
Per Share Data:			
Earnings (loss) per common share basic:			
Income (loss) from continuing operations (net of preferred dividends)	\$(0.25)	\$0.77	\$0.07
Net income attributable to common stockholders	0.70	0.88	0.23
Earnings (loss) per common share diluted:			

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Year Ended December 31,

Income (loss) from continuing operations (net of preferred dividends)	(0.25)	0.77	0.06
Net income attributable to common stockholders	0.70	0.87	0.23
Dividends declared per common share	2.84	3.28	3.16

Balance Sheet Data (End of period):

Real estate, net of accumulated depreciation	\$8,753,266	\$8,615,782	\$6,330,016
Total assets	10,113,362	10,316,601	8,300,672
Total indebtedness	6,197,907	6,021,990	4,420,399
Stockholders' equity	2,860,657	3,163,387	2,710,615

Cash Flow Data:

Cash provided by operating activities	\$430,258	\$497,289	\$494,457
Cash provided by (used in) investing activities	311,904	(786,377)	(132,010)
Cash provided by (used in) financing activities	(727,283)	308,641	(439,562)

Other Data:

Funds from operations available to common stockholders diluted ⁽¹⁾	\$312,440	\$437,910	\$470,731
Weighted average number of common shares, common share equivalents and dilutive preferred securities outstanding	96,607	96,361	90,438

(1)

Funds From Operations, or FFO, is a financial measure not calculated in accordance with generally accepted accounting principles, or GAAP, that we believe, when considered with the financial data determined in accordance with GAAP, is helpful to investors in understanding our performance because it captures features particular to real estate performance by recognizing that real estate generally appreciates over time or maintains residual value to a much greater extent than do other depreciable assets such as machinery, computers or other personal property. The Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT, defines FFO as net income (loss), computed in accordance with GAAP, excluding gains and losses from extraordinary items, gains on dispositions of depreciable real estate, gains on dispositions of real estate from discontinued operations, net of related income taxes, plus real estate related depreciation and amortization (excluding amortization of financing costs), including depreciation for unconsolidated real estate partnerships, joint ventures and discontinued

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operations. We calculate FFO based on the NAREIT definition, as further adjusted for amortization of intangibles and deficit distributions to minority partners. We calculate FFO (diluted) by subtracting redemption related preferred stock issuance costs and dividends on preferred stock, adding back dividends/distributions on dilutive preferred securities and adding back the interest expense on dilutive mandatorily redeemable convertible preferred securities. FFO should not be considered an alternative to net income or net cash flows from operating activities, as calculated in accordance with GAAP, as an indication of our performance or as a measure of liquidity. FFO is not necessarily indicative of cash available to fund future cash needs. In addition, although FFO is a measure used for comparability in assessing the performance of real estate investment trusts, there can be no assurance that our basis for computing FFO is comparable with that of other real estate investment trusts.

For

the years ended December 31, 2003, 2002 and 2001, our FFO is calculated as follows:

	2003	2002	2001
	(In thousands)		
Net income attributable to common stockholders^(A)	\$65,292	\$75,488	\$17,021

Adjustments:

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	2003	2002	2001
Depreciation on rental property, net of minority partners' interest ^(B)	298,255	241,325	295,113
Depreciation on rental property related to unconsolidated entities	25,817	33,549	57,506
(Gain) loss on dispositions of real estate	(3,178)	22,362	(17,394)
Deficit distributions to minority partners	22,672	26,979	46,359
Amortization of intangibles	6,702	4,026	18,729
Income tax arising from disposals			3,202
Gain on disposition of land			3,843
Discontinued operations:			
Depreciation on rental property, net of minority partners' interest	14,906	29,580	37,936
(Gain) loss on dispositions of real estate, net of minority partners' interest	(101,849)	6,021	
Deficit distributions to minority partners	(10,718)	1,321	1,342
Income tax arising from disposals	12,134	2,507	
Minority interest in Aimco Operating Partnership's share of above adjustments	(29,910)	(44,500)	(58,883)
Preferred stock dividends	85,920	93,558	90,331
Redemption related preferred stock issuance costs	7,645		
Funds From Operations	\$393,688	\$492,216	\$495,105
Preferred stock dividends	(85,920)	(93,558)	(90,331)
Redemption related preferred stock issuance costs	(7,645)		
Dividends/distributions on dilutive preferred securities	11,330	38,091	64,389
Interest expense on mandatorily redeemable convertible preferred securities	987	1,161	1,568
Funds From Operations attributable to common stockholders - diluted	\$312,440	\$437,910	\$470,731
Weighted average number of common shares, common share equivalents and dilutive preferred securities outstanding:			
Common shares and equivalents ^(C)	92,968	86,773	73,648
Dilutive preferred securities	3,639	9,588	16,790
Total	96,607	96,361	90,438

- (A) Represents our numerator for earnings per common share calculated in accordance with GAAP.
- (B) "Minority partners' interest," as referenced on this line item and others in this presentation means minority interest in Aimco's consolidated real estate partnerships.
- (C) Represents our denominator for earnings per common share - diluted, calculated in accordance with GAAP.

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Ratio of Earnings to Fixed Charges

Historical	Pro Forma ⁽³⁾
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	Historical			Pro Forma ⁽³⁾
	For the Years Ended December 31,			For the Year Ended December 31, 2003
	2003	2002	2001	
	(unaudited)			(unaudited)
Ratio of earnings to fixed charges ⁽¹⁾	1.34	1.66	1.67	1.34
Ratio of earnings to combined fixed charges and preferred stock dividends ⁽²⁾	1.08	1.31	1.29	1.08

- (1) The ratio of earnings to fixed charges is computed by dividing earnings by fixed charges. For this purpose, "earnings" consists of income from continuing operations before minority interests (which includes equity in earnings of unconsolidated partnerships only to the extent of dividends or distributions from operations received) plus fixed charges (other than any interest that has been capitalized and distributions paid on preferred units of the Aimco Operating Partnership) and amortization of previously capitalized interest; and "fixed charges" consists of interest expense (including amortization of loan costs), interest that has been capitalized and distributions paid on preferred units of the Aimco Operating Partnership.
- (2) The ratio of earnings to combined fixed charges and preferred stock dividends is computed by dividing earnings by the total of fixed charges and preferred stock dividends. For this purpose, "earnings" consists of income before minority interests (which includes equity in earnings of unconsolidated partnerships only to the extent of dividends or distributions from operations received) plus fixed charges (other than any interest that has been capitalized and distributions paid on preferred units of the Aimco Operating Partnership) and amortization of previously capitalized interest; "fixed charges" consists of interest expense (including amortization of loan costs), interest which has been capitalized and distributions paid on preferred units of the Aimco Operating Partnership; and "preferred stock dividends" consists of the amount of pre-tax earnings that would be required to cover preferred stock dividend requirements.
- (3) The pro forma basis reflects the issuance of the Class U Preferred Stock and the application of the net proceeds therefrom to redeem \$100.0 million of the Class P Convertible Cumulative Preferred Stock and \$69.3 million of the Class S Cumulative Redeemable Preferred Stock as if such transactions had occurred on January 1, 2003.

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RISK FACTORS

Before you invest in the Class U Preferred Stock, you should be aware that there are various risks, including those described below. You should consider carefully these risk factors together with all of the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before you decide to purchase our securities.

Some of the information in this prospectus supplement and the accompanying prospectus may contain forward-looking statements. These statements can be identified by the use of forward-looking words such as "may," "will," "expect," "anticipate," "estimate," "continue" or other similar words. These statements discuss future expectations, contain projections of results of operations or financial condition or state other "forward-looking" information. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. The risk factors noted in this section and other factors noted throughout this prospectus supplement and the accompanying prospectus, including certain risks and uncertainties, could cause our actual results to differ materially from those contained in any forward-looking statement.

Changes in the real estate market may limit our ability to generate Funds From Operations.

Our ability to make payments to our investors, including holders of Class U Preferred Stock, depends on our ability to generate Funds From Operations in excess of required debt payments and capital expenditure requirements. Funds From Operations and the value of our properties may be adversely affected by events or conditions beyond our control, including:

the general economic climate;

competition from other apartment communities and other housing options;

local conditions, such as an increase in unemployment or an increase in the supply of apartments, that might adversely affect apartment occupancy or rental rates;

changes in governmental regulations and the related cost of compliance;

increases in operating costs (including real estate taxes) due to inflation and other factors, which may not necessarily be offset by increased rents;

changes in tax laws and housing laws, including the enactment of rent control laws or other laws regulating multifamily housing;

changes in interest rates and the availability of financing; and

the relative illiquidity of real estate investments.

If we are not able successfully to acquire, operate, redevelop and expand properties, our growth and results of operations will be adversely affected.

The selective acquisition, redevelopment and expansion of properties are one component of our growth strategy. However, we may not be able to complete successfully transactions in the future. Although we seek to acquire, operate, redevelop and expand properties only when such activities increase our net income on a per share basis, such transactions may fail to perform in accordance with our expectations. When we redevelop or expand properties, we are subject to the risks that:

costs may exceed original estimates;

occupancy and rental rates at the property may be below our projections;

financing may not be available on favorable terms or at all;

redevelopment and leasing of the properties may not be completed on schedule; and

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we may experience difficulty or delays in obtaining necessary zoning, land-use, building, occupancy and other governmental permits and authorizations.

We may have difficulty integrating any acquired businesses or properties.

We have grown rapidly. Since our initial public offering in July 1994, we have completed numerous acquisition transactions, expanding our portfolio of owned or managed properties from 132 properties with 29,343 apartment units to 1,629 properties with 287,560 apartment units as of December 31, 2003. These acquisitions have included purchases of properties and interests in entities that own or manage properties, as well as corporate mergers. Our ability to integrate successfully acquired businesses and properties depends, among other things, on our ability to:

attract and retain qualified personnel;

integrate the personnel and operations of the acquired businesses;

maintain standards, controls, procedures and policies; and

maintain adequate accounting and information systems.

We can provide no assurance that we will be able to accomplish these goals and successfully integrate any acquired businesses or properties. If we fail to integrate successfully such businesses, our results of operations could be adversely affected.

We may be subject to litigation associated with partnership acquisitions that could increase our expenses and prevent completion of beneficial transactions.

We have engaged in, and intend to continue to engage in, the selective acquisition of interests in partnerships that own apartment properties. In some cases, we have acquired the general partner of a partnership and then made an offer to acquire the limited partners' interests in the partnership. In these transactions, we may be subject to litigation based on claims that we, as the general partner, have breached our fiduciary duty to our limited partners or that the transaction violates the relevant partnership agreement or state law. Although we intend to comply with our fiduciary obligations and the relevant partnership agreements, we may incur additional costs in connection with the defense or settlement of this type of litigation. In some cases, this type of litigation may adversely affect our desire to proceed with, or our ability to complete, a particular transaction. Any litigation of this type could also have a material adverse effect on our financial condition or results of operations.

Our existing and future debt financing could render us unable to operate, result in foreclosure on our properties or prevent us from making distributions on our equity.

Our strategy is generally to incur debt to increase the return on our equity while maintaining acceptable interest coverage ratios. We seek to maintain a ratio of free cash flow to combined interest expense and preferred stock dividends of greater than 2:1 and to match debt maturities to the character of the assets financed. For the year ended December 31, 2003, however, we had a ratio of free cash flow to combined interest expense and preferred stock dividends of 1.5:1, and this ratio in prior periods has also deviated from our goal. In addition, our Board of Directors could change this strategy at any time and increase our leverage. Our organizational documents do not limit the amount of debt that we may incur, and we have significant amounts of debt outstanding. Payments of principal and interest may leave us with insufficient cash resources to operate our properties, pay distributions required to be paid in order to maintain our qualification as a REIT or otherwise make dividend payments on our preferred stock, including the Class U Preferred Stock. We are also subject to the risk that our cash flow from operations will be insufficient to make required payments of principal and interest, and the risk that existing indebtedness may not be refinanced or that the terms of any refinancing will not be as favorable as the

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terms of existing indebtedness. If we fail to make required payments of principal and interest on any debt, our lenders could foreclose on the properties securing such debt, which would result in loss of income and asset value to us. As of December 31, 2003, substantially all of the properties that we owned or controlled were encumbered by debt.

Increases in interest rates would increase our interest expense.

As of December 31, 2003, we had approximately \$1,599.0 million of variable-rate indebtedness outstanding. Based on this level of debt, an increase in interest rates of 1% would result in our income and cash flows being reduced by \$16.0 million on an annual basis and could reduce our ability to service our indebtedness and make dividends or other distributions. Of the total debt subject to variable interest rates, floating rate tax-exempt bond financing was \$817.5 million. Floating rate tax-exempt bond financing is benchmarked against the Bond Market Association Municipal Swap Index, or the BMA Index, which since 1981 has averaged 54.0% of the 10-year Treasury Yield. If this relationship continues, an increase in interest rates of 1% (0.54% in tax-exempt interest rates) would result in our income before minority interests and cash flows being reduced by \$11.2 million on an annual basis.

Covenant restrictions may limit our ability to make payments to our investors.

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Some of our debt and other securities contain covenants that restrict our ability to make distributions or other payments to our investors unless certain financial tests or other criteria are satisfied. Our revolving credit facility and term loans provide that we may make distributions to our investors during any 12-month period in an aggregate amount that does not exceed the greater of 90% of our Funds From Operations for such period or such amount as may be necessary to maintain our REIT status. Pursuant to the amendments of our credit facilities, effective September 2003, the credit facilities prohibit all distributions (as defined in the credit facilities) if certain financial covenants are not satisfied.

Our outstanding classes of preferred stock prohibit the payment of dividends on our common stock if we fail to pay the dividends to which the holders of the preferred stock are entitled. In addition, our 6^{1/2}% convertible debentures prohibit the payment of dividends on our capital stock if we elect to defer payments of interest on these convertible debentures, which we may have the right to do for up to 60 months. If we are unable to pay dividends on our common stock, we may fail to qualify as a REIT. This would subject us to corporate taxation and reduce our ability to make distributions to our investors.

We depend on distributions and other payments from our subsidiaries that they may be prohibited from making to us.

All of our properties are owned, and all of our operations are conducted, by the Aimco Operating Partnership and our other subsidiaries. As a result, we depend on distributions and other payments from our subsidiaries in order to satisfy our financial obligations and make payments to our investors. The ability of our subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory or contractual limitations. As an equity investor in our subsidiaries, our right to receive assets upon their liquidation or reorganization will be effectively subordinated to the claims of their creditors. To the extent that we are recognized as a creditor of such subsidiaries, our claims may still be subordinate to any security interest in or other lien on their assets and to any of their debt or other obligations that are senior to our claims.

Laws benefiting disabled persons may result in our incurrence of unanticipated expenses.

Under the Americans with Disabilities Act of 1990, or ADA, all places intended to be used by the public are required to meet certain Federal requirements related to access and use by disabled persons. Likewise, the Fair Housing Amendments Act of 1988, or FHAA, requires apartment properties first occupied after March 13, 1990 to be accessible to the handicapped. These and other Federal, state and

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local laws may require modifications to our properties, or restrict renovations of the properties. Noncompliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although we believe that our properties are substantially in compliance with present requirements, we may incur unanticipated expenses to comply with the ADA and the FHAA.

Affordable housing regulations may limit rent increases at some of our properties, reducing our revenue and, in some cases, causing us to sell properties that we might otherwise continue to own.

As of December 31, 2003, we owned an equity interest in 488 properties and managed for third parties and affiliates 474 properties that benefit from governmental programs intended to provide housing to people with low or moderate incomes. These programs, which are usually administered by the United States Department of Housing and Urban Development, or HUD, or state housing finance agencies, typically provide mortgage insurance, favorable financing terms or rental assistance payments to the property owners. As a condition of the receipt of assistance under these programs, the properties must comply with various requirements, which typically limit rents to pre-approved amounts. If permitted rents on a property are insufficient to cover costs, a sale of the property may become necessary, which could result in a loss of management fee revenue. We usually need to obtain the approval of HUD in order to manage, or acquire a significant interest in, a HUD-assisted property. We may not always receive such approval.

We depend on our senior management.

Our success depends upon the retention of our senior management, including Terry Considine, our chief executive officer. We cannot assure you that we would be able to find qualified replacements for the individuals who make up our senior management if their services were no longer available. The loss of services of one or more members of our senior management team could have a material adverse effect on our business, financial condition and results of operations. We do not currently maintain key-man life insurance for any of our employees. The loss of any member of senior management could adversely affect our ability to pursue effectively our business strategy.

We may fail to qualify as a REIT.

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We believe that we operate, and have always operated, in a manner that enables us to meet the requirements for qualification as a REIT for Federal income tax purposes. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, investment, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Our ability to satisfy the asset tests depends upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to manage successfully the composition of our income and assets on an ongoing basis. Moreover, the proper classification of an instrument as debt or equity for Federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements. Accordingly, there can be no assurance that the Internal Revenue Service, or the IRS, will not contend that our interests in subsidiaries or other issuers constitutes a violation of the REIT requirements. Moreover, future economic, market, legal, tax or other considerations may cause us to fail to qualify as a REIT, or our Board of Directors may determine to revoke our REIT status. If we fail to qualify as a REIT, we will not be allowed a deduction for dividends paid to our stockholders in computing our taxable income, and we will be subject to Federal income tax at regular corporate rates, including any applicable alternative minimum tax. This would substantially reduce our funds available for payment to our investors. Unless entitled to relief under certain provisions of the Internal Revenue Code, or the Code, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT.

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In addition, our failure to qualify as a REIT would trigger the following consequences:

we would be obligated to repurchase a material amount of our preferred stock, plus accrued and unpaid dividends to the date of repurchase; and

we would be in default under our primary credit facilities and certain other loan agreements.

REIT distribution requirements limit our available cash.

As a REIT, we are subject to annual distribution requirements, which limit the amount of cash we retain for other business purposes, including amounts to fund our growth. We generally must distribute annually at least 90% of our net REIT taxable income, excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. We intend to make distributions to our stockholders to comply with the requirements of the Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Code.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with Federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the United States Treasury Department. Changes to the tax laws, which may have retroactive application, could adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. For example, under legislation effective January 1, 2001, if any of our taxable REIT subsidiaries were deemed to operate or manage a health care or lodging facility, we would fail to qualify as a REIT. Although we believe that, since January 1, 2001, none of our taxable REIT subsidiaries have operated or managed any health care or lodging facilities, the statute provides little guidance as to the definition of a health care or lodging facility. Accordingly, we cannot assure that the IRS will not contend that any of our taxable REIT subsidiaries operate or manage a health care or lodging facility, resulting in our disqualification as a REIT.

In addition, recently enacted tax legislation reduced the maximum tax rate for dividends payable to individuals from 38.6% to 15% (for 2003 through 2008). Dividends payable by REITs, however, are generally not eligible for the reduced rates. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock. In addition, the relative attractiveness of real estate in general may be adversely affected by the newly favorable tax treatment given to corporate dividends, which could negatively affect the value of our real estate assets.

The FBI has issued alerts regarding potential terrorist threats involving apartment buildings a risk for which we are only partially insured.

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On May 6, 2002 and February 7, 2003, the Federal Bureau of Investigation, or FBI and the United States Department of Homeland Security issued alerts regarding potential terrorist threats involving apartment buildings. Threats of future terrorist attacks, such as those announced by the FBI and the Department of Homeland Security, could have a negative effect on rent and occupancy levels at our properties. The effect that future terrorist activities or threats of such activities could have on our business is uncertain and unpredictable. If we incur a loss at a property as a result of an act of terrorism, we could lose all or a portion of the capital we have invested in the property, as well as the future revenue from the property. The enactment by the United States Congress of the Terrorism Risk Insurance Act, or TRIA, resulted in terrorism coverage exclusions being invalidated and quotes at each policy renewal have been offered. Prior to the enactment of TRIA, and because we have a highly diversified and geographically dispersed portfolio of residential properties, our lenders generally had not required us to purchase

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terrorism insurance. However, since the enactment of TRIA and increased scrutiny of lenders regarding terrorism exposure, we have sometimes been required to purchase terrorism insurance. In all cases, we have purchased insurance that exceeds the minimum requirements of our lenders. Currently, these costs have not had a negative effect on our consolidated financial condition or results of operations taken as a whole.

The market place for insurance coverage is uncertain and in some cases insurance is becoming more expensive and more difficult to obtain.

The current insurance market is characterized by volatility with respect to premiums, deductible and coverage. For certain types of coverage, such as property coverage, we are currently experiencing declining premiums. For other types of coverage, however, such as liability and executive coverage, we continue to experience rising premiums, higher deductibles, and more restrictive coverage language. Although we make use of many alternative methods of risk financing that enable us to insulate ourselves to some degree from variations in coverage language and cost, sustained deterioration in insurance marketplace conditions may have a negative effect on our operating results.

Limits on ownership of shares in our charter may result in the loss of economic and voting rights by purchasers that violate those limits.

Our charter limits ownership of our common stock by any single stockholder to 8.7% of our outstanding shares of common stock, or 15% in the case of certain pension trusts, registered investment companies and Mr. Considine. Our charter also limits ownership of our common stock and preferred stock by any single stockholder to 8.7% of the value of the outstanding common stock and preferred stock, or 15% in the case of certain pension trusts, registered investment companies and Mr. Considine. The charter also prohibits anyone from buying shares of our capital stock if the purchase would result in us losing our REIT status. This could happen if a transaction results in fewer than 100 persons owning all of our shares of capital stock or results in five or fewer persons, applying certain attribution rules of the Code, owning 50% or more of the value of all of our shares of capital stock. If anyone acquires shares in excess of the ownership limit or in violation of the ownership requirements of the Code for REITs:

the transfer will be considered null and void;

we will not reflect the transaction on our books;

we may institute legal action to enjoin the transaction;

we may demand repayment of any dividends received by the affected person on those shares;

we may redeem the shares;

the affected person will not have any voting rights for those shares; and

the shares (and all voting and dividend rights of the shares) will be held in trust for the benefit of one or more charitable organizations designated by us.

We may purchase the shares of capital stock held in trust at a price equal to the lesser of the price paid by the transferee of the shares or the then current market price. If the trust transfers any of the shares of capital stock, the affected person will receive the lesser of the price paid for

the shares or the then current market price. An individual who acquires shares of capital stock that violate the above rules bears the risk that the individual:

may lose control over the power to dispose of such shares;

may not recognize profit from the sale of such shares if the market price of the shares increases;

may be required to recognize a loss from the sale of such shares if the market price decreases; and

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may be required to repay to us any distributions received from us as a result of his or her ownership of the shares.

Our charter may limit the ability of a third party to acquire control of us.

The 8.7% ownership limit discussed above may have the effect of precluding acquisition of control of us by a third party without the consent of our Board of Directors. Our charter authorizes our Board of Directors to issue up to 510,587,500 shares of capital stock. As of December 31, 2003, 444,962,738 shares were classified as common stock and 65,624,762 shares were classified as preferred stock. Under our charter, our Board of Directors has the authority to classify and reclassify any of our unissued shares of capital stock into shares of capital stock with such preferences, rights, powers and restrictions as our Board of Directors may determine. The authorization and issuance of a new class of capital stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders' best interests.

Maryland business statutes may limit the ability of a third party to acquire control of us.

As a Maryland corporation, we are subject to various Maryland laws that may have the effect of discouraging offers to acquire us and increasing the difficulty of consummating any such offers, even if our acquisition would be in our stockholders' best interests. The Maryland General Corporation Law restricts mergers and other business combination transactions between us and any person who acquires beneficial ownership of shares of our stock representing 10% or more of the voting power without our Board of Directors' prior approval. Any such business combination transaction could not be completed until five years after the person acquired such voting power, and generally only with the approval of stockholders representing 80% of all votes entitled to be cast and 66²/₃% of the votes entitled to be cast, excluding the interested stockholder, or upon payment of a fair price. Maryland law also provides generally that a person who acquires shares of our capital stock that represent 10% or more of the voting power in electing directors will have no voting rights unless approved by a vote of two-thirds of the shares eligible to vote. Additionally, Maryland law provides, among other things, that the board of directors has broad discretion in adopting stockholders' rights plans and has the sole power to fix the record date, time and place for special meetings of the stockholders. In addition, Maryland law provides that corporations that:

have at least three directors who are not employees of the entity or related to an acquiring person; and

are subject to the reporting requirements of the Securities Exchange Act of 1934,

may elect in their charter or bylaws or by resolution of the board of directors to be subject to all or part of a special subtitle that provides that:

the corporation will have a staggered board of directors;

any director may be removed only for cause and by the vote of two-thirds of the votes entitled to be cast in the election of directors generally, even if a lesser proportion is provided in the charter or bylaws;

the number of directors may only be set by the board of directors, even if the procedure is contrary to the charter or bylaws;

vacancies may only be filled by the remaining directors, even if the procedure is contrary to the charter or bylaws; and

the secretary of the corporation may call a special meeting of stockholders at the request of stockholders only on the written request of the stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting, even if the procedure is contrary to the charter or bylaws.

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To date, we have not made any of the elections described above.

Lack of Public Market for the Class U Preferred Stock.

There is no established trading market for the Class U Preferred Stock. Although we intend to apply to list the Class U Preferred Stock on the NYSE, we cannot assure you either that we will make that application, or that it will be accepted. Moreover, while the underwriters have informed us that they intend to make a market in the Class U Preferred Stock, they are not obligated to do so and may discontinue market making activities at any time without notice. Accordingly, we cannot assure you that a trading market for the Class U Preferred Stock will develop. Moreover, if a market for the Class U Preferred Stock does develop, the Class U Preferred Stock could trade below the initial public offering price. The initial public offering price will be determined by agreement between us and the underwriters and may not be indicative of the market price for Class U Preferred Stock after the offering. If a market for the Class U Preferred Stock does not develop, you may be unable to resell the Class U Preferred Stock for an extended period of time, if at all. Future trading prices of the Class U Preferred Stock will depend upon many factors, including among other things, our operating results.

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USE OF PROCEEDS

We intend to contribute the net proceeds from the sale of the Class U Preferred Stock, estimated to be approximately \$169.3 million after deducting the underwriting discount and estimated offering expenses of approximately \$5.7 million, to the Aimco Operating Partnership in exchange for a preferred interest in the Aimco Operating Partnership. The terms of the preferred interest in the Aimco Operating Partnership will be substantially equivalent to the terms of the Class U Preferred Stock. We intend to use the net proceeds to redeem \$100.0 million of Class P Convertible Cumulative Preferred Stock and \$69.3 million of Class S Cumulative Redeemable Preferred Stock. This redemption will be funded by the Aimco Operating Partnership's concurrent redemption of \$100.0 million of Class P Partnership Preferred Units and \$69.3 million of Class S Partnership Preferred Units that we hold.

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CAPITALIZATION

The following table sets forth our capitalization at December 31, 2003 on a historical basis and on a pro forma basis to reflect the offering of the Class U Preferred Stock. The information set forth in the following table should be read in connection with, and is qualified in its entirety by reference to, the financial statements and notes thereto incorporated by reference in the accompanying prospectus. The following pro forma data assumes that the foregoing transactions occurred on December 31, 2003, and does not purport to be indicative of the capitalization of Aimco that would have resulted had such transactions in fact occurred on such date.

At December 31, 2003

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At December 31, 2003

	Historical	Pro Forma ⁽¹⁾
		(unaudited)

(In thousands)

Debt:

Secured notes payable	\$ 4,449,541	\$ 4,449,541
Secured tax-exempt bond financing	1,199,360	1,199,360
Secured short term financing	435,387	435,387
Mandatorily redeemable preferred securities ⁽²⁾	113,619	44,323

Minority Interest:

Minority interest in consolidated real estate partnerships	191,948	191,948
Minority interest in the Aimco Operating Partnership	303,905	303,905

Stockholders' Equity:

Class D Cumulative Preferred Stock, \$.01 par value ("Class D Preferred Stock"), 4,200,000 shares authorized, 2,700,002 shares issued and outstanding on a historical basis and on a pro forma basis	67,500	67,500
Class G Cumulative Preferred Stock, \$.01 par value ("Class G Preferred Stock"), 4,050,000 shares authorized, 4,050,000 shares issued and outstanding on a historical and on a pro forma basis	101,000	101,000
Class N Convertible Cumulative Convertible Preferred Stock, \$.01 par value ("Class N Preferred Stock"), 4,000,000 shares authorized, 4,000,000 shares issued and outstanding on a historical and on a pro forma basis ⁽³⁾	100,000	100,000
Class O Cumulative Convertible Preferred Stock, \$.01 par value ("Class O Preferred Stock"), 1,904,762 shares authorized, 1,904,762 shares issued and outstanding on a historical and on a pro forma basis ⁽⁴⁾	100,000	100,000
Class P Convertible Cumulative Preferred Stock, \$.01 par value ("Class P Preferred Stock"), 4,000,000 shares authorized, 3,999,662 shares issued and outstanding	99,992	

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At December 31, 2003

on a historical and 0 shares
issued and outstanding on a
pro forma basis ⁽⁵⁾

Class Q Cumulative Preferred Stock, \$.01 par value ("Class Q Preferred Stock"), 2,530,000 shares authorized, 2,530,000 shares issued and outstanding on a historical and on a pro forma basis	63,250	63,250
Class R Cumulative Preferred Stock, \$.01 par value ("Class R Preferred Stock"), 6,940,000 shares authorized, 6,940,000 shares issued and outstanding on a historical and on a pro forma basis	173,500	173,500
Class T Cumulative Preferred Stock, \$.01 par value ("Class T Preferred Stock"), 6,000,000 shares authorized, 6,000,000 shares issued and outstanding on a historical and on a pro forma basis	150,000	150,000

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Class U Cumulative Preferred Stock, 0 shares authorized on a historical basis and 8,000,000 shares authorized on a pro forma basis, 0 shares issued and outstanding on a historical basis and 7,000,000 shares issued and outstanding on a pro forma basis		175,000
Class A Common Stock, 444,962,738 and 93,887,040 shares authorized and issued on a historical basis and 436,962,738 and 93,887,040 shares authorized and issued on a pro forma basis	939	939
Additional paid-in capital	3,053,312	3,047,600
Unvested restricted stock	(10,772)	(10,772)
Notes due on common stock purchases	(40,046)	(40,046)
Distributions in excess of earnings	(998,018)	(998,018)
Total stockholders' equity	2,860,657	2,929,953
 Total capitalization &nbs	 \$ 9,554,417	 \$ 9,554,417