

APARTMENT INVESTMENT & MANAGEMENT CO

Form S-4/A

November 15, 2011

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**As filed with the Securities and Exchange Commission on November 15, 2011**

**Registration No. 333-175848**

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

**Amendment No. 3  
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, 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**

**Executive Vice President**

**Apartment Investment and Management Company**

**4582 South Ulster Street, 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 15, 2011**

**INFORMATION STATEMENT/PROSPECTUS**

**ANGELES PARTNERS XII, LP**

Angeles Partners XII, LP, or AP XII, has entered into an agreement and plan of merger with a wholly-owned subsidiary of AIMCO Properties, L.P., or Aimco OP. Under the merger agreement, the Aimco Subsidiary, AIMCO AP XII Merger Sub LLC, will be merged with and into AP XII, with AP XII 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 AP XII, or AP XII Unit, will be converted into the right to receive, at the election of the holder of such unit, either:

\$483.14 in cash, or

\$483.14 in partnership common units of Aimco OP, or OP Units.

The merger consideration of \$483.14 per AP XII Unit was based on independent third party appraisals of AP XII's properties by independent valuation firms.

The number of OP Units offered for each AP XII Unit will be calculated by dividing \$483.14 by the average closing price of common stock of Apartment Investment and Management Company, or Aimco, as reported on the New York Stock Exchange, or the NYSE, 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 10, 2011, the average closing price of Aimco common stock over the preceding ten consecutive trading days was \$23.79, which would have resulted in 20.31 OP Units offered for each AP XII 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.

The OP Units are not listed on any securities exchange nor do they trade in an active secondary market. However, after a one-year holding period, OP Units are redeemable for shares of Aimco common stock (on a one-for-one basis) or cash equal to the value of such shares, as Aimco elects. As a result, the trading price of Aimco common stock is considered a reasonable estimate of the fair market value of an OP Unit. Aimco's common stock is listed and traded on the NYSE under the symbol AIV.

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

Within ten days after the effective time of the merger, Aimco OP will prepare and mail to the former holders of AP XII Units an election form pursuant to which they can elect to receive cash or OP Units. Holders of AP XII Units may elect their form of consideration by completing and returning the election form in accordance with its instructions. If the information agent does not receive a properly completed election form from a holder before 5:00 p.m., New York

time, on the 30th day after the mailing of the election form, the holder will be deemed to have elected to receive cash. Former holders of AP XII Units may also use the election form to elect to receive, in lieu of the merger consideration, the appraised value of their AP XII Units, determined through an arbitration proceeding.

Under Delaware law, the merger must be approved by all general partners of AP XII and a majority in interest of the AP XII Units. Both AP XII's managing general partner, Angeles Realty Corporation II, or the Managing General Partner, and AP XII's non-managing general partner, AIMCO Angeles GP, LLC, or the Non-Managing General Partner (and, together with the Managing General Partner, the General Partners), have determined that the merger is advisable, fair to and in the best interests of AP XII and its limited partners and have approved the merger and the merger agreement. As of November 10, 2011, there were issued and outstanding 44,718 AP XII Units, and Aimco OP and its affiliates owned 33,750 of those units, or approximately 75.47% 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 merger on or about \_\_\_\_\_, 2011. **As a result, approval of the merger is assured, and your consent to the merger is not required.**

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

This information statement/prospectus contains information about the merger and the securities offered hereby, and the reasons that the Managing General Partner has decided that the merger is in the best interests of AP XII and its limited partners. The Managing General Partner has conflicts of interest with respect to the merger that are described in greater detail herein. Please read this information statement/prospectus carefully, including the section entitled "Risk Factors" beginning on page 20. It provides you with detailed information about the merger and the securities offered hereby. The merger agreement is attached to this information statement/prospectus as Annex A.

**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, determined if this information statement/prospectus is truthful or complete, approved or disapproved of the merger, passed upon the merits or fairness of the merger, or passed upon the adequacy or accuracy of the disclosure in this information statement/prospectus. Any representation to the contrary is a criminal offense.**

*This information statement/prospectus is dated \_\_\_\_\_, 2011, and is first being mailed to limited partners on or about \_\_\_\_\_, 2011.*

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**WE ARE CURRENTLY SEEKING QUALIFICATION TO ALLOW ALL HOLDERS OF AP XII 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, or the SEC, 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 94 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 SEC 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 AP XII 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. 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 merger.

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**SUMMARY TERM SHEET**

*This summary term sheet highlights the material information with respect to the merger, the merger agreement 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 AP XII Units are referred to herein, collectively, as the Aimco Entities.*

**The Merger:** AP XII has entered into an agreement and plan of merger with the Aimco Subsidiary and Aimco OP. Under the merger agreement, at the effective time of the merger, the Aimco Subsidiary will be merged with and into AP XII, with AP XII as the surviving entity. A copy of the merger agreement is attached as **Annex A** to this information statement/prospectus. You are encouraged to read the merger agreement carefully in its entirety because it is the legal agreement that governs the merger.

**Merger Consideration:** In the merger, each AP XII Unit will be converted into the right to receive, at the election of the holder of such AP XII Unit, either \$483.14 in cash or equivalent value in OP Units, except in those jurisdictions where the law prohibits the offer of OP Units (or registration or qualification would be prohibitively costly). The number of OP Units issuable with respect to each AP XII Unit will be calculated by dividing the \$483.14 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. Each holder of AP XII Units must make the same election (cash or OP Units) for all of his or her AP XII Units. For a full description of the determination of the merger consideration, see **The Merger Determination of Merger Consideration** beginning on page 42.

**Fairness of the Merger:** Although the Aimco Entities have interests that may conflict with those of AP XII's unaffiliated limited partners, each of the Aimco Entities believe that the merger is fair to the unaffiliated limited partners of AP XII. See **Special Factors Fairness of the Transaction** beginning on page 6. The merger consideration of \$483.14 per AP XII Unit was based on independent third party appraisals of AP XII's properties by independent valuation firms.

**Opinion of Financial Advisor:** In connection with the merger, Duff & Phelps, LLC, or Duff & Phelps, has delivered its written opinion to the boards of directors of Aimco, the general partner of Aimco OP, the Managing General Partner and the general partner of the sole member of the Non-Managing General Partner to the effect that, as of November 15, 2011, the cash consideration of \$483.14 per unit is fair, from a financial point of view, to the unaffiliated limited partners of AP XII. The full text of Duff & Phelps's written opinion, which sets forth the assumptions made, procedures followed, factors considered and qualifications and limitations on the review undertaken by Duff & Phelps in connection with its opinion, is attached to this information statement/prospectus as **Annex C**. You are encouraged to read Duff & Phelps's opinion, and the section entitled **Special Factors Opinion of Financial Advisor** beginning on page 14, carefully and in their entirety. Duff & Phelps's opinion was directed to the boards of directors of Aimco, the general partner of Aimco OP, the Managing General Partner and the general partner of the sole member of the Non-Managing General Partner, and addresses only the fairness to the unaffiliated limited partners of AP XII, from a financial point of view, of the cash consideration of \$483.14 per unit as of the date of the opinion. Duff & Phelps's opinion did not address any other aspect of the merger and was not intended to and does not constitute a recommendation as to how any party should vote or act with respect to the merger or any matter relating thereto.

Effects of the Merger: After the merger, Aimco OP will be the sole limited partner in AP XII, and will own all of the outstanding AP XII Units. As a result, after the merger, you will cease to have any rights in AP XII as a limited partner. See *Special Factors - Effects of the Merger*, beginning on page 5.

Appraisal Rights: Pursuant to the terms of the merger agreement, Aimco OP will provide each limited partner with contractual dissenters' appraisal rights that are similar to the dissenters' appraisal rights available to a stockholder of a constituent corporation in a merger under Delaware law, and which will enable a limited partner to obtain an appraisal of the value of the limited partner's AP XII Units in connection with the merger. See *The Merger - Appraisal Rights*, beginning on page 44. A description of the

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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.

List of Investors: Under AP XII's partnership agreement and Delaware law, upon written request and at the cost of the limited partner, a limited partner who holds AP XII Units has the right to receive by mail a list of the names and addresses of the partners of AP XII and the number of units of partnership interest held by each of them. This list may be obtained by making written request to the General Partners, c/o Eagle Rock Proxy Advisors, LLC, 12 Commerce Drive, Cranford, New Jersey 07016, or by fax at (908) 497-2349.

Parties Involved:

Angeles Partners XII, LP, or AP XII, is a Delaware limited partnership formed on November 24, 2010, following a redomestication of the partnership from California to Delaware. AP XII owns and operates two investment properties: (i) the Hunters Glen Apartments, or the Hunters Glen Property, which consists of the Hunters Glen Apartments IV, a 264 unit apartment project, or the Hunters Glen IV Property, the Hunters Glen Apartments V, which consists of a 304 unit apartment project, or the Hunters Glen V Property, and the Hunters Glen Apartments VI, which consists of a 328 unit apartment project, or the Hunters Glen VI Property, each of which is located in Plainsboro, New Jersey; and (ii) the Twin Lake Towers Apartments, which consists of a 399 unit apartment project located in Westmont, Illinois, or the Twin Lake Towers Property. As a result of a refinancing which collateralizes the three phases of the Hunters Glen Property under one mortgage loan, AP XII has combined the assets, liabilities and operations of the Hunters Glen IV Property, the Hunters Glen V Property and the Hunters Glen VI Property, into one property, the Hunters Glen Property. See Information About Angeles Partners XII, LP beginning on page 33. AP XII'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. Aimco's principal financial objective is to provide predictable and attractive returns to its stockholders. Aimco's common stock is listed and traded on the NYSE under the symbol AIV. See Information about the Aimco Entities, beginning on page 31. Aimco's principal address is 4582 South Ulster Street, Suite 1100, Denver, Colorado 80237, and its telephone number is (303) 757-8101.

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 31. Aimco OP's principal address is 4582 South Ulster Street, Suite 1100, Denver, Colorado 80237, and its telephone number is (303) 757-8101.

AIMCO AP XII Merger Sub LLC, or the Aimco Subsidiary, is a Delaware limited liability company formed for the purpose of consummating the merger with AP XII. The Aimco Subsidiary is a direct wholly-owned subsidiary of Aimco OP. See Information about the Aimco Entities, beginning on page 31.

Reasons for the Merger: Aimco and Aimco OP are in the business of acquiring, owning and managing apartment properties such as the ones owned by AP XII, and have decided to proceed with the merger as a means of acquiring the properties currently owned by AP XII 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 AP XII of the expenses associated with a sale of the property, 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, limited partners of AP XII have only limited options to liquidate their investment in AP XII. The AP XII Units are not traded on an exchange or other reporting system, and transactions in the securities are limited and sporadic.

The value of the properties owned by AP XII is not sufficient to justify its continued operation as a public company. As a public company with a significant number of unaffiliated limited partners, AP XII incurs costs associated with preparing audited annual financial statements, unaudited quarterly financial

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statements, tax returns and partner Schedule K-1s, periodic SEC reports and other expenses. The Aimco Entities estimate these costs to be approximately \$97,000 per year.

AP XII has been operating at a loss for the past two years. Since late 2010, Aimco OP has made loans of approximately \$10,939,000 to AP XII to help fund operating expenses, pay off old mortgages and fund loan commitment fees for the new mortgage encumbering the Hunters Glen Property. AP XII may receive additional advances of funds from Aimco OP, although Aimco OP is not obligated to provide such advances. If the Aimco Entities acquire 100% ownership of AP XII, they will have greater flexibility in financing and operating its properties.

**Conflicts of Interest:** The Managing General Partner is wholly-owned by AIMCO/IPT, Inc., which in turn is wholly-owned by Aimco. Therefore, the Managing General Partner has a conflict of interest with respect to the merger. The Managing General Partner has fiduciary duties to AIMCO/IPT, Inc., the Managing General Partner's sole stockholder and an affiliate of Aimco, on the one hand, and to AP XII and its limited partners, on the other hand. The duties of the Managing General Partner to AP XII and its limited partners conflict with the duties of the Managing General Partner to AIMCO/IPT, Inc., which could result in the Managing General Partner approving a transaction that is more favorable to Aimco than might be the case absent such conflict of interest. See, *The Merger Conflicts of Interest*, beginning on page 43.

**Risk Factors:** In evaluating the merger agreement and the merger, AP XII limited partners should carefully read this information statement/prospectus and especially consider the factors discussed in the section entitled *Risk Factors* beginning on page 20. Some of the risk factors associated with the merger are summarized below:

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

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

There are a number of significant differences between AP XII 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 AP XII Units and Aimco OP Units*, beginning on page 64.

AP XII 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; there is no public market for 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 Merger:** The merger will generally be treated as a partnership merger for U.S. federal income tax purposes. In general, any payment of cash for AP XII Units will be treated as a sale of such AP XII Units by the holder thereof, and any exchange of AP XII Units for OP Units under the terms of the merger agreement will be treated as a tax-free transaction, except to the extent described in *Material United States Federal Income Tax Considerations United States Federal Income Tax Consequences Relating to the Merger*, beginning on page 70.

**The foregoing is a general discussion of the material U.S. federal income tax consequences of the merger. This summary does not discuss all aspects of U.S. 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 U.S. federal income tax laws. The particular tax consequences of the merger to you will depend on a number of factors related to your tax situation. You should review Material United States Federal Income Tax Considerations, herein and consult your tax advisors for a full understanding of the tax consequences to you of the merger.**

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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 the ones owned by AP XII, and have decided to proceed with the merger as a means of acquiring the properties currently owned by AP XII 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 AP XII 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, AP XII limited partners have only limited options to liquidate their investment in AP XII. The AP XII Units are not traded on an exchange or other reporting system, and transactions in the securities are limited and sporadic.

The value of the properties owned by AP XII is not sufficient to justify its continued operation as a public company. As a public company with a significant number of unaffiliated limited partners, AP XII incurs costs associated with preparing audited annual financial statements, unaudited quarterly financial statements, tax returns and partner Schedule K-1s, periodic SEC reports and other expenses. The Aimco Entities estimate these costs to be approximately \$97,000 per year.

AP XII has been operating at a loss for the past two years. Since late 2010, Aimco OP has made loans of approximately \$10,939,000 to AP XII to help fund operating expenses, pay off old mortgages and fund loan commitment fees for the new mortgage encumbering the Hunters Glen Property. AP XII may receive additional advances of funds from Aimco OP, although Aimco OP is not obligated to provide such advances. If the Aimco Entities acquire 100% ownership of AP XII, they will have greater flexibility in financing and operating its properties.

As discussed in more detail below, the Aimco Entities considered a sale of the Hunters Glen Property in early 2009, but determined that they would most likely not be able to find any buyers at acceptable prices.

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

*Continuation of AP XII as a Public Company Operating the Properties.* The Managing General Partner and the Aimco Entities did not consider the continuation of AP XII as a public company operating the properties to be 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 AP XII to generate sufficient funds to cover operating expenses without advances from Aimco OP which may not be available in the future.

*Liquidation of AP XII.* As discussed above, the Managing General Partner and the other Aimco Entities considered a liquidation of AP XII in which AP XII's properties would be marketed and sold to third parties for cash, with any net proceeds remaining after payment of all liabilities distributed to AP XII's limited partners. The primary advantage of such a transaction would be that the sale prices would reflect arm's-length negotiations and might therefore be higher

than the appraised values which have been used to determine the merger consideration. The Managing General Partner and the Aimco Entities rejected this alternative because of: (i) the risk that a third party purchaser might not be found that would offer a satisfactory price; (ii) the costs imposed on AP XII in connection with marketing and selling the properties; and (iii) the fact that limited partners would recognize taxable gain on the sales. In early 2009, the Managing General Partner and the other Aimco Entities considered a sale of the Hunters Glen Property, but determined that they would most likely not be able to find any buyers at acceptable prices.

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

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**Effects of the Merger**

The Aimco Entities believe that the merger will have the following benefits and detriments to unaffiliated limited partners, AP XII and the Aimco Entities:

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

**Liquidity.** 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 or qualification would be prohibitively costly). Limited partners who receive the cash consideration will receive immediate liquidity with respect to their investment.

**Option to Defer Taxable Gain.** Limited partners who receive OP Units in the merger may 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).

**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 AP XII.

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

**Elimination of Costs Associated with SEC Reporting Requirements and Multiple Limited Partners.** AP XII will terminate registration after the merger is completed, and will cease filing periodic reports with the SEC. As a result, AP XII will no longer incur costs associated with preparing audited financial statements, unaudited quarterly financial statements, tax returns and partner Schedule K-1s, periodic SEC reports and other expenses. The Aimco Entities estimate these expenses to be approximately \$97,000 per year.

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

**Increased Interest in AP XII.** Upon completion of the merger, Aimco OP will be the sole limited partner of AP XII. 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 income from such properties.

*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 the cash consideration may recognize taxable gain in the merger that could exceed the merger consideration. In addition, limited partners who receive OP Units in the merger could recognize taxable gain if Aimco subsequently sells any of AP XII's 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 Managing General Partner is wholly-owned by AIMCO/IPT, Inc., which in turn is wholly-owned by Aimco. Therefore, the Managing General Partner has a conflict of interest with respect to the merger. The Managing General Partner has fiduciary duties to AIMCO/IPT, Inc., the Managing General Partner's sole stockholder and an affiliate of Aimco, on the one hand, and to AP XII and its limited partners, on the other hand. The duties of the Managing General Partner to AP XII and its limited partners conflict with the duties of the Managing General Partner to AIMCO/IPT, Inc., which could result in the Managing 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 AP XII's unaffiliated limited partners.

*Detriments to AP XII.* The merger is not expected to have any detriments to AP XII.

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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 AP XII.** Upon completion of the merger, the Aimco Entities' interest in the net book value of AP XII will increase from 75.7% to 100%, or from a deficit of \$54,071,000 to a deficit of \$71,382,000 as of December 31, 2010, and their interest in the net losses of AP XII will increase from 75.7% to 100%, or from \$2,162,000 to \$2,855,000 for the period ended December 31, 2010. Upon completion of the merger, Aimco OP will be the sole limited partner of AP XII. As a result, Aimco OP will bear the burden of all future operating or other losses of AP XII, as well as any decline in the value of AP XII'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 Merger**

For a discussion of the material U.S. federal income tax consequences of the merger, see *Material United States Federal Income Tax Considerations - United States Federal Income Tax Consequences Relating to the Merger*, beginning on page 70.

## **Fairness of the Transaction**

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

The merger consideration of \$483.14 per AP XII Unit was based on independent third party appraisals of AP XII's properties by either Cogent Realty Advisors, LLC, or CRA, or KTR Real Estate Advisors LLC, or KTR, each an independent valuation firm.

Duff & Phelps has delivered its written opinion to the boards of directors of Aimco, the general partner of Aimco OP, the Managing General Partner and the general partner of the sole member of the Non-Managing General Partner to the effect that, as of November 15, 2011, based upon and subject to the assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken by Duff & Phelps in connection with its opinion, the cash consideration of \$483.14 per unit is fair, from a financial point of view, to the unaffiliated limited partners of AP XII.

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 a sale of the properties, including transaction costs related to the sale and prepayment penalties on the mortgage debt that would apply (based on current interest rates) if the properties were sold after the expiration of the current lockout periods (during which a prepayment of the mortgage debt is prohibited) in June 2013 (for the Hunters Glen Property) and September 2012 (for the Twin Lake Towers Property).

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

The mark-to-market adjustment to the mortgage debt encumbering AP XII s properties is less than the prepayment penalties that would be payable (based on current interest rates) upon a sale of the Hunters Glen Property and the Twin Lake Towers Property after the expiration of the current lockout periods.

The merger consideration exceeds the net book value per unit (a deficit of \$1,752.83 per AP XII Unit at September 30, 2011).

The appraised value of the Twin Lake Towers Property relied on to determine the merger consideration is higher than a December 2009 lender appraisal for the Twin Lake Towers Property, which indicated a market value of \$37,000,000 as of December 4, 2009.

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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 or qualification 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 the 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 AP XII.

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.

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, 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 the prices at which AP XII Units have recently sold in the secondary market (\$104.00 to \$270.00 per AP XII Unit from January 1, 2010 through November 4, 2011).

The merger consideration is greater than the prices at which AP XII Units have historically sold in the secondary market (\$180.00 to \$212.00 per AP XII Unit from January 1, 2009 through December 31, 2009).

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

The Managing General Partner has substantial conflicts of interest with respect to the merger as a result of (i) the fiduciary duties they owe 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, an affiliate of Aimco, which has an interest in obtaining the AP XII properties for the lowest possible consideration.

The terms of 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.



In calculating the merger consideration, the market value of the mortgage debt encumbering AP XII s properties was deducted, which resulted in less merger consideration than would have been the case if the aggregate amount outstanding was deducted.

The appraised value of the Hunters Glen Property relied on to determine the merger consideration is lower than a January 2011 lender appraisal for the Hunters Glen Property, which indicated a market value of \$102,000,000 as of November 19, 2010.

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

Limited partners who receive OP Units in the merger could recognize taxable gain if Aimco subsequently sells any of AP XII s properties.

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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 and KTR, the valuation firms that appraised the AP XII properties, have performed work for Aimco OP and its affiliates in the past, and these pre-existing relationships could negatively impact CRA's and KTR's independence.

The Aimco Entities did not assign relative weights to the above factors in reaching their decision that the merger is fair to AP XII 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 \$483.14 per AP XII Unit is based on independent third party appraisals of AP XII's properties, (ii) the Duff & Phelps opinion that, as of November 15, 2011, based upon and subject to the assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken by Duff & Phelps in connection with its opinion, the cash consideration of \$483.14 per unit is fair, from a financial point of view, to the unaffiliated limited partners of AP XII; (iii) limited partners may defer recognition of taxable gain by electing to receive OP Units in the merger (except in certain jurisdictions) and (iv) 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 AP XII Units may have sold in the secondary market because they do not view that information as a reliable measure of value. The AP XII 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 refinancing, distribution of proceeds and advances from Aimco OP.

*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 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 Appraisers.* The Managing General Partner retained the services of CRA to appraise the market value of the Twin Lake Towers Property. The Managing General Partner retained the services of KTR to appraise the market value of the Hunters Glen Property. CRA and KTR are each experienced independent valuation consulting firms that have performed appraisal services for Aimco OP and its affiliates in the past. Aimco OP believes that its relationship with CRA and KTR had no negative impact on those firms' independence in conducting the appraisals related to the merger.

*Factors Considered.* CRA performed a complete appraisal of the Twin Lake Towers Property. KTR performed a complete appraisal of the Hunters Glen Property. CRA and KTR have each represented that its respective 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. AP XII furnished CRA and KTR with all of the necessary information requested by CRA or KTR, as applicable, 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 and, KTR, 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, office and retail market conditions, with special emphasis on the property's submarket;

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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 and KTR 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 and KTR, respectively, in preparing the appraisals. CRA and KTR principally relied on two approaches to valuation: (i) the income capitalization approach and (ii) the sales comparison approach.

The income capitalization approach is based on the premise that value is derived by converting anticipated benefits into property value. Anticipated benefits include the present value of the net income and the present value of the net proceeds resulting from the re-sale of the property. CRA reported that the Twin Lake Towers Property has an adequate operations history to determine its income-producing capabilities over the near future. KTR reported that the Hunters Glen Property has an adequate operations history to determine its income-producing capabilities over the near future. In addition, each firm reported that 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 and KTR used the direct capitalization method to estimate a value for the Twin Lake Towers Property and the Hunters Glen Property, respectively. According to the appraisal 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 and KTR with respect to each property are set forth below. The property-specific assumptions were determined by CRA and KTR to be reasonable based on their review of historical operating and financial data for their respective property and comparison of said data to the operating statistics of similar properties in the respective influencing market areas. The capitalization rate for each property was determined to be reasonable by CRA and KTR, as applicable, based on its review of applicable data ascertained within the market in which the respective 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 and KTR each reported that 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. For their respective appraisals, CRA and KTR conducted research in the influencing market in an attempt to

locate sales of properties similar to the appraised properties. The results of CRA's and KTR's research indicated that an adequate number of comparable sales were obtained from the local markets in which the Twin Lake Towers Property and the Hunters Glen Property are located.

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; date of sale; sales were selected based on their physical similarity to the appraised property; transactions were selected based on the

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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 and KTR'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 and KTR reviewed each approach in order to determine its appropriateness relative to the properties that they appraised. The accuracy of the data available and the quantity of evidence were weighted in each approach. For the appraisal of the Twin Lake Towers Property, CRA placed primary emphasis on the income capitalization approach to valuation, and the direct capitalization approach was considered in the conclusion of value for the property. CRA relied secondarily on the sales comparison approach, and reported that the value conclusion derived pursuant to the sales comparison approach was utilized as a means to support the value conclusion rendered for the Twin Lake Towers Property pursuant to the income capitalization approach. For the appraisal of the Hunters Glen Property, KTR relied principally on the income capitalization approach to valuation, and the direct capitalization method was given greatest consideration in the conclusion of value for this approach. While KTR granted some weight to the sales comparison approach, KTR noted that less weight was accorded to this approach than otherwise might be typical given the degree of adjustments necessary and the lack of directly comparable sales.

### ***Twin Lake Towers Property***

*Summary of Independent Appraisal of the Twin Lake Towers Property.* CRA performed a complete appraisal of the Twin Lake Towers Property. The appraisal report of the Twin Lake Towers Property is dated May 19, 2010, and indicates that the estimated market value of the Twin Lake Towers Property was \$36,000,000 as of April 21, 2010. The appraisal report was updated by CRA as reflected in CRA's supplemental letters dated January 3, 2011, June 9, 2011, and October 28, 2011. The appraisal report, as updated by the supplemental letters dated January 3, 2011 and June 9, 2011, indicates that the estimated market value of the Twin Lake Towers Property was \$41,400,000 as of December 20, 2010 and \$45,600,000 as of May 31, 2011, respectively. The appraisal report, as updated by the supplemental letter dated October 28, 2011, provides an estimate of the property's market value as of October 1, 2011. 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, as updated by the supplemental letters, the estimated market value of the Twin Lake Towers Property was \$47,200,000 as of October 1, 2011. The following is a summary of the appraisal report dated May 19, 2010, as updated by the supplemental letters dated January 3, 2011, June 9, 2011, and October 28, 2011. There is no present intention to further update the appraisal report. The Aimco Entities are not aware of any events that have occurred or conditions that have changed since the October 28, 2011 supplemental letter that may have caused a material change in the value of the Twin Lake Towers Property.

*Extraordinary Assumption.* In connection with the preparation of its January 2011 supplemental letter of the Twin Lake Towers Property, CRA inspected the property on December 20, 2010. CRA noted that a physical inspection of the Twin Lake Towers Property and its environs was not conducted in conjunction with the May 2011 supplemental letter or the October 2011 supplemental letter, and that it is assumed for purposes of the May 2011 supplemental letter and the October 2011 supplemental letter that the Twin Lake Towers Property is in a similar state of repair and

condition, and that neighborhood conditions and composition are consistent with observations noted on December 20, 2010.

*Valuation under Income Capitalization Approach.* Using the income capitalization approach, CRA performed a direct capitalization analysis to derive a value for the Twin Lake Towers Property. The direct capitalization analysis resulted in a valuation conclusion for the Twin Lake Towers Property of approximately \$47,200,000 as of October 1, 2011.

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The assumptions employed by CRA to determine the value of the Twin Lake Towers Property under the income capitalization approach using a direct capitalization analysis included:

- potential gross income from apartment unit rentals of \$429,437 per month or \$5,153,244 for the appraised year;
- a 5.0% allowance attributable to loss to lease;
- concession allowance of 3.0% of the gross rent potential;
- a combined vacancy and collection loss factor of 4.5%;
- estimated utility income of \$359,100, or \$900 per unit;
- estimated other income of \$285,285, or \$715 per unit;
- total estimated expenses of \$2,189,165;
- capitalization rate of 6.25%.

Using a direct capitalization analysis, CRA calculated the value of the Twin Lake Towers Property by dividing the stabilized net operating income of \$2,952,338 by the concluded capitalization rate of 6.25%.

CRA calculated the value conclusion of the Twin Lake Towers Property under the income capitalization approach of approximately \$47,200,000 as of October 1, 2011.

*Valuation Under Sales Comparison Approach.* CRA estimated the property value of the Twin Lake Towers Property under the sales comparison approach by analyzing sales from the influencing market that were most similar to the Twin Lake Towers Property in terms of age, size, tenant profile and location. In addition to the sales outlined in the May 2011 Supplemental Letter, CRA researched and analyzed two recent comparable transactions. CRA reported that the sales comparison approach was utilized as a means of support to the value conclusion rendered for the Twin Lake Towers Property via the income capitalization approach.

The sales comparison approach resulted in a valuation conclusion for the Twin Lake Towers Property of approximately \$44,900,000 as of October 1, 2011.

In reaching a valuation conclusion for the Twin Lake Towers Property, CRA examined and analyzed comparable sales of five properties in the influencing market. The sales reflected per unit unadjusted sales prices ranging from \$71,429 to \$120,833. After adjustment, the comparable sales illustrated a range from \$103,714 to \$115,917 per unit, with mean and median adjusted sale prices of \$111,447 and \$112,946 per unit, respectively. CRA estimated a value of \$112,500 per unit. Applied to the Twin Lake Towers Property's 399 units, this resulted in CRA's total value estimate for the Twin Lake Towers Property of approximately \$44,900,000 as of October 1, 2011.

*Reconciliation of Values and Conclusion of Appraisal.* For the appraisal of the Twin Lake Towers Property, CRA placed primary emphasis on the value indicator produced by the income capitalization approach to valuation, and the direct capitalization method was given greatest consideration in the conclusion of value for this approach. CRA relied secondarily on the sales comparison approach, and reported that the value conclusion derived pursuant to the sales comparison approach is utilized as a means to support the value conclusion rendered for the Twin Lake Towers Property pursuant to the income capitalization approach. The income capitalization approach using a direct capitalization analysis resulted in a value of \$47,200,000, and the sales comparison approach resulted in a value of



\$44,900,000. CRA concluded that the market value of the Twin Lake Towers Property as of October 1, 2011 was \$47,200,000.

***Hunters Glen Property***

*Summary of Independent Appraisal of the Hunters Glen Property.* KTR performed a complete appraisal of the Hunters Glen Property. The appraisal report of the Hunters Glen Property is dated October 20, 2011. The appraisal report provides an estimate of the property's market value as of October 1, 2011. The summary set forth below describes the material conclusions reached by KTR based on the value determined under the valuation approaches and subject to the assumptions and limitations described below. According to KTR's report, the estimated market value of the Hunters Glen Property was \$92,000,000 as of October 1, 2011. Previous appraisal

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reports by KTR of the Hunters Glen Property, dated March 17, 2011 and June 1, 2011, indicated that the estimated market value of the Hunters Glen Property was \$91,000,000 as of March 4, 2011 and \$92,000,000 as of June 1, 2011, respectively. The increase in the estimated market value of the Hunters Glen Property is mainly due to changes in the assumptions employed by KTR to determine the value of the Hunters Glen Property (including a lower allowance attributable to loss to lease). The following is a summary of the appraisal report dated October 20, 2011. There is no present intention to update the appraisal report. The Aimco Entities are not aware of any events that have occurred or conditions that have changed since the date of the appraisal report that may have caused a material change in the value of the Hunters Glen Property.

*Extraordinary Assumption.* In connection with the preparation of its March 2011 appraisal report of the Hunters Glen Property, KTR inspected the property on March 4, 2011. KTR noted that the scope of work of the June 2011 appraisal report and the October 2011 appraisal report of the Hunters Glen Property did not include a physical inspection of the Hunters Glen Property, and that the values derived in the reports are based on the extraordinary assumption that the physical condition of the Hunters Glen Property has not materially changed since March 4, 2011.

*Valuation under Income Capitalization Approach.* Using the income capitalization approach, KTR performed a direct capitalization analysis to derive a value for the Hunters Glen Property.

The direct capitalization analysis resulted in a valuation conclusion for the Hunters Glen Property of approximately \$91,800,000 as of October 1, 2011.

The assumptions employed by KTR to determine the value of the Hunters Glen Property under the income capitalization approach using a direct capitalization analysis included:

- potential gross income from apartment unit rentals of \$874,456 per month or \$10,493,472 for the appraised year;
- a 1.0% allowance attributable to loss to lease;
- concession allowance of 1.75% of the gross rent potential;
- a combined vacancy and credit loss factor of 5.0%;
- estimated other income of \$1,075,200, or \$1,200 per unit;
- estimated administrative unit rental loss associated with the operation of five administrative units of \$52,245;
- total estimated expenses of \$5,197,544;
- capitalization rate of 6.0%.

Using a direct capitalization analysis, KTR calculated the value of the Hunters Glen Property by dividing the stabilized net operating income of \$5,505,639 by the concluded overall capitalization rate of 6.00%.

KTR calculated the value conclusion of the Hunters Glen Property under the income capitalization approach of approximately \$91,800,000 as of October 1, 2011.

*Valuation Under Sales Comparison Approach.* KTR estimated the property value of the Hunters Glen Property under the sales comparison approach by analyzing sales from the influencing market that were most similar to the Hunters

Glen Property in terms of age, size, tenant profile and location. KTR reported that, due to the insignificant average unit size disparity between the Hunters Glen Property and the comparable sales, it considered that a price per unit comparison was reliable.

The sales comparison approach resulted in a valuation conclusion for the Hunters Glen Property of approximately \$94,000,000 as of October 1, 2011.

In reaching a valuation conclusion for the Hunters Glen Property, KTR examined and analyzed comparable sales of four properties in the influencing market. The sales reflected per unit unadjusted sales prices ranging from \$93,487 to \$125,000. After adjustment, the comparable sales illustrated a range from \$105,896 to \$118,750 per unit. KTR reported

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that one of the sales was a portfolio sale of three properties in which two of the buildings were located in the same town as the Hunters Glen Property. KTR also reported that two of the sales are of properties located in the neighborhood of the Hunters Glen Property and that these sales indicated a value range of \$105,896 to \$108,143 per unit. KTR also reported that it placed the greatest reliance on one of these three sales as it is the most recent transaction in the immediate market of the Hunters Glen Property and required the least adjustments. KTR estimated a value of \$105,000 per unit. Applied to the Hunters Glen Property, 896 total units, this resulted in KTR's total value estimate for the Hunters Glen Property of approximately \$94,000,000 as of October 1, 2011.

*Reconciliation of Values and Conclusion of Appraisal.* For the appraisal of the Hunters Glen Property, KTR relied principally on the income capitalization approach to valuation, and the direct capitalization method was given greatest consideration in the conclusion of value for this approach. While KTR granted some weight to the sales comparison approach, KTR noted that less weight was accorded to this approach than otherwise might be typical given the degree of adjustments necessary and the lack of directly comparable sales. The income capitalization approach using a direct capitalization analysis result in a value of \$91,800,000, and the sales comparison approach resulted in a value of \$94,000,000, each as of October 1, 2011. KTR concluded that the market value of the Hunters Glen Property as of October 1, 2011 was \$92,000,000.

*Assumptions, Limitations and Qualifications of CRA's and KTR's Valuations.* In preparing their respective appraisals, CRA and KTR relied, without independent verification, on the information furnished by others. Each of CRA's and KTR's appraisal reports was subject to, among others, 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.

*Compensation of Appraisers.* CRA's fee for the appraisal of the Twin Lake Towers Property was approximately \$20,300. KTR's fee for the appraisal of the Hunters Glen Property was approximately \$21,500. Aimco OP paid for the costs of the appraisals. Neither CRA's nor KTR's fee for the appraisals was contingent on the approval or completion of

the merger. Aimco OP also has agreed to indemnify CRA and KTR for certain liabilities that may arise out of the rendering of the appraisals. During the past two years, in addition to these fees, Aimco OP and its affiliates have paid CRA and KTR approximately \$241,900 and \$283,100, respectively, for other appraisal services, including, but not limited to, fees of approximately \$146,100 and \$154,600, respectively, for appraisal services related to certain other merger transactions that are being effected concurrently with this merger. Except as set forth above, during the prior two years, no material relationship has existed between CRA or KTR, on the one hand, and

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AP XII or Aimco OP or any of their affiliates, on the other hand. Aimco OP believes that its relationships with CRA and KTR had no negative impact on either firm's independence in conducting the appraisals.

*Availability of Appraisal Reports.* You may obtain a full copy of CRA's and KTR's appraisals 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 reports have been filed with the SEC. For more information about how to obtain a copy of the appraisal reports see [Where You Can Find Additional Information](#).

## **Opinion of Financial Advisor**

Aimco OP retained Duff & Phelps to act as financial advisor to the boards of directors of Aimco, the general partner of Aimco OP, the Managing General Partner and the general partner of the sole member of the Non-Managing General Partner in connection with their evaluation of the proposed terms of the merger.

On November 15, 2011, Duff & Phelps rendered its written opinion to the boards of directors of Aimco, the general partner of Aimco OP, the Managing General Partner and the general partner of the sole member of the Non-Managing General Partner, to the effect that, as of November 15, 2011, based upon and subject to the assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken, the cash consideration offered in the merger is fair from a financial point of view to the unaffiliated limited partners of AP XII.

**The full text of the written opinion of Duff & Phelps, dated November 15, 2011, which sets forth the assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken by Duff & Phelps in connection with the opinion, is attached as [Annex C](#) to this information statement/prospectus. You are encouraged to read the opinion carefully and in its entirety. The summary of Duff & Phelps's opinion in this information statement/prospectus is qualified in its entirety by reference to the full text of the opinion.**

**Duff & Phelps's opinion was directed to the boards of directors of Aimco, the general partner of Aimco OP, the Managing General Partner and the general partner of the sole member of the Non-Managing General Partner, and addressed only the fairness from a financial point of view of the cash consideration of \$483.14 per unit, as of the date of the opinion. Duff & Phelps provided its opinion for the information and assistance of the boards of directors of Aimco, the general partner of Aimco OP, the Managing General Partner and the general partner of the sole member of the Non-Managing General Partner in connection with their evaluation of the merger. Neither Duff & Phelps's opinion nor the summary of the opinion and the related analyses set forth in this information statement/prospectus are intended to be, and do not constitute, advice or a recommendation as to how any person should act with respect to any matters relating to the merger, or whether to proceed with the merger or any related transaction.**

In connection with its opinion, Duff & Phelps made such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. Duff & Phelps also took into account its assessment of general economic, market and financial conditions, as well as its experience in securities and business valuation, in general, and with respect to similar transactions, in particular. Duff & Phelps's procedures, investigations, and financial analysis with respect to the preparation of its opinion included, but were not limited to, the items summarized below:

1. Reviewed the following documents:

a. Reviewed AP XII's property level internal unaudited financial statements for the nine months ended September 30, 2011 and AP XII's property level unaudited annual financial statements for each of the three fiscal years ended

December 31, 2010;

b. Reviewed other internal documents relating to the history, current operations, and probable future outlook of AP XII, including financial projections, provided to Duff & Phelps by the management of Aimco OP; and

c. Reviewed documents related to the merger, including certain portions of a draft of this information statement/prospectus, including a draft of the merger agreement dated as of November 10, 2011, and certain other documents related to the merger;

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2. Reviewed the following information and/or documents related to the real estate holdings of AP XII:
  - a. Reviewed previously completed appraisal reports associated with the properties owned by AP XII prepared by KTR and CRA as of October 1, 2011 and provided to Duff & Phelps by management of Aimco OP (which appraisal reports are incorporated by reference in Exhibits 99.1 through 99.5 in this information statement/prospectus);
  - b. Reviewed facts and circumstances related to each of the properties owned by AP XII to understand factors relevant to the appraisals; and
  - c. Reviewed market data for each of the subject markets and assessed current supply and demand trends;
3. Reviewed the following information and/or documents related to the properties owned by AP XII:
  - a. Reviewed operating statements and balance sheets for the twelve month periods ending December 31, 2008, 2009, and 2010;
  - b. Reviewed the year-to-date operating statement and balance sheet for the nine month period ending September 30, 2011;
  - c. Reviewed budgeted financial statements for the twelve month period ending December 31, 2011;
  - d. Reviewed rent rolls prepared as of September 2011; and
  - e. Discussed the information referred to above and the background and other elements of the merger with the management of Aimco OP; and
4. Conducted such other analyses and considered such other factors as Duff & Phelps deemed appropriate.

In performing its analyses and rendering its opinion with respect to the merger, Duff & Phelps made certain assumptions, qualifications and limiting conditions, which included, but were not limited to, the items summarized below:

1. Relied upon the accuracy, completeness, reliability, and fair presentation of all information, data, advice, opinions and representations obtained from public sources or provided to it from private sources regarding or otherwise relating to the properties owned by AP XII, AP XII, the merger and/or otherwise received by it in connection with the opinion, including information obtained from Aimco OP management, and did not independently verify such information;
2. Assumed that any estimates, evaluations, forecasts or projections furnished to Duff & Phelps by management of Aimco OP were reasonably prepared and based upon the best currently available information and good faith judgment of the person furnishing the same;
3. Assumed that the final versions of all documents reviewed by Duff & Phelps in draft form conform in all material respects to the drafts reviewed;
4. Assumed that there has been no material change in the assets, financial condition, business, or prospects of AP XII or any of its owned properties since the respective dates of the appraisal reports, the most recent financial statements and the other information made available to Duff & Phelps;



5. Assumed that title to the properties owned by AP XII is good and marketable, that all material licenses and related regulatory approvals that are required or advisable to be obtained with respect to the properties owned by AP XII have been obtained and are current, and that, except as expressly disclosed in the appraisal reports, the properties owned by AP XII are in compliance with applicable material zoning, use, occupancy, environmental, and similar laws and regulations;

6. Assumed responsible ownership and competent property management of each of the properties owned by AP XII, that, except as expressly disclosed in the appraisal reports, there are no unapparent conditions with respect to any of the properties owned by AP XII that could affect the value of such property, and that, except as

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expressly disclosed in the appraisal reports, there are no hazardous substances on or near any of the properties owned by AP XII that could affect the value of such property;

7. Assumed that all of the conditions required to implement the merger will be satisfied and that the merger will be completed in accordance with the merger agreement without any amendments thereto or any waivers of any terms or conditions thereof; and

8. Assumed that each of the unaffiliated limited partners elects to receive the cash consideration offered, and therefore, Duff & Phelps made no determination as to the fair value of, or fairness with respect to the OP Unit consideration.

Duff & Phelps did not evaluate AP XII's solvency or conduct an independent appraisal or physical inspection of any specific liabilities (contingent or otherwise). Duff & Phelps did not evaluate the tax consequences the merger may have on any person, including any unaffiliated limited partner, and did not take any such consequences into account in rendering the opinion. Duff & Phelps was not requested to, and did not, (i) initiate any discussions with, or solicit any indications of interest from, third parties with respect to the merger, the assets, businesses or operations of AP XII, or any alternatives to the merger, (ii) negotiate the terms of the merger, or (iii) advise Aimco OP or any other party with respect to alternatives to the merger.

Duff & Phelps did not express any opinion as to the market price or value of AP XII's or Aimco OP's equity (or anything else) after the announcement or the consummation of the merger. Without limiting the generality of the foregoing, Duff & Phelps did not express any opinion as to the liquidity of, rights and/or risks associated with owning, or any other feature or characteristic of, the OP Units. The opinion should not be construed as a valuation opinion, credit rating, solvency opinion, an analysis of AP XII's or Aimco OP's credit worthiness, as tax advice, or as accounting advice. Duff & Phelps did not make, and assumed no responsibility to make, any representation, or render any opinion, as to any legal matter (including with respect to title to or any encumbrances relating to any of the properties owned by AP XII).

Duff & Phelps did not investigate any of the physical conditions of any of the properties owned by AP XII and has not made, and assumed no responsibility to make, any representation, or render any opinion, as to the physical condition of any of the properties owned by AP XII. No independent surveys of the properties owned by AP XII were conducted by Duff & Phelps. Duff & Phelps did not arrange for any engineering studies that may be required to discover any unapparent condition in the properties owned by AP XII. Duff & Phelps did not arrange for or conduct any soil analysis or geological studies or any investigation of any water, oil, gas, coal, or other subsurface mineral and use rights or conditions or arrange for or conduct any other environmental analysis, including with respect to any hazardous materials, which may or may not be present on, in or near any of the properties owned by AP XII.

In rendering its opinion, Duff & Phelps did not express any opinion with respect to the amount or nature of any compensation to any of Aimco OP's and/or Aimco's respective officers, directors, or employees, or any class of such persons, relative to the consideration offered to the unaffiliated limited partners in the merger, or with respect to the fairness of any such compensation.

The opinion (i) does not address the merits of the underlying business decision to enter into the merger versus any alternative strategy or transaction, (ii) does not address any transaction related to the merger, (iii) is not a recommendation as to how any party should vote or act with respect to any matters relating to the merger or any related transaction, or whether to proceed with the merger or any related transaction, and (iv) does not indicate that the consideration offered is the best possibly attainable under any circumstances; instead, the opinion merely states whether the consideration offered in the merger is within a range suggested by certain financial analyses. The decision as to whether to proceed with the merger or any related transaction may depend on an assessment of factors unrelated to the financial analysis on which the opinion was based.

Duff & Phelps prepared its opinion effective as of November 15, 2011. The opinion was necessarily based upon market, economic, financial and other conditions as they existed and could be evaluated as of such date, and Duff & Phelps disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion which may come or be brought to the attention of Duff & Phelps after such date.

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The following is a summary of the material financial analyses performed by Duff & Phelps in connection with providing its opinion. The summary of Duff & Phelps' s valuation analyses is not a complete description of the analyses underlying Duff & Phelps' s opinion. The preparation of an opinion regarding fairness is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytic methods employed and the adaptation and application of these methods to the unique facts and circumstances presented. As a consequence, neither an opinion regarding fairness nor its underlying analyses is readily susceptible to partial analysis or summary description. Duff & Phelps arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, analytic method or factor. Accordingly, Duff & Phelps believes that its analyses must be considered as a whole and that selecting portions of its analyses, analytic methods and factors, without considering all analyses and factors or the narrative description of the analyses could create a misleading or incomplete view of the processes underlying its analyses and opinion.

### ***Valuation Analysis***

Duff & Phelps estimated the value attributable to the interests of the unaffiliated limited partners as follows:

Duff & Phelps reviewed the valuation conclusions for each of the properties owned by AP XII reached in the third party appraisals that were provided by the management of Aimco OP and as described in greater detail under the heading "Special Factors – The Appraisals" and Annex E – Summary of Appraisals Table;

Duff & Phelps' review of the third party appraisals included a review of the key assumptions used in and the conclusions reached by the appraisals and a comparison of such assumptions and conclusions to appropriate sources of real estate market data including, but not limited to: market surveys, selected comparable real estate transaction data, and discussions with opinions of professionals in the market place. Duff & Phelps also reviewed the valuation methodology employed by the third party appraisers and determined it to be appropriate;

Duff & Phelps estimated the range of value attributable to the interests of the unaffiliated limited partners by adding to the range of the aggregate appraised value of the properties owned by AP XII the amount of AP XII' s other non-real estate assets that were not included in the appraisals, and subtracting the amount of AP XII' s liabilities, including the market value of mortgage debt (but without deducting any prepayment penalties thereon) and the amount of liabilities estimated by management of Aimco OP for expenses attributable to the properties owned by AP XII that would be incurred prior to the transactions but payable after the transactions; and

Duff & Phelps reviewed Aimco OP management' s estimate of the fair value of the mortgage debt associated with the properties owned by AP XII, as described in greater detail under the heading "The Merger Determination of Merger Consideration," by reviewing the valuation methodology and the determination of the appropriate current market yield on mortgage debt of similar type, leverage and duration.

### ***Estimated Value of Limited Partnership Units***

The table below provides a summary of (i) the estimated range of value for the properties owned by AP XII by applying a capitalization rate range that was 25 basis points above and below the capitalization rate used by the third party appraisers to the appropriate measure of income from the properties owned by AP XII used by the third party appraisers, (ii) a summary of the estimated fair market value of mortgage debt associated with the properties owned



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by AP XII, and (iii) the proposed merger consideration (which was determined by the Aimco Entities) and Duff & Phelps' range of value for the AP XII Units.

	<b>Low Value</b>	<b>Proposed Value</b>	<b>High Value</b>	<b>% of Total</b>
<u>Property Value</u>				
Twin Lake Towers Apartments	\$ 45,400,000	\$ 47,200,000	\$ 49,200,000	
Hunters Glen Apartments	88,100,000	92,000,000	95,800,000	
<b>Total</b>	<b>\$ 133,500,000</b>	<b>\$ 139,200,000</b>	<b>\$ 145,000,000</b>	
<u>Debt Summary</u>				
Book Value of Debt(1)	\$ 93,393,575	\$ 93,393,575	\$ 93,393,575	
Fair Value of Debt(1)	100,373,734	100,373,734	100,373,734	
Fair Value as a % of Book	107%	107%	107%	
<u>LP Interest Summary</u>				
Proceeds Distributable to LPs	\$ 16,905,208	\$ 21,604,858	\$ 26,386,958	
Affiliated LP Units	33,750	33,750	33,750	75%
Unaffiliated LP Units	10,968	10,968	10,968	25%
<b>Total LP Units</b>	<b>44,718</b>	<b>44,718</b>	<b>44,718</b>	
<b>Value Per LP Unit</b>	<b>\$ 378.04</b>	<b>\$ 483.14</b>	<b>\$ 590.07</b>	

(1) Includes accrued interest.

Based on an aggregate range of value for the properties owned by AP XII of \$133.5 million to \$145.0 million, Duff & Phelps estimated the range of value per AP XII Unit to be approximately \$378.04 to \$590.07, compared to the cash merger consideration of \$483.14 per AP XII Unit.

**Other Matters**

By letter agreement dated June 10, 2011 between Duff & Phelps and Aimco OP, Duff & Phelps was engaged to opine, as to the fairness, from a financial point of view, to the unaffiliated limited partners of each of certain limited partnerships (including AP XII) of the cash consideration offered in the proposed merger relating to that limited partnership. Duff & Phelps was engaged based on its experience as a leading global independent provider of financial advisory and investment banking services. Duff & Phelps delivers advice principally in the areas of valuation, transactions, financial restructuring, dispute and taxation. Since 2005, Duff & Phelps has completed hundreds of valuations in the real estate investment trust and real estate operating company industry and rendered over 308 fairness opinions in transactions aggregating over \$103 billion. Duff & Phelps has also rendered over 222 solvency opinions in transactions aggregating over \$1.02 trillion.

Duff & Phelps has received a fee in the aggregate amount of \$450,000 for its services with respect to all of the partnerships pursuant to this engagement (which includes a retainer in the amount of \$200,000 allocated among eleven partnerships, including AP XII and a partnership that ultimately did not pursue a merger transaction, and \$50,000 for a bringdown of the initial fairness opinions dated July 28, 2011) as well as reimbursement for its expenses in the amount of approximately \$50,000. No portion of Duff & Phelps' fee is contingent upon either the conclusion expressed in this (or any other) opinion or whether or not this (or any other) merger is successfully consummated. Aimco OP

also has agreed to indemnify Duff & Phelps for certain liabilities that may arise out of the rendering of this opinion and any related to Duff & Phelps engagement. During the two years preceding the date of this opinion, Duff & Phelps has been paid approximately \$199,400 for property tax consulting services by Aimco OP and its affiliates for which Duff & Phelps received customary fees and indemnification. Except as set forth above, during the two years preceding the date of this opinion, Duff & Phelps had not had any material relationship with any party to the merger for which compensation has been received or is intended to be received, nor is any such material relationship or related compensation mutually understood to be contemplated.

**Estimated Operating Budgets for the Properties**

At the end of each calendar year, Aimco OP's management prepares an estimated operating budget for the next calendar year for each of the properties owned by AP XII. Aimco OP's management provided the 2011 estimated operating budgets for these properties to Duff & Phelps for use in connection with the preparation of its fairness opinion, and to CRA and KTR in connection with the preparation of their appraisals.

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In preparing the 2011 estimated operating budgets, Aimco OP's management made a number of assumptions and estimates, including the following:

income was projected to grow in accordance with estimated rent growth projections provided by Property & Portfolio Research, Inc., Reis, Inc., and Axiometrics Inc. by market;

expense growth was assumed to be 2.4% for budget year 2011;

vacancy rates were budgeted to remain at or above 96%; and

turnover was budgeted in accordance with historic experience at each property.

Aimco OP's management believed these assumptions and estimates were reasonable at the time the budgets were prepared, but these assumptions and estimates may not be realized and are inherently subject to significant uncertainties and contingencies, including, among others, the risks and uncertainties described under Management's Discussion and Analysis of Financial Condition and Results of Operations in AP XII's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, which is included as Annex G to this information statement/prospectus. All of these uncertainties and contingencies are difficult to predict and many are beyond the control of Aimco, Aimco OP and AP XII.

The 2011 estimated operating budgets have been prepared by, and are the responsibility of, Aimco OP's management. The 2011 estimated operating budgets were prepared solely for internal use and not with a view toward public disclosure and, accordingly, do not comply with generally accepted accounting principles, the published guidelines of the SEC regarding projections, or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither Aimco's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the 2011 estimated operating budgets, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the 2011 estimated operating budgets. Furthermore, the 2011 estimated operating budgets do not take into account any circumstances or events occurring after the date they were prepared.

The inclusion of the 2011 estimated operating budgets in this information statement/prospectus should not be regarded as an indication that any of Aimco, Aimco OP or their respective affiliates, advisors or representatives consider the 2011 estimated operating budgets to be predictive of actual future results, and they should not be relied upon as such. There can be no assurance that the underlying assumptions will prove to be accurate or that the estimated results will be realized, and actual results likely will differ, and may differ materially, from those reflected in the 2011 estimated operating budgets. None of Aimco, Aimco OP or their respective affiliates, advisors, officers, directors or representatives undertakes any obligation to update or otherwise revise the 2011 estimated operating budgets to reflect circumstances existing after the date they were prepared, or to reflect the occurrence of future events, even if any or all of the assumptions underlying the 2011 estimated operating budgets are no longer appropriate, except as required by law.

**In light of the foregoing factors and the uncertainties inherent in the 2011 estimated operating budgets, holders of AP XII Units are cautioned not to place undue, if any, reliance on them.**

The following table summarizes the 2011 estimated operating budgets for each of the properties owned by AP XII:

<b>Hunters Glen</b>	<b>Hunters Glen</b>	<b>Hunters Glen</b>	<b>Twin Lake</b>
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	<b>Apartments IV</b>	<b>Apartments V</b>	<b>Apartments VI</b>	<b>Towers Apartments</b>
Effective Gross Income	\$ 3,261,544	\$ 3,742,008	\$ 3,945,771	\$ 5,106,699
Total Expenses	1,645,176	1,566,514	1,656,240	2,201,830
Net Operating Income	\$ 1,616,368	\$ 2,175,494	\$ 2,289,531	\$ 2,904,869

Limited Partners are urged to review AP XII's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, which is included as [Annex G](#) to this information statement/prospectus, for information regarding AP XII's results of operations during the nine months ended September 30, 2011, including Management's Discussion and Analysis of Financial Condition and Results of Operations.

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**RISK FACTORS**

**Risks Related to the Merger**

*Conflicts of Interest.* The Managing General Partner is wholly-owned by AIMCO/IPT, Inc., which in turn is wholly-owned by Aimco. Therefore, the Managing General Partner has a conflict of interest with respect to the merger. The Managing General Partner has fiduciary duties to AIMCO/IPT, Inc., the Managing General Partner's sole stockholder and an affiliate of Aimco, on the one hand, and to AP XII and its limited partners, on the other hand. The duties of the Managing General Partner to AP XII and its limited partners conflict with the duties of the Managing General Partner to AIMCO/IPT, Inc., which could result in the Managing General Partner approving a transaction that is more favorable to Aimco than might be the case absent such conflict of interest. The Managing General Partner, in its capacity as the managing general partner of AP XII, seeks the best possible terms for AP XII's limited partners. This 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 AP XII's unaffiliated limited partners.

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

*The merger agreement does not require approval of the merger by a majority of the unaffiliated limited partners.* Under the provisions of the AP XII partnership agreement and applicable Delaware law, the merger must be approved by a majority in interest of AP XII Units. As of November 10, 2011, there were issued and outstanding 44,718 AP XII Units, and Aimco OP and its affiliates owned 33,750 of those units, or approximately 75.47% of the units outstanding, enabling them to approve the merger without the consent or approval of any unaffiliated limited partners.

*In connection with previous partnership merger transactions, lawsuits have been filed alleging that Aimco and certain of its affiliates breached their fiduciary duties to the unaffiliated limited partners.* In February 2011, Aimco and Aimco OP completed six partnership mergers. In each merger, the limited partners who were not affiliated with Aimco received cash or OP Units with a value calculated based on the estimated proceeds that would be available for distribution to limited partners if the partnership's properties were sold at prices equal to their appraised values. In March 2011, counsel representing a putative class consisting of former limited partners in each of those partnerships contacted Aimco alleging that the merger transactions were unfair to the unaffiliated limited partners because the appraisals used were not of a recent date and no fairness opinions were obtained, among other reasons. Aimco denied the purported class allegations, but agreed to mediate plaintiffs' claims in June 2011, and agreed to settle this dispute by paying the unaffiliated limited partners additional consideration of \$7.5 million. The merger contemplated hereby may also be subject to claims that the merger consideration is unfair and a result of self-dealing.

*The merger consideration was determined based on the appraised values of the properties as of the date of the respective appraisals, and there can be no assurance that the value of the properties will not increase as of the date of the consummation of the merger.* CRA and KTR appraised the Twin Lake Towers Property and the Hunters Glen

Property, respectively, as of October 1, 2011. The Managing General Partner calculated the amount of the merger consideration based on the appraised values of the properties as of such date. The Managing General Partner has not made any other attempt to assess or account for any changes in the value of the properties since the date of the appraisals in its determination of the merger consideration.

*Alternative valuations of AP XII s properties might exceed the appraised values relied on to determine the merger consideration.* Aimco determined the merger consideration in reliance on the appraised values of AP XII s properties. See, Special Factors The Appraisals, beginning on page 8, for more information about the

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appraisals. Although independent appraisers were 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. A January 2011 lender appraisal for the Hunters Glen Property indicated a market value of \$102,000,000 as of November 19, 2010, which is higher than the value relied on to determine the merger consideration. However, this lender appraisal is more than ten months old and does not account for certain changes in the operating metrics of the Hunters Glen Property related to operational challenges in the second half of 2010.

*Actual sales prices of AP XII s properties could exceed the appraised values that Aimco relied on to determine the merger consideration.* No recent attempt has been made to market the Twin Lake Towers Property to unaffiliated third parties. There can be no assurance that the Twin Lake Towers Property could not be sold for a value higher than the appraised value used to determine the merger consideration if it was marketed to third-party buyers interested in properties of this type. In March 2009, the Managing General Partner considered a sale of the Hunters Glen Property, but determined that it would most likely not be able to find any buyers at acceptable prices.

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

*Limited partners may recognize taxable gain in the merger that 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 AP XII 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 where the offering of the OP Units hereby is not permitted, 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, 2010 of each of Aimco and Aimco OP. Aimco s Annual Report is incorporated herein by reference and is available electronically through the SEC s website, [www.sec.gov](http://www.sec.gov), or by request to Aimco. Aimco OP s Annual Report on Form 10-K for the year ended December 31, 2010 (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 U.S. 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

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dividends. Although Aimco OP makes quarterly distributions on its OP Units, there can be no assurance regarding the amounts of available cash that Aimco OP will generate or the portion that its general partner will choose to distribute. The actual amounts of available cash will depend upon numerous factors, including profitability of operations, required principal and interest payments on our debt, the cost of acquisitions (including related debt service payments), its issuance of debt and equity securities, fluctuations in working capital, capital expenditures, adjustments in reserves, prevailing economic conditions and financial, business and other factors, some of which may be beyond Aimco OP's control. Cash distributions depend primarily on cash flow, including from reserves, and not on profitability, which is affected by non-cash items. Therefore, cash distributions may be made during periods when Aimco OP records losses and may not be made during periods when it records profits. The Aimco OP partnership agreement gives the general partner discretion in establishing reserves for the proper conduct of the partnership's business that will affect the amount of available cash. Aimco is required to make reserves for the future payment of principal and interest under its credit facilities and other indebtedness. In 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

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officers of the general partner to its sole stockholder, Aimco. Such conflicts of interest might arise in the following situations, among others:

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

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

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

Any agreements between Aimco OP and the general partner and its affiliates will not grant to the OP Unitholders, separate and apart from Aimco OP, the right to enforce the obligations of the general 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 U.S. federal income tax considerations to be taken into account in connection with an investment in OP Units. For a general discussion of material U.S. federal income tax consequences resulting

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from acquiring, holding, exchanging, and otherwise disposing of OP Units, see Material United States Federal Income Tax Considerations 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 U.S. federal income tax purposes, material adverse consequences to the partners would result. Moreover, in such case, a holder of AP XII Units receiving OP Units in the merger would be required to recognize gain or loss on the transaction. In addition, Aimco would not qualify as a REIT for U.S. 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 taxable as a corporation. No assurances can be given that the Internal Revenue Service, or the IRS, would not assert, or that a court would not sustain a contrary position. Accordingly, each prospective investor is urged to consult his tax advisor regarding the classification and treatment of Aimco OP as a partnership for U.S. federal income tax purposes.

*The limited partners may recognize gain on the transaction.* If a limited partner of AP XII 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 may be taxable to the limited partner. 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) within two years before or after the merger, including cash paid at closing, 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, which Aimco has not undertaken to review. Accordingly, limited partners 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 U.S. federal income tax purposes, in a manner chosen by Aimco OP, such that the contributing partner is charged with and recognizes 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 may 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 the making of certain tax elections 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 U.S. 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.

*OP Unitholders may be subject to state, local or foreign taxation.* OP Unitholders may be subject to state, local or foreign taxation in various jurisdictions, including those in which Aimco OP transacts business and owns property. It should be noted that Aimco OP owns properties located in a number of states and local jurisdictions, and an OP Unitholder may be required to file income tax returns in some or all of those jurisdictions. The state, local or foreign tax treatment of OP Unitholders may not conform to the U.S. federal income tax consequences of an investment in OP Units, as described in *Material United States Federal Income Tax Considerations* beginning on page 69.

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

The following table sets forth Aimco's selected summary historical financial data as of the dates and for the periods indicated. Aimco's historical consolidated statements of operations data set forth below for each of the five fiscal years in the period ended December 31, 2010 and the historical consolidated balance sheet data for each of the five fiscal year-ends in the period ended December 31, 2010, are derived from information included in Aimco's Current Report on Form 8-K, filed with the SEC on November 15, 2011. Aimco's unaudited historical consolidated statements of operations data set forth below for each of the nine months ended September 30, 2011 and 2010, and the unaudited historical consolidated balance sheet data as of September 30, 2011, are derived from information included in Aimco's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the SEC on October 28, 2011.

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 15, 2011, and Aimco's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the SEC on October 28, 2011, which are incorporated by reference in this information statement/prospectus. See Where You Can Find Additional Information in this information statement/prospectus.

	<b>For the Nine Months Ended September 30,</b>		<b>For The Years Ended December 31,</b>				<b>2006(1)</b>
	<b>2011</b>	<b>2010(1)</b>	<b>2010(1)</b>	<b>2009(1)</b>	<b>2008(1)</b>	<b>2007(1)</b>	
	<b>(unaudited)</b>		<b>(dollar amounts in thousands, except per share data)</b>				
<b>Consolidated Statements of Operations:</b>							
Total revenues	\$ 834,521	\$ 812,265	\$ 1,092,606	\$ 1,082,231	\$ 1,128,099	\$ 1,063,962	\$ 978,692
Total operating expenses(2)	(702,240)	(720,017)	(967,144)	(995,469)	(1,096,498)	(901,629)	(825,485)
Operating income(2)	132,281	92,248	125,462	86,762	31,601	162,333	153,207
Loss from continuing operations(2)	(100,550)	(121,293)	(161,725)	(199,680)	(117,743)	(47,827)	(44,129)
Income from discontinued operations, net(3)	50,959	65,881	72,101	154,880	744,745	173,333	331,151
Net (loss) income	(49,591)	(55,412)	(89,624)	(44,800)	627,002	125,506	287,022
Net loss (income) attributable to noncontrolling interests	5,438	5,147	17,896	(19,474)	(214,995)	(95,595)	(110,234)
Net (loss) income attributable to Aimco's preferred stockholders	(35,429)	(36,626)	(53,590)	(50,566)	(53,708)	(66,016)	(81,132)

Net (loss) income attributable to Aimco's common stockholders	(79,751)	(86,891)	(125,318)	(114,840)	351,314	(40,586)	93,710
Earnings (loss) per common share - basic and diluted:							
Loss from continuing operations attributable to Aimco's common stockholders	\$ (0.92)	\$ (1.10)	\$ (1.45)	\$ (1.77)	\$ (2.09)	\$ (1.39)	\$ (1.49)
Net (loss) income attributable to Aimco's common stockholders	\$ (0.67)	\$ (0.75)	\$ (1.08)	\$ (1.00)	\$ 3.96	\$ (0.43)	\$ 0.98
<b>Consolidated Balance Sheets:</b>							
Real estate, net of accumulated depreciation	\$ 6,179,415		\$ 6,297,557	\$ 6,474,700	\$ 6,633,790	\$ 6,405,002	\$ 5,946,219
Total assets	7,042,702		7,378,566	7,906,468	9,441,870	10,617,681	10,292,587
Total indebtedness	5,259,725		5,338,630	5,316,303	5,679,544	5,303,531	4,647,864
Total equity	1,201,114		1,306,772	1,534,703	1,646,749	2,048,546	2,650,182
<b>Other Information:</b>							
Dividends declared per common share(4)	\$ 0.36	\$ 0.20	\$ 0.30	\$ 0.40	\$ 7.48	\$ 4.31	\$ 2.40
Total consolidated properties (end of period)	359	419	399	426	514	657	703
Total consolidated apartment units (end of period)	83,304	93,008	89,875	95,202	117,719	153,758	162,432
Total unconsolidated properties (end of period)	47	59	48	77	85	94	102
Total unconsolidated apartment units (end of period)	5,517	6,933	5,637	8,478	9,613	10,878	11,791

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- (1) Certain reclassifications have been made to conform to the September 30, 2011 financial statement presentation, including retroactive adjustments to reflect additional properties sold or classified as held for sale as of September 30, 2011 as discontinued operations (see Note 3 to the condensed consolidated financial statements in Item 1 *Financial Statements* in Aimco's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 and Note 13 to the consolidated financial statements in Item 8 *Financial Statements and Supplementary Data* in Aimco's Current Report on Form 8-K, filed with the SEC on November 15, 2011, which are incorporated by reference in this information statement/prospectus.).
- (2) Total operating expenses, operating income and loss from continuing operations for the year ended December 31, 2008, include a \$91.1 million pre-tax provision for impairment losses on real estate development assets, which is discussed further in Item 7 *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Aimco's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on February 25, 2011, which is incorporated by reference in this information statement/prospectus.
- (3) Income from discontinued operations for the years ended December 31, 2010, 2009, 2008, 2007 and 2006 includes \$94.9 million, \$221.8 million, \$800.3 million, \$116.1 million and \$336.2 million in gains on disposition of real estate, respectively. Income from discontinued operations for 2010, 2009 and 2008 is discussed further in Item 7 *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Aimco's Current Report on Form 8-K, filed with the SEC on November 15, 2011, which is incorporated by reference in this information statement/prospectus.
- (4) Dividends declared per common share during the years ended December 31, 2008 and 2007, included \$5.08 and \$1.91, respectively, of per share dividends that were paid through the issuance of shares of Aimco Class A Common Stock (see Note 11 to the consolidated financial statements in Item 8 *Financial Statements and Supplementary Data* included in Aimco's Current Report on Form 8-K, filed with the SEC on November 15, 2011, which is incorporated by reference in this information statement/prospectus).

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

The following table sets forth Aimco OP's selected summary historical financial data as of the dates and for the periods indicated. Aimco OP's historical consolidated statements of operations data set forth below for each of the five fiscal years in the period ended December 31, 2010 and the historical consolidated balance sheet data for each of the five fiscal year-ends in the period ended December 31, 2010, are derived from information included in Aimco OP's Current Report on Form 8-K, filed with the SEC on November 15, 2011 and included as Annex J to this information statement/prospectus. Aimco OP's unaudited historical consolidated statements of operations data set forth below for each of the nine months ended September 30, 2011 and 2010, and the unaudited historical consolidated balance sheet data as of September 30, 2011, are derived from information included in Aimco OP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 included as Annex I to this information statement/prospectus.

You should read this information together with Management's Discussion and Analysis of Financial Condition and Results of Operations and with the consolidated financial statements and notes to the consolidated financial statements included in Aimco OP's Current Report on Form 8-K, filed with the SEC on November 15, 2011, and Aimco OP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the SEC on October 28, 2011, which are included as Annex J and Annex I to this information statement/prospectus.

	<b>For the Nine Months Ended September 30, 2011      2010(1) (unaudited)</b>		<b>For The Years Ended December 31, 2010(1)      2009(1)      2008(1)      2007(1)      2006(1)</b>				
<b>(dollar amounts in thousands, except per unit data)</b>							
<b>Consolidated Statements of Operations:</b>							
Total revenues	\$ 834,521	\$ 812,265	\$ 1,092,606	\$ 1,082,231	\$ 1,128,099	\$ 1,063,962	\$ 978,692
Total operating expenses(2)	(702,240)	(720,017)	(967,144)	(995,469)	(1,096,498)	(901,629)	(825,485)
Operating income(2)	132,281	92,248	125,462	86,762	31,601	162,333	153,207
Loss from continuing operations(2)	(99,290)	(120,651)	(160,866)	(198,860)	(116,957)	(47,078)	(41,169)
Income from discontinued operations, net(3)	50,959	65,881	72,101	154,880	744,745	173,333	331,151
Net (loss) income	(48,331)	(54,770)	(88,765)	(43,980)	627,788	126,255	289,982
Net loss (income) attributable to noncontrolling interests	4,612	1,795	13,301	(22,442)	(155,749)	(92,138)	(92,917)
Net (loss) income attributable to Aimco OP's preferred unit holders	(40,441) (84,329)	(39,918) (92,893)	(58,554) (134,018)	(56,854) (123,276)	(61,354) 403,700	(73,144) (43,508)	(90,527) 104,592

Net (loss) income attributable to Aimco OP's common unit holders									
Earnings (loss) per common unit - basic and diluted:									
Loss from continuing operations attributable to Aimco OP's common unit holders	\$ (0.91)	\$ (1.10)	\$ (1.44)	\$ (1.76)	\$ (1.94)	\$ (1.38)	\$ (1.47)		
Net (loss) income attributable to Aimco OP's common unit holders	\$ (0.66)	\$ (0.75)	\$ (1.07)	\$ (1.00)	\$ 4.11	\$ (0.42)	\$ 0.99		
<b>Consolidated Balance Sheets:</b>									
Real estate, net of accumulated depreciation	\$ 6,179,920		\$ 6,298,062	\$ 6,475,205	\$ 6,634,295	\$ 6,405,507	\$ 5,946,724		
Total assets	7,060,492		7,395,096	7,922,139	9,456,721	10,631,746	10,305,903		
Total indebtedness	5,259,725		5,338,630	5,316,303	5,679,544	5,303,531	4,647,864		
Total partners' capital	1,218,904		1,323,302	1,550,374	1,661,600	2,152,326	2,753,617		
<b>Other Information:</b>									
Distributions declared per common unit(4)	\$ 0.36	\$ 0.20	\$ 0.30	\$ 0.40	\$ 7.48	\$ 4.31	\$ 2.40		
Total consolidated properties (end of period)	359	419	399	426	514	657	703		
Total consolidated apartment units (end of period)	83,304	93,008	89,875	95,202	117,719	153,758	162,432		
Total unconsolidated properties (end of period)	47	59	48	77	85	94	102		
Total unconsolidated apartment units (end of period)	5,517	6,933	5,637	8,478	9,613	10,878	11,791		



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- (1) Certain reclassifications have been made to conform to the September 30, 2011 financial statement presentation, including retroactive adjustments to reflect additional properties sold or classified as held for sale as of September 30, 2011 as discontinued operations (see Note 3 to the condensed consolidated financial statements in Item 1 *Financial Statements* in Aimco OP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 included as Annex I to this information statement/prospectus, and Note 13 to the consolidated financial statements in Item 8 *Financial Statements and Supplementary Data* in Aimco OP's Current Report on Form 8-K, filed with the SEC on November 15, 2011 and included as Annex J to this information statement/prospectus.).
- (2) Total operating expenses, operating income and loss from continuing operations for the year ended December 31, 2008, include a \$91.1 million pre-tax provision for impairment losses on real estate development assets, which is discussed further in Item 7 *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Aimco OP's Annual Report on Form 10-K for the year ended December 31, 2010 included as Annex H to this information statement/prospectus.
- (3) Income from discontinued operations for the years ended December 31, 2010, 2009, 2008, 2007 and 2006 includes \$94.9 million, \$221.8 million, \$800.3 million, \$116.1 million and \$336.2 million in gains on disposition of real estate, respectively. Income from discontinued operations for 2010, 2009 and 2008 is discussed further in Item 7 *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Aimco OP's Current Report on Form 8-K, filed with the SEC on November 15, 2011 and included as Annex J to this information statement/prospectus.
- (4) Distributions declared per common unit during the years ended December 31, 2008 and 2007, included \$5.08 and \$1.91, respectively, of per unit distributions that were paid to Aimco through the issuance of OP Units (see Note 11 to the consolidated financial statements in Item 8 *Financial Statements and Supplementary Data* in Aimco OP's Current Report on Form 8-K, filed with the SEC on November 15, 2011 and included as Annex J to this information statement/prospectus).

**Table of Contents****SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF ANGELES PARTNERS XII, LP**

The following table sets forth AP XII's selected summary historical financial data as of the dates and for the periods indicated. AP XII's historical consolidated statements of operations and cash flow data set forth below for each of the two fiscal years in the period ended December 31, 2010 and the historical consolidated balance sheet data as of December 31, 2010 and 2009, are derived from AP XII's consolidated financial statements included in AP XII's Annual Report on Form 10-K for the fiscal year ended December 31, 2010. AP XII's unaudited historical consolidated statements of operations and cash flow data set forth below for each of the nine months ended September 30, 2011 and 2010, and the unaudited historical consolidated balance sheet data as of September 30, 2011, are derived from information included in AP XII's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.

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 for the fiscal year ended December 31, 2010 included in AP XII's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed with the SEC on March 25, 2011, and AP XII's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the SEC on November 10, 2011, which are included as [Annex F](#) and [Annex G](#) to this information statement/prospectus. See [Where You Can Find Additional Information](#) in this information statement/prospectus.

	<b>For the Nine Months Ended September 30,</b>		<b>For the Years Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>			
	<b>(Dollar amounts in thousands, except per unit data)</b>			
<b>Consolidated Statements of Operations:</b>				
Total revenues	\$ 11,919	\$ 11,968	\$ 15,938	\$ 16,039
Net loss	(7,891)	(2,199)	(2,855)	(975)
Net loss per limited partnership unit	(174.69)	(48.68)	(63.20)	(21.58)
Distributions per limited partnership unit		103.98	103.98	
Deficit of earnings to fixed charges	(7,891)	(2,200)	(2,857)	(1,061)
<b>Consolidated Balance Sheets:</b>				
Cash and cash equivalents	\$ 782	\$ 325	\$ 526	\$ 301
Real estate, net of accumulated depreciation	21,055	23,711	22,897	26,792
Total assets	24,713	26,674	26,139	29,329
Mortgage notes payable	92,969	95,675	95,325	78,822
Due to affiliates	9,162		15	12,184
General partners' deficit	(890)	(804)	(811)	(352)
Limited partners' deficit	(78,383)	(69,922)	(70,571)	(63,095)
Total partners' deficit	(79,273)	(70,726)	(71,382)	(63,447)
Total distributions		5,080	5,080	
Book value per limited partnership unit	(1,752.83)	(1,563.62)	(1,578.13)	(1,410.95)
<b>Other Information:</b>				
Net increase (decrease) in cash and cash equivalents	\$ 256	\$ 24	\$ 225	\$ (12)
Net cash provided by operating activities	1,918	1,992	2,917	3,988



**Table of Contents****COMPARATIVE PER SHARE DATA**

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

After a one-year holding period, OP Units are redeemable for shares of Aimco common stock (on a one-for-one basis) or cash equal to the value of such shares, as Aimco elects. As a result, the trading price of Aimco common stock is considered a reasonable estimate of the fair market value of an OP Unit. The number of OP Units offered in the merger with respect to each AP XII Unit was calculated by dividing the per unit cash merger consideration by the average closing price of Aimco common stock, as reported on the NYSE over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger. The closing price of Aimco common stock as reported on the NYSE on November 10 was \$22.82.

The AP XII Units are not listed on any securities exchange nor do they trade in an active secondary market. The per unit cash merger consideration payable to each holder of AP XII Units is greater than the Managing General Partner's estimate of the proceeds that would be available for distribution to limited partners of AP XII if its properties were sold at prices equal to their respective appraised values.

The following tables summarize the historical per share/unit information for Aimco, Aimco OP and AP XII for the periods indicated:

	<b>Nine Months Ended September 30, 2011</b>	<b>2010</b>	<b>Fiscal Year Ended December 31,</b>	
			<b>2009</b>	<b>2008</b>
<b>Cash dividends declared per share/unit</b>				
Aimco Common Stock	\$ 0.36	\$ 0.30	\$ 0.40	\$ 2.40
Aimco OP Units	0.36	0.30	0.40	2.40
AP XII Units		103.98		
<b>(Loss) Income per common share/unit from continuing operations</b>				
Aimco Common Stock	\$ (0.92)	\$ (1.45)	\$ (1.77)	\$ (2.09)
Aimco OP Units	(0.91)	(1.44)	(1.76)	(1.94)
AP XII Units	(174.69)	(63.20)	(21.58)	17.76
		<b>September 30, 2011</b>	<b>December 31, 2010</b>	
<b>Book value per share/unit</b>				
Aimco Common Stock(1)		\$ 7.87	\$ 8.89	
Aimco OP Units(2)		7.26	8.18	
AP XII Units(3)		(1,752.83)	(1,578.13)	

- (1) Based on 120.9 million and 117.6 million shares of Aimco common stock outstanding at September 30, 2011 and December 31, 2010, respectively.
- (2) Based on 129.2 million and 126.1 million Aimco OP Units and equivalents outstanding at September 30, 2011 and December 31, 2010, respectively.
- (3) Based on 44,718 AP XII Units outstanding at September 30, 2011 and December 31, 2010, respectively.

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**INFORMATION ABOUT THE AIMCO ENTITIES**

Aimco is a Maryland corporation incorporated on January 10, 1994. Aimco is a self-administered and self-managed real estate investment trust, or REIT. Aimco's principal financial objective is to provide predictable and attractive returns to its stockholders. Aimco's business plan to achieve this objective is to:

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

improve its portfolio by selling assets with lower projected returns and reinvesting those proceeds through the purchase of new assets or additional investment in existing assets in its portfolio, including increased ownership or redevelopment; and

provide financial leverage primarily by the use of non-recourse, long-dated, fixed-rate property debt and perpetual preferred equity.

As of September 30, 2011, Aimco:

owned an equity interest in 205 conventional real estate properties with 64,781 units;

owned an equity interest in 201 affordable real estate properties with 24,040 units; and

provided services for, or managed, 11,233 units in 159 properties, primarily pursuant to long-term asset management agreements. In certain cases, Aimco may indirectly own generally less than one percent of the operations of such properties through a syndication or other fund.

Of these properties, Aimco consolidated 199 conventional properties with 63,335 units and 160 affordable properties with 19,969 units.

For conventional assets, Aimco focuses on the ownership of primarily B/B+ assets. Aimco measures conventional property asset quality based on average rents of its units compared to local market average rents as reported by a third-party provider of commercial real estate performance and analysis, with A-quality assets earning rents greater than 125% of local market average, B-quality assets earning rents 90% to 125% of local market average and C-quality assets earning rents less than 90% of local market average. Aimco classifies as B/B+ those assets earning rents ranging from 100% to 125% of local market average. Although some companies and analysts within the multifamily real estate industry use asset class ratings of A, B and C, some of which are tied to local market rent averages, the metrics used to classify asset quality as well as the timing for which local markets rents are calculated may vary from company to company. Accordingly, Aimco's rating system for measuring asset quality is neither broadly nor consistently used in the multifamily real estate industry.

Through its wholly-owned subsidiaries, AIMCO-GP, Inc., the general partner of Aimco OP, and AIMCO-LP Trust, Aimco owns a majority of the ownership interests in Aimco OP. As of September 30, 2011, Aimco held approximately 94% of the OP Units and high performance units, or HPU's, of Aimco OP. Aimco conducts substantially all of its business and owns substantially all of its assets through Aimco OP. Interests in Aimco OP that are held by limited partners other than Aimco include OP Units, HPU's and partnership preferred units. The holders of OP Units receive distributions, prorated from the date of issuance, in an amount equivalent to the dividends paid to

holders of Aimco common stock. Holders of OP Units may redeem such units for cash or, at Aimco OP's option, Aimco common stock. Partnership preferred units entitle the holders thereof to a preference with respect to distributions or upon liquidation. At September 30, 2011, after elimination of shares held by consolidated subsidiaries, 120,916,144 shares of Aimco common stock were outstanding and Aimco OP had 8,289,841 OP Units and HPUs outstanding for a combined total of 129,205,985 shares of Aimco common stock, OP Units and HPUs outstanding.

Through its wholly-owned subsidiary, AIMCO/IPT, Inc., a Delaware corporation, Aimco owns all of the outstanding common stock of the Managing General Partner.

AIMCO/IPT, Inc. holds a 70% interest in AIMCO IPLP, L.P. as its general partner. AIMCO/IPT, Inc. and AIMCO IPLP, L.P. share voting and dispositive power over 14,433 AP XII Units, or approximately 32.28% of the

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outstanding AP XII Units. AIMCO IPLP, L.P. also owns 100% of each of Broad River Properties, L.L.C. and Cooper River Properties, L.L.C., which own 8,002 and 4,607 AP XII Units, respectively, or approximately 17.89% and 10.30% of AP XII s outstanding AP XII Units, respectively.

AIMCO AP XII 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 AP XII. The Aimco Subsidiary is a direct wholly-owned subsidiary of Aimco OP. The Aimco Subsidiary has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement.

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

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



**Table of Contents****INFORMATION ABOUT ANGELES PARTNERS XII, LP**

AP XII is a Delaware limited partnership organized on November 24, 2010, in connection with a redomestication of a predecessor limited partnership from California to Delaware in November 2010. The predecessor was organized as a California limited partnership on May 26, 1983. Commencing May 26, 1983, the predecessor of AP XII offered up to 80,000 limited partnership units at a purchase price of \$1,000 per unit with a minimum purchase of 5 units pursuant to a registration statement filed with the SEC. The Managing General Partner contributed capital in the amount of \$1,000 for a 1% interest in the predecessor of AP XII. The offering terminated on February 13, 1985. Upon termination of the offering, the predecessor to AP XII had sold 44,773 Units aggregating \$44,773,000. AP XII's partnership agreement provides that the partnership is to terminate on December 31, 2035, unless terminated prior to such date. The Managing General Partner is a wholly-owned subsidiary of AIMCO/IPT, which in turn is a wholly-owned subsidiary of Aimco.

AP XII is engaged in the business of operating and holding real estate properties for investment. At September 30, 2011, AP XII owned the following properties:

the Hunters Glen Property, which consists of the Hunters Glen IV Property, a 264 unit apartment project, the Hunters Glen V Property, which consists of a 304 unit apartment project, and the Hunters Glen VI Property, which consists of a 328 unit apartment project, each of which is located in Plainsboro, New Jersey; and

the Twin Lake Towers Property, a 399 unit apartment project located in Westmont, Illinois.

The average annual rental rates for each of the five years ended December 31, 2010 for each property are as follows:

Property	Average Annual Rental Rates				
	2010	2009	2008	2007	2006
			(per unit)		
Hunters Glen Apartments IV	\$ 11,913	\$ 12,459	\$ 12,963	\$ 12,538	\$ 11,986
Hunters Glen Apartments V	11,837	12,432	12,941	12,487	11,809
Hunters Glen Apartments VI	11,555	12,151	12,714	12,289	11,726
Twin Lake Towers Apartments	11,376	11,503	10,959	10,026	9,451

The average occupancy for each of the five years ended December 31, 2010 for each property is as follows:

Property	Average Occupancy				
	For the Years Ended December 31,				
	2010	2009	2008	2007	2006
Hunters Glen Apartments IV	96%	95%	97%	98%	95%
Hunters Glen Apartments V	95%	93%	96%	97%	96%
Hunters Glen Apartments VI	95%	92%	96%	96%	95%
Twin Lake Towers Apartments	97%	92%	87%	97%	98%

The average occupancy for the nine months ended September 30, 2011 and 2010 for each property is as follows:

<b>Property</b>	<b>Average Occupancy For the Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Hunters Glen Apartments (formerly Hunters Glen Apartments IV, Hunters Glen Apartments V and Hunters Glen Apartments VI)	95%	96%
Twin Lake Towers Apartments	97%	96%

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The real estate industry is highly competitive. All of the properties are subject to competition from other residential apartment complexes in the area. The Managing General Partner believes that all of the properties are adequately insured. The residential properties are apartment complexes which lease units for terms of one year or less. As of September 30, 2011, no residential tenant leases 10% or more of the available rental space.

During the year ended December 31, 2010, AP XII completed approximately \$198,000 of capital improvements at the Hunters Glen IV Property consisting primarily of water heaters and floor covering replacement. These improvements were funded from operating cash flow. During the year ended December 31, 2010, AP XII completed approximately \$189,000 of capital improvements at the Hunters Glen V Property consisting primarily of water heaters and floor covering replacement. These improvements were funded from operating cash flow. During the year ended December 31, 2010, AP XII completed approximately \$194,000 of capital improvements at the Hunters Glen VI Property consisting primarily of water heaters, HVAC upgrades and floor covering replacement. These improvements were funded from operating cash flow. During the year ended December 31, 2010, AP XII completed approximately \$298,000 of capital improvements at the Twin Lake Towers Property, consisting primarily of fire safety equipment, balcony upgrades and floor covering replacement. These improvements were funded from operating cash flow.

During the nine months ended September 30, 2011, AP XII completed approximately \$917,000 of capital improvements at the Hunters Glen Property, consisting primarily of patio and balcony upgrades, exterior painting, water heater upgrades and floor covering replacements. These improvements were funded from replacement reserves and operating cash flow. During the nine months ended September 30, 2011, AP XII completed approximately \$579,000 of capital improvements at the Twin Lake Towers Property, consisting primarily of kitchen upgrades, electrical and plumbing upgrades and appliance and floor covering replacements. These improvements were funded from operating cash flow.

AP XII regularly evaluates the capital improvement needs of the properties, and anticipates making certain routine capital expenditures with respect to each property during the remainder of 2011. Such capital expenditures will depend on the physical conditions of the properties as well as anticipated cash flows generated by the properties. During 2011, AP XII also intends to replace the steel piping with copper piping in those units of the Twin Lake Towers Property where such work has not yet been completed, as mandated by the lender, as well as kitchen and bath work associated with the piping replacement, at an estimated cost of approximately \$744,000. In addition, AP XII intends to make repairs to a retaining wall, as mandated by the lender, resurface a pool, replace the balconies, repair sidewalk concrete and renovate the laundry room, at an estimated total cost of approximately \$670,000. As discussed above, a portion (but not all) of these capital improvements was completed during the nine months ended September 30, 2011. All of AP XII's properties are in good physical condition, subject to normal depreciation and deterioration as is typical for assets of this type and age.

The following table sets forth certain information relating to the mortgages encumbering AP XII's properties at September 30, 2011.

<b>Property</b>	<b>Principal, Balance at September 30, 2011 (In thousands)</b>	<b>Interest Rate(2)</b>	<b>Period Amortized</b>	<b>Maturity Date</b>	<b>Principal Balance Due at Maturity(1) (In thousands)</b>
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Hunters Glen Apartments IV, V and VI(3) 1 <sup>st</sup> Mortgage	\$	66,491	5.47%	360 months	6/21	\$	55,145
Twin Lake Towers Apartments 1 <sup>st</sup> Mortgage		26,478	5.49%	360 months	04/20		22,331
	\$	92,969				\$	77,476

(1) See Note B *Mortgage Notes Payable* to the consolidated financial statements included in Item 8 *Financial Statements and Supplementary Data* in AP XII's Annual Report on Form 10-K for the year ended December 31, 2010, included as Annex F to this information statement/prospectus, for information with respect to AP XII's ability to prepay these mortgages and other specific details about the mortgages.

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- (2) Fixed rate mortgages.
- (3) On May 2, 2011, AP XII refinanced the mortgage debt encumbering the Hunters Glen Property. This refinancing replaced the existing mortgage loans, which at the time of refinancing had an aggregate principal balance of approximately \$68,211,000, with a new mortgage loan in the principal amount of \$66,713,000. The new loan bears interest at a rate of 5.47% per annum and requires monthly payments of principal and interest of approximately \$378,000 beginning on July 1, 2011, through the June 1, 2021 maturity date. The new mortgage loan has a balloon payment of approximately \$55,145,000 due at maturity. For more information regarding the new mortgage loan, see AP XII's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, included as [Annex G](#) to this information statement/prospectus.

**Distributions to Limited Partners**

AP XII presently has AP XII Units issued and outstanding. The AP XII Units are entitled to allocations of profit and loss, and distributions, relating to AP XII's interest in the Twin Lake Towers Property and the Hunters Glen Property. As of November 10, 2011, there were 44,718 AP XII Units outstanding, and Aimco OP and its affiliates owned 33,750 of those units, or approximately 75.47% of those units.

AP XII distributed the following amounts during the years ended December 31, 2010 and 2009 (in thousands, except per unit data):

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Aggregate	Per Limited Partnership Unit	Aggregate	Per Limited Partnership Unit
Refinancing(1)	\$ 3,900	\$ 77.87	\$	\$
Operations	1,180	26.11		
Total	\$ 5,080	\$ 103.98	\$	\$

- (1) Proceeds from the March 2010 refinancing of the mortgage encumbering Twin Lake Towers Apartments.

AP XII distributed the following amounts during the nine months ended September 30, 2011 and 2010 (in thousands, except per unit data):

	Nine Months Ended September 30, 2011		Nine Months Ended September 30, 2010	
	Aggregate	Per Limited Partnership Unit	Aggregate	Per Limited Partnership Unit

Refinancing(1)	\$	\$	\$ 3,900	\$ 77.87
Operations			1,180	26.11
Total			\$ 5,080	\$ 103.98

(1) Proceeds from the March 2010 refinancing of the mortgage encumbering Twin Lake Towers Apartments.

Future cash distributions will depend on the levels of net cash generated from operations, the timing of debt maturities, property sales and refinancings. AP XII's cash available for distribution is reviewed on a monthly basis. In light of the amounts accrued and payable to affiliates of the Managing General Partner at September 30, 2011, there can be no assurance that AP XII will generate sufficient funds from operations, after required capital improvement expenditures, to permit additional distributions to its partners in subsequent periods.

### **Certain Relationships and Related Transactions**

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

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The AP XII partnership agreement also provides that the Managing General Partner and its affiliates receive 5% of gross receipts from all of AP XII's properties as compensation for providing property management services. AP XII paid to such affiliates approximately \$787,000 and \$794,000 for the years ended December 31, 2010 and 2009, respectively, and approximately \$577,000 and \$590,000 for the nine months ended September 30, 2011 and 2010, respectively.

The AP XII partnership agreement also provides for a fee equal to 7.5% of net cash from operations to be paid to the Managing General Partner for executive and administrative management services. One half of this fee is to be accrued and not paid unless the limited partners have received distributions equal to a 5% cumulative annual return on their adjusted capital investment or there are net proceeds from the sale or refinancing of a property. During the year ended December 31, 2010, the Managing General Partner earned a fee of approximately \$2,000. This amount was paid to the Managing General Partner during the nine months ended September 30, 2011. No fee was earned during the year ended December 31, 2009. No fee was earned or accrued for the nine months ended September 30, 2011 and 2010.

Affiliates of the Managing General Partner charged AP XII for reimbursement of accountable administrative expenses amounting to approximately \$158,000 and \$352,000 for the years ended December 31, 2010 and 2009, respectively. A portion of these reimbursements for the years ended December 31, 2010 and 2009 are for construction management services provided by an affiliate of the Managing General Partner of approximately \$26,000 and \$56,000, respectively. Additionally, in connection with a redevelopment project at the Twin Lake Towers Property completed in 2009, an affiliate of the Managing General Partner received a redevelopment supervision fee of 4% of the actual redevelopment costs incurred. AP XII was charged approximately \$166,000 in redevelopment supervision fees during the year ended December 31, 2009.

Affiliates of the Managing General Partner charged AP XII for reimbursement of accountable administrative expenses amounting to approximately \$196,000 and \$111,000 for the nine months ended September 30, 2011 and 2010, respectively. A portion of these reimbursements for the nine months ended September 30, 2011 and 2010 are construction management services provided by an affiliate of the Managing General Partner of approximately \$104,000 and \$10,000, respectively. At September 30, 2011, approximately \$83,000 of such reimbursements remained unpaid.

In accordance with the AP XII partnership agreement, during the year ended December 31, 2010, Aimco OP, an affiliate of the Managing General Partner, advanced AP XII approximately \$687,000 to fund a refinance commitment fee at the Twin Lake Towers Property and to assist with the payment of real estate taxes at the Hunters Glen Property. During the year ended December 31, 2009, Aimco OP advanced AP XII approximately \$695,000 to fund operations at all four of AP XII's properties and approximately \$2,130,000 to fund redevelopment costs at the Twin Lake Towers Property. During the years ended December 31, 2010 and 2009, AP XII repaid advances and accrued interest of approximately \$12,950,000 and \$650,000, respectively. During the nine months ended September 30, 2011, Aimco OP advanced AP XII approximately \$43,000 to fund real estate taxes at the Hunters Glen Property, approximately \$1,352,000 to fund a refinance commitment fee and approximately \$9,397,000 in connection with the refinancing of the previous mortgage encumbering the Hunters Glen Property. During the nine months ended September 30, 2010, Aimco OP advanced AP XII approximately \$540,000 to fund a refinance commitment fee at the Twin Lake Towers Property. Aimco OP charges interest on advances under the terms permitted by the partnership agreement. The interest rate charged on the outstanding advances made to AP XII is the prime rate. The interest rate on the outstanding advances at September 30, 2011 and December 31, 2010 was 3.25%. Interest expense was approximately \$94,000 and \$390,000 for the years ended December 31, 2010 and 2009, respectively. Interest expense was approximately \$133,000 and \$93,000 for the nine months ended September 30, 2011 and 2010, respectively. During the nine months ended September 30, 2011 and 2010, AP XII repaid advances and accrued interest of approximately \$1,861,000 and \$12,817,000, respectively. Total advances and accrued interest of approximately \$9,079,000 and

\$15,000 were unpaid at September 30, 2011 and December 31, 2010.

Pursuant to the AP XII partnership agreement, the Managing General Partner is entitled to receive a distribution equal to 3% of the aggregate disposition price of sold properties. AP XII paid a distribution of \$186,000 to the Managing General Partner related to the sale of Cooper Point Plaza in 1999. During 2001, AP XII



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paid distributions of approximately \$85,000 and \$375,000 related to the sales of Briarwood and Gateway Gardens Apartments, respectively. These distributions are subordinate to the limited partners receiving their original capital contributions plus a cumulative preferred return of 6% per annum of their adjusted capital investment, as defined in the AP XII partnership agreement. This return was met in conjunction with the distributions paid to the partners during the year ended December 31, 2010. Accordingly, the Managing General Partner is entitled to keep these amounts.

AP XII insures its properties up to certain limits through coverage provided by Aimco, which is generally self-insured for a portion of losses and liabilities related to workers' compensation, property casualty, general liability and vehicle liability. AP XII insures its properties above the Aimco limits through insurance policies obtained by Aimco from insurers unaffiliated with the Managing General Partner or Aimco. During the years ended December 31, 2010 and 2009, AP XII was charged by Aimco and its affiliates approximately \$252,000 and \$197,000, respectively, for insurance coverage and fees associated with policy claims administration. During the nine months ended September 30, 2011, AP XII was charged by Aimco and its affiliates approximately \$123,000 for hazard insurance coverage and fees associated with policy claims administration. Additional charges will be incurred by AP XII during 2011 as other insurance policies renew later in the year.

In addition to its indirect ownership of the general partner interests in AP XII, Aimco and its affiliates owned 33,750 of the AP XII Units, or approximately 75.47% of the number of AP XII Units outstanding, at November 10, 2011. Pursuant to the AP XII partnership agreement, limited partners holding a majority of the outstanding units are entitled to take action with respect to a variety of matters that would include, but are not limited to, voting on certain amendments to the AP XII partnership agreement and voting to remove the Managing General Partner as the managing general partner. As a result of its ownership of 75.47% of the outstanding units of limited partnership interests, Aimco and its affiliates are in a position to control all such voting decisions with respect to AP XII. Although the Managing General Partner owes fiduciary duties to AP XII's limited partners, it also owes fiduciary duties to its sole stockholder, which is an affiliate of Aimco. As a result, the duties of the Managing General Partner, as managing general partner, to AP XII and its limited partners may come into conflict with the duties of the Managing General Partner to AIMCO/IPT, Inc. as its sole stockholder.

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

AP XII has no directors or executive officers of its own. The names and ages of, as well as the positions and offices held by, the present directors and officers of the Managing General Partner, as of September 30, 2011 are set forth in Annex D to this information statement/prospectus. One or more of those persons are also directors and/or officers of a general partner (or general partner of a general partner) of limited partnerships which either have a class of securities registered pursuant to Section 12(g) of the Exchange Act, or are subject to the reporting requirements of Section 15(d) of the Exchange Act. Further, one or more of those persons are also officers of Aimco and the general partner of Aimco OP, entities that have a class of securities registered pursuant to Section 12(g) of the Exchange Act, or are subject to the reporting requirements of Section 15(d) of the Exchange Act. There are no family relationships between or among any officers or directors. No remuneration was paid to AP XII nor its directors or officers during the year ended December 31, 2010.

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

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



**Table of Contents****Security Ownership of Certain Beneficial Owners and Management**

The General Partners own all of the outstanding general partner interests in AP XII, which constitute 1% of the total interests in the partnership. AP XII has no directors or executive officers of its own. The Managing General Partner is a California corporation, which is indirectly wholly-owned by Aimco. The Non-Managing General Partner is a Delaware limited liability company, which is wholly-owned by Aimco OP. None of the Managing General Partner or any of its directors or executive officers owns any of the AP XII Units. The following table sets forth certain information as of November 10, 2011 with respect to the ownership by any person (including any group, as that term is used in Section 13(d)(3) of the Exchange Act) known to us to be the beneficial owner of more than 5% of the AP XII Units.

Entity Name and Address	Approximate Number of AP XII Units	Approximate Percent of Class
Apartment Investment and Management Company (1) 4582 South Ulster Street, Suite 1100 Denver, CO 80237	33,750(2)	75.47%
AIMCO-GP, Inc.(1) 4582 South Ulster Street, Suite 1100 Denver, CO 80237	33,750(2)	75.47%
AIMCO Properties, L.P.(1) 4582 South Ulster Street, Suite 1100 Denver, CO 80237	33,750(2)	75.47%
AIMCO IPLP, L.P.(3) 4582 South Ulster Street, Suite 1100 Denver, CO 80237	14,433(4)	32.28%
AIMCO/IPT, Inc.(3) 4582 South Ulster Street, Suite 1100 Denver, CO 80237	14,433(4)	32.28%
Cooper River Properties, L.L.C.(5) 4582 South Ulster Street, Suite 1100 Denver, CO 80237	4,607	10.30%
Broad River Properties, L.L.C. (5) 4582 South Ulster Street, Suite 1100 Denver, CO 80237	8,002	17.89%

(1)

AIMCO-GP, Inc., a Delaware corporation, is the sole general partner of AIMCO Properties, L.P., and owns approximately a 1% general partner interest in AIMCO Properties, L.P. AIMCO-GP, Inc. is wholly-owned by Apartment Investment and Management Company. As of November 10, 2011, AIMCO-LP Trust, a Delaware trust wholly-owned by Apartment Investment and Management Company, owns approximately a 93% interest in the OP Units and equivalents of AIMCO Properties, L.P.

- (2) AIMCO Properties, L.P., AIMCO-GP, Inc. and Apartment Investment and Management Company share voting and dispositive power over 33,750 AP XII Units, representing approximately 75.47% of the class. AIMCO-GP, Inc. holds its AP XII Units, directly or indirectly, as nominee for AIMCO Properties, L.P. and so AIMCO Properties, L.P. may be deemed the beneficial owner of the AP XII Units held by AIMCO-GP, Inc. Apartment Investment and Management Company may be deemed the beneficial owner of the AP XII Units held by AIMCO Properties, L.P. and AIMCO-GP, Inc. by virtue of its indirect ownership or control of these entities.

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- (3) AIMCO/IPT, Inc. is wholly-owned by Apartment Investment and Management Company and holds a 70.0% interest in AIMCO IPLP, L.P. as its general partner. AIMCO Properties, L.P. holds a 30% interest in AIMCO IPLP, L.P. as the limited partner.
- (4) AIMCO IPLP, L.P. and AIMCO/IPT, Inc. share voting and dispositive power over 14,433 AP XII Units, representing approximately 32.28% of the class.
- (5) AIMCO IPLP, L.P. owns 100% of Cooper River Properties, L.L.C. and Broad River Properties, L.L.C.

**Additional Information**

For additional information about AP XII and its properties and operating data related to those properties, see AP XII's Annual Report on Form 10-K for the year ended December 31, 2010, attached hereto as Annex F and AP XII's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, attached hereto as Annex G.

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**THE MERGER**

**Background of the Merger**

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

After taking into account the foregoing considerations, in early 2009, the Managing General Partner considered a sale of the Hunters Glen Property, but determined that it would most likely not be able to find any buyers at acceptable prices.

On April 13, 2010, the Managing General Partner engaged CRA to appraise the Twin Lake Towers Property. CRA delivered the appraisal for the Twin Lake Towers Property on May 19, 2010. Pursuant to this appraisal, CRA valued the property at \$36,000,000.

In November 2010, AP XII was redomesticated from California to Delaware.

On December 3, 2010, the Managing General Partner engaged CRA to update the results of its prior appraisal of the Twin Lake Towers Property. CRA delivered the updated appraisal for the Twin Lake Towers Property on January 3, 2011. Pursuant to the updated appraisal, CRA valued the Twin Lake Towers Property at \$41,400,000.

During January 2011, officers of the Managing General Partner, who are also officers of Aimco, met several times to consider and discuss strategic alternatives for AP XII. During these meetings, they considered the costs of maintaining AP XII s current ownership structure, including audit, tax and SEC reporting costs, given Aimco OP s ownership of 75.47% of the AP XII Units and the outstanding debt owed to Aimco OP.

After considering all of these factors, the officers agreed to explore the possibility of Aimco OP acquiring some or all of AP XII s properties through a transaction that would provide the unaffiliated limited partners with the opportunity to defer taxable gain through an exchange of AP XII Units for OP Units.

During January and February of 2011, the Managing General Partner s management sought advice from outside counsel to determine whether a transaction would be feasible that would result in Aimco OP s ownership of some or all of AP XII s properties while also providing potential tax deferral to limited partners who are unaffiliated with Aimco OP. At the same time, they spoke with KTR regarding the possibility of appraising the Hunters Glen Property for purposes of evaluating a potential transaction with Aimco OP.

The Managing General Partner engaged KTR on February 15, 2011 to appraise the Hunters Glen Property. KTR delivered the appraisal for the Hunters Glen Property on March 17, 2011. Pursuant to this appraisal, KTR valued the property at \$91,000,000.

Over the following weeks, the Managing General Partner's management reviewed the appraisal reports and discussed both CRA's and KTR's assumptions and their valuations of the properties and determined that CRA's and KTR's assumptions were reasonable and the valuations appropriate. As part of their review, they considered the fiduciary duties owed by the Managing General Partner to unaffiliated limited partners, as well as the properties' respective appraised value and the amount of indebtedness secured by each appraised property, which at March 31, 2011 was approximately \$68,290,000 for the Hunters Glen Property and \$26,670,000 million for the Twin Lake Towers Property.

In April and May 2011, Aimco OP and the Managing General Partner continued discussions regarding a possible merger transaction between AP XII and Aimco OP. In connection with these discussions, Aimco OP and the Managing General Partner agreed that, if they were to pursue the merger, they should consider retaining an

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independent financial advisor to opine as to the fairness of the merger to the unaffiliated limited partners of AP XII. Aimco OP and the Managing General Partner, together with outside counsel, conducted interviews with representatives of Duff & Phelps and two other financial advisory firms.

On June 9, 2011, at the request of Aimco OP and the Managing General Partner, CRA delivered an updated appraisal for the Twin Lake Towers Property, pursuant to which it valued the property at \$45,600,000 as of May 31, 2011. On June 1, 2011, at the request of Aimco OP and the Managing General Partner, KTR delivered an updated appraisal for the Hunters Glen Property, pursuant to which it valued the property at \$92,000,000 as of June 1, 2011. Aimco OP and the Managing General Partner reviewed the updated appraisal reports and calculated the equity value of AP XII Units based on these updated appraisals.

On June 10, 2011, Aimco OP engaged Duff & Phelps to provide a fairness opinion, and if requested, an updated fairness opinion, with respect to the proposed merger transaction and ten other possible merger transactions. In the following weeks, Duff & Phelps had due diligence calls with the Managing General Partner's management and received due diligence materials in response to its diligence requests.

On July 28, 2011, Duff & Phelps delivered its written opinion to the boards of directors of Aimco, the general partner of Aimco OP, the Managing General Partner and the general partner of the sole member of the Non-Managing General Partner to the effect that, as of July 28, 2011, based upon and subject to the assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken by Duff & Phelps in connection with its opinion, the cash consideration of \$526.71 per unit is fair, from a financial point of view, to the unaffiliated limited partners of AP XII.

On July 28, 2011, the General Partners and the general partner of Aimco approved an agreement and plan of merger that provided for consideration of \$526.71 per unit to holders of AP XII Units, payable in cash or OP Units. Before doing so, the Managing General Partner and the other Aimco Entities considered a number of possible alternatives to the proposed transaction, as described in greater detail in this information statement/prospectus. However, they ultimately determined that the proposed merger is in the best interests of AP XII and its unaffiliated limited partners. On July 28, 2011, AP XII, Aimco OP and the Aimco Subsidiary entered into the agreement and plan of merger.

Also on July 28, 2011, Aimco and Aimco OP filed with the SEC a registration statement relating to the merger. In addition, the Aimco Entities made certain other filings required in connection with the merger. From August through November 2011, Aimco and Aimco OP responded to SEC comments and revised the registration statement.

On September 20, 2011, the Managing General Partner's management met to discuss the merger transaction and the valuations of AP XII's properties. On October 4, 2011, the Managing General Partner's management met again to discuss the timing of the merger transaction and considered updating the valuations of AP XII's properties. On October 5, 2011, the Managing General Partner engaged CRA and KTR to update their appraisals and Duff & Phelps to provide an updated fairness opinion with respect to the equity value resulting from such updated appraisals.

On October 20, 2011, KTR delivered an updated appraisal for the Hunters Glen Property, pursuant to which it valued the property at \$92,000,000 as of October 1, 2011. On October 28, 2011, CRA delivered an updated appraisal for the Twin Lake Towers Property, pursuant to which it valued the property at \$47,200,000 as of October 1, 2011. Aimco OP and the Managing General Partner reviewed and discussed the updated appraisal reports and calculated the equity value of the AP XII Units based on these updated appraisals, AP XII's updated financial position and the updated mark-to-market adjustment of the mortgage debt encumbering AP XII's properties. This calculation resulted in a decrease of the equity value of the AP XII Units from \$526.71 per unit to \$483.14 per unit.



On November 15, 2011, Duff & Phelps delivered its updated written opinion to the boards of directors of Aimco, the general partner of Aimco OP, the Managing General Partner and the general partner of the sole member of the Non-Managing General Partner to the effect that, as of November 15, 2011, based upon and subject to the assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken by Duff & Phelps in connection with its opinion, the cash consideration of \$483.14 per unit is fair, from a financial point of view, to the unaffiliated limited partners of AP XII.

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On November 15, 2011, the Managing General Partner, the Non-Managing General Partner and the general partner of Aimco OP approved an amendment and restatement of the merger agreement that provides for consideration of \$483.14 per unit, payable in cash or OP Units. On November 15, 2011, AP XII, Aimco OP and the Aimco Subsidiary entered into the amended and restated agreement and plan of merger.

**Determination of Merger Consideration**

In the merger, each AP XII 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 AP XII Unit, either \$483.14 in cash or equivalent value in Aimco OP Units, except in those jurisdictions where the law prohibits the offer of OP Units in this transaction (or registration or qualification would be prohibitively costly). Because Aimco indirectly owns the Managing General Partner, the merger consideration has not been determined in an arm's-length negotiation. In order to arrive at a fair consideration, CRA and KTR, each an independent real estate appraisal firm, were engaged to perform complete appraisals of AP XII's properties. For more detailed information about the independent appraisers' determinations of the estimated values of the properties, see Special Factors The Appraisals. The per unit cash merger consideration payable to each holder of AP XII Units is greater than the Managing General Partner's estimate of the proceeds that would be available for distribution to limited partners (following the repayment of debt and other liabilities of AP XII) if the properties were sold at prices equal to their respective appraised values. The Managing General Partner did not deduct certain amounts that would be payable upon an immediate sale of the partnership's properties, such as prepayment penalties on the mortgage debt of the properties that would apply (based on current interest rates) if the Hunters Glen Property and the Twin Lake Towers Property were sold after the expiration of the current lockout periods (during which a prepayment of the mortgage debt is prohibited). The Managing General Partner calculated the net proceeds available to all partners by (i) adding to the appraised value of the properties the value of any other non-real estate assets of AP XII that would not be included in the appraisals; and (ii) deducting all liabilities, including the market value of mortgage debt as of September 30, 2011, debt owed to the Managing General Partner or its affiliates, accounts payable and accrued expenses and certain other costs. The amount of liabilities deducted includes an estimate of \$518,000 for expenses attributable to the properties that would be incurred prior to the merger but payable after the merger. In order to determine the per unit cash merger consideration, the Managing General Partner divided this amount by the number of total outstanding AP XII Units. This calculation, which is summarized below, resulted in per unit cash merger consideration of \$483.14.

Appraised value of the Hunters Glen Property	\$ 92,000,000
Plus: Appraised value of the Twin Lake Towers Property	47,200,000
Plus: Cash and cash equivalents	527,491
Plus: Other assets	1,984,972
Less: Mortgage debt, including accrued interest	(93,393,575)
Less: Mark-to-market adjustment(1)	(6,980,159)
Less: Loans from affiliates of the general partners	(9,079,072)
Less: Other amounts payable to affiliates of the general partners	(82,872)
Less: Accounts payable and accrued expenses owed to third parties	(738,425)
Less: Other liabilities(2)	(523,848)
Less: Estimated trailing payables	(518,000)
Net partnership equity	\$ 30,396,512
Percentage of net partnership equity allocable to limited partners	71.08%
Net partnership equity allocable to limited partners	\$ 21,604,858

Total number of AP XII Units	44,718
Cash consideration per unit	\$ 483.14

- (1) The mark-to-market adjustment reflects the difference between the outstanding amount of the mortgage debt and its market value as of September 30, 2011. The market value was calculated as the present value of the remaining required payments under the loan through maturity, discounted at 4.55% (in the case of the Hunters

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Glen Property) and at 3.99% (in the case of the Twin Lake Towers Property), which we believe is an appropriate market rate based on our analysis of interest rates for selected loans of a similar type, leverage and duration.

(2) Consists primarily of security deposits paid by tenants of the properties.

The number of OP Units offered per AP XII Unit was calculated by dividing the per unit cash merger consideration by the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger. Although there is no public market for OP Units, after a one-year holding period, each OP Unit is generally redeemable for cash in an amount equal to the value of one share of Aimco common stock at the time, subject to Aimco's right to acquire each OP Unit in exchange for one share of Aimco common stock (subject to antidilution adjustments). Therefore, the Managing General Partner considers the trading price of Aimco common stock to be a reasonable estimate of the fair market value of an OP Unit. As of November 10, 2011, the average closing price of Aimco common stock over the preceding ten consecutive trading days was \$23.79, which would have resulted in OP Unit consideration of 20.31 OP Units per AP XII Unit.

## **Conflicts of Interest**

The Managing General Partner is wholly-owned by AIMCO/IPT, Inc., which in turn is wholly-owned by Aimco. Therefore, the Managing General Partner has a conflict of interest with respect to the merger. The Managing General Partner has fiduciary duties to AIMCO/IPT, Inc., the Managing General Partner's sole stockholder and an affiliate of Aimco, on the one hand, and to AP XII and its limited partners, on the other hand. The duties of the Managing General Partner to AP XII and its limited partners conflict with the duties of the Managing General Partner to AIMCO/IPT, Inc., which could result in the Managing General Partner approving a transaction that is more favorable to Aimco than might be the case absent such conflict of interest. The Managing General Partner, in its capacity as managing general partner of AP XII, seeks the best possible terms for AP XII's limited partners. This conflicts with Aimco's interest in obtaining the best possible terms for Aimco OP.

## **Future Plans for the Properties**

After the merger, Aimco OP will be the sole limited partner in AP XII and will own all of the outstanding AP XII Units. The Managing General Partner will continue to be the managing general partner of AP XII after the merger, the Non-Managing Partner will continue to be the non-managing partner of AP XII after the merger, and AP XII's partnership agreement in effect immediately prior to the merger will remain unchanged after the merger. Aimco OP intends to retain the AP XII Units after the merger.

Aimco anticipates owning and operating the properties following the merger. After the merger, Aimco will evaluate the capital improvement needs of the properties, and anticipates making certain routine capital expenditures with respect to each property during the remainder of 2011.

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

For a discussion of the material United States federal income tax consequences of the merger, see [Material United States Federal Income Tax Considerations – United States Federal Income Tax Consequences Relating to the Merger](#).

## **Regulatory Matters**

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

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

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### **Accounting Treatment of the Merger**

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

### **Appraisal Rights**

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

### **List of Investors**

Under AP XII's partnership agreement and Delaware law, upon written request and at the cost of the limited partner, a limited partner who holds AP XII Units has the right to receive by mail a list of the names and addresses of the partners of AP XII and the number of units of partnership interest held by each of them. This list may be obtained by making written request to the General Partners, c/o Eagle Rock Proxy Advisors, LLC, 12 Commerce Drive, Cranford, New Jersey 07016, or by fax at (908) 497-2349.

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

The costs of planning and implementing the merger, including the cash merger consideration and the preparation of this information statement/prospectus, will be borne by Aimco OP without regard to whether the merger is effectuated. The estimated amount of these costs is approximately \$5,964,800 (assuming all limited partners elect to receive the cash merger consideration). Aimco OP is paying for the costs of the merger with funds on hand or from drawings under its revolving credit facility. The revolving credit facility is pursuant to Aimco OP's Amended and Restated Senior Secured Credit Agreement, as amended, with a syndicate of financial institutions, with Bank of America, N.A. as administrative agent, swing line lender and L/C issuer. Borrowings under the revolving credit facility bear interest based on a pricing grid determined by leverage (either at LIBOR plus 4.25% with a LIBOR floor of 1.50% or, at Aimco OP's option, a base rate equal to the Prime rate plus a spread of 3.00%). The revolving credit facility matures May 1, 2013, and may be extended for one year, subject to certain conditions. Aimco OP's obligations under the Amended and Restated Senior Secured Credit Agreement are secured by its equity interests in its subsidiaries.

### **Approvals Required**

Under Delaware law, the merger must be approved by the General Partners and a majority in interest of the AP XII Units. The General Partners have determined that the merger is advisable, fair to and in the best interests of AP XII and its limited partners and have approved the merger and the merger agreement. As of November 10, 2011, there were issued and outstanding 44,718 AP XII Units, and Aimco OP and its affiliates owned 33,750 of those units, or approximately 75.47% 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 merger on or about \_\_\_\_\_, 2011.

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**THE MERGER AGREEMENT**

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

**The Merger**

AP XII has entered into an agreement and plan of merger with the Aimco Subsidiary and Aimco OP. The merger agreement amends and restates a prior merger agreement to reflect a decrease in the merger consideration from \$526.71 in cash (or equivalent value in OP Units) to \$483.14 in cash (or equivalent value in OP Units) due to, among other things, changes in the mark-to-market adjustment of the mortgage debt encumbering AP XII's properties and changes to the estimated market values of AP XII's properties which were relied upon to determine the merger consideration. The Aimco Subsidiary is a wholly-owned subsidiary of Aimco OP, and was formed for the purpose of effecting the merger with AP XII. Aimco owns the Managing General Partner and, together with its affiliates, owns a majority of outstanding AP XII Units.

Under the merger agreement, at the effective time of the merger, the Aimco Subsidiary will be merged with and into AP XII, with AP XII as the surviving entity. In the merger, each AP XII 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 AP XII Unit, either \$483.14 in cash or equivalent value in Aimco OP Units (calculated by dividing \$483.14 by the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger); provided, however, that if Aimco OP determines that the law of the state or other jurisdiction in which a limited partner that holds AP XII Units resides would prohibit the issuance of Aimco OP Units in that state or other jurisdiction (or that registration or qualification in that state or jurisdiction would be prohibitively costly), then such limited partner will only be entitled to receive \$483.14 in cash for each AP XII Unit. Each holder of AP XII Units must make the same election (cash or OP Units) for all of his or her AP XII Units. Aimco OP's interest in the Aimco Subsidiary will be converted into AP XII Units. As a result, after the merger, Aimco OP will be the sole limited partner of AP XII and will own all of the outstanding AP XII Units.

The agreement of limited partnership of AP XII as in effect immediately prior to the consummation of the merger will be the agreement of limited partnership of AP XII after the merger, until thereafter amended in accordance with the provisions thereof and applicable law.

**Treatment of Interests in the Merger**

*AP XII.* Under the merger agreement, each AP XII 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 AP XII Unit, either \$483.14 in cash or equivalent value in Aimco OP Units (calculated by dividing \$483.14 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), except in those jurisdictions where the law prohibits the issuance of Aimco OP Units (or registration or qualification would be prohibitively costly). The Managing General Partner will continue to be the managing general partner of AP XII after the merger, the Non-Managing General Partner will continue to be the non-managing general partner of AP XII and the current respective general partner interests will remain unchanged after the merger.



*Aimco Subsidiary.* All membership interests in the Aimco Subsidiary immediately prior to the effective time of the merger will be converted into AP XII Units after the merger.

### **Approvals Required**

Under Delaware law, the merger must be approved by the General Partners and a majority in interest of the AP XII Units. The General Partners have determined that the merger is advisable, fair to and in the best interests of AP XII and its limited partners and have approved the merger and the merger agreement. As of November 10, 2011, there were issued and outstanding 44,718 AP XII Units, and Aimco OP and its affiliates owned 33,750 of those units, or approximately 75.47% of the number of units outstanding. Aimco OP and its affiliates have indicated that

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they intend to take action by written consent, as permitted under the partnership agreement, to approve the merger on or about \_\_\_\_\_, 2011. **As a result, approval of the merger is assured, and your consent to the merger is not required.** Aimco OP has approved the merger on behalf of the Aimco Subsidiary.

## **Conditions to Obligations to Complete the Merger**

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

## **Termination of the Merger Agreement**

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

## **Amendment**

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

## **Governing Law**

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

## **Appraisal Rights**

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

## **Election Forms**

Within 10 days after the effective time of the merger, Aimco OP will prepare and mail to the former holders of AP XII Units an election form pursuant to which they can elect to receive cash or OP Units. Each holder of AP XII Units must make the same election (cash or OP Units) for all of his or her AP XII Units. Limited partners may also elect appraisal of their AP XII Units pursuant to the election form. Holders of AP XII Units may elect their form of consideration by completing and returning the election form in accordance with its instructions. If the information agent does not receive a properly completed election form from a holder before 5:00 p.m., New York time, on the 30th day after the mailing of the election form, the holder will be deemed to have elected to receive the cash consideration. Former

holders of AP XII Units may also use the election form to elect to receive, in lieu of the merger consideration, the appraised value of their AP XII Units, determined through an arbitration proceeding.

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

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

**General**

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

**Purpose and Business**

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

**Management by the General Partner**

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

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

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

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

*Indemnification.* As a part of conducting the merger described herein, the general partner has agreed not to seek indemnification from, or to be held harmless by, Aimco OP, or its affiliates, for any liability or loss suffered by the general partner related to the merger, unless (i) the general partner has determined, in good faith, that the course of conduct which caused the loss or liability was in the best interests of Aimco OP, (ii) the general partner was acting on behalf of or performing services for Aimco OP, (iii) such liability or loss was not the result of negligence or misconduct by the general partner and (iv) such indemnification or agreement to hold harmless is recoverable only out of the assets of Aimco OP and not from the limited partners of Aimco OP. In addition, the general partner, and any of its affiliates that are performing services on behalf of Aimco OP, have agreed that they will not seek indemnification for any losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws unless (i) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee, (ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee, or (iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and related costs should be made, and, as relates to (iii), the court of law considering the request for indemnification has been advised of the position of the SEC and the position of any state securities regulatory authority in which securities of Aimco OP were offered or sold as to indemnification for violations of securities laws. Aimco OP shall not incur the cost of that portion of liability insurance, if any, which insures the general partner for any liability as to which the general partner is prohibited from being indemnified as described in this paragraph. Finally, the general partner has agreed that the provision of advancement from Aimco OP funds to the general partner or any of its affiliates for legal expenses and other costs incurred as a result of any legal action is permissible if (i) the legal action relates to acts or omissions with respect to the performance of duties or services on behalf of Aimco OP; (ii) the legal action is initiated by a third party who is not a limited partner of Aimco OP, or the legal action is initiated by a limited partner and a court of competent jurisdiction specifically approves such advancement; and (iii) the general partner or its affiliates undertake to repay the advanced funds to Aimco OP in cases in which such person is not entitled to indemnification

under this paragraph.

**Table of Contents****Outstanding Classes of Units**

As of October 31, 2011, Aimco OP had issued and outstanding the following partnership interests:

Class	Units Outstanding		Quarterly Distribution per Unit		Liquidation Preference (per Unit)
Partnership Common Units (OP Units)	120,916,144	\$			N/A
Class T Partnership Preferred Units	6,000,000	\$	0.50	\$	25.00
Class U Partnership Preferred Units	12,000,000	\$	0.485	\$	25.00
Class V Partnership Preferred Units	2,587,500	\$	0.50	\$	25.00
Class Y Partnership Preferred Units	3,450,000	\$	0.4925	\$	25.00
Class Z Partnership Preferred Units	823,817	\$	0.4375	\$	25.00
Series A Community Reinvestment Act Perpetual Partnership Preferred Units(1)	94	\$	1,875.00	\$	500,000.00
Class One Partnership Preferred Units(2)	90,000	\$	2.00	\$	91.43
Class Two Partnership Preferred Units(2)	19,289	\$	0.12	\$	25.00
Class Three Partnership Preferred Units(2)	1,365,284	\$	0.4925	\$	25.00
Class Four Partnership Preferred Units(2)	755,999	\$	0.50	\$	25.00
Class Six Partnership Preferred Units(2)	796,668	\$	0.5325	\$	25.00
Class Seven Partnership Preferred Units(2)	27,960	\$	0.595	\$	25.00
Class Eight Partnership Preferred Units(3)	6,250	\$			N/A
Class I High Performance Partnership Units (HPUs)(3)	2,339,950	\$			N/A

(1) The Series A Community Reinvestment Act Perpetual Partnership Preferred Units, or the CRA Preferred Units, have substantially the same terms as Aimco's Series A Community Reinvestment Act Perpetual Preferred Stock, or the CRA Preferred Stock. Holders of the CRA Preferred Units are entitled to cumulative cash dividends payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year, when and as declared, beginning on September 30, 2006. For the period from the date of original issuance through March 31, 2015, the distribution rate is a variable rate per annum equal to the Three-Month LIBOR Rate (as defined in the articles supplementary designating the CRA Preferred Stock) plus 1.25%, calculated as of the beginning of each quarterly dividend period. The rate at September 30, 2011 was 1.50%. Upon liquidation, holders of the CRA Preferred Stock are entitled to a preference of \$500,000 per share, plus an amount equal to accumulated, accrued and unpaid dividends, whether or not earned or declared. The CRA Preferred Units rank prior to Common OP Units and on the same level as Aimco OP's other Preferred OP Units, with respect to the payment of distributions and the distribution of amounts upon liquidation, dissolution or winding up. The CRA Preferred Units were not redeemable prior to June 30, 2011, except in limited circumstances related to Aimco's REIT qualification. On and after June 30, 2011, the CRA Preferred Units are redeemable for cash, in whole or from time to time in part, upon the redemption, at Aimco's option, of its CRA Preferred Stock at a price per share equal to the liquidation preference, plus accumulated, accrued and unpaid distributions, if any, to the redemption date.

(2)



The Class One, Class Two, Class Three, Class Four, Class Six and Class Seven preferred OP Units are redeemable, at the holders' option. Aimco OP, at its sole discretion, may settle such redemption requests in cash or shares of Aimco common stock in a value equal to the redemption preference. In the event Aimco OP requires Aimco to issue shares to settle a redemption request, it would issue to Aimco a corresponding number of OP Units. Aimco OP has a redemption policy that requires cash settlement of redemption requests for the redeemable preferred OP Units, subject to limited exceptions.

- (3) The holders of Class Eight preferred OP Units and HPUs receive the same amount of distributions that are paid to holders of an equivalent number of Aimco OP's outstanding OP Units.

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### **Distributions**

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

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

While some of the debt instruments to which Aimco OP is a party, including its credit facilities, contain restrictions on the payment of distributions to OP Unitholders, the debt instruments allow Aimco OP to distribute sufficient amounts to enable the general partner and special limited partner to transfer funds to Aimco which are then used to pay stockholder dividends, thereby allowing Aimco to meet the requirements for qualifications as a REIT under the Internal Revenue Code.

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

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

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

### **Allocations of Net Income and Net Loss**

*OP Units and HPUs.* Net Income (as defined in the Aimco OP partnership agreement) and Net Loss (as defined in the Aimco OP partnership agreement) of Aimco OP will be determined and allocated with respect to each fiscal year of Aimco OP as of the end of each such year. Except as otherwise provided in the Aimco OP partnership agreement, an allocation to an OP Unitholder of a share of Net Income or Net Loss will be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss. Except as otherwise provided in the Aimco OP partnership agreement and subject to the terms of any outstanding partnership preferred units, Net Income and Net Loss will be allocated to the holders of OP Units and holders of HPUs in accordance with their respective interests at the end of each fiscal year. The Aimco OP

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partnership agreement contains provisions for special allocations intended to comply with certain regulatory requirements, including the requirements of Treasury Regulations Sections 1.704-1(b) and 1.704-2. Except as otherwise provided in the Aimco OP partnership agreement and subject to the terms of any outstanding partnership preferred units, for U.S. federal income tax purposes under the Internal Revenue Code and the Treasury Regulations, each partnership item of income, gain, loss and deduction will be allocated among the OP Unitholders in the same manner as its correlative item of book income, gain, loss or deduction is allocated under the Aimco OP partnership agreement.

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

## **Withholding**

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

## **Return of Capital**

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

## **Redemption Rights of Qualifying Parties**

After the first anniversary of becoming a holder of OP Units, each OP Unitholder and some assignees have the right, subject to the terms and conditions set forth in the Aimco OP partnership agreement, to require Aimco OP to redeem all or a portion of the OP Units held by such party in exchange for shares of Aimco common stock or a cash amount equal to the value of such shares, as Aimco OP may determine. On or before the close of business on the fifth business day after a holder of OP Units gives the general partner a notice of redemption, Aimco OP may, in its

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sole and absolute discretion but subject to the restrictions on the ownership of Aimco stock imposed under Aimco's charter and the transfer restrictions and other limitations thereof, elect to cause Aimco to acquire some or all of the tendered OP Units from the tendering party in exchange for Aimco common stock, based on an exchange ratio of one share of Aimco common stock for each OP Unit, subject to adjustment as provided in the Aimco OP partnership agreement. The Aimco OP partnership agreement does not obligate Aimco or the general partner to register, qualify or list any Aimco common stock issued in exchange for OP Units with the SEC, with any state securities commissioner, department or agency, or with any stock exchange. Aimco common stock issued in exchange for OP Units under the Aimco OP partnership agreement will contain legends regarding restrictions under the Securities Act and applicable state securities laws as Aimco in good faith determines to be necessary or advisable in order to ensure compliance with securities laws. In the event of a change of control of Aimco, holders of HPUs will have redemption rights similar to those of holders of OP Units.

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

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

### **Transfers and Withdrawals**

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

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

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

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

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

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

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

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

## **Amendment of the Partnership Agreement**

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

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



**Procedures for Actions and Consents of Partners**

Meetings of the partners may be called by the general partner and will be called upon the receipt by the general partner of a written request by a majority in interest of the limited partners. Notice of any such meeting will be given to all partners not less than seven (7) days nor more than thirty (30) days prior to the date of such meeting. Partners

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may vote in person or by proxy at such meeting. Each meeting of partners will be conducted by the general partner or such other person as the general partner may appoint under such rules for the conduct of the meeting as the general partner or such other person deems appropriate in its sole and absolute discretion. Whenever the vote or consent of partners is permitted or required under the partnership agreement, such vote or consent may be given at a meeting of partners or may be given by written consent. Any action required or permitted to be taken at a meeting of the partners may be taken without a meeting if a written consent setting forth the action so taken is signed by partners holding a majority of outstanding OP Units (or such other percentage as is expressly required by the Aimco OP partnership agreement for the action in question).

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

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

## **Reports**

As soon as practicable, but in no event later than one hundred and five (105) days after the close of each calendar quarter and each fiscal year, the general partner will make available to limited partners (which may be done by filing a report with the SEC) a report containing financial statements of Aimco OP, or of Aimco if such statements are prepared solely on a consolidated basis with Aimco, for such calendar quarter or fiscal year, as the case may be, presented in accordance with generally accepted accounting principles, and such other information as may be required by applicable law or regulation or as the general partner determines to be appropriate. Statements included in quarterly reports are not audited. Statements included in annual reports are audited by a nationally recognized firm of independent public accountants selected by the general partner.

## **Tax Matters Partner**

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

## **Dissolution and Winding Up**

*Dissolution.* Aimco OP will dissolve, and its affairs will be wound up, upon the first to occur of any of the following (each a liquidating event): (i) an event of withdrawal, as defined in the Delaware Act (including, without limitation, bankruptcy), of the sole general partner unless, within ninety (90) days after the withdrawal, a majority in interest (as such phrase is used in Section 17-801(3) of the Delaware Act) of the remaining partners agree in writing, in their sole and absolute discretion, to continue the business of Aimco OP and to the appointment, effective as of the date of

withdrawal, of a successor general partner; (ii) an election to dissolve Aimco OP made by the general partner in its sole and absolute discretion, with or without the consent of the limited partners; (iii) entry of a decree of judicial dissolution of Aimco OP under the provisions of the Delaware Act; (iv) the occurrence of a Terminating Capital Transaction; or (v) the redemption (or acquisition by Aimco, the general partner and/or the special limited partner) of all OP Units other than OP Units held by the general partner or the special limited partner.

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

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

Aimco's charter authorizes the issuance of up to 510,587,500 shares of capital stock, consisting of 480,887,260 shares currently classified as common stock with a par value of \$0.01 per share and 29,700,240 shares of preferred stock with a par value of \$0.01 per share. As of October 31, 2011, 120,916,144 shares were issued and outstanding. Aimco common stock is traded on the NYSE under the symbol AIV. Computershare Limited serves as transfer agent and registrar of Aimco common stock. On November 10, 2011, the closing price of the Aimco common stock on the NYSE was \$22.82. The following table shows the high and low reported sales prices and dividends paid per share of Aimco's common stock in the periods indicated.

<b>Quarter Ended</b>	<b>High</b>	<b>Low</b>	<b>Dividends</b>
December 31, 2011 (through November 10, 2011)	\$ 27.26	\$ 20.08	\$
September 30, 2011	28.12	21.92	0.12
June 30, 2011	27.67	24.50	0.12
March 31, 2011	26.33	23.38	0.12
December 31, 2010	\$ 26.24	\$ 21.22	\$ 0.10
September 30, 2010	22.82	18.12	0.10
June 30, 2010	24.21	18.14	0.10
March 31, 2010	19.17	15.01	0.00
December 31, 2009	\$ 17.09	\$ 11.80	\$ 0.20
September 30, 2009	15.91	7.36	0.10
June 30, 2009	11.10	5.18	0.10
March 31, 2009	12.89	4.57	0.00

Aimco has a Stock Award and Incentive Plan to attract and retain officers, key employees and independent directors. Aimco's plan reserves for issuance a maximum of 4.1 million shares, which may be in the form of incentive stock options, non-qualified stock options and restricted stock, or other types of awards as authorized under Aimco's plan.

Holders of Aimco common stock are entitled to receive dividends, when and as declared by the board of directors of Aimco, or the Aimco Board of Directors, out of funds legally available therefor. The holders of shares of common stock, upon any liquidation, dissolution or winding up of Aimco, are entitled to receive ratably any assets remaining after payment in full of all liabilities of Aimco and the liquidation preferences of preferred stock. The shares of common stock possess ordinary voting rights for the election of directors and in respect of other corporate matters, each share entitling the holder thereof to one vote. Holders of shares of common stock do not have cumulative voting rights in the election of directors, which means that holders of more than 50% of the shares of common stock voting for the election of directors can elect all of the directors if they choose to do so and the holders of the remaining shares cannot elect any directors. Holders of shares of common stock do not have preemptive rights, which means they have no right to acquire any additional shares of common stock that may be issued by Aimco at a subsequent date.

**Outstanding Classes of Preferred Stock**

Aimco is authorized to issue shares of preferred stock in one or more classes or subclasses, with such designations, preferences, conversion and other rights, voting powers, restriction, limitations as to dividends, qualifications and

terms and conditions of redemption, in each case, if any as are permitted by Maryland law and as

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the Aimco Board of Directors may determine by resolution. As of October 31, 2011, Aimco had issued and outstanding the following classes of preferred stock:

Class	Shares Authorized	Shares Outstanding	Quarterly Dividend per Share	Liquidation Preference per Share	Conversion Price
Class T Cumulative Preferred Stock	6,000,000	6,000,000	\$ 0.50	\$ 25.00	N/A
Class U Cumulative Preferred Stock	12,000,000	12,000,000	\$ 0.485	\$ 25.00	N/A
Class V Cumulative Preferred Stock	3,450,000	2,587,500	\$ 0.50	\$ 25.00	N/A
Class Y Cumulative Preferred Stock	3,450,000	3,450,000	\$ 0.4925	\$ 25.00	N/A
Class Z Cumulative Preferred Stock	4,800,000	823,817	\$ 0.4375	\$ 25.00	N/A
Series A Community Reinvestment Act Perpetual Preferred Stock(1)	240	94	\$ 1,875.00	\$ 500,000.00	N/A

(1) For the period from the date of original issuance through March 31, 2015, the dividend rate is a variable rate per annum equal to the Three-Month LIBOR Rate (as defined in the articles supplementary designating the CRA Preferred Stock) plus 1.25%, calculated as of the beginning of each quarterly dividend period. The rate at September 30, 2011 was 1.50%. Upon liquidation, holders of the CRA Preferred Stock are entitled to a preference of \$500,000 per share, plus an amount equal to accumulated, accrued and unpaid dividends, whether or not earned or declared. The CRA Preferred Stock ranks prior to the Aimco common stock and on the same level as Aimco's outstanding shares of preferred stock with respect to the payment of dividends and the distribution of amounts upon liquidation, dissolution or winding up. The CRA Preferred Stock was not redeemable prior to June 30, 2011, except in limited circumstances related to REIT qualification. On and after June 30, 2011, the CRA Preferred Stock is redeemable for cash, in whole or from time to time in part, at Aimco's option, at a price per share equal to the liquidation preference, plus accumulated, accrued and unpaid dividends, if any, to the redemption date.

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

*Dividends.* Holders of each authorized class of preferred stock are entitled to receive, when and as declared by the Aimco Board of Directors, out of funds legally available for payment, quarterly cash dividends in the amount per share set forth in the table above under the heading, Quarterly Dividend Per Share. The dividends are cumulative from the date of original issue, whether or not in any dividend period or periods Aimco declares any dividends or have funds legally available for the payment of such dividend. Holders of preferred stock are not entitled to receive any dividends in excess of cumulative dividends on the preferred stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the preferred stock that may be in arrears.

When dividends are not paid in full upon any class of preferred stock, or a sum sufficient for such payment is not set apart, all dividends declared upon that class of preferred stock and any shares of Parity Stock will be declared ratably in proportion to the respective amounts of dividends accumulated, accrued and unpaid on that class of preferred stock and accumulated, accrued and unpaid on such Parity Stock. Except as set forth in the preceding sentence, unless dividends on each class of preferred stock equal to the full amount of accumulated, accrued and unpaid dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the



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

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

*Redemption.* Except as described below and in certain limited circumstances, including circumstances relating to maintaining Aimco's ability to qualify as a REIT, Aimco may not redeem the shares of preferred stock. On or after the dates set forth in the table below, Aimco may, at its option, redeem shares of the classes of preferred stock set forth below, in whole or from time to time in part, at a cash redemption price equal to the percentage of the liquidation preference for that class of preferred stock indicated under the heading *Price*, plus all accumulated, accrued and unpaid dividends, if any, to the date fixed for redemption. The redemption price for each class of non-convertible preferred stock (other than any portion thereof consisting of accumulated, accrued and unpaid dividends) is payable solely with the proceeds from the sale of equity securities by Aimco or Aimco OP (whether or not such sale occurs

concurrently with such redemption). For purposes of the preceding sentence, capital shares means any common stock, preferred stock, depositary shares, partnership or other interests, participations or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable

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at the option of the holder for equity securities (unless and to the extent such debt securities are subsequently converted into capital stock)) or options to purchase any of the foregoing securities issued by Aimco or Aimco OP.

<b>Class</b>	<b>Date</b>	<b>Price</b>
Class T Cumulative Preferred Stock	July 31, 2008	100%
Class U Cumulative Preferred Stock	March 24, 2009	100%
Class V Cumulative Preferred Stock	September 29, 2009	100%
Class Y Cumulative Preferred Stock	December 21, 2009	100%
Class Z Cumulative Preferred Stock	July 29, 2016	100%
Series A Community Reinvestment Act Perpetual Preferred Stock	June 30, 2011	100%

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

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

Each conversion price is subject to adjustment upon the occurrence of certain events, including: (i) if Aimco (A) pays a dividend or makes a distribution on its capital stock in shares of Aimco common stock, (B) subdivides its outstanding common stock into a greater number of shares, (C) combines its outstanding common stock into a smaller number of shares or (D) issues any shares of capital stock by reclassification of its outstanding common stock; (ii) if Aimco issues rights, options or warrants to holders of common stock entitling them to subscribe for or purchase common stock at a price per share less than the fair market value thereof; and (iii) if Aimco makes a distribution on its

common stock other than in cash or shares of common stock.

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

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

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

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

*Transfer.* For Aimco to qualify as a REIT under the Internal Revenue Code, not more than 50% in value of its outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of a taxable year, and the shares of Aimco common stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Because the Aimco Board of Directors believes that it is essential for Aimco to meet the REIT Requirements, the Aimco Board of Directors has adopted, and the stockholders have approved, provisions of Aimco's charter restricting the acquisition of shares of Aimco common stock.

Subject to specific exceptions specified in Aimco's charter, no holder may own, or be deemed to own by virtue of various attribution and constructive ownership provisions of the Internal Revenue Code and Rule 13d-3 under the Exchange Act, more than 8.7% (or 15% in the case of specific pension trusts described in the Internal Revenue Code, investment companies registered under the Investment Company Act of 1940, as amended, and Mr. Considine) of the outstanding shares of Aimco common stock (the Ownership Limit). The Aimco Board of Directors may waive the Ownership Limit if evidence satisfactory to the Aimco Board of Directors and Aimco's tax counsel is presented that such ownership will not then or in the future jeopardize Aimco's status as a REIT. However, in no event may such

holder's direct or indirect ownership of Aimco common stock exceed 12% of the total outstanding shares of Aimco common stock. As a condition of such waiver, the Aimco Board of Directors may require opinions of counsel satisfactory to it and/or an undertaking from the applicant with respect to preserving the

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REIT status of Aimco. The foregoing restrictions on transferability and ownership will not apply if the Aimco Board of Directors determines that it is no longer in the best interests of Aimco to attempt to qualify, or to continue to qualify as a REIT and a resolution terminating Aimco's status as a REIT and amending Aimco's charter to remove the foregoing restrictions is duly adopted by the Aimco Board of Directors and a majority of Aimco's stockholders. If shares of Aimco common stock in excess of the Ownership Limit, or shares of Aimco common stock which would cause the REIT to be beneficially owned by fewer than 100 persons, or which would result in Aimco being closely held, within the meaning of section 856(h) of the Internal Revenue Code, or which would otherwise result in Aimco failing to qualify as a REIT, are issued or transferred to any person, such issuance or transfer shall be null and void to the intended transferee, and the intended transferee would acquire no rights to the stock. Shares of Aimco common stock transferred in excess of the Ownership Limit or other applicable limitations will automatically be transferred to a trust for the exclusive benefit of one or more qualifying charitable organizations to be designated by Aimco. Shares transferred to such trust will remain outstanding, and the trustee of the trust will have all voting and dividend rights pertaining to such shares. The trustee of such trust may transfer such shares to a person whose ownership of such shares does not violate the Ownership Limit or other applicable limitation. Upon a sale of such shares by the trustee, the interest of the charitable beneficiary will terminate, and the sales proceeds would be paid, first, to the original intended transferee, to the extent of the lesser of (a) such transferee's original purchase price (or the original market value of such shares if purportedly acquired by gift or devise) and (b) the price received by the trustee, and, second, any remainder to the charitable beneficiary. In addition, shares of stock held in such trust are purchasable by Aimco for a 90 day period at a price equal to the lesser of the price paid for the stock by the original intended transferee (or the original market value of such shares if purportedly acquired by gift or devise) and the market price for the stock on the date that Aimco determines to purchase the stock. The 90 day period commences on the date of the violative transfer or the date that the Aimco Board of Directors determines in good faith that a violative transfer has occurred, whichever is later. All certificates representing shares of Aimco common stock bear a legend referring to the restrictions described above.

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

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

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

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

**OP Units**

**Common Stock**

**Nature of Investment**

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

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

**Voting Rights**

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

Each outstanding share of Aimco common stock entitles the holder thereof to one vote on all matters submitted to stockholders for a vote, including the election of directors. Holders of Aimco common stock have the right to vote on, among other things, a merger of Aimco, amendments to the Aimco charter and the dissolution of Aimco. Certain amendments to the Aimco charter require the affirmative vote of not less than two-thirds of votes entitled to be cast on the matter. The Aimco charter permits the Aimco Board of Directors to classify and issue capital stock in one or more series having voting power which may differ from that of the common stock. Under Maryland law, a consolidation, merger, share exchange or transfer of all or substantially all of the assets of Aimco requires the affirmative vote of not less than two-thirds of all of the votes entitled to be cast on the matter. With respect to each of these transactions, only the holders of common stock are entitled to vote on the matters. No approval of the stockholders is required for the sale of less than all or substantially all of Aimco's assets. Maryland law provides that the Aimco Board of Directors must obtain the affirmative vote of at least two-thirds of the votes entitled to be cast on the matter in order to dissolve Aimco. Only the holders of Aimco common stock are entitled to vote on Aimco's dissolution.

**Distributions/Dividends**

Subject to the rights of holders of any outstanding partnership preferred units, the Aimco OP partnership agreement requires the general partner to cause Aimco OP to distribute quarterly all, or such portion as the general

holders of Aimco common stock are entitled to receive dividends when and as declared by the Aimco Board of Directors, out of funds legally available therefor. Under the REIT rules, Aimco is required to distribute dividends



partner may in its sole and absolute discretion determine, of Available Cash (as such term is defined in the partnership agreement) generated by Aimco OP during such quarter to the general partner, the Special Limited Partner and the holders of OP Units and HPUs on the record date established by the general partner with respect to such quarter, in accordance with their respective interests in Aimco OP on such record date. Holders of any Partnership Preferred Units currently issued and which may be issued in the future may have priority over the general partner, the special limited partner and holders of OP Units and HPUs with respect to distributions of Available Cash, distributions upon liquidation or other distributions.

(other than capital gain dividends) to its stockholders in an amount at least equal to (A) the sum of (i) 90% of Aimco's REIT taxable income (computed without regard to the dividends paid deduction and Aimco's net capital gain) and (ii) 90% of the net income (after tax), if any, from foreclosure property, minus (B) the sum of certain items of noncash income. See Material United States Federal Income Tax Matters.

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**OP Units**

**Common Stock**

See Description of Aimco OP Units; Summary of Aimco OP Partnership Agreement Distributions. The general partner in its sole and absolute discretion may distribute to the holders of OP Units and HPUs Available Cash on a more frequent basis and provide for an appropriate record date. The partnership agreement requires the general partner to take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with the REIT Requirements, to cause Aimco OP to distribute sufficient amounts to enable the general partner to transfer funds to Aimco and enable Aimco to pay stockholder dividends that will(i) satisfy the requirements for qualifying as a REIT under the Internal Revenue Code, and the Treasury Regulations and (ii) avoid any U.S. federal income or excise tax liability of Aimco. See

Description of Aimco OP Units; Summary of Aimco OP Partnership Agreement Distributions.

**Liquidity and Transferability/Redemption**

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

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

Under the Aimco OP partnership agreement, until the expiration of one year from the date on which a holder acquired OP Units, subject to certain exceptions, such OP Unitholder may not transfer all or any portion of its OP Units to any transferee without the consent of the general partner, which consent may be withheld in its sole and absolute discretion. After the expiration of one year, such OP Unitholder has the right to transfer all or any portion of its OP Units to any person, subject to the satisfaction of certain conditions specified in the partnership agreement, including the general partner's right of first refusal. See

Description of Aimco OP Units; Summary of Aimco OP Partnership Agreement Transfers and Withdrawals. After the first anniversary of becoming a holder of OP Units, a holder has the right, subject to the terms and conditions of the partnership agreement, to require Aimco OP to redeem all or a portion of such holder's OP Units in exchange for shares of common stock or a cash amount equal to the value of such shares, as Aimco OP may elect. See

Description of Aimco OP Units; Summary of Aimco OP Partnership Agreement Redemption Rights of Qualifying Parties. Upon receipt of a notice of redemption, Aimco OP may, in its sole and absolute discretion but subject to the

restrictions on the ownership of common stock imposed under the Aimco charter and the transfer restrictions and other limitations thereof, elect to cause Aimco to acquire some or all of the tendered OP Units in exchange for common stock, based on an exchange ratio of one share of common stock for each OP Unit, subject to adjustment as provided in the partnership agreement.

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**COMPARISON OF AP XII UNITS AND AIMCO OP UNITS**

The rights of AP XII limited partners are currently governed by the Delaware Act and the AP XII partnership agreement. The rights of the limited partners of Aimco OP are currently governed by the Delaware Act and the Aimco OP partnership agreement.

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

**AP XII Units**

**OP Units**

**Nature of Investment**

The AP XII Units constitute equity interests entitling each partner to its pro rata share of distributions to be made to the partners of AP XII.

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

**Voting Rights**

With limited exceptions, the AP XII partnership agreement may be amended upon the vote of limited partners holding more than fifty percent (50%) of each series of outstanding limited partnership units. Limited partners holding more than fifty percent (50%) of each series of units may remove a general partner; *provided, however*, that the removal of any non-managing general partner shall require the simultaneous removal of the managing general partner. If a general partner is removed, AP XII will be dissolved, unless (a) the remaining general partner, if any, elects to continue AP XII's business, provided that counsel to AP XII is of the opinion that AP XII will meet the requirements for continued qualification as a partnership for Federal income tax purposes without the admission of a substitute general partner or (b) a substitute general partner is admitted in accordance with the AP XII partnership agreement. An affiliate of the General Partners currently owns a majority of the AP XII Units.

The Managing General Partner may serialize interests without the consent of the limited partners.

Under the Aimco OP partnership agreement, limited partners have voting rights only with respect to certain limited matters such as certain amendments of the partnership agreement and certain transactions such as the institution of bankruptcy proceedings, an assignment for the benefit of creditors and certain transfers by the general partner of its interest in Aimco OP or the admission of a successor general partner. Under the Aimco OP partnership agreement, the general partner has the power to effect the acquisition, sale, transfer, exchange or other disposition of any assets of Aimco OP (including, but not limited to, the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by Aimco OP) or the merger, consolidation, reorganization or other combination of Aimco OP with or into another entity, all without the consent of the OP Unitholders.

The general partner may cause the dissolution of Aimco OP by an event of withdrawal, as defined in the Delaware Act (including, without limitation, bankruptcy), unless, within 90 days after the withdrawal, holders of a majority in interest, as defined in the Delaware Act, agree in writing, in their sole and absolute discretion, to continue the business of Aimco OP and to the appointment of a successor general partner. The general partner may elect to dissolve Aimco

OP in its sole and absolute discretion, with or without the consent of the OP Unitholders. OP Unitholders cannot remove the general partner of Aimco OP with or without cause.

**Distributions**

Net Cash from Operations (as such term is defined in the AP XII partnership agreement) of AP XII for each fiscal year will be distributed quarterly in the manner specified in the AP XII partnership agreement. Distributable Net Proceeds (as such term is defined in the AP XII

Subject to the rights of holders of any outstanding partnership preferred units, the Aimco OP partnership agreement requires the general partner to cause Aimco OP to distribute quarterly all, or such portion as the general partner may in its sole and absolute discretion

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**AP XII Units**

partnership agreement) of any Disposition (as such term is defined in the AP XII partnership agreement) will be distributed in the manner specified in the AP XII partnership agreement. The distributions payable to the partners are not fixed in amount and depend upon the operating results and net sales or refinancing proceeds available from the disposition of AP XII s assets.

**OP Units**

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

**Liquidity and Transferability/Redemption**

There is a limited market for the AP XII Units, and the AP XII Units are not listed on any securities exchange.

Under the AP XII partnership agreement, a limited partner may assign his or her entire interest in any of all of the AP XII Units owned by such limited partner, provided, however, that(a) such assignment is not with respect to any fractional unit and, if such assignment is of less than all of the AP XII Units held by such limited partner, such limited partner and his or her assignee shall each immediately thereafter hold at least five(5) AP XII Units and(b) such limited partner and his or her assignee executive, acknowledge and deliver to the managing general partner such instruments of assignment with respect to such

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

Under the Aimco OP partnership agreement, until the expiration of one year from the date on which a holder acquired OP Units, subject to certain exceptions, such OP Unitholder may not transfer all or any portion of its OP Units to any transferee without the consent of the general partner, which consent may be withheld in its sole and absolute discretion. After the expiration of one year, such OP Unitholder has the right to transfer all or any portion of its OP Units to any person, subject to the satisfaction of certain conditions specified in the partnership agreement, including the general partner s

transactions as are in form and substance satisfactory to the managing general partner. No transfer of AP XII Units shall be made to a resident of Illinois who does not comply with the suitability standards for investors imposed in connection with the offering of AP XII Units referred to in Section 6.2 of the AP XII partnership agreement.

Notwithstanding the above, no AP XII Unit may be sold, assigned or exchanged if such AP XII Unit, when added to the total of all other AP XII Units sold or

right of first refusal. See Description of Aimco OP Units; Summary of Aimco OP Partnership Agreement Transfers and Withdrawals. After the first anniversary of becoming a holder of OP Units, a holder has the right, subject to the terms and conditions of the partnership agreement, to require Aimco OP to redeem all or a portion of such holder's OP Units in exchange for shares of common stock or a cash amount equal to the value of such shares, as Aimco OP may elect. See Description of Aimco OP Units; Summary of

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**AP XII Units**

exchanged within the period of twelve consecutive months prior to the proposed date of sale or exchange, would, in the opinion of counsel for AP XII, result in the termination of AP XII under section 708 of the Internal Revenue Code unless AP XII and the transferring holder shall have received a ruling from the Internal Revenue Service that the proposed sale or exchange will not cause such termination. No assignee of an AP XII Unit shall become a substituted limited partner in the place of his or her assignee unless the managing general partner consents in writing to the admission of such assignee as a substitute limited partner, and such assignee(a) elects to become a substitute limited partner by delivering to the managing general partner a written notice, executed and acknowledged by the assignor and assignee, of such election,(b) executes and acknowledges such other instruments as the managing general partner may deem necessary or advisable to effect the admission of such person as a substitute limited partner, including, without limitation, the written acceptance and adoption by such person of the provisions of the AP XII partnership agreement, and a specific grant to the managing general partner of the power of attorney contained in Article 16 of the AP XII partnership agreement and(c) pays to AP XII a substitution fee in the amount from time to time established by the managing general partner sufficient to pay all reasonable expenses of AP XII in connection with such substitution. The managing general partner, in its sole discretion, may grant or withhold consent to a substitution. The AP XII partnership agreement contains no redemption rights.

**OP Units**

Aimco OP Partnership Agreement Redemption Rights of Qualifying Parties. Upon receipt of a notice of redemption, Aimco OP may, in its sole and absolute discretion but subject to the restrictions on the ownership of common stock imposed under the Aimco charter and the transfer restrictions and other limitations thereof, elect to cause Aimco to acquire some or all of the tendered OP Units in exchange for common stock, based on an exchange ratio of one share of common stock for each OP Unit, subject to adjustment as provided in the partnership agreement.

**Fiduciary Duty**

Delaware law provides that, except as provided in a partnership agreement, a general partner owes the fiduciary duties of loyalty and care to the partnership and its limited partners. The AP XII partnership agreement provides that the Managing General Partner has a fiduciary responsibility for the safekeeping and use of all funds of the partnership, whether or not in the Managing General Partner's immediate possession or control, and shall not employ or permit another to employ such funds or assets in any manner except for the exclusive benefit of the partnership. The general partners may purchase AP XII Units for their own account from AP XII or from limited partners or assignees or other holders of AP XII Units and

Delaware law provides that, except as provided in a partnership agreement, a general partner owes the fiduciary duties of loyalty and care to the partnership and its limited partners. The Aimco OP partnership agreement expressly authorizes the general partner to enter into, on behalf of Aimco OP, a right of first opportunity arrangement and other conflict avoidance agreements with various affiliates of Aimco OP and the general partner, on such terms as the general partner, in its sole and absolute discretion, believes are advisable. The Aimco OP partnership agreement expressly limits the liability of the general partner by providing that the general partner, and its officers and directors, will not be



become limited partners or assignees in respect of such units. The AP XII partnership agreement expressly limits the liability of the general partners by providing that the general partners will have not liability to AP XII or the limited partners for any loss suffered by AP XII that arises out of any action of inaction of the general partners if the general

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.

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**AP XII Units**

partners, in good faith, determined that such course of conduct was in the best interests of AP XII and such course of conduct did not constitute negligence, misconduct or breach of fiduciary duties of the general partners.

**OP Units**

**Investment Policy**

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

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

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**Compensation and Distributions**

*AP XII.* AP XII has no employees and depends on the Managing General Partner and its affiliates for the management and administration of all partnership activities. The AP XII partnership agreement provides that the Managing General Partner and its affiliates receive certain payments for services and reimbursement of certain expenses incurred on behalf of AP XII. The AP XII partnership agreement also provides that AP XII shall pay the Managing General Partner and its affiliates a fee, which shall not exceed five percent (5%) of gross receipts from the property under management, for property management services rendered.

In addition, under the AP XII partnership agreement, (a) Distributable Net Proceeds (as defined in the AP XII partnership agreement) of any Disposition (as defined in the AP XII partnership agreement) shall be distributed in the manner specified in the AP XII partnership agreement, and (b) ninety-nine percent (99%) of the excess of Net Cash From Operations (as defined in the AP XII partnership agreement), if any, over the distributions constituting the Management Fee (as defined in the AP XII partnership agreement) is distributed quarterly to the limited partners.

A description of the compensation paid to the Managing General Partner and its affiliates during the years ended December 31, 2010 and 2009, and during the nine months ended September 30, 2011 and 2010, can be found under the heading *Certain Relationships and Related Transactions* in this information statement/prospectus. In addition, for more information, see *Note D Transactions with Affiliated Parties* in the notes to the consolidated financial statements appearing in AP XII's Annual Report on Form 10-K for the year ended December 31, 2010, which is included as Annex F to this information statement/prospectus, and *Note B Transactions with Affiliated Parties* in AP XII's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, which is included as Annex G to this information statement/prospectus.

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

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

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**MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of the material U.S. federal income tax consequences of the merger and the material U.S. federal income tax considerations related to an investment in Aimco OP Units and Aimco stock. This discussion is based upon the Internal Revenue Code, Treasury Regulations, rulings issued by the IRS, and judicial decisions, all in effect as of the date of this information statement/prospectus and all of which are subject to change or differing interpretations, possibly with retroactive effect. This summary is also based on the assumption that the operation of Aimco, Aimco OP and the limited liability companies and limited partnerships in which they own controlling interests (collectively, the Subsidiary Partnerships) and any affiliated entities will be in accordance with their respective organizational documents and partnership agreements. This summary is for general information only and does not purport to discuss all aspects of U.S. federal income taxation which may be important to a particular investor. This summary also assumes that investors will hold their OP Units and Aimco stock as capital assets (generally, property held for investment). Except to the extent provided below, this summary is not directed to investors subject to special tax rules, such as:

banks or other financial institutions;

broker-dealers;

regulated investment companies;

holders that receive Aimco stock through the exercise of stock options or otherwise as compensation;

insurance companies;

persons holding Aimco stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment;

and, except to the extent discussed below:

tax-exempt organizations;

and foreign investors.

No advance ruling from the IRS has been or will be sought regarding the tax status of Aimco or Aimco OP, or the tax consequences relating to Aimco or Aimco OP of an investment in OP Units or Aimco stock. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

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

**Federal Income Tax Opinion**

Skadden, Arps, Slate, Meagher & Flom LLP has acted as Aimco and Aimco OP's counsel in connection with the merger. Skadden, Arps, Slate, Meagher & Flom LLP has also issued an opinion regarding the material U.S. federal income tax consequences of the merger summarized below under United States Federal Income Tax Consequences Relating to the Merger. The opinion is expressed as of the date issued. Skadden, Arps, Slate, Meagher & Flom LLP will have no obligation to advise Aimco, Aimco OP or the limited partners of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in the applicable law. Each investor should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in such opinions.

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The opinion is not included as an appendix to this information statement/prospectus, but has been filed as an exhibit to the registration statement filed with the SEC. Aimco will provide a copy of the opinion, without charge, if an investor (or an investor's representative who has been so designated in writing) makes a written request at the address set forth herein under "Where You Can Find Additional Information."

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

***Tax Consequences of the Transaction to AP XII, Aimco OP, and Aimco***

When the assets or operations of two partnerships such as AP XII and Aimco OP are combined in a transaction pursuant to which one of the partnerships (AP XII) ceases to exist as a partnership (the "terminated partnership") for U.S. federal income tax purposes, and the members of the terminated partnership become members of the surviving partnership (i.e., Aimco OP), that combined transaction is generally treated as a partnership merger.

In general, AP XII will be treated as contributing all of its assets, and assigning all of its liabilities, to Aimco OP in exchange for interests in Aimco OP. To the extent Aimco OP issues consideration other than interests in Aimco OP, AP XII may recognize gain. Immediately thereafter, AP XII will be treated as distributing all of its assets to its partners in complete liquidation.

Aimco is not expected to recognize any gain or loss on the transaction.

***Tax Consequences of Exchanging AP XII Units Solely for Cash***

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

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

***Tax Consequences of Exchanging AP XII Units Solely for OP Units***

For U.S. federal income tax purposes, a holder of AP XII Units receiving OP Units in the merger will be treated as receiving the OP Units pursuant to a distribution in complete liquidation of such holder's interest in AP XII. Except to the extent described below, a holder receiving OP Units in the merger will not recognize gain or loss on the transaction.

If a holder of AP XII Units receives solely OP Units in the merger, such holder generally will not recognize gain or loss. If, immediately prior to the merger, the amount of liabilities of AP XII allocable to such holder's AP XII Units exceeds the amount of the Aimco OP partnership liabilities allocable to such holder immediately after the merger, the excess will be treated as a deemed distribution of cash to such holder. This deemed cash distribution will be treated as a return of capital to the extent of such holder's adjusted tax basis in his AP XII Units exchanged, which is not subject to tax, and thereafter as taxable gain. If such holder exercises his redemption rights with respect to the OP Units within the two year period beginning on the date of the merger, please see the discussion below under "Taxation of

Aimco OP and OP Unitholders Disguised Sale Rules.

## **Taxation of Aimco OP and OP Unitholders**

### ***Partnership Status***

Aimco believes that Aimco OP is classified as a partnership, and not as an association or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. If Aimco OP were treated as an association or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, material adverse consequences to the partners would result. Moreover, in such case, a holder of AP XII Units receiving

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OP Units in the merger would be required to recognize gain or loss on the transaction. In addition, classification of Aimco OP as an association or publicly traded partnership taxable as a corporation would also result in the termination of Aimco's status as a REIT for U.S. federal income tax purposes, which would have a material adverse impact on Aimco and its shareholders. See *Taxation of Aimco and Aimco Stockholder's Tax Aspects of Aimco's Investments in Partnerships*. This discussion assumes that Aimco OP is, and will continue to be, classified and taxed as a partnership for U.S. federal income tax purposes.

### ***Taxation of OP Unitholders***

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

### ***Allocations of Aimco OP Profits and Losses***

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

### ***Tax Basis of a Partnership Interest***

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

### ***Cash Distributions***

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



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

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ordinary income, but only if, and to the extent that, such distribution exceeds the subsequent positive adjustments, if any, to the tax basis of the OP Unitholder's Aimco OP interest as determined at the end of the taxable year during which such distribution is received. A decrease in an OP Unitholder's allocable share of Aimco OP liabilities resulting from the payment or other settlement, or reallocation of such liabilities is generally treated, for U.S. federal income tax purposes, as a deemed cash distribution. A decrease in an OP Unitholder's percentage interest in Aimco OP because of the issuance by Aimco OP of additional OP Units or otherwise, may decrease an OP Unitholder's share of nonrecourse liabilities of Aimco OP and thus, may result in a corresponding deemed distribution of cash. A deemed distribution of cash resulting from the payment, settlement, or other reduction or reallocation of Aimco OP liabilities formerly allocated to an OP Unitholder will result in taxable gain to such OP Unitholder to the extent such deemed distribution of cash exceeds the OP Unitholder's basis in his OP Units.

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

***Tax Consequences Relating to Contributed Assets***

If an investor contributes property to Aimco OP in exchange for OP Units, and the adjusted tax basis of such property differs from its fair market value, Partnership Tax Items must be allocated in a manner such that the contributing partner, over the life of Aimco OP, is charged with, or benefits from, the unrealized gain or unrealized loss associated with such property at the time of the contribution. This may result in a tax liability without a corresponding receipt of cash. Where a partner contributes cash to a partnership that holds appreciated property, Treasury Regulations provide for a similar allocation of such items to the other partners. For example, these rules may apply to a contribution by Aimco to Aimco OP of cash proceeds received by Aimco from the offering of its stock. Such allocations are solely for U.S. federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the OP Unitholders. The general purpose underlying this provision is to specially allocate certain Partnership Tax Items in order to place both the noncontributing and contributing partners in the same tax position that they would have been in had the contributing partner contributed property with an adjusted tax basis equal to its fair market value. Treasury Regulations provide Aimco OP with several alternative methods and allow Aimco OP to adopt any other reasonable method to make allocations to reduce or eliminate these book-tax differences. The general partner, in its sole and absolute discretion and in a manner consistent with Treasury Regulations, will select and adopt a method of allocating Partnership Tax Items for purposes of eliminating such disparities. The method selected by Aimco OP in its sole discretion could cause those AP XII limited partners that receive OP Units in connection with the merger to incur a tax liability without a corresponding receipt of cash. Each prospective investor is urged to consult his tax advisor regarding the tax consequences of any special allocations of Partnership Tax Items resulting from the contribution of property to Aimco OP.

***Disguised Sale Rules***

Generally, section 721 of the Internal Revenue Code provides that neither the contributing partner nor Aimco OP will recognize a gain or loss, for U.S. federal income tax purposes, upon a contribution of property to Aimco OP solely in exchange for OP Units. If, however, in connection with such a contribution of property, the investor receives, or is

deemed to receive, cash or other consideration in addition to OP Units, the receipt or deemed receipt of such cash or other consideration may be treated as part of a disguised sale. In that case, the investor would be treated as having sold, in a taxable transaction, a portion of the contributed property to Aimco OP in exchange for

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such cash or other consideration; the balance of the contributed property would, however, remain subject to the tax-free contribution treatment described above.

The disguised sale rules further provide that, unless certain exceptions apply (including exceptions that apply to distributions of operating cash flow), transfers of money or other property between a partnership and a partner that are made within two years of each other must be reported to the IRS and are presumed to be a disguised sale unless the facts and circumstances clearly establish that the transfers do not constitute a sale. The disguised sale rules may also apply, and give rise to taxable income without a corresponding receipt of cash where, for example, a partner contributes property to Aimco OP subject to one or more liabilities or where liabilities are assumed or paid by Aimco OP. If the disguised sale rules apply, all or a portion of the liabilities associated with the contributed property may be treated as consideration received by the contributing partner in a sale of the property to Aimco OP. The disguised sale rules also may apply if, for example, the issuance of OP Units to AP XII limited partners in connection with the merger is integrated with any other acquisition between Aimco and any OP Unitholder or any related party. For example, the IRS may assert that any redemption or exchange for several years between Aimco OP and any OP Unitholder who receives OP Units in the merger constitutes an integrated disguised sale that may result in taxation (without receipt of cash) for such OP Unitholders. No assurances can be given that the IRS would not be successful in such an assertion. Each prospective investor is urged to consult his tax advisor regarding the application of the disguised sale rules.

***Limitations on Deductibility of Losses***

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

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

***Passive Activity Loss Limitation.*** The passive activity loss rules of section 469 of the Internal Revenue Code limit the use of losses derived from passive activities, which generally includes an investment in limited partnership interests such as the OP Units. If an investment in an OP Unit is treated as a passive activity, an OP Unitholder who is an individual investor, as well as certain other types of investors, would not be able to use losses from Aimco OP to offset nonpassive activity income, including salary, business income, and portfolio income (e.g., dividends, interest, royalties, and gain on the disposition of portfolio investments) received during the taxable year. Passive activity losses that are disallowed for a particular taxable year may, however, be carried forward to offset passive activity income earned by the OP Unitholder in future taxable years. In addition, such disallowed losses may be claimed as a deduction, subject to the basis and at risk limitations discussed above, upon a taxable disposition of an OP Unitholder's entire interest in Aimco OP, regardless of whether such OP Unitholder has received any passive activity income

during the year of disposition.

If Aimco OP were characterized as a publicly traded partnership, each OP Unitholder would be required to treat any loss derived from Aimco OP separately from any income or loss derived from any other publicly traded partnership, as well as from income or loss derived from other passive activities. In such case, any net losses or

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credits attributable to Aimco OP which are carried forward may only be offset against future income of Aimco OP. Moreover, unlike other passive activity losses, suspended losses attributable to Aimco OP would only be allowed upon the complete disposition of the OP Unitholder's entire interest in Aimco OP.

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

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

### ***Depreciation***

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

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

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

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

Sale Rules above for sales integrated with the contribution of property for OP Units.

The law is currently uncertain regarding the treatment of an abandoned interest in a partnership, and whether an abandonment gives rise to a deductible loss is a question of fact. Prospective investors are urged to consult their tax advisors regarding the application, effect and method of abandoning an interest in an OP Unit.

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### ***Alternative Minimum Tax***

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

### ***Information Returns and Audit Procedures***

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

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

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

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

### ***Taxation of Foreign OP Unitholders***

A Non-U.S. OP Unitholder (see the definition of Non-U.S. stockholder below under Taxation of Aimco and Aimco Stockholders Taxation of Stockholders Taxation of Foreign Stockholders ) will generally be considered to be engaged in a United States trade or business on account of its ownership of an OP Unit. As a result, a Non-U.S. OP Unitholder



will be required to file U.S. federal income tax returns with respect to its allocable share of Aimco OP's income. A Non-U.S. OP Unitholder that is a corporation may also be subject to United States branch profit tax at a rate of 30%, in addition to regular U.S. federal income tax, on its allocable share of such income. Such a tax may be reduced or eliminated by an income tax treaty between the United States and the country with respect to which the Non-U.S. OP Unitholder is resident for tax purposes. Non-U.S. OP Unitholders are advised to consult their tax advisors regarding the effects an investment in Aimco OP may have on information return requirements

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and other United States and non-United States tax matters, including the tax consequences of an investment in Aimco OP for the country or other jurisdiction of which such Non-U.S. Holder is a citizen or in which such Non-U.S. Holder resides or is otherwise located.

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

#### ***Taxation of Aimco***

The REIT provisions of the Internal Revenue Code are highly technical and complex. The following summary sets forth certain aspects of the provisions of the Internal Revenue Code that govern the U.S. federal income tax treatment of a REIT and its stockholders. This summary is qualified in its entirety by the applicable Internal Revenue Code provisions, Treasury Regulations, and administrative and judicial interpretations thereof, all of which are subject to change, possibly with retroactive effect.

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

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

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

For tax years through 2012, most domestic stockholders that are individuals, trusts or estates are taxed on corporate dividends at a maximum rate of 15% (the same as long-term capital gains). With limited exceptions, however, dividends received by stockholders from Aimco or from other entities that are taxed as REITs are generally not eligible for this rate, and will continue to be taxed at rates applicable to ordinary income. See [Taxation of Stockholders](#) [Taxation of Taxable Domestic Stockholders](#) [Distributions](#).

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

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

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

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

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If Aimco has net income from prohibited transactions, which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, other than foreclosure property, such income will be subject to a 100% tax.

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

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

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

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

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

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

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

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

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

*Requirements for Qualification*

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

(1) that is managed by one or more trustees or directors;

(2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;

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(3) that would be taxable as a domestic corporation, but for the special Internal Revenue Code provisions applicable to REITs;

(4) that is neither a financial institution nor an insurance company subject to certain provisions of the Internal Revenue Code;

(5) the beneficial ownership of which is held by 100 or more persons;

(6) in which, during the last half of each taxable year, not more than 50% in value of the outstanding stock is owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities and as determined by applying certain attribution rules); and

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

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

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

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

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

*Effect of Subsidiary Entities*

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

*Disregarded Subsidiaries.* Aimco's indirect interests in Aimco OP and other Subsidiary Partnerships are held through wholly-owned corporate subsidiaries of Aimco organized and operated as qualified REIT subsidiaries within the

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

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

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

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

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

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

Several provisions of the Internal Revenue Code regarding arrangements between a REIT and a TRS seek to ensure that a TRS will be subject to an appropriate level of U.S. federal income taxation. For example, a TRS is limited in its ability to deduct interest payments made to its REIT owner. In addition, Aimco would be obligated to pay a 100% penalty tax on certain payments that it receives from, or on certain expenses deducted by, a TRS if the IRS were to successfully assert that the economic arrangements between Aimco and the taxable REIT subsidiary were not comparable to similar arrangements among unrelated parties.



A portion of the amounts to be used to fund distributions to stockholders may come from distributions made by Aimco's TRSs to Aimco OP, and interest paid by the TRSs on certain notes held by Aimco OP. In general, TRSs pay federal, state and local income taxes on their taxable income at normal corporate rates. Any federal, state or local

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income taxes that Aimco's TRSs are required to pay will reduce Aimco's cash flow from operating activities and its ability to make payments to holders of its securities.

### *Income Tests*

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

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

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

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

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

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

If Aimco fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for the year if it is entitled to relief under certain provisions of the Internal Revenue Code. These relief provisions will be generally available if Aimco's failure to meet these tests was due to reasonable cause and not due to willful neglect, and Aimco attaches a schedule of the sources of its income to its tax return. It is not possible to state whether Aimco would be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions are inapplicable to a particular set of circumstances involving Aimco, Aimco will not qualify as a REIT. Even where these relief provisions apply, the Internal Revenue Code imposes a tax based upon the amount by which Aimco fails to satisfy the particular gross income test.

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*Asset Tests*

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

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

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

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

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

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

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

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

Aimco believes that its holdings of securities and other assets comply, and will continue to comply, with the foregoing REIT asset requirements, and it intends to monitor compliance on an ongoing basis. No independent appraisals have been obtained, however, to support Aimco's conclusions as to the value of its assets, including Aimco OP's total assets and the value of Aimco OP's interest in the TRSs. Moreover, values of some assets may not be susceptible to a precise determination, and values are subject to change in the future. Furthermore, the proper classification of an instrument as debt or equity for U.S. federal income tax purposes may be uncertain in some

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circumstances, which could affect the application of the REIT asset requirements. Accordingly, there can be no assurance that the IRS will not contend that Aimco's interests in its subsidiaries or in the securities of other issuers will cause a violation of the REIT asset requirements and loss of REIT status.

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

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

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

*Annual Distribution Requirements*

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

the sum of

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

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

the sum of certain items of noncash income.

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

To the extent that Aimco distributes at least 90%, but less than 100%, of its REIT taxable income, as adjusted, it will be subject to tax thereon at ordinary corporate tax rates. In any year, Aimco may elect to retain, rather than distribute, its net capital gain and pay tax on such gain. In such a case, Aimco's stockholders would include their proportionate share of such undistributed long-term capital gain in income and receive a corresponding credit for their share of the tax paid by Aimco. Aimco's stockholders would then increase the adjusted basis of their Aimco shares by the difference between the designated amounts included in their long-term capital gains and the tax deemed paid with respect to their shares.

To the extent that a REIT has available net operating losses carried forward from prior tax years, such losses may reduce the amount of distributions that it must make in order to comply with the REIT distribution

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requirements. Such losses, however, will generally not affect the character, in the hands of stockholders, of any distributions that are actually made by the REIT, which are generally taxable to stockholders to the extent that the REIT has current or accumulated earnings and profits. See *Taxation of Stockholders Taxable Domestic Stockholders Distributions*.

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

85% of its REIT ordinary income for such year,

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

any undistributed taxable income from prior periods,

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

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

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

### *Prohibited Transactions*

Net income derived by a REIT from a prohibited transaction is subject to a 100% excise tax. The term *prohibited transaction* generally includes a sale or other disposition of property (other than foreclosure property) that is held primarily for sale to customers in the ordinary course of a trade or business. Aimco intends to conduct its operations so that no asset owned by Aimco or its pass-through subsidiaries will be held for sale to customers, and that a sale of any such asset will not be in the ordinary course of Aimco's business. Whether property is held primarily for sale to customers in the ordinary course of a trade or business depends, however, on the particular facts and circumstances. No assurance can be given that no property sold by Aimco will be treated as property held for sale to customers, or that Aimco can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent the imposition of the 100% excise tax. The 100% tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates.

### *Penalty Tax*

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



that are deducted by a TRS for payments made to Aimco that are in excess of the amounts that would have been charged by an unrelated party.

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

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### *Failure to Qualify*

If Aimco fails to qualify for taxation as a REIT in any taxable year, and the relief provisions do not apply, Aimco will be subject to tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates. Distributions to stockholders in any year in which Aimco fails to qualify will not be deductible by Aimco nor will they be required to be made. In such event, to the extent of current and accumulated earnings and profits, all distributions to stockholders that are individuals will generally be taxable at the preferential income tax rates (i.e., the 15% maximum federal rate through 2012) for qualified dividends. In addition, subject to the limitations of the Internal Revenue Code, corporate distributees may be eligible for the dividends received deduction. Unless Aimco is entitled to relief under specific statutory provisions, Aimco would also be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether, in all circumstances, Aimco would be entitled to this statutory relief.

### *Tax Aspects of Aimco's Investments in Partnerships*

#### *General*

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

#### *Entity Classification*

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

#### *Tax Allocations With Respect to the Properties*

Under the Internal Revenue Code and the Treasury Regulations, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for tax purposes in a manner such that the contributing partner is charged with, or benefits from the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution, and the adjusted tax basis of such property at the time of contribution (a *Book-Tax Difference*). Such allocations are solely for U.S. federal income tax purposes and do not affect the book

capital accounts or other economic or legal arrangements among the partners. Aimco OP was formed by way of contributions of appreciated property. Consequently, allocations must be made in a manner consistent with these requirements. Where a partner contributes cash to a partnership at a time that the partnership holds appreciated (or depreciated) property, the Treasury Regulations provide for a similar allocation of these items to the other (i.e., non-contributing) partners. These rules apply to the contribution by Aimco to Aimco OP of the cash proceeds received in any offerings of its stock.

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

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

### *Sale of the Properties*

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

### *Taxation of Stockholders*

#### *Taxable Domestic Stockholders*

*Distributions.* Provided that Aimco qualifies as a REIT, distributions made to Aimco's taxable domestic stockholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) will generally be taken into account by them as ordinary income and will not be eligible for the dividends received deduction for corporations. With limited exceptions, dividends received from REITs are not eligible for taxation at the preferential income tax rates for qualified dividends received by individuals from taxable C corporations. Stockholders that are individuals, however, are taxed at the preferential rates on dividends designated by and received from REITs to the extent that the dividends are attributable to (i) income retained by the REIT in the prior taxable year on which the REIT was subject to corporate level income tax (less the amount of tax), (ii) dividends received by the REIT from TRSs or other taxable C corporations, or (iii) income in the prior taxable year from the sales of built-in gain property acquired by the REIT from C corporations in carryover basis transactions (less the amount of corporate tax on such income).

Distributions (and retained net capital gains) that are designated as capital gain dividends will generally be taxed to stockholders as long-term capital gains, to the extent that they do not exceed Aimco's actual net capital gain for the taxable year, without regard to the period for which the stockholder has held its stock. However, corporate stockholders may be required to treat up to 20% of certain capital gain dividends as ordinary income. Long-term capital gains are generally taxable at maximum federal rates of 15% through 2012 in the case of stockholders who are individuals, and 35% in the case of stockholders that are corporations. Capital gains attributable to the sale of

depreciable real property held for more than 12 months are subject to a 25% maximum U.S. federal income tax rate for taxpayers who are individuals, to the extent of previously claimed depreciation deductions.

Aimco may elect to retain and pay taxes on some or all of its net long term capital gain, in which case U.S. stockholders will be treated as having received, solely for U.S. federal income tax purposes, Aimco's undistributed capital gain as well as a corresponding credit or refund, as the case may be, for taxes that Aimco paid on such undistributed capital gain. See Taxation of Aimco Annual Distribution Requirements.

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

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

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

*Dispositions of Aimco Stock.* A stockholder will realize gain or loss upon the sale, redemption or other taxable disposition of stock in an amount equal to the difference between the sum of the fair market value of any property and cash received in such disposition, and the stockholder's adjusted tax basis in the stock at the time of the disposition. In general, a stockholder's tax basis will equal the stockholder's acquisition cost, increased by the excess of net capital gains deemed distributed to the stockholder (as discussed above), less tax deemed paid on such net capital gains, and reduced by returns of capital. In general, capital gains recognized by individuals upon the sale or disposition of shares of Aimco stock will be subject to a taxation at long term capital gains rates if the Aimco stock is held for more than 12 months, and will be taxed at ordinary income rates if the Aimco stock is held for 12 months or less. Gains recognized by stockholders that are corporations are currently subject to U.S. federal income tax at a maximum rate of 35%, whether or not classified as long-term capital gains. Capital losses recognized by a stockholder upon the disposition of Aimco stock held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the stockholder but not ordinary income (except in the case of individuals, who may offset up to \$3,000 of ordinary income each year). In addition, any loss upon a sale or exchange of shares of Aimco stock by a stockholder who has held the shares for six months or less, after applying holding period rules, will be treated as a long-term capital loss to the extent of distributions received from Aimco that are required to be treated by the stockholder as long-term capital gain.

A redemption of Aimco stock (including preferred stock or equity stock) will be treated under section 302 of the Internal Revenue Code as a dividend subject to tax at ordinary income tax rates (to the extent of Aimco's current or accumulated earnings and profits), unless the redemption satisfies certain tests set forth in section 302(b) of the Internal Revenue Code enabling the redemption to be treated as a sale or exchange of the stock. The redemption will satisfy such test if it (i) is substantially disproportionate with respect to the holder (which will not be the case if only the preferred stock is redeemed, since it generally does not have voting rights), (ii) results in a complete termination of the holder's stock interest in Aimco, or (iii) is not essentially equivalent to a dividend with respect to the holder, all within the meaning of section 302(b) of the Internal Revenue Code. In determining whether any of these tests have been met, shares considered to be owned by the holder by reason of certain constructive ownership rules set forth in the Internal Revenue Code, as well as shares actually owned, must generally be taken into account. Because the

determination as to whether any of the alternative tests of section 302(b) of the Internal Revenue Code is satisfied with respect to any particular holder of the stock will depend upon the facts and circumstances as of the time the determination is made, prospective investors are advised to consult their own tax advisors to determine such tax treatment. If a redemption of the stock is treated as a distribution that is taxable as a dividend, the amount of the distribution would be measured by the amount of cash and the fair market value of any property received by the

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stockholders. The stockholder's adjusted tax basis in such redeemed stock would be transferred to the holder's remaining stockholdings in Aimco. If, however, the stockholder has no remaining stockholdings in Aimco, such basis may, under certain circumstances, be transferred to a related person or it may be lost entirely.

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

*Taxation of Foreign Stockholders*

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

*Ordinary Dividends.* The portion of dividends received by Non-U.S. stockholders payable out of Aimco's earnings and profits which are not attributable to capital gains of Aimco and which are not effectively connected with a U.S. trade or business of the Non-U.S. stockholder will be subject to U.S. withholding tax at the rate of 30% (unless reduced by treaty and the Non-U.S. stockholder provides appropriate documentation regarding its eligibility for treaty benefits). In general, Non-U.S. stockholders will not be considered engaged in a U.S. trade or business solely as a result of their ownership of Aimco stock. In cases where the dividend income from a Non-U.S. stockholder's investment in Aimco stock is, or is treated as, effectively connected with the Non-U.S. stockholder's conduct of a U.S. trade or business, the Non-U.S. stockholder generally will be subject to U.S. tax at graduated rates, in the same manner as domestic stockholders are taxed with respect to such dividends, such income must generally be reported on a U.S. income tax return filed by or on behalf of the Non-U.S. stockholder, and the income may also be subject to the 30% branch profits tax in the case of a Non-U.S. stockholder that is a corporation.

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



case may be), and the collection of the tax will be enforced by a refundable withholding at a rate of 10% of the amount by which the distribution exceeds the stockholder's share of Aimco's earnings and profits.

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

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

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

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

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

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

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

Gain from the sale of Aimco stock that would not otherwise be subject to taxation under FIRPTA will nonetheless be taxable in the United States to a Non-U.S. stockholder in two cases. First, if the Non-U.S. stockholder's investment in

the Aimco stock is effectively connected with a U.S. trade or business conducted by such Non-U.S. stockholder, the Non-U.S. stockholder will be subject to the same treatment as a U.S. stockholder with respect to such gain. Second, if the Non-U.S. stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a tax home in the United States, the nonresident alien individual will be subject to a 30% tax on the individual's capital gain.

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### *Estate Tax*

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

### *Taxation of Tax-Exempt Stockholders*

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

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

In certain circumstances, a pension trust that owns more than 10% of our stock could be required to treat a percentage of the dividends as UBTI if we are a pension-held REIT. We will not be a pension-held REIT unless (1) we are required to look through one or more of our pension trust stockholders in order to satisfy the REIT closely-held test, and (2) either (i) one pension trust owns more than 25% of the value of our stock, or (ii) one or more pension trusts, each individually holding more than 10% of the value of our stock, collectively owns more than 50% of the value of our stock. Certain restrictions on ownership and transfer of Aimco's stock generally should prevent a tax-exempt entity from owning more than 10% of the value of our stock and generally should prevent us from becoming a pension-held REIT.

### **Other Tax Consequences**

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

The present federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time. The REIT rules are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department which may result in statutory changes as well as revisions to regulations and interpretations. Changes to the federal tax laws and interpretations thereof could adversely affect an investment in our common stock.

Under recently enacted legislation, for taxable years beginning after December 31, 2012, certain U.S. holders who are individuals, estates or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare tax on dividend and other income, including capital gains from the sale or other disposition of Aimco common stock.

Recently enacted legislation will require, after December 31, 2013, withholding at a rate of 30% on dividends in respect of, and, after December 31, 2014, gross proceeds from the sale of, Aimco common stock held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury to report, on an annual basis, information with respect to shares in the institution held by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons. Accordingly, the entity through which Aimco common stock is held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and gross proceeds from the sale of, Aimco common stock held by an investor that is a non-financial non-U.S. entity will be subject to withholding at a rate of

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30%, unless such entity either (i) certifies to Aimco that such entity does not have any substantial United States owners or (ii) provides certain information regarding the entity's substantial United States owners, which Aimco will in turn provide to the Secretary of the Treasury. Non-U.S. stockholders are encouraged to consult with their tax advisors regarding the possible implications of the legislation on their investment in Aimco common stock.

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

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

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

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

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

Information Agent Fees	\$ 7,500
Printing Fees	188,400
Postage Fees	7,800
Tax and Accounting Fees	100,000
Appraisal Fees	41,800
Financial Advisor Fees	49,420
Legal Fees	270,770
Total	\$ 665,690

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**LEGAL MATTERS**

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



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**EXPERTS**

The consolidated financial statements of Aimco for the year ended December 31, 2010 appearing in Aimco's Current Report on Form 8-K dated November 15, 2011 (including the schedule appearing therein) and the effectiveness of Aimco's internal control over financial reporting appearing in Aimco's Annual Report on Form 10-K for the year ended December 31, 2010 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements and Aimco management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2010 are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Aimco OP for the year ended December 31, 2010 appearing in Aimco OP's Current Report on Form 8-K dated November 15, 2011 (including the schedule appearing therein) and the effectiveness of Aimco OP's internal control over financial reporting appearing in Aimco OP's Annual Report on Form 10-K for the year ended December 31, 2010 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and included in Annex J and Annex H to this information statement/prospectus. Such consolidated financial statements and Aimco OP management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2010 are included herein in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of AP XII appearing in AP XII's Annual Report on Form 10-K for the year ended December 31, 2010 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and included in Annex F of this information statement/prospectus. Such consolidated financial statements are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

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**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

***Information Incorporated by Reference***

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

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

Proxy Statement for the 2011 Annual Meeting of Stockholders of Aimco (filed March 14, 2011);

Aimco's Annual Report on Form 10-K for the year ended December 31, 2010 (filed February 25, 2011);

Aimco's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 (filed October 28, 2011); and

Aimco's Current Reports on Form 8-K, dated January 10, 2011 (filed January 11, 2011), April 14, 2011 (filed April 14, 2011), July 26, 2011 (filed July 27, 2011), July 28, 2011 (filed July 28, 2011), August 24, 2011 (filed August 24, 2011), September 2, 2011 (filed September 2, 2011) and November 15, 2011 (filed November 15, 2011).

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

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

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

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

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

Annex A Amended and Restated Agreement and Plan of Merger;

Annex B Appraisal Rights of Limited Partners;

Annex C Opinion of Duff & Phelps, LLC;

Annex D Officers and Directors;

Annex E Summary of Appraisals Table;

Annex F AP XII s Annual Report on Form 10-K for the year ended December 31, 2010;

Annex G AP XII s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011;

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Annex H Aimco OP's Annual Report on Form 10-K for the year ended December 31, 2010 (excluding the report of the independent registered public accounting firm, the financial statements and the notes thereto);

Annex I Aimco OP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011; and

Annex J Aimco OP's Current Report on Form 8-K, filed with the SEC on November 15, 2011, which includes Aimco OP's Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and Financial Statements and Supplementary Data from its Annual Report on Form 10-K for the year ended December 31, 2010, revised to reflect additional discontinued operations through September 30, 2011.

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

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**ANNEX A**

**AMENDED AND RESTATED  
AGREEMENT AND PLAN OF MERGER**

This AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER (this **Agreement** ), dated as of November 15, 2011, is by and among ANGELES PARTNERS XII, LP, a Delaware limited partnership ( **AP XII** ), AIMCO AP XII MERGER SUB LLC, a Delaware limited liability company (the **Aimco Subsidiary** ), and AIMCO PROPERTIES, L.P., a Delaware limited partnership ( **Aimco OP** ).

WHEREAS, AP XII, the Aimco Subsidiary and Aimco OP have entered into that certain Agreement and Plan of Merger (the **Prior Agreement** ), dated as of July 28, 2011;

WHEREAS, each of AP XII, the Aimco Subsidiary and Aimco OP has determined that it is advisable to amend and restate the Prior Agreement as set forth herein;

WHEREAS, Angeles Realty Corporation II, the managing general partner of AP XII ( **Angeles Realty** ), and AIMCO Angeles GP, LLC, the non-managing general partner of AP XII ( **Aimco Angeles** ), have determined that the Merger (as defined below) of the Aimco Subsidiary with and into AP XII, with AP XII as the surviving entity, is advisable, fair to and in the best interests of AP XII and its partners;

WHEREAS, Aimco OP, the sole member of the Aimco Subsidiary, has determined that the Merger of the Aimco Subsidiary with and into AP XII, with AP XII as the surviving entity, is advisable, fair to and in the best interests of the Aimco Subsidiary and its member;

WHEREAS the Board of Directors of AIMCO-GP, Inc., the general partner of Aimco OP ( **AIMCO-GP** ), has determined that the Merger of the Aimco Subsidiary with and into AP XII, with AP XII as the surviving entity, is advisable, fair to and in the best interests of Aimco OP and its partners; and

WHEREAS, AP XII, the Aimco Subsidiary and Aimco OP desire to enter into this Agreement to evidence the terms, provisions, representations, warranties, covenants and conditions upon which the Merger will be consummated.

NOW, THEREFORE, in consideration of the mutual agreements and covenants set forth herein, and for other good and valuable consideration, the adequacy, sufficiency, and receipt of which are hereby acknowledged, AP XII, the Aimco Subsidiary and Aimco OP hereby agree to amend and restate the Prior Agreement as follows:

Section 1. *The Merger.* Subject to the terms and conditions set forth herein, the Aimco Subsidiary shall be merged with and into AP XII (the **Merger** ), and AP XII shall be the surviving entity of the Merger (the **Surviving Entity** ). The Merger will have the effects specified in this Agreement, section 17-211 of the Delaware Revised Uniform Limited Partnership Act, as amended (the **DRULPA** ), and section 18-209 of the Delaware Limited Liability Company Act, as amended (the **DLLCA** ).

Section 2. *General Partner.* Angeles Realty will be the managing general partner of the Surviving Entity, and Aimco Angeles will be the non-managing general partner of the Surviving Entity.

Section 3. *Certificate.* As soon as practicable after the approval of this Agreement by a majority in interest of the limited partnership interests of AP XII, AP XII shall cause to be filed a certificate of merger with respect to the

Merger (the **Certificate of Merger** ) with the Office of the Secretary of State of the State of Delaware pursuant to section 17-211 of the DRULPA and section 18-209 of the DLLCA. The Merger shall become effective at such time as the Certificate of Merger has been accepted for record by the Secretary of State of the State of Delaware (the **Effective Time** ).

Section 4. *Limited Partnership Agreement.* The agreement of limited partnership of AP XII as in effect immediately prior to the consummation of the Merger (the **Partnership Agreement** ) shall be the agreement of limited partnership of the Surviving Entity until thereafter amended in accordance with the provisions thereof and applicable law. The general partner and each limited partner of the Surviving Entity shall have the rights under, be bound by and be subject to the terms and conditions of, the Partnership Agreement, as a general partner or limited partner, as applicable.

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Section 5. *Treatment of Interests in AP XII.*

(a) Limited Partners' Interests.

(i) In connection with the Merger and in accordance with the procedures set forth in Section 5(a)(iii) of this Agreement, each unit of limited partnership interest of AP XII (each a **Unit**) outstanding immediately prior to the Effective Time and held by limited partners of AP XII, except Units held by limited partners who have perfected their appraisal rights pursuant to Exhibit A hereto, shall be converted into the right to receive, at the election of the limited partner, either (x) \$483.14 in cash (the **Cash Consideration**) or (y) a number of partnership common units of Aimco OP calculated by dividing \$483.14 by the average closing price of Apartment Investment and Management Company common stock, as reported on the New York Stock Exchange, over the ten consecutive trading days ending on the second trading day immediately prior to the Effective Time (the **OP Unit Consideration** and, together with the Cash Consideration, the **Merger Consideration**).

(ii) Notwithstanding Section 5(a)(i) of this Agreement, if Aimco OP determines that the law of the state or other jurisdiction in which a limited partner resides would prohibit the issuance of partnership common units of Aimco OP in that state or other jurisdiction (or that the registration or qualification in that state or jurisdiction would be prohibitively costly), then such limited partner will only be entitled to receive the Cash Consideration for each Unit.

(iii) Aimco OP shall prepare a form of election (the **Election Form**) describing the Merger and pursuant to which each limited partner of AP XII will have the right to elect to receive either the Cash Consideration or the OP Unit Consideration (subject to Section 5(a)(ii) of this Agreement) with respect to all of the Units held by such limited partner. Each limited partner of AP XII must make the same election with respect to all of his or her Units. Aimco OP shall mail, or cause to be mailed, an Election Form to each limited partner, together with any other materials that Aimco OP determines to be necessary or prudent, no later than ten (10) days after the Effective Time. An election to receive the Cash Consideration or the OP Unit Consideration shall be effective only if a properly executed Election Form is received by Aimco OP or its designees prior to 5:00 p.m., New York time, on the day that is thirty (30) days after the mailing of such Election Form by Aimco OP. If a limited partner fails to return a duly completed Election Form within the time period specified in the Election Form, such holder shall be deemed to have elected to receive the Cash Consideration. In addition, each limited partner that resides in a state or other jurisdiction that Aimco OP determines would prohibit the issuance of partnership common units of Aimco OP (or in which registration or qualification would be prohibitively costly) will be deemed to have elected the Cash Consideration. AP XII, the Aimco Subsidiary and Aimco OP agree that limited partners shall have the right to revoke any election made in connection with the Merger at any time prior to the expiration of the time period stated in the Election Form. Aimco OP and Angeles Realty, by mutual agreement, shall have the right to make rules, not inconsistent with the terms of this Agreement, governing the validity of Election Forms and the issuance and delivery of the Merger Consideration, as applicable.

(b) General Partner's Interests. Each general partner interest of AP XII outstanding immediately prior to consummation of the Merger shall remain outstanding and unchanged, with all of the rights set forth in the Partnership Agreement.

Section 6. *Treatment of Interests in Aimco Subsidiary.* The entire membership interest in the Aimco Subsidiary immediately prior to the Effective Time shall be converted into all of the Units of the Surviving Entity.

Section 7. *Appraisal Rights.* In connection with the Merger, the holders of Units immediately prior to the Merger shall have the appraisal rights set forth in Exhibit A hereto.

Section 8. *Covenants.* Aimco OP agrees to pay for, or reimburse AP XII for, all expenses incurred by AP XII in connection with the Merger. Aimco OP agrees to pay cash or issue and deliver common units of Aimco OP to the former holders of Units, in accordance with Section 5(a) of this Agreement.

Section 9. *Conditions to the Merger.*

(a) The Merger shall not occur unless and until the Merger has been approved or consented to by a majority in interest of limited partnership interests of AP XII.



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

Section 10. *Tax Treatment.* The parties hereto intend and agree that, for Federal income tax purposes, (i) any payment of cash for Units shall be treated as a sale of such Units by such holder and a purchase of such Units by Aimco OP for the cash so paid under the terms of this Agreement in accordance with the guidelines set forth in Treas. Reg. Sections 1.708-1(c)(3) and 1.708-1(c)(4), and (ii) each such holder of Units who accepts cash explicitly agrees and consents to such treatment. Furthermore, the parties hereto intend and agree that, for Federal income tax purposes, (x) any holder of Units receiving partnership common units of Aimco OP under the terms of this Agreement shall be treated as receiving the partnership common units of Aimco OP pursuant to a distribution in complete liquidation of such holder's interest in AP XII, and (y) each such holder of Units who accepts partnership common units of Aimco OP explicitly agrees and consents to such treatment. Any cash and/or partnership common units of Aimco OP to which a holder of Units is entitled pursuant to this Agreement shall be paid only after the receipt of a consent from such holder that, for Federal income tax purposes, the receipt of cash and/or partnership common units of Aimco OP shall be treated as described in this Section 10.

Section 11. *Further Assurances.* From time to time, as and when required by the Surviving Entity or by its successors and assigns, there shall be executed and delivered on behalf of the Aimco Subsidiary such deeds and other instruments, and there shall be taken or caused to be taken by the Aimco Subsidiary all such further actions, as shall be appropriate or necessary in order to vest, perfect or confirm, of record or otherwise, in the Surviving Entity the title to and possession of all property, interests, assets, rights, privileges, immunities, powers, franchises and authority of the Aimco Subsidiary, and otherwise to carry out the purposes of this Agreement, and the officers and directors of Angeles Realty are fully authorized in the name and on behalf of Aimco Subsidiary or otherwise to take any and all such action and to execute and deliver any and all such deeds and other instruments.

Section 12. *Amendment.* Subject to applicable law, this Agreement may be amended, modified or supplemented by written agreement of the parties hereto at any time prior to the consummation of the Merger with respect to any of the terms contained herein.

Section 13. *Abandonment.* At any time prior to consummation of the Merger, this Agreement may be terminated and the Merger may be abandoned without liability to any party hereto by any of the Aimco Subsidiary, Aimco OP or AP XII, in each case, acting in its sole discretion and for any reason or for no reason, notwithstanding approval of this Agreement by any of the members of the Aimco Subsidiary, the partners of AP XII or the general partner of Aimco OP.

Section 14. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to the conflict of law provisions thereof.

Section 15. *No Third-Party Beneficiaries.* No provision of this Agreement is intended to confer upon any person, entity, or organization other than the parties hereto any rights or remedies hereunder, other than the appraisal rights given to holders of Units pursuant to Section 7 of this Agreement.

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**IN WITNESS WHEREOF**, AP XII, the Aimco Subsidiary and Aimco OP have caused this Agreement to be signed by their respective duly authorized officers as of the date first above written.

**ANGELES PARTNERS XII, LP**

By: Angeles Realty Corporation II,  
Its Managing General Partner

By: /s/ Trent A. Johnson

Name: Trent A. Johnson

Assistant General Counsel

Title: Vice President and

**AIMCO AP XII MERGER SUB LLC**

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

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

Name: Trent A. Johnson

Assistant General Counsel

By: /s/ Trent A. Johnson

Title: Vice President and

**AIMCO PROPERTIES, L.P.**

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

By: /s/ Trent A. Johnson

Name: Trent A. Johnson

Assistant General Counsel

Title: Vice President and

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**EXHIBIT A**

**Appraisal Rights of Limited Partners**

Capitalized terms used but not defined herein shall have the respective meanings ascribed thereto in the Amended and Restated Agreement and Plan of Merger, dated as of November 15, 2011 (the **Merger Agreement**), by and among Angeles Partners XII, LP, a Delaware limited partnership (**AP XII**), AIMCO AP XII Merger Sub LLC, a Delaware limited liability company (the **Aimco Subsidiary**), and AIMCO Properties, L.P., a Delaware limited partnership (**Aimco OP**), pursuant to which the Aimco Subsidiary shall be merged with and into AP XII, with AP XII surviving (the **Merger**). In connection with the Merger, limited partners of AP XII shall have the following appraisal rights:

(a) Any limited partner who holds Units on the effective date of the Merger who has not consented to the Merger (the **Nonconsenting Limited Partners**) and who has otherwise complied with paragraph (b) hereof shall be entitled to an appraisal by arbitration of the fair value of the Nonconsenting Limited Partner's Units. This arbitration shall be conducted in Denver, Colorado, in accordance with the Commercial Arbitration Rules of the American Arbitration Association (**AAA**), excluding the Procedures for Large, Complex Commercial Disputes, by a single arbitrator selected by Aimco OP from a panel of AAA arbitrators who are qualified to value investment interests in commercial real estate. Any action for judicial review or enforcement of the arbitration award shall be brought in a court of competent jurisdiction located in Denver, Colorado.

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

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

(d) Upon the submission of any such demand by a Nonconsenting Limited Partner, Aimco OP shall, within 40 days after the Election Deadline, submit to the arbitrator a duly verified list containing the names and addresses of all

Nonconsenting Limited Partners who have demanded payment for their Units and with whom agreements as to the value of their Units have not been reached with Aimco OP. The arbitrator shall give notice of the time and place fixed for the hearing of such demand by registered or certified mail to Aimco OP and to the Nonconsenting Limited Partners shown on the list at the addresses therein stated. The forms of the notices shall be approved by the arbitrator, and the costs of the preparation and mailing thereof shall be borne by Aimco OP.

(e) At the hearing on such demand, the arbitrator shall determine as to each of the Nonconsenting Limited Partners whether the Nonconsenting Limited Partner is entitled to appraisal rights hereunder.

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

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

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

(i) Any Nonconsenting Limited Partner who has made a demand for appraisal of his or her Units and who has not withdrawn the demand before the Election Deadline shall be deemed to have entered into a binding contract with Aimco OP to accept the fair value awarded by the arbitrator in exchange for his or her Units, plus any interest as provided herein. The award of fair value, plus any interest, to the Nonconsenting Limited Partners shall be exclusive of and in lieu of any other right, claim or remedy under state or federal law that the Nonconsenting Limited Partner may have with respect to his or her Units whether under the Merger Agreement or otherwise and whether against AP XII, Angeles Realty, Aimco-GP, Apartment Investment and Management Company, Aimco OP, or any other person or entity, and the Nonconsenting Limited Partner shall execute and deliver a release of all other such rights, claims and remedies in exchange for payment of the award.

(j) From and after the effective date of the Merger, no Nonconsenting Limited Partner who has demanded appraisal rights as provided in paragraph (b) hereof shall be entitled to vote such Units for any purpose or to receive payment of distributions on such interests (except distributions payable as of a record date prior to the effective date of the Merger); provided, however, that if such Nonconsenting Limited Partner shall deliver to AIMCO Properties, L.P., c/o Eagle Rock Proxy Advisors, LLC, by mail at 12 Commerce Drive, Cranford, New Jersey, 07016, or by fax at (908) 497-2349, a written withdrawal of such Nonconsenting Limited Partner's demand for an appraisal and an acceptance of the Cash Consideration payable pursuant to the Merger Agreement, either as provided in paragraph

(c) hereof or thereafter with the written approval of Aimco OP, then the right of such Nonconsenting Limited Partner to an appraisal shall cease. The appraisal proceeding may also be dismissed as to any Nonconsenting Limited Partner with the agreement or consent of Aimco OP upon such terms as the two parties may agree. Except as provided in the two foregoing sentences, no appraisal proceeding before the arbitrator shall be dismissed as to any Nonconsenting Limited Partner without the approval of the arbitrator, and such approval may be conditioned upon such terms as the arbitrator deems just.

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**ANNEX B**

**Appraisal Rights of Limited Partners**

Capitalized terms used but not defined herein shall have the respective meanings ascribed thereto in the Amended and Restated Agreement and Plan of Merger, dated as of November 15, 2011 (the **Merger Agreement** ), by and among Angeles Partners XII, LP, a Delaware limited partnership ( **AP XII** ), AIMCO AP XII Merger Sub LLC, a Delaware limited liability company (the **Aimco Subsidiary** ), and AIMCO Properties, L.P., a Delaware limited partnership ( **Aimco OP** ), pursuant to which the Aimco Subsidiary shall be merged with and into AP XII, with AP XII surviving (the **Merger** ). In connection with the Merger, limited partners of AP XII shall have the following appraisal rights:

(a) Any limited partner who holds Units on the effective date of the Merger who has not consented to the Merger (the **Nonconsenting Limited Partners** ) and who has otherwise complied with paragraph (b) hereof shall be entitled to an appraisal by arbitration of the fair value of the Nonconsenting Limited Partner s Units. This arbitration shall be conducted in Denver, Colorado, in accordance with the Commercial Arbitration Rules of the American Arbitration Association ( **AAA** ), excluding the Procedures for Large, Complex Commercial Disputes, by a single arbitrator selected by Aimco OP from a panel of AAA arbitrators who are qualified to value investment interests in commercial real estate. Any action for judicial review or enforcement of the arbitration award shall be brought in a court of competent jurisdiction located in Denver, Colorado.

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

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

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

(e) At the hearing on such demand, the arbitrator shall determine as to each of the Nonconsenting Limited Partners whether the Nonconsenting Limited Partner is entitled to appraisal rights hereunder.

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

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

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

(i) Any Nonconsenting Limited Partner who has made a demand for appraisal of his or her Units and who has not withdrawn the demand before the Election Deadline shall be deemed to have entered into a binding contract with Aimco OP to accept the fair value awarded by the arbitrator in exchange for his or her Units, plus any interest as provided herein. The award of fair value, plus any interest, to the Nonconsenting Limited Partners shall be exclusive of and in lieu of any other right, claim or remedy under state or federal law that the Nonconsenting Limited Partner may have with respect to his or her Units whether under the Merger Agreement or otherwise and whether against AP XII, Angeles Realty, Aimco-GP, Apartment Investment and Management Company, Aimco OP, or any other person or entity, and the Nonconsenting Limited Partner shall execute and deliver a release of all other such rights, claims and remedies in exchange for payment of the award.

(j) From and after the effective date of the Merger, no Nonconsenting Limited Partner who has demanded appraisal rights as provided in paragraph (b) hereof shall be entitled to vote such Units for any purpose or to receive payment of distributions on such interests (except distributions payable as of a record date prior to the effective date of the Merger); provided, however, that if such Nonconsenting Limited Partner shall deliver to AIMCO Properties, L.P., c/o Eagle Rock Proxy Advisors, LLC, by mail at 12 Commerce Drive, Cranford, New Jersey, 07016, or by fax at (908) 497-2349, a written withdrawal of such Nonconsenting Limited Partner's demand for an appraisal and an acceptance of the Cash Consideration payable pursuant to the Merger Agreement, either as provided in paragraph (c) hereof or thereafter with the written approval of Aimco OP, then the right of such Nonconsenting Limited Partner

to an appraisal shall cease. The appraisal proceeding may also be dismissed as to any Nonconsenting Limited Partner with the agreement or consent of Aimco OP upon such terms as the two parties may agree. Except as provided in the two foregoing sentences, no appraisal proceeding before the arbitrator shall be dismissed as to any Nonconsenting Limited Partner without the approval of the arbitrator, and such approval may be conditioned upon such terms as the arbitrator deems just.

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ANNEX C

Confidential

November 15, 2011

Board of Directors  
AIMCO-GP, Inc.  
as General Partner of AIMCO Properties, L.P. and  
as General Partner of the Sole Member of AIMCO Angeles GP, LLC, the Non-  
Managing General Partner of Angeles Partners XII, LP

Board of Directors  
Apartment Investment and Management Company

Board of Directors  
Angeles Realty Corporation II  
as Managing General Partner of Angeles Partners XII, LP

c/o AIMCO Properties, L.P.  
4582 South Ulster Street, Suite 1100  
Denver, CO 80237

Ladies and Gentlemen:

AIMCO Properties, L.P. ( AIMCO OP ) has engaged Duff & Phelps, LLC ( Duff & Phelps ) to serve as an independent financial advisor to AIMCO-GP, Inc., the general partner of (the General Partner ) of AIMCO OP (solely in its capacity as such), the board of directors of the General Partner (the GP Board ), the board of directors of Apartment Investment and Management Company ( AIMCO ), the parent of the General Partner, (the AIMCO Board ), and the boards of directors of the managing general partner and the general partner of the sole member of the non-managing general partner of Angeles Partners XII, LP (the Partnership and the managing general partner and general partner of the sole member of the non-managing general partner of the Partnership being referred to herein as the LP GPs and the boards of directors of the LP GPs being referred to herein as the LP GP Boards ), to provide an opinion ( this Opinion ) as of the date hereof as to the fairness, from a financial point of view, to the limited partners of the Partnership not affiliated with AIMCO OP (the Unaffiliated Limited Partners ) of the consideration to be offered to them in the Proposed Transaction (defined below) (without giving effect to any impact of the Proposed Transaction on any particular Unaffiliated Limited Partner other than in its capacity as an Unaffiliated Limited Partner).

Duff & Phelps, LLC      T +1 312 697 4600      www.duffandphelps.com  
311 South Wacker      F +1 312 697 0112  
Drive  
Suite 4200  
Chicago, IL 60606

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**Description of the Proposed Transaction**

The proposed transaction (the Proposed Transaction ) generally involves the merger of a wholly owned subsidiary of AIMCO OP into the Partnership in which each unit of limited partnership interest in the Partnership held by each Unaffiliated Limited Partner will be converted into the right to receive, at the election of such Unaffiliated Limited Partner, either (a) cash in the amount of \$483.14 (the Cash Consideration ) or (b) a number of partnership common units of AIMCO OP ( OP Units ) equal to \$483.14, divided by the average closing price of common stock of AIMCO over the ten consecutive days ending on the second trading day immediately prior to the consummation of the merger, except in those jurisdictions where the law prohibits the offer of OP Units (or registration or qualification would be prohibitively costly) (such cash and OP Units being the Transaction Consideration ).

**Scope of Analysis**

In connection with this Opinion, Duff & Phelps has made such reviews, analyses and inquiries as it has deemed necessary and appropriate under the circumstances. Duff & Phelps also took into account its assessment of general economic, market and financial conditions, as well as its experience in securities and business valuation, in general, and with respect to similar transactions, in particular. Duff & Phelps' procedures, investigations, and financial analysis with respect to the preparation of this Opinion included, but were not limited to, the items summarized below:

1. Reviewed the following documents:

- a. Reviewed the Partnership's property level internal unaudited financial statements for the nine months ended September 30, 2011 and the Partnership's property level unaudited annual financial statements for each of the three fiscal years ended December 31, 2010;
- b. Reviewed other internal documents relating to the history, current operations, and probable future outlook of the Partnership, including financial projections, provided to Duff & Phelps by management of AIMCO OP; and
- c. Reviewed documents related to the Proposed Transaction, including certain portions of a draft of the Information Statement/Prospectus relating to the Proposed Transaction and certain portions of the exhibits and annexes thereto (collectively, the Prospectus ), and a draft of the Amended and Restated Agreement and Plan of Merger relating to the Proposed Transaction (such draft, the Agreement ), and certain other documents related to the Proposed Transaction.

2. Reviewed the following information and/or documents related to the real estate holdings of the Partnership:

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- a. Reviewed previously completed appraisal reports associated with the property or properties, as applicable, owned by the Partnership (such property or properties referred to herein as the Properties ) prepared by KTR Real Estate Advisors LLC and Cogent Realty Advisors, LLC as of October 1, 2011 (the Appraisal ) and provided to Duff & Phelps by management of AIMCO OP;
  - b. Reviewed facts and circumstances related to each Property to understand factors relevant to the Appraisal;
  - c. Performed a site visit of the Twin Lake Towers property ; and
  - d. Reviewed market data for each of the subject markets and assessed current supply and demand trends.
3. Reviewed the following information and/or documents related to the Properties:
- a. Reviewed operating statements and balance sheets for the twelve month periods ending December 31, 2008, 2009, and 2010;
  - b. Reviewed the year-to-date operating statement and balance sheet for the nine month period ending September 30, 2011;
  - c. Reviewed budgeted financial statements for the twelve month period ending December 31, 2011;
  - d. Reviewed rent rolls prepared as of September 2011; and
  - e. Discussed the information referred to above and the background and other elements of the Proposed Transaction with the management of AIMCO OP.
4. Conducted such other analyses and considered such other factors as Duff & Phelps deemed appropriate.

**Assumptions, Qualifications and Limiting Conditions**

In performing its analyses and rendering this Opinion with respect to the Proposed Transaction, Duff & Phelps, with your consent:

1. Relied upon, and did not independently verify, the accuracy, completeness, reliability and fair presentation of all information, data, advice, opinions and representations obtained from public sources or provided to it from private sources regarding or otherwise relating to the Properties, the Partnership, the Proposed Transaction and/or otherwise received by it in connection with this Opinion (collectively, the Background Information ), including that Background Information obtained from management of AIMCO OP, and does not make any

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representation and warranty with respect to or otherwise relating to such Background Information;

2. Relied upon the fact that AIMCO OP, the General Partner, the GP Board, the AIMCO Board, the Partnership, the LP GPs and the LP GP Boards have been advised by counsel as to all legal matters with respect to or otherwise relating to the Proposed Transaction, including whether all procedures required by law to be taken in connection with the Proposed Transaction have been duly, validly and timely taken;

3. Assumed that any estimates, evaluations, forecasts and projections furnished to Duff & Phelps were reasonably prepared and based upon the best currently available information and good faith judgment of the person furnishing the same;

4. Assumed that the representations and warranties made in the Agreement are substantially accurate;

5. Assumed that the final versions of all documents reviewed by Duff & Phelps in draft form conform in all material respects to the drafts reviewed;

6. Assumed that there has been no material change in the assets, financial condition, business, or prospects of any Property or the Partnership since the respective dates of the Appraisal, the most recent financial statements and the other information made available to Duff & Phelps;

7. Assumed that title to the Properties is good and marketable, that the Properties are free and clear of any material liens, with the exception of any liens related to mortgage debt as disclosed in the Prospectus, easements, encroachments or other encumbrances and that all improvements lie within property boundaries, except as disclosed in the Appraisal;

8. Assumed that all material licenses, certificates of occupancy, consents, and other legislative or administrative authority that are required or advisable to be obtained from any local, state, or national government or private entity or organization have been obtained and are current;

9. Assumed full compliance with all material federal, state and local zoning, use, occupancy, environmental, and similar laws and regulations, except as expressly disclosed in the Appraisal;

10. Assumed responsible ownership and competent property management of each of the Properties;

11. Assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures or otherwise with respect to any Property that could affect the value of such Property ( Unapparent Property Conditions ), except as expressly disclosed in the Appraisal;

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12. Without limiting the generality of the foregoing, assumed that there are no potentially hazardous substances such as asbestos, urea-formaldehyde foam insulation, industrial wastes, etc. ( Hazardous Materials ) on, in or near any of the Properties that could affect the value of such Property, except as expressly disclosed in the Appraisal;

13. Assumed that all of the conditions required to implement the Proposed Transaction will be satisfied and that the Proposed Transaction will be completed in accordance with the Agreement without any amendments thereto or any waivers of any terms or conditions thereof;

14. Assumed that all governmental, regulatory and other consents and approvals necessary or advisable for the consummation of the Proposed Transaction will be obtained without any adverse effect on the Partnership or any Property; and

15. Assumed that for the purposes of its analysis, that all of the Unaffiliated Limited Partners elect to receive the Cash Consideration. Duff & Phelps is making no determination as to the fair value of, or fairness with respect to any OP Unit consideration.

To the extent that any of the foregoing assumptions or any of the facts on which this Opinion is based prove to be untrue in any material respect, this Opinion cannot and should not be relied upon. Furthermore, in Duff & Phelps analysis and in connection with the preparation of this Opinion, Duff & Phelps has made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Proposed Transaction.

Duff & Phelps has prepared this Opinion effective as of the date hereof. This Opinion is necessarily based upon market, economic, financial and other conditions as they exist and can be evaluated as of the date hereof, and Duff & Phelps disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting this Opinion which may come or be brought to the attention of Duff & Phelps after the date hereof.

Duff & Phelps did not evaluate the Partnership's solvency or conduct an independent appraisal or physical inspection of any specific liabilities (contingent or otherwise). Duff & Phelps did not evaluate the tax consequences the Proposed Transaction may have on any person, including any Unaffiliated Limited Partner, and did not take any such consequences into account in rendering this Opinion. Duff & Phelps has not been requested to, and did not, (i) initiate any discussions with, or solicit any indications of interest from, third parties with respect to the Proposed Transaction, the assets, businesses or operations of the Partnership, or any alternatives to the Proposed Transaction, (ii) negotiate the terms of the Proposed Transaction, or (iii) advise AIMCO OP or any other party with respect to alternatives to the Proposed Transaction.

Duff & Phelps is not expressing any opinion as to the market price or value of the Partnership's or AIMCO OP's equity (or anything else) after the announcement or the consummation of the Proposed Transaction. Without limiting the generality of the foregoing, Duff & Phelps is not

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expressing any opinion as to the liquidity of, rights and/or risks associated with owning, or any other feature or characteristic of, the OP Units. This Opinion should not be construed as a valuation opinion, credit rating, solvency opinion, an analysis of the Partnership's or AIMCO OP's credit worthiness, as tax advice, or as accounting advice. Duff & Phelps has not made, and assumes no responsibility to make, any representation, or render any opinion, as to any legal matter (including with respect to title to or any encumbrances relating to any Property).

Duff & Phelps did not investigate any of the physical conditions of any Property and has not made, and assumes no responsibility to make, any representation, or render any opinion, as to the physical condition of any Property. No independent surveys of the Properties were conducted. Duff & Phelps did not arrange for any engineering studies that may be required to discover any Unapparent Property Condition. Duff & Phelps did not arrange for or conduct any soil analysis or geological studies or any investigation of any water, oil, gas, coal, or other subsurface mineral and use rights or conditions or arrange for or conduct any other environmental analysis, including with respect to any Hazardous Materials, which may or may not be present on, in or near any of the Properties.

In rendering this Opinion, Duff & Phelps is not expressing any opinion with respect to the amount or nature of any compensation to any of AIMCO OP's and/or AIMCO's respective officers, directors, or employees, or any class of such persons, relative to the consideration to be received by the Unaffiliated Limited Partners in the Proposed Transaction, or with respect to the fairness of any such compensation.

This Opinion is furnished solely for the use and benefit of each of the General Partner, the GP Board, the AIMCO Board, and the LP GP Boards in connection with and for purposes of its evaluation of the Proposed Transaction and is not intended to, and does not, confer any rights or remedies upon any other person, and is not intended to be used, and may not be used, by any other person or for any other purpose, without Duff & Phelps' express consent. This Opinion (i) does not address the merits of the underlying business decision to enter into the Proposed Transaction versus any alternative strategy or transaction; (ii) does not address any transaction related to the Proposed Transaction; (iii) is not a recommendation as to how any party should vote or act with respect to any matters relating to the Proposed Transaction or any related transaction, or whether to proceed with the Proposed Transaction or any related transaction, and (iv) does not indicate that the consideration paid is the best possibly attainable under any circumstances; instead, it merely states whether the consideration in the Proposed Transaction is within a range suggested by certain financial analyses. The decision as to whether to proceed with the Proposed Transaction or any related transaction may depend on an assessment of factors unrelated to the financial analysis on which this Opinion is based. This Opinion should not be construed as creating any fiduciary duty on the part of Duff & Phelps to any party.

This Opinion is solely that of Duff & Phelps, and Duff & Phelps' liability in connection with this letter shall be limited in accordance with the terms set forth in the engagement letter between Duff & Phelps and AIMCO OP dated June 10, 2011 (the Engagement Letter). This letter is



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confidential, and its use and disclosure is strictly limited in accordance with the terms set forth in the Engagement Letter.

**Disclosure of Prior Relationships**

Duff & Phelps has acted as financial advisor to the General Partner, the GP Board, the AIMCO Board, and the LP GP Boards and will receive a fee for its services. No portion of Duff & Phelps' fee is contingent upon either the conclusion expressed in this Opinion or whether or not the Proposed Transaction is successfully consummated. Pursuant to the terms of the Engagement Letter, a portion of Duff & Phelps' fee is payable upon Duff & Phelps' stating to AIMCO OP that it is prepared to deliver its Opinion. Other than this engagement, which includes the rendering of a fairness opinion with respect to the Proposed Transaction dated July 28, 2011 and additional fairness opinions rendered in respect of similar transactions involving other affiliates of AIMCO OP, and property tax consulting services for which Duff & Phelps received customary fees and indemnification, during the two years preceding the date of this Opinion, Duff & Phelps has not had any material relationship with any party to the Proposed Transaction for which compensation has been received or is intended to be received, nor is any such material relationship or related compensation mutually understood to be contemplated.

**Conclusion**

Based upon and subject to the foregoing, Duff & Phelps is of the opinion that, as of the date hereof, the consideration offered to the Unaffiliated Limited Partners in the Proposed Transaction is fair from a financial point of view to the Unaffiliated Limited Partners (without giving effect to any impact of the Proposed Transaction on any particular Unaffiliated Limited Partner other than in its capacity as an Unaffiliated Limited Partner).

This Opinion has been approved by the Opinion Review Committee of Duff & Phelps.

Respectfully submitted,

/s/ Duff & Phelps, LLC

Duff & Phelps, LLC

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AP XII, AIMCO Angeles GP, LLC, Aimco OP and the Aimco Subsidiary do not have directors, officers or significant employees of their own. The names and positions of the executive officers and directors of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II are set forth below. The business address of each executive officer and director is 4582 South Ulster Street, Suite 1100, Denver, Colorado 80237. Each executive officer and director is a citizen of the United States of America.

<b>Name (Age)</b>	<b>Position</b>
Terry Considine(64)	Chairman of the Board of Directors and Chief Executive Officer of Aimco; Director, Chief Executive Officer and President of AIMCO-GP and AIMCO/IPT.
John E. Bezzant(48)	Executive Vice President Transactions of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II; Director of Angeles Realty Corporation II.
Lisa R. Cohn(42)	Executive Vice President, General Counsel and Secretary of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II.
Miles Cortez(67)	Executive Vice President and Chief Administrative Officer of Aimco, AIMCO-GP and AIMCO/IPT.
Ernest M. Freedman(40)	Executive Vice President and Chief Financial Officer of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II.
Keith M. Kimmel(40)	Executive Vice President Property Operations of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II.
Daniel S. Matula(45)	Executive Vice President Redevelopment and Construction Services of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II.
Steven D. Cordes(40)	Director and Senior Vice President of Aimco, AIMCO-GP, AIMCO/IPT, and Angeles Realty Corporation II.
Patti K. Fielding(48)	Executive Vice President Securities and Debt; Treasurer of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II.
Paul Beldin(37)	Senior Vice President and Chief Accounting Officer of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II.
Stephen B. Waters(50)	Senior Director of Partnership Accounting of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II.
James N. Bailey(64)	Director of Aimco
Richard S. Ellwood(79)	Director of Aimco
Thomas L. Keltner(64)	Director of Aimco
J. Landis Martin(65)	Director of Aimco
Robert A. Miller(65)	Director of Aimco
Kathleen M. Nelson(65)	Director of Aimco
Michael A. Stein(61)	Director of Aimco



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<b>Name</b>	<b>Biographical Summary of Current Directors and Officers</b>
Terry Considine	Mr. Considine has been Chairman of the Board of Directors and Chief Executive Officer of Aimco since July 1994, and has been a director, Chief Executive Officer and President of AIMCO-GP since July 1994 and of AIMCO/IPT since February 1999. Mr. Considine also serves on the board of directors of Intrepid Potash, Inc. a publicly held producer of potash, and, until its acquisition in early 2009, Mr. Considine served as Chairman of the Board and Chief Executive Officer of American Land Lease, Inc. Mr. Considine has over 40 years of experience in the real estate and other industries. Among other real estate ventures, in 1975, Mr. Considine founded and managed the predecessor companies that became Aimco at its initial public offering in 1994.
John E. Bezzant	Mr. Bezzant was appointed as a director of Angeles Realty Corporation II effective December 16, 2009. Mr. Bezzant currently serves as Executive Vice President Transactions of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II and Aimco. Mr. Bezzant joined Aimco as Senior Vice President Development in June 2006. Prior to joining Aimco, Mr. Bezzant spent over 20 years with Prologis, Inc. and Catellus Development Corporation in a variety of executive positions, including those with responsibility for transactions, fund management, asset management, leasing and operations.
Lisa R. Cohn	Ms. Cohn was appointed Executive Vice President, General Counsel and Secretary of Aimco, AIMCO-GP, AIMCO/IP and Angeles Realty Corporation II in December 2007. In addition to serving as general counsel, Ms. Cohn has responsibility for insurance and risk management, human resources, compliance and asset management. From January 2004 to December 2007, Ms. Cohn served as Senior Vice President and Assistant General Counsel. She joined Aimco in July 2002 as Vice President and Assistant General Counsel. Prior to joining the Company, Ms. Cohn was in private practice with the law firm of Hogan & Hartson LLP with a focus on public and private mergers and acquisitions, venture capital financing, securities and corporate governance.
Miles Cortez	Mr. Cortez was appointed Executive Vice President and Chief Administrative Officer of Aimco, AIMCO-GP and AIMCO/IPT in December 2007. He is responsible for administration, government relations, communications and special projects. Mr. Cortez joined Aimco in August 2001 as Executive Vice President, General Counsel and Secretary. Prior to joining the Company, Mr. Cortez was the senior partner of Cortez Macaulay Bernhardt & Schuetze LLC, a Denver, Colorado law firm, from December 1997 through September 2001. He served as president of the Colorado Bar Association from 1996 to 1997 and the Denver Bar Association from 1982 to 1983.
Ernest M. Freedman	Mr. Freedman was appointed Executive Vice President and Chief Financial Officer of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II in November 2009. Mr. Freedman joined Aimco in 2007 as Senior Vice President of Financial Planning and Analysis and served as Senior Vice President of Finance from February 2009 to November 2009,

responsible for financial planning, tax, accounting and related areas. From 2004 to 2007, Mr. Freedman served as Chief Financial Officer of HEI Hotels and Resorts. From 2000 to 2004, Mr. Freedman was at GE Real Estate in a number of capacities, including operations controller and finance manager for investments and acquisitions. From 1993 to 2000, Mr. Freedman was with Ernst & Young, LLP, including one year as a senior manager in the real estate practice. Mr. Freedman is a certified public accountant.

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**Name**

**Biographical Summary of Current Directors and Officers**

Keith M. Kimmel

Mr. Kimmel was appointed Executive Vice President – Property Operations of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II in January 2011. From September 2008 to January 2011, Mr. Kimmel served as the Area Vice President of property operations for the western region. Prior to that, from March 2006 to September 2008, he served as the Regional Vice President of property operations for California. He joined Aimco in March of 2002 as a Regional Property Manager. Prior to joining Aimco, Mr. Kimmel was with Casden Properties from 1998 through 2002, and was responsible for the operation of the new construction and high-end product line. Mr. Kimmel began his career in the multifamily real estate business in 1992 as a leasing consultant and on-site manager.

Daniel S. Matula

Mr. Matula was appointed Executive Vice President – Redevelopment and Construction of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II in January 2011. He joined Aimco as Senior Vice President of Redevelopment in January 2006. Mr. Matula oversees redevelopment, construction services, capital management, energy, service and quality and procurement. Prior to joining Aimco, from 2005 to 2006, Mr. Matula served as Senior Vice President of Development for Triad Partners, a private medical office development company headquartered in Irvine, CA. From 2000 to 2005, Mr. Matula served as Senior Vice President of Construction Services for Catellus Development Corporation.

Steven D. Cordes

Mr. Cordes was appointed as a director of Angeles Realty Corporation II effective March 2, 2009. Mr. Cordes has been a Senior Vice President of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II since May 2007. Mr. Cordes was appointed Senior Vice President – Structured Equity in May 2007. Mr. Cordes joined Aimco in 2001 as a Vice President of Capital Markets with responsibility for Aimco’s joint ventures and equity capital markets activity. Prior to joining Aimco, Mr. Cordes was a manager in the financial consulting practice of PricewaterhouseCoopers. Effective March 2009, Mr. Cordes was appointed to serve as the equivalent of the chief executive officer of AP XII.

Patti K. Fielding

Ms. Fielding was appointed Executive Vice President – Securities and Debt of Angeles Realty Corporation II in February 2004 and of Aimco, AIMCO-GP and AIMCO/IPT in February 2003. Ms. Fielding was appointed Treasurer of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II in January 2005. Ms. Fielding is responsible for debt financing and the treasury department. From January 2000 to February 2003, Ms. Fielding served as Senior Vice President – Securities and Debt of Aimco. Ms. Fielding joined Aimco as a Vice President in February 1997.

Paul Beldin

Mr. Beldin joined Aimco in May 2008 and has served as Senior Vice President and Chief Accounting Officer of Aimco, AIMCO-GP, AIMCO/IPT and Angeles Realty Corporation II since that time. Prior to joining Aimco, Mr. Beldin served as controller and then as chief financial officer of America First Apartment Investors, Inc., a publicly traded multifamily real estate investment trust, from May 2005 to September 2007 when the company was acquired by Sentinel Real Estate Corporation. Prior

to joining America First Apartment Investors, Inc., Mr. Beldin was a senior manager at Deloitte and Touche LLP, where he was employed from August 1996 to May 2005, including two years as an audit manager in SEC services at Deloitte's national office.

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**Name**

**Biographical Summary of Current Directors and Officers**

Stephen B. Waters

Mr. Waters was appointed Senior Director of Partnership Accounting of Aimco, AIMCO-GP, AIMCO-IPT and Angeles Realty Corporation II in June 2009. Mr. Waters has responsibility for partnership accounting with Aimco and serves as the principal financial officer of Angeles Realty Corporation II. Mr. Waters joined Aimco as a Director of Real Estate Accounting in September 1999 and was appointed Vice President of Aimco in April 2004. Prior to joining Aimco, Mr. Waters was a senior manager at Ernst & Young LLP.

James N. Bailey

Mr. Bailey was first elected as a director of Aimco in June 2000 and is currently Chairman of the Nominating and Corporate Governance Committee and a member of the Audit and Compensation and Human Resources Committees. Mr. Bailey co-founded Cambridge Associates, LLC, an investment consulting firm, in 1973 and currently serves as its Senior Managing Director and Treasurer. He is also a co-founder, director and treasurer of The Plymouth Rock Company, and a director of SRB Corporation, Inc. and Homeowners Direct Company, all three of which are insurance companies and insurance company affiliates. He also serves as an Overseer for the New England Aquarium, and is on its audit and investment committees. Mr. Bailey is a member of the Massachusetts Bar and the American Bar Associations. Mr. Bailey, a long-time entrepreneur, brings particular expertise to the board of directors of Aimco in the areas of investment and financial planning, capital markets, evaluation of institutional real estate markets and managers of all property types.

Richard S. Ellwood

Mr. Ellwood was first elected as a director of Aimco in July 1994. Mr. Ellwood is currently a member of the Audit, Compensation and Human Resources, and Nominating and Corporate Governance Committees. Mr. Ellwood was the founder and President of R.S. Ellwood & Co., Incorporated, which he operated as a real estate investment banking firm through 2004. Prior to forming his firm, Mr. Ellwood had 31 years experience on Wall Street as an investment banker, serving as: Managing Director and senior banker at Merrill Lynch Capital Markets from 1984 to 1987; Managing Director at Warburg Paribas Becker from 1978 to 1984; general partner and then Senior Vice President and a director at White, Weld & Co. from 1968 to 1978; and in various capacities at J.P. Morgan & Co. from 1955 to 1968. Mr. Ellwood served as a director of Felcor Lodging Trust, Incorporated, a publicly held company, from 1994 to 2009. He is as a trustee of the Diocesan Investment Trust of the Episcopal Diocese of New Jersey and is chairman of the diocesan audit committee. As one of the first real estate investment bankers, Mr. Ellwood brings particular expertise in real estate finance through corporate securities in both public and private markets as well as in direct property financings through mortgage placements, limited partnerships and joint ventures.

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<b>Name</b>	<b>Biographical Summary of Current Directors and Officers</b>
Thomas L. Keltner	<p>Mr. Keltner was first elected as a director of Aimco in April 2007 and is currently a member of the Audit, Compensation and Human Resources, and Nominating and Corporate Governance Committees. Mr. Keltner served as Executive Vice President and Chief Executive Officer Americas and Global Brands for Hilton Hotels Corporation from March 2007 through March 2008, which concluded the transition period following Hilton's acquisition by The Blackstone Group. Mr. Keltner joined Hilton Hotels Corporation in 1999 and served in various roles. Mr. Keltner has more than 20 years of experience in the areas of hotel development, acquisition, disposition, franchising and management. Prior to joining Hilton Hotels Corporation, from 1993 to 1999, Mr. Keltner served in several positions with Promus Hotel Corporation, including President, Brand Performance and Development. Before joining Promus Hotel Corporation, he served in various capacities with Holiday Inn Worldwide, Holiday Inns International and Holiday Inns, Inc. In addition, Mr. Keltner was President of Saudi Marriott Company, a division of Marriott Corporation, and was a management consultant with Cresap, McCormick and Paget, Inc. Mr. Keltner brings particular expertise to the board of directors of Aimco in the areas of property operations, marketing, branding, development and customer service.</p>
J. Landis Martin	<p>Mr. Martin was first elected as a director of Aimco in July 1994 and is currently Chairman of the Compensation and Human Resources Committee. Mr. Martin is also a member of the Audit and Nominating and Corporate Governance Committees and serves as the Lead Independent Director of Aimco's board of directors. Mr. Martin is the Founder and Managing Director of Platte River Ventures LLC, a private equity firm. In November 2005, Mr. Martin retired as Chairman and CEO of Titanium Metals Corporation, a publicly held integrated producer of titanium metals, where he served since January 1994. Mr. Martin served as President and CEO of NL Industries, Inc., a publicly held manufacturer of titanium dioxide chemicals, from 1987 to 2003. Mr. Martin is also a director of Crown Castle International Corporation, a publicly held wireless communications company, Halliburton Company, a publicly held provider of products and services to the energy industry, and Intrepid Potash, Inc., a publicly held producer of potash. As a former chief executive of four NYSE-listed companies, Mr. Martin brings particular expertise to the board of directors of Aimco in the areas of operations, finance and governance.</p>

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**Name**

**Biographical Summary of Current Directors and Officers**

Robert A. Miller

Mr. Miller was first elected as a director of Aimco in April 2007 and is currently a member of the Audit, Compensation and Human Resources, and Nominating and Corporate Governance Committees. Mr. Miller has served as the President of Marriott Leisure since 1997. Prior to joining Marriott Leisure, from 1984 to 1988, Mr. Miller served as Executive Vice President & General Manager of Marriott Vacation Club International and then as its President from 1988 to 1997. In 1984, Mr. Miller and a partner sold their company, American Resorts, Inc., to Marriott. Mr. Miller co-founded American Resorts, Inc. in 1978, and it was the first business model to encompass all aspects of timeshare resort development, sales, management and operations. Prior to founding American Resorts, Inc., from 1972 to 1978, Mr. Miller was Chief Financial Officer of Fleetwing Corporation, a regional retail and wholesale petroleum company. Prior to joining Fleetwing, Mr. Miller served for five years as a staff accountant for Arthur Young & Company. Mr. Miller is past Chairman and currently a director of the American Resort Development Association ( ARDA ) and currently serves as Chairman and director of the ARDA International Foundation. As a successful real estate entrepreneur, Mr. Miller brings particular expertise to the board of directors of Aimco in the areas of operations, management, marketing, sales, and development, as well as finance and accounting.

Kathleen M. Nelson

Ms. Nelson was first elected as a director of Aimco in April 2010 and is currently a member of the Audit, Compensation and Human Resources, and Nominating and Corporate Governance Committees. Ms. Nelson has an extensive background in commercial real estate and financial services with over 40 years of experience including 36 years at TIAA-CREF. She held the position of Managing Director/Group Leader and Chief Administrative Officer for TIAA-CREF's mortgage and real estate division. Ms. Nelson developed and staffed TIAA's real estate research department. She retired from this position in December 2004 and founded and serves as president of KMN Associates LLC, a commercial real estate investment advisory and consulting firm. In 2009, Ms. Nelson co-founded and serves as Managing Principal of Bay Hollow Associates, LLC, a commercial real estate consulting firm, which provides counsel to institutional investors. Ms. Nelson served as the International Council of Shopping Centers' chairman for the 2003-04 term and has been an ICSC Trustee since 1991. She also is the chairman of the ICSC Audit Committee and is a member of various other committees. Ms. Nelson serves on the Board of Directors of CBL & Associates Properties, Inc., which is a publicly held REIT that develops and manages retail shopping properties. She is a member of Castagna Realty Company Advisory Board and has served as an advisor to the Rand Institute Center for Terrorism Risk Management Policy and on the board of the Greater Jamaica Development Corporation. Ms. Nelson serves on the Advisory Board of the Beverly Willis Architectural Foundation and is a member of the Anglo American Real Property Institute. Ms. Nelson brings to the board of directors of Aimco particular expertise in the areas of real estate finance and investment.



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**Name**

**Biographical Summary of Current Directors and Officers**

Michael A. Stein

Mr. Stein was first elected as a director of Aimco in October 2004 and is currently the Chairman of the Audit Committee. Mr. Stein is also a member of the Compensation and Human Resources and Nominating and Corporate Governance Committees. From January 2001 until its acquisition by Eli Lilly in January 2007, Mr. Stein served as Senior Vice President and Chief Financial Officer of ICOS Corporation, a biotechnology company based in Bothell, Washington. From October 1998 to September 2000, Mr. Stein was Executive Vice President and Chief Financial Officer of Nordstrom, Inc. From 1989 to September 1998, Mr. Stein served in various capacities with Marriott International, Inc., including Executive Vice President and Chief Financial Officer from 1993 to 1998. Mr. Stein serves on the Board of Directors of Nautilus, Inc., which is a publicly held fitness company, and the Board of Directors of Providence Health & Services, a not-for-profit health system operating hospitals and other health care facilities across Alaska, Washington, Montana, Oregon and California. As the former chief financial officer of two NYSE-listed companies and a former partner at Arthur Andersen, Mr. Stein brings particular expertise to the board of directors of Aimco in the areas of corporate and real estate finance, and accounting and auditing for large and complex business operations.

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Table of ContentsANNEX E**SUMMARY OF APPRAISALS TABLE****Twin Lake Towers Apartments**

<b>Valuation Methodology</b>	<b>Appraised Value (as of October 1, 2011)</b>	<b>Material Assumptions</b>
<b>Income Capitalization Approach Capitalization Analysis</b>	<b>Direct</b> \$ 47,200,000	potential gross income from apartment unit rentals of \$429,437 per month or \$5,153,244 for the appraised year; a 5.0% allowance attributable to loss to lease; concession allowance of 3.0% of the gross rent potential; a combined vacancy and collection loss factor of 4.5%; estimated utility income of \$359,100, or \$900 per unit; estimated other income of \$285,285, or \$715 per unit; total estimated expenses of \$2,189,165; capitalization rate of 6.25%.
<b>Sales Comparison Approach</b>	\$ 44,900,000	CRA examined and analyzed comparable sales of five properties in the influencing market. The sales reflected unadjusted sales prices ranging from \$71,429 to \$120,833 per unit. After adjustment, the comparable sales illustrated a value range of \$103,714 to \$115,917 per unit, with mean and median adjusted sale prices of \$111,447 and \$112,946 per unit, respectively. CRA estimated a value of \$112,500 per unit for the Twin Lake Towers Apartments. Applied to the Twin Lake Towers Apartments 399 units, this resulted in CRA's total value estimate for the Twin Lake Towers Apartments of approximately \$44,900,000.

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**Hunters Glen Apartments**

<b>Valuation Methodology</b>	<b>Appraised Value (as of October 1, 2011)</b>	<b>Material Assumptions</b>
<p><b>Income Capitalization Approach</b>    <b>Direct</b> <b>Capitalization Analysis</b></p>	<p>\$     91,800,000</p>	<p>potential gross income from apartment unit rentals of \$874,456 per month or \$10,493,472 for the appraised year; a 1.0% allowance attributable to loss to lease; concession allowance of 1.75% of the gross rent potential; a combined vacancy and credit loss factor of 5.0%; estimated other income of \$1,075,200, or \$1,200 per unit; estimated administrative unit rental loss associated with the operation of five administrative units of \$52,245; total estimated expenses of \$5,197,544; capitalization rate of 6.0%.</p>
<p><b>Sales Comparison Approach</b></p>	<p>\$     94,000,000</p>	<p>KTR examined and analyzed comparable sales of four properties in the influencing market. The sales reflected unadjusted sales prices ranging from \$93,487 to \$125,000 per unit. After adjustment, the comparable sales illustrated a value range of \$105,896 to \$118,750 per unit. KTR estimated a value of \$105,000 per unit for the Hunters Glen Apartments. Applied to the 896 units of the Hunters Glen Apartments, this resulted in KTR's total value estimate of approximately \$94,000,000.</p>

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**ANNEX F**

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

**Form 10-K**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2010
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**  
For the transition period from        to

**Commission file number 0-13309**

**ANGELES PARTNERS XII**

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

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

**95-3903623**  
*(I.R.S. Employer  
Identification No.)*

**55 Beattie Place, PO Box 1089  
Greenville, South Carolina 29602**  
*(Address of principal executive offices)*

**Registrant's telephone number, including area code (864) 239-1000**

**Securities registered pursuant to Section 12(b) of the Act:**

**None**

**Securities registered pursuant to Section 12(g) of the Act:**

**Units of Limited Partnership Interest**

*(Title of class)*

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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)

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

State the aggregate market value of the voting and non-voting partnership interests held by non-affiliates computed by reference to the price at which the partnership interests were last sold, or the average bid and asked price of such partnership interests as of the last business day of the registrant's most recently completed second fiscal quarter. No market exists for the limited partnership interests of the Registrant, and, therefore, no aggregate market value can be determined.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

**None**

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**Table of Contents****FORWARD-LOOKING STATEMENTS**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements in certain circumstances. Certain information included in this Annual Report contains or may contain information that is forward-looking within the meaning of the federal securities laws, including, without limitation, statements regarding the Partnership's ability to maintain current or meet projected occupancy, rental rates and property operating results and the effect of redevelopments. Actual results may differ materially from those described in these forward-looking statements and, in addition, will be affected by a variety of risks and factors, some of which are beyond the Partnership's control, including, without limitation: financing risks, including the availability and cost of financing and the risk that the Partnership's cash flows from operations may be insufficient to meet required payments of principal and interest; natural disasters and severe weather such as hurricanes; national and local economic conditions, including the pace of job growth and the level of unemployment; energy costs; the terms of governmental regulations that affect the Partnership's properties and interpretations of those regulations; the competitive environment in which the Partnership operates; real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for residents in such markets; insurance risk, including the cost of insurance; litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; and possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by the Partnership. Readers should carefully review the Partnership's consolidated financial statements and the notes thereto, as well as the other documents the Partnership files from time to time with the Securities and Exchange Commission.

**PART I****Item 1. *Business***

Angeles Partners XII (the Partnership or Registrant) is a publicly-held limited partnership organized under the California Uniform Limited Partnership Act pursuant to the amended Certificate and Agreement of Limited Partnership (herein referred to as the Partnership Agreement) dated May 26, 1983. The Partnership's managing general partner is Angeles Realty Corporation II (ARC II or the Managing General Partner), a California corporation. The Managing General Partner is a wholly-owned subsidiary of Apartment Investment and Management Company (AIMCO), a publicly traded real estate investment trust. The non-managing general partner (the Non-Managing General Partner) is AIMCO Properties, L.P., a wholly-owned subsidiary of AIMCO. The Managing General Partner and the Non-Managing General Partner are herein referred to collectively as the General Partners. The Partnership Agreement provides that the Partnership is to terminate on December 31, 2035, unless terminated prior to such date.

Commencing May 26, 1983, the Partnership offered up to 80,000 units of Limited Partnership Interest (the Units) at a purchase price of \$1,000 per Unit with a minimum purchase of 5 Units pursuant to a Registration Statement filed with the Securities and Exchange Commission. The Managing General Partner contributed capital in the amount of \$1,000 for a 1% interest in the Partnership. The offering terminated on February 13, 1985. Upon termination of the offering, the Partnership had sold 44,773 Units aggregating \$44,773,000.

The Partnership is engaged in the business of operating and holding real estate properties for investment. In 1984 and 1985 during its acquisition phase, the Partnership acquired ten existing apartment properties and one existing commercial property. In 1990, the Partnership lost one of its apartment properties to foreclosure. During 1991, the Partnership acquired a 44.5% general partnership interest in a joint venture, Princeton Meadows Golf Course Joint Venture (Joint Venture), partnering with two affiliated partnerships. In 1999, the Partnership sold its only commercial property, one of its apartment properties and the Joint Venture sold its only investment property, Princeton Meadows Golf Course. In May 2001, the Partnership sold two of its apartment properties. In April and December 2005, the

Partnership sold two of its six remaining apartment properties. As of December 31, 2010, the Partnership continues to own and operate four apartment complexes. (see Item 2. Properties ).

The Partnership has no employees. The Managing General Partner is vested with full authority as to the general management and supervision of the business and affairs of the Partnership. Limited partners and the Non-Managing

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General Partner have no right to participate in the management or conduct of such business and affairs. An affiliate of the Managing General Partner provides property management services for the Partnership's residential properties.

A further description of the Partnership's business is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-K.

**Item 2. Property**

The following table sets forth the Partnership's investments in properties as of December 31, 2010:

<b>Property</b>	<b>Date of Purchase</b>	<b>Type of Ownership</b>	<b>Use</b>
Hunters Glen Apts-IV Plainsboro, New Jersey	01/31/85	Fee ownership subject to first, second, and third mortgages(1)	Apartment 264 units
Hunters Glen Apts-V Plainsboro, New Jersey	01/31/85	Fee ownership subject to first, second, and third mortgages(1)	Apartment 304 units
Hunters Glen Apts-VI Plainsboro, New Jersey	01/31/85	Fee ownership subject to first, second, and third mortgages(1)	Apartment 328 units
Twin Lake Towers Apartments Westmont, Illinois	03/30/84	Fee ownership subject to first mortgage(1)	Apartments 399 units

(1) Property is held by a limited partnership or limited liability corporation in which the Partnership ultimately owns a 100% interest.

**Schedule of Properties**

Set forth below for each of the Partnership's properties is the gross carrying value, accumulated depreciation, depreciable life, method of depreciation and Federal tax basis.

<b>Property</b>	<b>Gross Carrying Value</b>	<b>Accumulated Depreciation</b>	<b>Depreciable Life</b>	<b>Method of Depreciation</b>	<b>Federal Tax Basis</b>
	<b>(In thousands)</b>				<b>(In thousands)</b>
Hunters Glen Apts-IV	\$ 16,568	\$ 13,706	5-30 yrs	Straight line	\$ 3,439
Hunters Glen Apts-V	18,749	15,566	5-40 yrs	Straight line	3,782
Hunters Glen Apts-VI	20,661	17,137	5-40 yrs	Straight line	3,737
Twin Lake Towers Apts	38,886	25,558	5-30 yrs	Straight line	13,578
	\$ 94,864	\$ 71,967			\$ 24,536

See Note A Organization and Summary of Significant Accounting Policies of the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data for a description of the Partnership's capitalization

and depreciation policies.

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**Table of Contents****Schedule of Property Indebtedness**

The following table sets forth certain information relating to the loans encumbering the Partnership's properties.

<b>Property</b>	<b>Principal Balance at December 31, 2010 (In thousands)</b>	<b>Interest Rate(1)</b>	<b>Period Amortized</b>	<b>Maturity Date</b>	<b>Principal Balance Due at Maturity(2) (In thousands)</b>
Hunters Glen Apts IV					
1 <sup>st</sup> mortgage	\$ 10,401	5.51%	30 yrs	12/2015	\$ 9,374
2 <sup>nd</sup> mortgage	5,119	5.63%	30 yrs	12/2015	4,622
3 <sup>rd</sup> mortgage	4,344	5.84%	30 yrs	12/2015	3,959
Hunters Glen Apts V					
1 <sup>st</sup> mortgage	12,246	7.39%	30 yrs	12/2015	11,357
2 <sup>nd</sup> mortgage	6,385	5.63%	30 yrs	12/2015	5,765
3 <sup>rd</sup> mortgage	5,233	5.84%	30 yrs	12/2015	4,771
Hunters Glen Apts VI					
1 <sup>st</sup> mortgage	12,746	7.39%	30 yrs	12/2015	11,821
2 <sup>nd</sup> mortgage	6,645	5.63%	30 yrs	12/2015	6,001
3 <sup>rd</sup> mortgage	5,447	5.84%	30 yrs	12/2015	4,965
Twin Lake Towers Apts					
1 <sup>st</sup> mortgage	26,759	5.49%	30 yrs	04/2020	22,331
	\$ 95,325				\$ 84,966

(1) Fixed rate mortgages.

(2) See Note B Mortgage Notes Payable to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data for information with respect to the Partnership's ability to prepay these loans and more specific details as to the terms of the loans.

On March 25, 2010, the Partnership refinanced the mortgage encumbering Twin Lake Towers Apartments. The refinancing resulted in the replacement of the existing mortgage loan, which at the time of refinancing had a principal balance of approximately \$9,131,000, with a new mortgage loan in the principal amount of \$27,000,000. The new loan bears interest at a rate of 5.49% per annum and requires monthly payments of principal and interest of approximately \$153,000 beginning on May 1, 2010, through the April 1, 2020 maturity date. The new mortgage loan has a balloon payment of approximately \$22,331,000 due at maturity. The Partnership may prepay the mortgage at any time with 30 days written notice to the lender, subject to a prepayment penalty. The Partnership recorded a loss on the early extinguishment of debt of approximately \$866,000, as a result of the write off of unamortized loan costs and the payment of a prepayment penalty of approximately \$766,000. Total capitalized loan costs associated with the new mortgage were approximately \$226,000.

**Rental Rates and Occupancy**

Average annual rental rates and occupancy for 2010 and 2009 for each property were as follows:

<b>Property</b>	<b>Average Annual Rental Rates (per unit)</b>		<b>Average Annual Occupancy</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Hunters Glen Apartments-IV	\$ 11,913	\$ 12,459	96%	95%
Hunters Glen Apartments-V	11,837	12,432	95%	93%
Hunters Glen Apartments-VI(1)	11,555	12,151	95%	92%
Twin Lake Towers Apartments(2)	11,376	11,503	97%	92%

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- (1) The Managing General Partner attributes the increase in occupancy at Hunters Glen Apartments VI to reduced competition in the local area and competitive pricing efforts.
- (2) The Managing General Partner attributes the increase in occupancy at Twin Lake Towers Apartments to units available for rent as a result of the completion of a redevelopment at the property and improved economic conditions in the local area.

The real estate industry is highly competitive. All of the Partnership's properties are subject to competition from other residential apartment complexes in the area. The Managing General Partner believes that all of the properties are adequately insured. The residential properties are apartment complexes which lease units for terms of one year or less. As of December 31, 2010, no residential tenant leases 10% or more of the available rental space. The properties are in good physical condition, subject to normal depreciation and deterioration as is typical for assets of this type and age.

**Real Estate Taxes and Rates**

Real estate taxes and rates in 2010 for each property were as follows:

	<b>2010 Billing (In thousands)</b>	<b>2010 Rate</b>
Hunters Glen Apartments-IV	\$ 370	2.27%
Hunters Glen Apartments-V	427	2.27%
Hunters Glen Apartments-VI	460	2.27%
Twin Lake Towers Apartments	393	5.27%

**Capital Improvements****Hunters Glen Apartments IV**

During the year ended December 31, 2010, the Partnership completed approximately \$198,000 of capital improvements at the property consisting primarily of water heaters and floor covering replacement. These improvements were funded from operating cash flow. The Partnership regularly evaluates the capital improvement needs of the property. While the Partnership has no material commitments for property improvements and replacements, certain routine capital expenditures are anticipated during 2011. Such capital improvements will depend on the physical condition of the property as well as the anticipated cash flow generated by the property.

**Hunters Glen Apartments V**

During the year ended December 31, 2010, the Partnership completed approximately \$189,000 of capital improvements at the property consisting primarily of water heaters and floor covering replacement. These improvements were funded from operating cash flow. The Partnership regularly evaluates the capital improvement needs of the property. While the Partnership has no material commitments for property improvements and replacements, certain routine capital expenditures are anticipated during 2011. Such capital improvements will depend on the physical condition of the property as well as the anticipated cash flow generated by the property.

**Hunters Glen Apartments VI**

During the year ended December 31, 2010, the Partnership completed approximately \$194,000 of capital improvements at the property consisting primarily of water heaters, HVAC upgrades and floor covering replacement. These improvements were funded from operating cash flow. The Partnership regularly evaluates the capital improvement needs of the property. While the Partnership has no material commitments for property improvements and replacements, certain routine capital expenditures are anticipated during 2011. Such capital improvements will depend on the physical condition of the property as well as the anticipated cash flow generated by the property.

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**Twin Lake Towers Apartments**

During the year ended December 31, 2010, the Partnership completed approximately \$298,000 of capital improvements at the property, consisting primarily of fire safety equipment, balcony upgrades and floor covering replacement. These improvements were funded from operating cash flow. During the year ended December 31, 2010, the Partnership received a refund of approximately \$34,000 from a bond deposit capitalized in a prior year in connection with the redevelopment of the property, which is reflected as a reduction of property improvements and replacements for the year ended December 31, 2010. The Partnership regularly evaluates the capital improvement needs of the property. While the Partnership has no material commitments for property improvements and replacements, certain routine capital expenditures are anticipated during 2011. Such capital expenditures will depend on the physical condition of the property as well as replacement reserves and anticipated cash flow generated by the property.

Capital expenditures will be incurred only to the extent of cash available from operations or from Partnership reserves. To the extent that capital improvements are completed, the Partnership's distributable cash flow, if any, may be adversely affected, at least in the short term.

**Item 3. *Legal Proceedings***

As previously disclosed, AIMCO Properties, L.P. and NHP Management Company, both affiliates of the Managing General Partner, were defendants in a lawsuit, filed as a collective action in August 2003 in the United States District Court for the District of Columbia, alleging that they willfully violated the Fair Labor Standards Act ( FLSA ) by failing to pay maintenance workers overtime for time worked in excess of 40 hours per week ( overtime claims ). The plaintiffs also contended that AIMCO Properties, L.P. and NHP Management Company ( the Defendants ) failed to compensate maintenance workers for time that they were required to be on-call ( on-call claims ). In March 2007, the court in the District of Columbia decertified the collective action. In July 2007, plaintiffs' counsel filed individual cases in Federal court in 22 jurisdictions. In the second quarter of 2008, AIMCO Properties, L.P. settled the overtime cases involving 652 plaintiffs and established a framework for resolving the 88 remaining on-call claims and the attorneys' fees claimed by plaintiffs' counsel. As a result, the lawsuits asserted in the 22 Federal courts were dismissed. During the fourth quarter of 2008, the Partnership paid approximately \$39,000 for settlement amounts for alleged unpaid overtime to employees who had worked at the Partnership's investment properties. During January 2011, the parties reached an agreement to settle the remaining on-call claims and the plaintiffs' attorneys' fees. The Partnership will be required to pay an additional amount of approximately \$4,000 for settlement amounts to employees who worked at the Partnership's investment properties for requiring the employees to respond to on-call emergencies and approximately \$47,000 for plaintiffs' attorneys' fees. These settlement amounts and attorneys' fees totaling approximately \$51,000 have been accrued as of December 31, 2010. These settlements resolve the case in its entirety.

**Table of Contents****PART II****Item 5. *Market for the Registrant's Common Equity, Related Security Holder Matters and Issuer Purchases of Equity Securities***

The Partnership, a publicly-held limited partnership, sold 44,773 Limited Partnership Units (the Units) during its offering period through February 13, 1985. As of December 31, 2010, the Partnership had 1,045 Limited Partners of record and 44,718 Units outstanding. As of December 31, 2010, affiliates of the Managing General Partner owned 33,750 Units or 75.47% of the outstanding Units. No public trading market has developed for the Units, and it is not anticipated that such a market will develop in the future.

The Partnership distributed the following amounts during the years ended December 31, 2010 and 2009 (in thousands except per unit data):

	Year Ended December 31, 2010	Per Limited Partnership Unit	Year Ended December 31, 2009	Per Limited Partnership Unit
Refinancing(1)	\$ 3,900	\$ 77.87	\$	\$
Operations	1,180	26.11		
Total	\$ 5,080	\$ 103.98	\$	\$

(1) Proceeds from the March 2010 refinancing of the mortgage encumbering Twin Lake Towers Apartments.

Future cash distributions will depend on the levels of cash generated from operations, the timing of debt maturities, property sales and/or refinancings. The Partnership's cash available for distribution is reviewed on a monthly basis. There can be no assurance, however, that the Partnership will generate sufficient funds from operations, after planned capital improvement expenditures, to permit additional distributions to its partners during 2011 or subsequent periods. See Item 2. Properties Capital Improvements for information relating to anticipated capital expenditures at the properties.

In addition to its indirect ownership of the general partner interests in the Partnership, AIMCO and its affiliates owned 33,750 Units in the Partnership representing 75.47% of the outstanding Units at December 31, 2010. A number of these Units were acquired pursuant to tender offers made by AIMCO or its affiliates. It is possible that AIMCO or its affiliates will acquire additional Units in exchange for cash or a combination of cash and units in AIMCO Properties, L.P., the operating partnership of AIMCO, either through private purchases or tender offers. Pursuant to the Partnership Agreement, unitholders holding a majority of the Units are entitled to take action with respect to a variety of matters that include, but are not limited to, voting on certain amendments to the Partnership Agreement and voting to remove the Managing General Partner. As a result of its ownership of 75.47% of the outstanding Units, AIMCO and its affiliates are in a position to control all voting decisions with respect to the Partnership. Although the Managing General Partner owes fiduciary duties to the limited partners of the Partnership, the Managing General Partner also owes fiduciary duties to AIMCO as its sole stockholder. As a result, the duties of the Managing General Partner, as managing general partner, to the Partnership and its limited partners may come into conflict with the duties of the Managing General Partner to AIMCO as its sole stockholder.

**Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***

This item should be read in conjunction with the consolidated financial statements and other items contained elsewhere in this report.

The Partnership's financial results depend upon a number of factors including the ability to attract and maintain tenants at the investment properties, interest rates on mortgage loans, costs incurred to operate the investment properties, general economic conditions and weather. As part of the ongoing business plan of the Partnership, the Managing General Partner monitors the rental market environment of its investment properties to assess the feasibility of increasing rents, maintaining or increasing occupancy levels and protecting the Partnership from increases in expenses. As part of this plan, the Managing General Partner attempts to protect the Partnership from the burden of inflation-related increases in expenses by increasing rents and maintaining a high overall

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occupancy level. However, the Managing General Partner may use rental concessions and rental rate reductions to offset softening market conditions; accordingly, there is no guarantee that the Managing General Partner will be able to sustain such a plan. Further, a number of factors that are outside the control of the Partnership such as the local economic climate and weather can adversely or positively affect the Partnership's financial results.

## **Results of Operations**

The Partnership recognized net losses of approximately \$2,855,000 and \$975,000 for the years ended December 31, 2010 and 2009, respectively. Net loss increased due to an increase in total expenses and a decrease in total revenues.

Total expenses increased due to increases in operating, depreciation, interest and property tax expenses and the recognition of a loss on early extinguishment of debt during 2010 as a result of the refinancing of the mortgage encumbering Twin Lake Towers Apartments. General and administrative expense remained relatively constant for the comparable periods. Operating expense increased primarily due to increases in contract services, apartment turnover expenses and snow removal costs at Hunters Glen Apartments IV, V and VI, partially offset by a decrease in advertising costs at Twin Lakes Towers Apartments and utility expenses at Hunters Glen Apartments IV. Depreciation expense increased due to assets placed into service at Twin Lake Towers Apartments during the past twelve months, which are now being depreciated. Interest expense increased primarily due to a higher debt balance as a result of the March 2010 refinancing of the mortgage encumbering Twin Lake Towers Apartments and a decrease in the capitalization of construction period interest related to a redevelopment project at Twin Lake Towers Apartments, which was completed in 2009, partially offset by a decrease in interest on advances received from an affiliate of the Managing General Partner as a result of a lower average outstanding balance. Property tax expense increased due to an increase in the tax rate at all four investment properties, partially offset by a decrease in the assessed value of Twin Lake Towers Apartments.

Included in general and administrative expenses for the years ended December 31, 2010 and 2009 are a New Jersey tax based upon the number of resident and non-resident limited partners, reimbursements to the Managing General Partner as allowed under the Partnership Agreement, costs associated with the quarterly and annual communications with investors and regulatory agencies and the annual audit required by the Partnership Agreement.

Total revenues decreased due to a decrease in rental income. Other income remained relatively constant for the comparable periods. Rental income decreased due to a decrease in the average rental rate at all of the Partnership's investment properties, partially offset by an increase in occupancy at all of the Partnership's investment properties.

In 2009, the Partnership completed a major redevelopment project at Twin Lake Towers Apartments in order to become more competitive with other properties in the area and in an effort to increase net operating income at the property. During the construction period, certain expenses were capitalized and are being depreciated over the remaining life of the related assets. During the year ended December 31, 2009, approximately \$76,000 of construction period interest, approximately \$3,000 of construction period real estate taxes and approximately \$1,000 of construction period insurance were capitalized.

## **Liquidity and Capital Resources**

At December 31, 2010, the Partnership had cash and cash equivalents of approximately \$526,000, compared with approximately \$301,000 at December 31, 2009. Cash and cash equivalents increased approximately \$225,000 due to approximately \$2,917,000 of cash provided by operating activities, partially offset by approximately \$1,527,000 and \$1,165,000 of cash used in investing and financing activities, respectively. Cash used in investing activities consisted of net deposits to restricted escrows and property improvements and replacements. Cash used in financing activities consisted of the repayment of advances received from AIMCO Properties, L.P., repayment of the mortgage

encumbering Twin Lake Towers Apartments, distributions to partners, principal payments made on the mortgages encumbering the Partnership's investment properties, a prepayment penalty paid, and loan costs paid, partially offset by proceeds from the refinancing of the mortgage encumbering Twin Lake Towers Apartments and advances received from AIMCO Properties, L.P., an affiliate of the Managing General Partner.

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During the year ended December 31, 2010, AIMCO Properties, L.P., an affiliate of the Managing General Partner, advanced the Partnership approximately \$687,000 to fund a refinance commitment fee at Twin Lake Towers Apartments and real estate taxes at Hunters Glen Apartments IV, V and VI. During the year ended December 31, 2009, AIMCO Properties, L.P. advanced the Partnership approximately \$695,000 to fund operations at Hunters Glen Apartments IV, V and VI and Twin Lake Towers Apartments and approximately \$2,130,000 to fund redevelopment costs at Twin Lake Towers Apartments. AIMCO Properties, L.P. charges interest on advances under the terms permitted by the Partnership Agreement. The interest rates charged on the outstanding advances made to the Partnership range from a market rate to prime plus 2.00%. Affiliates of the Managing General Partner review the applicable market rate for the Partnership quarterly. The interest rate on the outstanding advances at December 31, 2010 was 3.25%. Interest expense was approximately \$94,000 and \$390,000 for the years ended December 31, 2010 and 2009, respectively. During the years ended December 31, 2010 and 2009, the Partnership repaid advances and accrued interest of approximately \$12,950,000 and \$650,000, respectively. Total advances and accrued interest of approximately \$15,000 and \$12,184,000 were unpaid at December 31, 2010 and 2009, respectively, and are included in due to affiliates on the consolidated balance sheets included in Item 8. Financial Statements and Supplementary Data . The Partnership may receive additional advances of funds from AIMCO Properties, L.P., although AIMCO Properties, L.P. is not obligated to provide such advances. For more information on AIMCO Properties, L.P., including copies of its audited balance sheet, please see its reports filed with the Securities and Exchange Commission. Subsequent to December 31, 2010, the Partnership repaid advances and accrued interest of approximately \$15,000. In addition, subsequent to December 31, 2010, AIMCO Properties, L.P. advanced the Partnership approximately \$1,395,000 to fund refinance commitment fees at Hunters Glen Apartments IV, V and VI.

The sufficiency of existing liquid assets to meet future liquidity and capital expenditure requirements is directly related to the level of capital expenditures required at the properties to adequately maintain the physical assets and other operating needs of the Partnership and to comply with Federal, state, and local legal and regulatory requirements. The Managing General Partner monitors developments in the area of legal and regulatory compliance. The Partnership regularly evaluates the capital improvement needs of the properties. While the Partnership has no material commitments for property improvements and replacements, certain routine capital expenditures are anticipated during 2011. Such capital expenditures will depend on the physical condition of the properties as well as replacement reserves and anticipated cash flow generated by the properties. Capital expenditures will be incurred only if cash is available from operations or from Partnership reserves. To the extent that capital improvements are completed, the Partnership's distributable cash flow, if any, may be adversely affected at least in the short term.

The Partnership's assets are thought to be generally sufficient for any near term needs (exclusive of capital improvements) of the Partnership. On March 25, 2010, the Partnership refinanced the mortgage encumbering Twin Lake Towers Apartments. The refinancing resulted in the replacement of the existing mortgage loan, which at the time of refinancing had a principal balance of approximately \$9,131,000, with a new mortgage loan in the principal amount of \$27,000,000. The new loan bears interest at a rate of 5.49% per annum and requires monthly payments of principal and interest of approximately \$153,000 beginning on May 1, 2010, through the April 1, 2020 maturity date. The new mortgage loan has a balloon payment of approximately \$22,331,000 due at maturity. The Partnership may prepay the mortgage at any time with 30 days written notice to the lender, subject to a prepayment penalty. The Partnership recorded a loss on the early extinguishment of debt of approximately \$866,000, as a result of the write off of unamortized loan costs and the payment of a prepayment penalty of approximately \$766,000. Total capitalized loan costs associated with the new mortgage were approximately \$226,000 and are included in other assets on the consolidated balance sheets included in Item 8. Financial Statements and Supplementary Data .

The Partnership's mortgage indebtedness encumbering Hunters Glen Apartments IV, V and VI of approximately \$68,566,000 matures in December 2015 with a one-year extension option and balloon payments of approximately \$62,635,000 due at maturity. The Managing General Partner will attempt to refinance the mortgages encumbering Hunters Glen Apartments IV, V, VI and Twin Lake Towers Apartments and/or sell the properties prior to such

maturity dates. If the properties cannot be refinanced or sold for a sufficient amount, the Partnership will risk losing the properties through foreclosure.

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The Partnership distributed the following amounts during the years ended December 31, 2010 and 2009 (in thousands except per unit data):

	<b>Year Ended December 31, 2010</b>	<b>Per Limited Partnership Unit</b>	<b>Year Ended December 31, 2009</b>	<b>Per Limited Partnership Unit</b>
Refinancing(1)	\$ 3,900	\$ 77.87	\$	\$
Operations	1,180	26.11		
Total	\$ 5,080	\$ 103.98	\$	\$

(1) Proceeds from the March 2010 refinancing of the mortgage encumbering Twin Lake Towers Apartments.

Future cash distributions will depend on the levels of cash generated from operations, the timing of debt maturities, property sales and/or refinancings. The Partnership's cash available for distribution is reviewed on a monthly basis. There can be no assurance, however, that the Partnership will generate sufficient funds from operations, after planned capital improvement expenditures, to permit additional distributions to its partners during 2011 or subsequent periods.

**Critical Accounting Policies and Estimates**

A summary of the Partnership's significant accounting policies is included in Note A Organization and Summary of Significant Accounting Policies which is included in the consolidated financial statements in Item 8. Financial Statements and Supplementary Data. The Managing General Partner believes that the consistent application of these policies enables the Partnership to provide readers of the consolidated financial statements with useful and reliable information about the Partnership's operating results and financial condition. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the Partnership to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Judgments and assessments of uncertainties are required in applying the Partnership's accounting policies in many areas. The Partnership believes that of its significant accounting policies, the following may involve a higher degree of judgment and complexity.

**Impairment of Long-Lived Assets**

Investment properties are recorded at cost, less accumulated depreciation, unless the carrying amount of the asset is not recoverable. If events or circumstances indicate that the carrying amount of a property may not be recoverable, the Partnership will make an assessment of its recoverability by comparing the carrying amount to the Partnership's estimate of the undiscounted future cash flows, excluding interest charges, of the property. If the carrying amount exceeds the estimated aggregate undiscounted future cash flows, the Partnership would recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property.

Real property investment is subject to varying degrees of risk. Several factors may adversely affect the economic performance and value of the Partnership's investment properties. These factors include, but are not limited to, general economic climate; competition from other apartment communities and other housing options; local conditions, such as



loss of jobs 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 be offset by increased rents; changes in tax laws and housing laws, including the enactment of rent control laws or other laws regulating multi-family housing; and changes in interest rates and the availability of financing. Any adverse changes in these and other factors could cause an impairment of the Partnership's assets.

**Capitalized Costs Related to Redevelopment and Construction Projects**

The Partnership capitalizes costs incurred in connection with capital expenditure activities, including redevelopment and construction projects. Costs including interest, property taxes and insurance associated with

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redevelopment and construction projects are capitalized during periods in which redevelopment and construction projects are in progress. Included in these capitalized costs are payroll costs associated with time spent by site employees in connection with the planning, execution and control of all capital expenditure activities at the property level.

**Revenue Recognition**

The Partnership generally leases apartment units for twelve-month terms or less. The Partnership will offer rental concessions during particularly slow months or in response to heavy competition from other similar complexes in the area. Rental income attributable to leases, net of any concessions, is recognized on a straight-line basis over the term of the lease. The Partnership evaluates all accounts receivable from residents and establishes an allowance, after the application of security deposits, for accounts greater than 30 days past due on current tenants and all receivables due from former tenants.

**Item 8. *Financial Statements and Supplementary Data***

**ANGELES PARTNERS XII**

**LIST OF FINANCIAL STATEMENTS**

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<u>Consolidated Statements of Operations Years ended December 31, 2010 and 2009</u>	F-15
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**Report of Independent Registered Public Accounting Firm**

The Partners  
Angeles Partners XII

We have audited the accompanying consolidated balance sheets of Angeles Partners XII as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in partners' deficit, and cash flows for each of the two years in the period ended December 31, 2010. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Partnership's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Angeles Partners XII at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Greenville, South Carolina  
March 25, 2011

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**ANGELES PARTNERS XII**  
**CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b> <b>2010                  2009</b> <b>(In thousands, except unit data)</b>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 526	\$ 301
Receivables and deposits	626	805
Restricted escrows (Note A)	726	
Other assets	1,364	1,431
Investment properties (Notes B and E):		
Land	6,468	6,468
Buildings and related personal property	88,396	87,551
	94,864	94,019
Less accumulated depreciation	(71,967)	(67,227)
	22,897	26,792
	\$ 26,139	\$ 29,329
<b>LIABILITIES AND PARTNERS DEFICIT</b>		
Liabilities		
Accounts payable	\$ 376	\$ 209
Tenant security deposit liabilities	356	377
Accrued property taxes	424	437
Other liabilities	1,025	747
Due to affiliates (Note D)	15	12,184
Mortgage notes payable (Note B)	95,325	78,822
	97,521	92,776
Partners Deficit		
General partners	(811)	(352)
Limited partners	(70,571)	(63,095)
	(71,382)	(63,447)
	\$ 26,139	\$ 29,329

See Accompanying Notes to Consolidated Financial Statements



**Table of Contents****ANGELES PARTNERS XII****CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Years Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(In thousands, except per unit data)</b>	
Revenues:		
Rental income	\$ 14,276	\$ 14,372
Other income	1,662	1,667
Total revenues	15,938	16,039
Expenses:		
Operating	5,287	5,121
General and administrative	325	316
Depreciation	4,740	4,568
Interest	5,937	5,414
Property taxes	1,638	1,595
Loss on early extinguishment of debt (Note B)	866	
Total expenses	18,793	17,014
Net loss (Note C)	\$ (2,855)	\$ (975)
Net loss allocated to general partners (1)%	\$ (29)	\$ (10)
Net loss allocated to limited partners (99)%	(2,826)	(965)
	\$ (2,855)	\$ (975)
Net loss per limited partnership unit	\$ (63.20)	\$ (21.58)
Distributions per limited partnership unit	\$ 103.98	\$

See Accompanying Notes to Consolidated Financial Statements

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**ANGELES PARTNERS XII**

**CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS DEFICIT**

	<b>Limited Partnership Units</b>	<b>General Partners</b>	<b>Limited Partners</b>	<b>Total</b>
	<b>(In thousands, except unit data)</b>			
Original capital contributions	44,773	\$ 1		