APARTMENT INVESTMENT & MANAGEMENT CO
Form DEFR14A
March 20, 2007

Table of Contents

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

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

Apartment Investment and Management Company

(Name of Registrant as Specified In Its Charter)

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

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x No fee required.

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(1) Title of each class of securities to which transaction applies:

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Table of Contents

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held On April 30, 2007

You are cordially invited to attend the 2007 Annual Meeting of Stockholders (the Meeting) of APARTMENT INVESTMENT AND MANAGEMENT COMPANY (Aimco or the Company) to be held on Monday, April 30, 2007, at 8:00 a.m. at the Four Seasons Hotel Boston, 200 Boylston Street, Boston, MA 02116, for the following purposes:

1. To elect eight directors, for a term of one year each, until the next Annual Meeting of Stockholders and until their successors are elected and qualify;

2. To ratify the selection of Ernst & Young LLP, to serve as independent registered public accounting firm for the Company for the fiscal year ending December 31, 2007;

3. To approve the Apartment Investment and Management Company 2007 Stock Award and Incentive Plan for purposes of Sections 162(m) and 422 of the Internal Revenue Code of 1986, as amended, and the New York Stock Exchange shareholder approval rules;

4. To approve the Apartment Investment and Management Company 2007 Employee Stock Purchase Plan for purposes of the New York Stock Exchange shareholder approval rules; and

5. To transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

Only stockholders of record at the close of business on March 2, 2007, will be entitled to notice of, and to vote at, the Meeting or any adjournment(s) thereof.

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

You may choose to vote your shares by using a toll-free telephone number or the Internet, as described on the proxy card. You may also mark, sign, date and mail your proxy in the envelope provided, and if you choose to vote your shares by telephone or the Internet, there is no need for you to mail your proxy card. Votes submitted via the Internet or by telephone must be received by 1:00 a.m. Central Time on April 30, 2007. The method by which you decide to vote will not limit your right to vote at the Meeting. If you later decide to attend the Meeting in person, you may vote your shares even if you previously have submitted a proxy by telephone, the Internet or by mail.

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

BY ORDER OF THE BOARD OF DIRECTORS

Miles Cortez
Secretary

March 16, 2007

Table of Contents

Table of Contents

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

PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON APRIL 30, 2007

This Proxy Statement is furnished to stockholders of Apartment Investment and Management Company (Aimco or the Company), a real estate investment trust (REIT), in connection with the solicitation of proxies in the form enclosed herewith for use at the Annual Meeting of Stockholders of the Company (the Meeting) to be held Monday, April 30, 2007, at 8:00 a.m. at the Four Seasons Hotel Boston, 200 Boylston Street, Boston, MA 02116, and at any and all adjournments or postponements thereof, for the purposes set forth in the Notice of Meeting. This Proxy Statement and the enclosed form of proxy are first being mailed to stockholders on or about April 5, 2007.

This solicitation is made by mail on behalf of the Board of Directors (the Board) of the Company. Costs of the solicitation will be borne by the Company. Further solicitation of proxies may be made by telephone, fax or personal interview by the directors, officers and employees of the Company and its affiliates, who will not receive additional compensation for the solicitation. The Company has retained the services of The Altman Group, Inc., for an estimated fee of $6,000, plus out-of-pocket expenses, to assist in the solicitation of proxies from brokerage houses, banks, and other custodians or nominees holding stock in their names for others. The Company will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy material to stockholders.

Holders of record of the Class A Common Stock of the Company (Common Stock) as of the close of business on the record date, March 2, 2007 (the Record Date), are entitled to receive notice of, and to vote at, the Meeting. Each share of Common Stock entitles the holder to one vote. At the close of business on the Record Date, there were 96,927,345 shares of Common Stock issued and outstanding.

Shares represented by proxies in the form enclosed, if the proxies are properly executed and returned and not revoked, will be voted as specified. Where no specification is made on a properly executed and returned proxy, the shares will be voted: **FOR** the election of all nominees for director; **FOR** the ratification of the selection of Ernst & Young LLP as Aimco s independent registered public accounting firm for the fiscal year ending December 31, 2007; **FOR** the approval of the 2007 Stock Award and Incentive Plan; and **FOR** the approval of the 2007 Employee Stock Purchase Plan. To be voted, proxies must be filed with the Secretary of the Company prior to voting. Proxies may be revoked at any time before voting by filing a notice of revocation with the Secretary of the Company, by filing a later dated proxy with the Secretary of the Company or by voting in person at the Meeting. Shares represented by proxies that reflect abstentions or broker non-votes (*i.e.*, shares held by a broker or nominee that are represented at the Meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

You are entitled to attend the annual meeting only if you were an Aimco stockholder or joint holder as of the record date or you hold a valid proxy for the annual meeting. If you are not a stockholder of record but hold shares through a broker or nominee (*i.e.*, in street name), you should provide proof of beneficial ownership as of the record date, such as your most recent account statement prior to March 2, 2007, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of ownership.

The Company s 2006 Annual Report to Stockholders is being mailed with this Proxy Statement. The principal executive offices of the Company are located at 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237.

Table of Contents

PROPOSAL 1:
ELECTION OF DIRECTORS

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

The nominees for election to the eight positions on the Board selected by the Nominating and Corporate Governance Committee of the Board and proposed by the Board to be voted upon at the Meeting are:

James N. Bailey
Terry Considine
Richard S. Ellwood
Thomas L. Keltner
J. Landis Martin
Robert A. Miller
Thomas L. Rhodes
Michael A. Stein

Messrs. Bailey, Considine, Ellwood, Martin, Rhodes and Stein were elected to the Board at the last Annual Meeting of Stockholders. Messrs. Bailey, Ellwood, Keltner, Martin, Miller, Rhodes and Stein are not employed by, or affiliated with, Aimco, other than by virtue of serving as directors (in the case of Messrs. Bailey, Ellwood, Martin, Rhodes and Stein) or nominees for director (in the case of Messrs. Keltner and Miller) of Aimco. Unless authority to vote for the election of directors has been specifically withheld, the persons named in the accompanying proxy intend to vote for the election of Messrs. Bailey, Considine, Ellwood, Keltner, Martin, Miller, Rhodes and Stein to hold office as directors for a term of one year until their successors are elected and qualify at the next Annual Meeting of Stockholders. All nominees have advised the Board that they are able and willing to serve as directors.

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

The vote of a plurality of all the votes cast at the Meeting at which a quorum is present is necessary of the election of a director. For purposes of the election of directors, abstentions or broker non-votes as to the election of directors will not be counted as votes cast and will have no effect on the result of the vote. Unless instructed to the contrary in the proxy, the shares represented by the proxies will be voted FOR the election of the eight nominees named above as directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE EIGHT NOMINEES.

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

The firm of Ernst & Young LLP, the Company s independent registered public accounting firm for the year ended December 31, 2006, was selected by the Audit Committee to act in the same capacity for the fiscal year ending December 31, 2007, subject to ratification by Aimco s stockholders. The aggregate fees billed for services rendered by Ernst & Young LLP during the years ended December 31, 2006 and 2005, are described below under the caption Principal Accountant Fees and Services.

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

Table of Contents

The affirmative vote of a majority of the votes cast regarding the proposal is required to ratify the selection of Ernst & Young LLP. Accordingly, abstentions or broker non-votes will not affect the outcome of the vote on the proposal. Unless instructed to the contrary in the proxy, the shares represented by the proxies will be voted FOR the proposal to ratify the selection of Ernst & Young LLP to serve as independent registered public accounting firm for the Company for the fiscal year ending December 31, 2007.

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

PROPOSAL 3:
APPROVAL OF THE APARTMENT INVESTMENT AND MANAGEMENT COMPANY 2007 STOCK AWARD AND INCENTIVE PLAN

In March 2007, the Board adopted, subject to approval of the stockholders, the 2007 Stock Award and Incentive Plan (the 2007 Plan), which provides for the reservation of 3,000,000 shares of Common Stock available for issuance thereunder. The 2007 Plan is intended to be a successor to the 1997 Stock Award and Incentive Plan (the 1997 Plan), which is due to expire on April 24, 2007. If the stockholders approve the 2007 Plan, no additional grants will be made under the 1997 Plan. As of the record date, the number of shares of Common Stock available for future grants under the 1997 Plan is 2,831,822 million shares. At the Annual Meeting the stockholders are being requested to approve the 2007 Plan.

Background On Stock Compensation At Aimco

Aimco believes that total compensation (base salary plus bonus) for officers, should be in the form of cash and equity (such as stock options or restricted stock).

When Aimco does grant equity, it does so on the basis of fair market value. For example, stock options have a strike price equal to the market value of the Common Stock on the date of grant, and Aimco calculates the number of options to be granted by dividing the dollars allocated to options by the Black-Scholes value of such options, as calculated by a third party and based on certain assumptions provided by Aimco. Aimco determines the number of shares of restricted stock to be granted by dividing the dollars allocated to restricted stock by the market value of the Common Stock on the date of grant.

Without equity-based compensation, Aimco would be at a disadvantage compared to other companies in providing a market-competitive total compensation package necessary to attract, retain and motivate the talented employees who are critical to the future success of the Company. Because equity-based compensation vests over time, it also encourages longer term decision making because employee stock awards must be held for extended periods of time, and it promotes stability for the Company by encouraging employees to stay at Aimco throughout the vesting period. This helps reduce the costs associated with employee turnover. Equity-based compensation helps align the interests of Aimco s officers with the interests of Aimco s stockholders by linking the value of equity-based compensation with the performance of the Company s Common Stock.

Recognizing that equity-based compensation is a valuable and limited resource, and understanding the risk of dilution to Aimco s stockholders, Aimco actively manages its use of equity-based compensation. In connection with the proposed 2007 Plan, over the next three years (through December 31, 2009), Aimco intends to maintain an average burn rate (options and shares granted divided by Common Stock and equivalents outstanding) not greater than the industry mean plus one standard deviation, which is 2.23% for 2007. The industry mean will be determined by reference to Aimco s Global Industry Classification Standard (GICS) group. The GICS was developed by Morgan Stanley Capital International and Standard & Poor s. If Aimco s burn rate exceeds this average, Aimco may consider alternatives, such as stock repurchases to reduce overall dilution, thereby creating a result for stockholders consistent with the effect of such burn rate commitment.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), generally provides that publicly held companies may not deduct compensation paid to certain top executive officers to the extent

Table of Contents

such compensation exceeds $1 million per officer in any year. However, pursuant to regulations issued by the Treasury Department, certain limited exceptions to Section 162(m) apply with respect to performance-based compensation. Options granted under the 2007 Plan are intended to constitute qualified performance-based compensation eligible for such exceptions.

The following paragraphs summarize the more significant features of the 2007 Plan. The summary is subject, in all respects, to the terms of the 2007 Plan, the full text of which is set forth in Exhibit A attached hereto.

Summary of the 2007 Plan

Purpose and Eligibility

The purpose of the 2007 Plan is to reinforce the long-term commitment to the Company s success of those directors, officers, employees, consultants and advisors of the Company and its subsidiaries who are or will be responsible for such success; to facilitate the ownership of the Company s stock by such individuals, thereby reinforcing the alignment of their interests with those of the Company s stockholders; and to assist the Company in attracting and retaining officers and other employees with experience and ability. The 2007 Plan provides for the granting of stock options, stock appreciation rights, and awards of restricted stock, deferred stock and performance shares (collectively referred to in this proxy statement as incentive awards).

All of our employees, officers, directors and consultants are eligible to receive incentive awards under the 2007 Plan if selected by the Compensation and Human Resources Committee (the Committee) of the Board.

Administration, Amendment and Termination

The Committee is responsible for administering the 2007 Plan. The Committee includes all independent directors, and all Committee members are both independent directors, as defined by Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and non-employee directors, for purposes of Section 162(m) of the Code. The Committee has the authority to interpret the 2007 Plan, determine the terms and conditions of incentive awards and make all other determinations necessary and/or advisable for the administration of the 2007 Plan. The Committee may, with the consent of a participant, amend the terms of any existing incentive award previously granted to the participant, in a manner consistent with the 2007 Plan. The Committee may also authorize loans to participants in connection with the grant of incentive awards, on terms and conditions determined solely by the Committee. However, in order to comply with the Sarbanes-Oxley Act of 2002, Aimco will not provide loans to executive officers.

The Board may amend, alter, suspend, discontinue, or terminate the 2007 Plan; provided that no such amendment, alteration, suspension, discontinuation or termination may be made without stockholder approval if such approval is necessary to comply with any tax, securities or regulatory law or requirement with which the Board intends the 2007 Plan to comply; provided, further, that the Board may not reduce the exercise price of outstanding options by amending the terms of such options without first obtaining approval from the Company s stockholders.

Unless earlier terminated by the Board, the 2007 Plan will expire on the tenth anniversary of the effective date.

Death; Termination of Employment; Restrictions on Transfer

The Committee will provide in the incentive award agreements whether and to what extent incentive awards will be exercisable upon termination of employment or service for any reason, including death or disability, of any participant in the 2007 Plan.

Incentive awards will not be transferable by a participant except by will or the laws of descent and distribution, pursuant to a qualified domestic relations order, as defined under the Code, or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder, and will be exercisable during the lifetime of a participant only by such participant or his guardian or legal representative, provided that the Committee may provide otherwise for the transferability of stock options under such terms

Table of Contents

and conditions as the Committee determines and sets forth in the award agreement. Incentive awards will not be transferable for value.

Stock Options

Stock options granted under the 2007 Plan may be incentive stock options intended to qualify under the provisions of Code Section 422 (ISOs) or nonqualified stock options (NSOs) which do not so qualify. Subject to the 2007 Plan, the Committee determines the number of shares to be covered by each option and the conditions and limitations applicable to the exercise of the option. The Committee determines the exercise price of Common Stock that is subject to an option on the date the option is granted. The exercise price may not be less than the fair market value of the Company s Common Stock on the date of grant. The term of options will be determined by the Committee, but may not exceed ten years from the date of grant, provided that the term of an ISO granted to a ten percent holder may not exceed five years from the date of grant.

Stock Appreciation Rights

Stock appreciation rights (SARs) may be granted under the 2007 Plan either alone or in conjunction with all or part of any incentive award under the 2007 Plan. Subject to the 2007 Plan, the Committee determines the number of shares to be covered by each SAR award, the grant price thereof and the conditions and limitations applicable to the exercise thereof. A SAR granted under the 2007 Plan entitles its holder to receive, at the time of exercise, an amount per share equal to the excess of the fair market value (at the date of exercise) of a share of Common Stock over a specified price fixed by the Committee (which price may not be less than the fair market value of the Company s Common Stock on the date of grant).

Restricted Stock, Deferred Stock, and Performance Shares

Subject to the 2007 Plan, the Committee determines the number of shares to be covered by awards of restricted stock, deferred stock or performance shares, the grant price thereof and the conditions and limitations applicable to the exercise thereof. Restricted stock granted under the 2007 Plan is nontransferable and subject to a substantial risk of forfeiture until specific conditions are met as set forth in the 2007 Plan and in any statement evidencing the grant. A grant of deferred stock creates a right to receive Common Stock at the end of a specified deferral period. Performance shares are shares of Common Stock subject to restrictions based upon the attainment of performance objectives.

Securities Subject to Plan

If approved by stockholders, the aggregate number of shares of Common Stock reserved for issuance under the 2007 Plan will be 3,000,000. The maximum number of shares available for the issuance of ISOs will be 3,000,000. The maximum number of shares available for the issuance of Restricted Stock, Deferred Stock and Performance Shares will be 1,500,000. Shares subject to the unexercised portion of any incentive award that expires, terminates or is canceled and shares issued pursuant to an incentive award that we reacquire will again become available for the grant of further incentive awards under the 2007 Plan. However, shares that are surrendered or withheld as payment of either the exercise price of an incentive award and/or withholding taxes in respect of such an award will not be returned to the 2007 Plan and the reserve will be reduced by the full number of shares exercised pursuant to the grant of SARs, regardless of the number of shares upon which payment is made. The 2007 Plan provides that the maximum number of shares with respect to which incentive awards may be granted to any individual in any given calendar year is 100% of the shares.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure affecting the Company s Common Stock, a substitution or adjustment will be made in (i) the kind and aggregate number of shares reserved for issuance under the 2007 Plan, (ii) the kind, number and option price of shares subject to outstanding stock options granted under the 2007 Plan, and (iii) the kind, number and purchase price of shares issuable pursuant to awards of restricted stock, deferred stock and performance shares, to maintain the same estimated fair value of the award before and after the equity restructuring. The form of such adjustment and estimate of fair value shall be determined by the Committee, in its sole discretion. Such other substitutions or adjustments will be made respecting awards hereunder as may be determined by the Committee, in its sole discretion. An adjusted option price will also be used to determine the amount payable by the Company in connection with SARs awarded under the 2007 Plan. In addition, the Committee may provide, in its discretion, for the cancellation of any outstanding incentive awards and payment in cash or other property in exchange therefor.

On March 2, 2007, the closing price of the Company s Common Stock on the New York Stock Exchange was $57.11 per share.

Federal Income Tax Consequences

The following discussion is for general information only and is based on the Federal income tax laws now in effect, which are subject to change, possibly retroactively. This summary does not discuss all aspects of Federal income taxation that may be important to individual participants. Moreover, this summary does not address specific state, local or foreign tax consequences. This summary assumes that Common Stock acquired under the 2007 Plan will be held as a capital asset (generally, property held for investment) under the Code.

Nonqualified Stock Options

A participant will generally not be subject to Federal income taxation upon the grant of an NSO. Rather, at the time of exercise of an NSO, the participant will recognize ordinary income for Federal income tax purposes in an amount equal to the excess of the fair market value of the shares purchased over the option price. The Company will generally be entitled to a tax deduction at such time and in the same amount that the participant recognizes ordinary income.

Incentive Stock Options

A participant is generally not subject to Federal income taxation upon the grant of an ISO or upon its timely exercise. Exercise of an ISO will be timely if made during its term and if the participant remains an employee of the Company or of any parent or subsidiary of the Company at all times during the period beginning on the date of grant of the ISO and ending on the date three months before the date of exercise (or one year before the date of exercise in the case of a disabled employee). Exercise of an ISO will also be timely if made by the legal representative of a participant who dies (i) while in the employ of the Company or of any parent or subsidiary of the Company or (ii) within three months after termination of employment (or one year in the case of a disabled employee). The tax consequences of an untimely exercise of an ISO will be determined in accordance with the rules applicable to NSOs. (See Certain Federal Income Tax Consequences Nonqualified Stock Options.)

If shares of Common Stock acquired pursuant to a timely exercised ISO are later disposed of, the participant will, except as noted below with respect to a disqualifying disposition, recognize a capital gain or loss equal to the difference between the amount realized upon such sale and the option price. Under these circumstances, the Company will not be entitled to any deduction for Federal income tax purposes in connection with either the exercise of the ISO or the sale of the Common Stock by the participant.

If, however, a participant disposes of shares of Common Stock acquired pursuant to the exercise of an ISO prior to the expiration of two years from the date of grant of the ISO or within one year from the date the Common Stock is transferred to him upon exercise (a disqualifying disposition), generally (i) the participant will realize ordinary income at the time of the disposition in an amount equal to the excess, if any, of the fair market value of the Common Stock at the time of exercise (or, if less, the amount realized on such disqualifying disposition) over the option exercise price, and (ii) any additional gain recognized by the participant will be subject to tax as capital gain. In such case, the Company may claim a deduction for Federal income tax purposes at the time of such disqualifying disposition for the amount taxable to the participant as ordinary income.

Table of Contents

The amount by which the fair market value of the Common Stock on the exercise date of an ISO exceeds the option price will be an item of adjustment for purposes of the alternative minimum tax imposed by Section 55 of the Code.

New Plan Benefits

It is not possible to determine at this time the future incentive awards that will be granted under the 2007 Plan if it is approved by stockholders, and no incentive awards made under the 2007 Plan prior to the date of the Annual Meeting have been made subject to such approval.

The affirmative vote of a majority of the votes cast regarding the proposal is required for approval of the 2007 Plan, provided that the total votes cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. For purposes of the vote on the 2007 Plan, abstentions will have the same effect as votes against the proposal and broker non-votes will have the same effect as votes against the proposal, unless holders of more than 50% in interest of all securities entitled to vote on the proposal cast votes, in which event broker non-votes will not have any effect on the result of the vote. Unless instructed to the contrary in the proxy, the shares represented by proxies will be voted FOR the proposal to approve the 2007 Plan.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE 2007 STOCK AWARD AND INCENTIVE PLAN.

PROPOSAL 4:
APPROVAL OF THE
APARTMENT INVESTMENT AND MANAGEMENT COMPANY
2007 EMPLOYEE STOCK PURCHASE PLAN

In March 2007, the Board adopted, subject to approval of the stockholders, the 2007 Employee Stock Purchase Plan (the 2007 ESPP), which provides for the reservation of 50,000 shares of Common Stock available for issuance thereunder. At the Annual Meeting the stockholders are being requested to approve the 2007 ESPP.

The following paragraphs summarize the more significant features of the 2007 ESPP. The summary is subject, in all respects, to the terms of the 2007 ESPP, the full text of which is set forth in Exhibit B attached hereto.

Summary of the 2007 ESPP

Purpose and Eligibility

The purpose of the 2007 ESPP is to provide eligible employees the opportunity to purchase common stock of the Company through accumulated payroll deductions. It is the intention of the Company that the Plan will not qualify as an employee stock purchase plan within the meaning of Section 423 of the Code (defined below).

All of the Company s employees who are at least 18 years of age and have been employed by the Company for at least 30 days prior to enrollment are eligible to participate in the 2007 ESPP, other than (i) any member of the Board or any officer of the Company who is subject to Section 16 of the Securities Exchange Act of 1934, as amended and (ii) individuals who are covered by any collective bargaining agreement.

Administration

The Committee is responsible for administering the 2007 ESPP. The Committee will have the authority to interpret the 2007 ESPP and the terms of the purchase rights granted under the 2007 ESPP, to adopt such

Table of Contents

rules for the administration, interpretation, and application of the 2007 ESPP as are consistent with the 2007 ESPP, and to interpret, amend or revoke any such rules.

Duration, Amendment and Termination

The Board may alter, amend, suspend or terminate the 2007 ESPP at any time.

Unless earlier terminated by the Board, the 2007 ESPP will expire on the tenth anniversary of the effective date.

Offering Periods

The 2007 ESPP is implemented by a series of consecutive three-month offering periods that generally begin on or after January 1 (beginning in the year 2008), April 1 (beginning in the year 2008), July 1 (beginning in the year 2007) and October 1 (beginning in the year 2007) of each year, or at such other time or times as may be determined by the Committee.

Participation in the 2007 ESPP

The 2007 ESPP permits an eligible employee to contribute up to 15% of the employee s compensation through automatic payroll deductions. The maximum number of shares an employee may purchase during each fiscal year is 2,000 shares.

Purchase Price; Payment of Purchase Price

The price of the Common Stock offered under the 2007 ESPP is an amount equal to 95% of the fair market value of the Common Stock at the end of each offering period. The purchase price of the shares is accumulated by payroll deductions over the offering period.

Withdrawal; Termination of Employment

Employees may end their participation in the 2007 ESPP at any time during an offering period. In that event, any amounts withheld through payroll deductions and not otherwise used to purchase shares will be returned to them. Participation ends automatically upon termination of employment with the Company.

Change in Control

In the event of a sale of substantially all of the assets of the Company or a merger, consolidation or other capital reorganization of the Company, outstanding purchase rights under the 2007 Plan will be assumed or an equivalent purchase right will be substituted by the successor corporation. In the event that the successor corporation refuses to assume or substitute for outstanding purchase rights, the offering period then in progress shall be shortened and a new purchase date will be set, as of which date any offering period then in progress will terminate.

Securities Subject to Plan

An aggregate of 50,000 shares of Common Stock has been reserved for issuance under the 2007 ESPP.

In the event of increase, reduction, change or exchange of shares for a different number of shares or the distribution of an extraordinary dividend, the Committee will conclusively determine the appropriate equitable adjustments, if any, to be made under the 2007 ESPP, including, without limitation, adjustments to the number of shares which have been authorized for issuance under the 2007 ESPP, as well as the purchase price of each purchase right under the 2007 Plan which has not yet been exercised.

On March 2, 2007, the closing price of the Company s common stock on the New York Stock Exchange was $57.11 per share.

Table of Contents

Federal Income Tax Consequences

The following discussion is for general information only and is based on the Federal income tax laws now in effect, which are subject to change, possibly retroactively. This summary does not discuss all aspects of Federal income taxation that may be important to individual participants. Moreover, this summary does not address specific state, local or foreign tax consequences. This summary assumes that Common Stock acquired under the 2007 ESPP will be held as a capital asset (generally, property held for investment) under the Code.

A participant will generally not be subject to Federal income taxation upon the grant of a stock purchase right under the 2007 ESPP. Rather, at the time of purchase, the participant will recognize ordinary income for Federal income tax purposes in an amount equal to the excess of the fair market value of the shares purchased over the purchase price. The Company will generally be entitled to a tax deduction at such time and in the same amount that the participant recognizes ordinary income.

New Plan Benefits

It is not possible to determine at this time the future purchase rights that will be granted under the 2007 ESPP if it is approved by stockholders, and no purchase rights made under the 2007 ESPP prior to the date of the Annual Meeting have been made subject to such approval.

The affirmative vote of a majority of the votes cast regarding the proposal is required for approval of the 2007 ESPP, provided that the total votes cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. For purposes of the vote on the 2007 ESPP, abstentions will have the same effect as votes against the proposal and broker non-votes will have the same effect as votes against the proposal, unless holders of more than 50% in interest of all securities entitled to vote on the proposal cast votes, in which event broker non-votes will not have any effect on the result of the vote. Unless instructed to the contrary in the proxy, the shares represented by proxies will be voted FOR the proposal to approve the 2007 ESPP.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE 2007 EMPLOYEE STOCK PURCHASE PLAN.

Table of Contents

BOARD OF DIRECTORS AND OFFICERS

The executive officers of the Company and the nominees for election as directors of the Company, their ages, dates they were first elected an executive officer or director, and their positions with the Company or on the Board are set forth below.

Name	Age	First Elected	Position
Terry Considine	59	July 1994	Chairman of the Board, Chief Executive Officer and President
Jeffrey W. Adler	44	February 2004	Executive Vice President Conventional Property Operations
Harry G. Alcock	44	October 1999	Executive Vice President
Timothy J. Beaudin	48	October 2005	Executive Vice President and Chief Development Officer
Miles Cortez	63	August 2001	Executive Vice President, General Counsel and Secretary
Patti K. Fielding	43	February 2003	Executive Vice President Securities and Debt; Treasurer
Scott W. Fordham	39	January 2007	Senior Vice President and Chief Accounting Officer
Lance J. Graber	45	October 1999	Executive Vice President
Thomas M. Herzog	44	January 2004	Executive Vice President and Chief Financial Officer
James G. Purvis	54	February 2003	Executive Vice President Human Resources
David Robertson	41	February 2002	Executive Vice President; President and Chief Executive Officer Aimco Capital
Robert Y. Walker, IV	41	August 2005	Executive Vice President and Conventional Property Operations Chief Financial Officer
James N. Bailey	60	June 2000	Director, Chairman of the Nominating and Corporate Governance Committee
Richard S. Ellwood	75	July 1994	Director
Thomas L. Keltner	60		Director Nominee
J. Landis Martin	61	July 1994	Director, Chairman of the Compensation and Human Resources Committee, Lead Independent Director
Robert A. Miller	61		Director Nominee
Thomas L. Rhodes	67	July 1994	Director
Michael A. Stein	57	October 2004	Director, Chairman of the Audit Committee

The following is a biographical summary for at least the past five years of the current directors and executive officers of the Company.

Terry Considine. Mr. Considine has been Chairman of the Board and Chief Executive Officer since July 1994. Mr. Considine also serves as Chairman and Chief Executive Officer of American Land Lease, Inc., another publicly held real estate investment trust. Mr. Considine devotes substantially all of his time to his responsibilities at Aimco.

Jeffrey W. Adler. Mr. Adler was appointed Executive Vice President Conventional Property Operations in February 2004. Previously he served as Senior Vice President of Risk Management of Aimco from January 2002 until November 2002, when he added the responsibility of Senior Vice President, Marketing.

Harry G. Alcock. Mr. Alcock was appointed Executive Vice President in October 1999. Mr. Alcock has had responsibility for acquisition and financing activities of the Company since July 1994, serving as a Vice President from July 1996 to October 1997 and as a Senior Vice President from October 1997 to October 1999.

Table of Contents

Timothy J. Beaudin. Mr. Beaudin was appointed Executive Vice President and Chief Development Officer in October 2005. Prior to joining Aimco and beginning in 1995, Mr. Beaudin was with Catellus Development Corporation, a San Francisco, California-based real estate investment trust. During his last five years at Catellus, Mr. Beaudin served as executive vice president, with management responsibility for development, construction and asset management.

Miles Cortez. Mr. Cortez was appointed Executive Vice President, General Counsel and Secretary in August 2001. Prior to joining the Company, Mr. Cortez was the senior partner of Cortez Macaulay Bernhardt & Schuetze LLC, a Denver 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.

Patti K. Fielding. Ms. Fielding was appointed Executive Vice President   Securities and Debt in February 2003 and Treasurer in January 2005. She 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. Ms. Fielding joined the Company as a Vice President in February 1997.

Scott W. Fordham. Mr. Fordham was appointed Senior Vice President and Chief Accounting Officer in January 2007. From January 2006 through December 2006, Mr. Fordham served as vice president and chief accounting officer of Brandywine Realty Trust, a real estate investment trust. Prior to the merger of Prentiss Properties Trust with Brandywine Realty Trust, Mr. Fordham served as senior vice president and chief accounting officer of Prentiss Properties Trust and was in charge of the corporate accounting and financial reporting groups. Prior to joining Prentiss Properties Trust in 1992, Mr. Fordham worked in public accounting with PricewaterhouseCoopers LLP. Mr. Fordham is a certified public accountant.

Lance J. Graber. Mr. Graber was appointed Executive Vice President in October 1999. He focuses on transactions related to Aimco s portfolio of properties in the eastern portion of the United States.

Thomas M. Herzog. Mr. Herzog was appointed Executive Vice President in July 2005 and Chief Financial Officer in November 2005. In January 2004, Mr. Herzog joined Aimco as Senior Vice President and Chief Accounting Officer. Prior to joining Aimco, Mr. Herzog was at GE Real Estate, serving as Chief Accounting Officer & Global Controller from June 2002 to January 2004 and as Chief Technical Advisor from March 2000 to June 2002. Prior to joining GE Real Estate, Mr. Herzog was at Deloitte & Touche LLP from 1990 until 2000.

James G. Purvis. Mr. Purvis was appointed Executive Vice President   Human Resources in February 2003. Prior to joining Aimco, from October 2000 to February 2003, Mr. Purvis served as the Vice President of Human Resources at SomaLogic, Inc. a privately held biotechnology company in Boulder, Colorado.

David Robertson. Mr. Robertson has been Executive Vice President since February 2002 and President and Chief Executive Officer of Aimco Capital since October 2002. Since February 1996, Mr. Robertson has been Chairman of Robeks Corporation, a privately held chain of specialty food stores.

Robert Y. Walker, IV. Mr. Walker was appointed Senior Vice President in August 2005 and became Chief Accounting Officer in November 2005. He was promoted to Executive Vice President in July 2006 and in January 2007 became the chief financial officer of Conventional Property Operations. From June 2002 until he joined Aimco, Mr. Walker served as senior vice president and chief financial officer at Miller Global Properties, LLC, a Denver-based private equity, real estate fund manager. From May 1997 to June 2002, Mr. Walker was employed by GE Real Estate, serving as Global Controller from May 2000 to June 2002.

James N. Bailey. Mr. Bailey was first elected as a Director of the Company 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 director of The Plymouth Rock Company, SRB Corporation, Inc., Direct Response Corporation and Homeowners Direct Company, all four of which are insurance companies and insurance company affiliates. In addition, he is a director of Getty Images, Inc., a publicly held company. He also serves as an Overseer for the

Table of Contents

New England Aquarium. Mr. Bailey is a member of the Massachusetts Bar and the American Bar Associations.

Richard S. Ellwood. Mr. Ellwood was first elected as a Director of the Company 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 until December 31, 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 currently serves as a director of Felcor Lodging Trust, Incorporated, a publicly held company. He also serves as a trustee of the Diocesan Investment Trust of the Episcopal Diocese of New Jersey and is chairman of the diocesan audit committee.

Thomas L. Keltner. Mr. Keltner is nominated to the Board of Directors. If elected to the Board of Directors, Mr. Keltner will serve on the Audit, Compensation and Human Resources, and Nominating and Corporate Governance Committees. In March 2007, Mr. Keltner became the Executive Vice President and Chief Executive Officer Americas and Global Brands for Hilton Hotels Corporation. Mr. Keltner joined Hilton Hotels Corporation in 1999 and has 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.

J. Landis Martin. Mr. Martin was first elected as a Director of the Company in July 1994 and is currently Chairman of the Compensation and Human Resources Committee. Mr. Martin is a also member of the Audit and Nominating and Corporate Governance Committees and serves as the Lead Independent Director of Aimco s Board. 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 Halliburton Company, a publicly held provider of products and services to the energy industry and Crown Castle International Corporation, a publicly held wireless communications company.

Robert A. Miller. Mr. Miller is nominated to the Board of Directors. If elected to the Board of Directors, Mr. Miller will serve on 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 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 of the American Resort Development Association (ARDA) and currently serves as Chairman of the ARDA International Foundation.

Thomas L. Rhodes. Mr. Rhodes was first elected as a Director of the Company in July 1994 and is currently a member of the Audit, Compensation and Human Resources, and Nominating and Corporate Governance Committees. Mr. Rhodes is Chairman of National Review magazine where he served as President since November 1992 and as a Director since 1988. From 1976 to 1992, he held various positions at

Goldman, Sachs & Co., was elected a General Partner in 1986 and served as a General Partner from 1987 until November 1992. Mr. Rhodes is Chairman of the Board of Directors of The Lynde and Harry Bradley Foundation and Vice Chairman of American Land Lease, Inc., a publicly held real estate investment trust.

Michael A. Stein. Mr. Stein was first elected as a Director of the Company 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. 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. He joined ICOS in January 2001. 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. Prior to joining Marriott, Mr. Stein spent 18 years at Arthur Andersen LLP, where he was a partner and served as the head of the Commercial Group within the Washington, D.C. office. Mr. Stein serves on the Board of Directors of Getty Images, Inc., a publicly held company, and the Board of Trustees of the Fred Hutchinson Cancer Research Center.

CORPORATE GOVERNANCE MATTERS

Independence of Directors

The Board has determined that to be considered independent, an outside director may not have a direct or indirect material relationship with Aimco or its subsidiaries (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). A material relationship is one that impairs or inhibits or has the potential to impair or inhibit a director s exercise of critical and disinterested judgment on behalf of Aimco and its stockholders. In determining whether a material relationship exists, the Board considers all relevant facts and circumstances, for example, whether the director or a family member is a current or former employee of the Company, family member relationships, compensation, business relationships and payments, and charitable contributions between Aimco and an entity with which a director is affiliated (as an executive officer, partner or substantial stockholder). In 2006, in addition to the factors mentioned, the Board evaluated potential investment relationships between a Considine family partnership and entities in which each of Messrs. Martin and Bailey have control and/or financial interests. The Board consults with the Company s counsel to ensure that such determinations are consistent with all relevant securities and other laws and regulations regarding the definition of independent director, including but not limited to those categorical standards set forth in Section 303A.02 of the listing standards of the New York Stock Exchange as in effect from time to time.

Consistent with these considerations, the Board affirmatively has determined that of the incumbent directors Messrs. Bailey, Ellwood, Martin, Rhodes and Stein are independent directors (collectively the Independent Directors) and that director nominees Messrs. Keltner and Miller are also independent (the Independent Director Nominees).

Meetings and Committees

The Board held five meetings during the year ended December 31, 2006. During 2006, no director attended fewer than 75% of the total number of meetings of the Board and any committees of the Board upon which he served. The Board has established standing audit, compensation and human resources, and nominating and corporate governance committees.

The Corporate Governance Guidelines, as described below, provide that the Company generally expects that the Chairman of the Board will attend all annual and special meetings of the stockholders. Other members of the Board are not required to attend such meetings. The Chairman of the Board attended the Company s 2006 annual meeting of stockholders, and the Company anticipates that a majority of the members of the Board will attend the 2007 annual meeting of stockholders.

Table of Contents

Audit Committee.

The Audit Committee currently consists of the five Independent Directors, and the Audit Committee Chairman is Mr. Stein. If elected to the Board of Directors, the Independent Director Nominees will also serve on the Audit Committee. The Audit Committee makes determinations concerning the engagement of the independent registered public accounting firm, reviews with the independent registered public accounting firm the plans and results of the audit engagement (including the audit of the Company s financial statements and the Company s assessment of internal control over financial reporting), reviews the independence of the independent registered public accounting firm and considers the range of audit and non-audit fees. The Audit Committee also provides oversight for the Company s financial reporting process, internal control over financial reporting and the Company s internal audit function.

Aimco s Board has determined that the Company has at least one audit committee financial expert serving on the Audit Committee, and has designated Mr. Stein as an audit committee financial expert. Each member of the Audit Committee is independent, as that term is defined by Section 303A of the listing standards of the New York Stock Exchange relating to audit committees.

The Audit Committee held seven meetings during the year ended December 31, 2006. The Audit Committee has a written charter that was adopted effective November 6, 2003, which charter is posted on Aimco s website (www.aimco.com) and is also available in print to stockholders, upon written request to Aimco s Corporate Secretary. As set forth in the Audit Committee s charter, no director may serve as a member of the Audit Committee if such director serves on the audit committee of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Audit Committee. No member of the Audit Committee serves on the audit committee of more than two other public companies.

Compensation and Human Resources Committee.

The Compensation and Human Resources Committee currently consists of the five Independent Directors, and the Compensation and Human Resources Committee Chairman is Mr. Martin. If elected to the Board of Directors, the Independent Director Nominees will also serve on the Compensation and Human Resources Committee. The Compensation and Human Resources Committee s purposes are to: oversee the Company s compensation and employee benefit plans and practices, including its executive compensation plans and its incentive-compensation and equity-based plans; to review and discuss with management the Compensation Discussion and Analysis; and to direct the preparation of, and approve, a report on executive compensation to be included in the Company s proxy statement for its annual meeting of stockholders or Annual Report on Form 10-K filed with the Securities and Exchange Commission. The Compensation and Human Resources Committee held five meetings during the year ended December 31, 2006. The Compensation and Human Resources Committee has a written charter that was adopted effective January 29, 2004, and last updated on January 30, 2007, which charter is posted on Aimco s website (www.aimco.com) and is also available in print to stockholders, upon written request to Aimco s Corporate Secretary.

Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee currently consists of the five Independent Directors, and the Nominating and Corporate Governance Committee Chairman is Mr. Bailey. If elected to the Board of Directors, the Independent Director Nominees will also serve on the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee s purposes are to: identify and recommend to the Board individuals qualified to serve on the board; advise the Board with respect to Board composition, procedures and committees; develop and recommend to the Board a set of corporate governance principles applicable to Aimco and its management; and oversee evaluation of the Board and management (in conjunction with the Compensation and Human Resources Committee). The Nominating and Corporate Governance Committee held five meetings during the year ended December 31, 2006. The Nominating and Corporate Governance Committee has a written charter that was adopted effective March 8, 2004, which charter is posted on Aimco s website (www.aimco.com) and is also available in print to stockholders, upon written request to Aimco s Corporate Secretary.

Table of Contents

The Nominating and Corporate Governance Committee selects nominees for director on the basis of, among other things, experience, knowledge, skills, expertise, integrity, ability to make independent analytical inquiries, understanding of Aimco s business environment and willingness to devote adequate time and effort to Board responsibilities. The Nominating and Corporate Governance Committee assesses the appropriate balance of criteria required of directors and makes recommendations to the Board. When formulating its Board membership recommendations, the Nominating and Corporate Governance Committee also considers advice and recommendations from others as it deems appropriate. The Nominating and Corporate Governance Committee will consider as nominees to the Board for election at next year s annual meeting of stockholders, persons who are recommended by stockholders in writing, marked to the attention of Aimco s Corporate Secretary, no later than July 1, 2007.

The Board is responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. Based on recommendations from the Nominating and Corporate Governance Committee, the Board determined to nominate Messrs. Keltner and Miller along with the six members of the Board standing for re-election. In identifying potential candidates for the Board, Aimco engaged a third-party search firm to assist in identifying potential nominees for evaluation and consideration by the Nominating and Corporate Governance Committee and the Board.

Separate Sessions of Non-Management Directors.

Aimco s Corporate Governance Guidelines (described below) provide that the non-management directors shall meet in executive session without management on a regularly scheduled basis, but no less than four times per year. The non-management directors, which group is made up of the five Independent Directors, met in executive session without management four times during the year ended December 31, 2006. Mr. Martin was the Lead Independent Director who presided at such executive session in 2006, and he has been designated as the Lead Independent Director who will preside at such executive sessions in 2007.

Director Compensation

For the year ended December 31, 2006, Aimco paid the directors serving on the Board as follows:

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
James N. Bailey(3)	21,000	128,880					149,880
Terry Considine(4)							
Richard S. Ellwood(5)	21,000	128,880					149,880
J. Landis Martin(6)	21,000	128,880					149,880
Thomas L. Rhodes(7)	19,000	128,880					147,880
Michael A. Stein(8)	21,000	128,880					149,880

(1) The Independent Directors each receive a cash fee of $1,000 for attendance at each meeting of the Board, and a cash fee of $1,000 for attendance at each meeting of any Board committee. Joint meetings are typically considered as a single meeting for purposes of director compensation.

(2) For 2006, the Independent Directors were each awarded 3,000 shares of fully vested Common Stock, which award was made on February 13, 2006. The dollar value shown above represents the grant date fair value and is calculated based on the closing price of Aimco s Common Stock on the New York Stock Exchange on February 13, 2006, of $42.96.

(3) Mr. Bailey holds options to acquire an aggregate of 23,000 shares, all of which are fully vested and exercisable.

(4) Mr. Considine, who is not an Independent Director, does not receive any additional compensation for serving on the Board.

(5) Mr. Ellwood holds options to acquire an aggregate of 29,000 shares, all of which are fully vested and exercisable.

(6) Mr. Martin holds options to acquire an aggregate of 29,000 shares, all of which are fully vested and exercisable.

(7) Mr. Rhodes holds options to acquire an aggregate of 29,000 shares, all of which are fully vested and exercisable.

(8) Mr. Stein holds an option to acquire 3,000 shares, which is fully vested and exercisable.

Compensation for Independent Directors in 2007 is an annual fee of 4,000 shares of fully vested Common Stock each, which shares were awarded February 5, 2007, a fee of $1,000 for attendance at each meeting of the Board, and a fee of $1,000 for attendance at each meeting of any Board committee. After having reduced the number of shares granted in 2006 to reflect the Company s performance in 2005, the Board determined for 2007 to restore the award to 4,000 shares based in part on the Company s performance in 2006.

Code of Ethics

Effective November 6, 2003, the Board adopted a code of ethics entitled Code of Business Conduct and Ethics that applies to the members of the Board, all of Aimco s executive officers and all employees of Aimco or its subsidiaries, including Aimco s principal executive officer, principal financial officer and principal accounting officer. The Code of Business Conduct and Ethics is posted on Aimco s website (www.aimco.com) and is also available in print to stockholders, upon written request to Aimco s Corporate Secretary. If, in the future, Aimco amends, modifies or waives a provision in the Code of Business Conduct and Ethics, rather than filing a Current Report on Form 8-K, Aimco intends to satisfy any applicable disclosure requirement under Item 5.05 of Form 8-K by posting such information on Aimco s website (www.aimco.com), as necessary.

Corporate Governance Guidelines

Effective March 8, 2004, the Board adopted and approved Corporate Governance Guidelines, which were last reviewed and amended in August 2006. These guidelines are available on Aimco s website (www.aimco.com) and are also available in print to stockholders, upon written request to Aimco s Corporate Secretary. In general, the Corporate Governance Guidelines address director qualification standards, director responsibilities, the lead independent director, director access to management and independent advisors, director compensation, director orientation and continuing education, management succession, and an annual performance evaluation of the Board.

Communicating with the Board of Directors

Any interested parties desiring to communicate with Aimco s Board, the Lead Independent Director, any of the Independent Directors, Aimco s Chairman of the Board, any committee chairman, or any committee member may directly contact such persons by directing such communications in care of Aimco s Corporate Secretary. All communications received as set forth in the preceding sentence will be opened by the office of Aimco s General Counsel for the sole purpose of determining whether the contents represent a message to Aimco s directors. Any contents that are not in the nature of advertising, promotions of a product or service, or patently offensive material will be forwarded promptly to the addressee. In the case of communications to the Board or any group or committee of directors, the General Counsel s office will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope or e-mail is addressed.

To contact Aimco s Corporate Secretary, correspondence should be addressed as follows:

Corporate Secretary
Office of the General Counsel
Apartment Investment and Management Company
4582 South Ulster Street Parkway, Suite 1100
Denver, Colorado 80237

Table of Contents

AUDIT COMMITTEE REPORT TO STOCKHOLDERS

The Audit Committee oversees Aimco s financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process, including internal control over financial reporting and disclosure controls and procedures. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Annual Report on Form 10-K with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. A written charter approved by the Audit Committee and ratified by the Board governs the Audit Committee.

The Audit Committee reviewed with the independent registered public accounting firm, which is responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States, their judgments as to the quality, not just the acceptability, of the Company s accounting principles. The Audit Committee also has discussed with the independent registered public accounting firm the matters required to be discussed by the statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. In addition, the Audit Committee has received from the independent registered public accounting firm the written disclosures and letter required by Independence Standards Board Standard No. 1 as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with the independent registered public accounting firm their independence from the Company and its management, and has considered whether the independent registered public accounting firm s provision of non-audit services to the Company is compatible with maintaining such firm s independence.

The Audit Committee discussed with the Company s independent registered public accounting firm the overall scope and plans for their audit. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examination, their evaluation of the Company s internal control over financial reporting, and the overall quality of the Company s financial reporting. The Audit Committee held seven meetings during fiscal year 2006.

None of the Audit Committee members have a relationship with the Company that might interfere with exercise of his independence from the Company and its management.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements and audited assessment of internal control over financial reporting be included in the Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the Securities and Exchange Commission. The Audit Committee has also determined that provision by Ernst & Young LLP of other non-audit services is compatible with maintaining Ernst & Young LLP s independence. The Audit Committee and the Board have also recommended, subject to stockholder ratification, the selection of Ernst & Young LLP as the Company s independent registered public accounting firm for the year ending December 31, 2007.

Date: March 16, 2007

MICHAEL A. STEIN (CHAIRMAN)
JAMES N. BAILEY
RICHARD S. ELLWOOD
J. LANDIS MARTIN
THOMAS L. RHODES

The above report will not be deemed to be incorporated by reference into any filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates the same by reference.

Table of Contents

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Principal Accountant Fees

The aggregate fees billed for services rendered by Ernst & Young LLP during the years ended December 31, 2006 and 2005 were approximately $11.39 million and $10.48 million, respectively, and are described below.

Audit Fees

Fees for audit services totaled approximately $7.06 million in 2006 and approximately $6.97 million in 2005. These amounts include fees associated with the annual audit of the financial statements of Aimco, its internal control over financial reporting (which includes procedures related to the implementation of the internal control provisions set forth in Section 404 of the Sarbanes-Oxley Act of 2002), and the financial statements of certain of its consolidated subsidiaries and unconsolidated investees. Fees for audit services also include fees for the reviews of interim financial statements in Aimco s Quarterly Reports on Form 10-Q, registration statements filed with the Securities and Exchange Commission (SEC), other SEC filings, equity or debt offerings, comfort letters and consents.

Audit-Related Fees

Fees for audit-related services totaled approximately $0.72 million in 2006 and approximately $0.84 million in 2005. Audit-related services principally include various audit and attest work not required by statute or regulation, benefit plan audits, and accounting consultations.

Tax Fees

Fees billed for tax services, including tax compliance services for approximately 400 subsidiaries or affiliates of the Company, and tax planning totaled approximately $3.61 million in 2006 and approximately $2.68 million in 2005. The difference between the two amounts is substantially due to the timing of services rendered and related billing.

All Other Fees

Fees for all other services not included above were zero in 2006 and in 2005. There were no fees billed or incurred in 2006 and 2005 related to financial information systems design and implementation.

Included in the fees above are audit and tax compliance fees of $6.8 million and $6.6 million for 2006 and 2005, respectively, for services provided to consolidated and unconsolidated partnerships for which an Aimco subsidiary is the general partner. Audit services were provided to approximately 210 such partnerships and tax compliance services were provided to approximately 395 such partnerships during 2006.

Audit Committee Pre-Approval Policies

In 2003, the Audit Committee adopted the Audit and Non-Audit Services Pre-Approval Policy (the Pre-approval Policy), which the Audit Committee reviewed and again approved, with minor modifications, in October 2006. The Pre-approval Policy describes the Audit, Audit-related, Tax and Other Permitted services that have the general pre-approval of the Audit Committee, typically subject to a dollar limit of $50,000. The term of any general pre-approval is generally 12 months from the date of pre-approval, unless the Audit Committee considers a different period and states otherwise. At least annually, the Audit Committee will review and pre-approve the services that may be provided by the independent registered public accounting firm without obtaining specific pre-approval from the Audit Committee. In accordance with this review, the Audit Committee may add to or subtract from the list of general pre-approved services or modify the permissible dollar limit associated with pre-approvals. As set forth in the Pre-approval Policy, unless a type of service has received general pre-approval and is anticipated to be within the dollar limit associated with the general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the

Table of Contents

independent registered public accounting firm. For both types of pre-approval, the Audit Committee will consider whether such services are consistent with the rules on independent registered public accounting firm independence. The Audit Committee will also consider whether the independent registered public accounting firm is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with Aimco s business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance Aimco s ability to manage or control risk or improve audit quality. All such factors will be considered as a whole, and no one factor will necessarily be determinative. All of the services described above were approved pursuant to the annual engagement letter or in accordance with the Pre-approval Policy; none were approved pursuant to Rule 2-01(c)(7)(i)(C) of SEC Regulation S-X.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information available to the Company, as of March 2, 2007, with respect to Aimco s equity securities beneficially owned by (i) each director and director nominee, the chief executive officer, the chief financial officer and the three other most highly compensated executive officers who were serving as of March 2, 2007, and (ii) all directors and executive officers as a group. The table also sets forth certain information available to the Company, as of March 2, 2007, with respect to shares of Common Stock held by each person known to the Company to be the beneficial owner of more than 5% of such shares. This table reflects options that are exercisable within 60 days. Unless otherwise indicated, each person has sole voting and investment power with respect to the securities beneficially owned by that person. The business address of each of the following directors and executive officers is 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237, unless otherwise specified.

Name and Address of Beneficial Owner	Number of shares of Common Stock(1)	Percentage of Common Stock Outstanding(2)	Number of Partnership Units(3)	Percentage Ownership of the Company(4)
Directors & Executive Officers:				
Terry Considine	7,523,201(5)	7.36%	2,439,557(6)	8.90%
Thomas M. Herzog	72,409(7)	*		*
David Robertson	605,494(8)	*		*
Timothy J. Beaudin	90,681(9)	*		*
Lance J. Graber	375,969(10)	*		*
James N. Bailey	44,000(11)	*		*
Richard S. Ellwood	65,475(12)	*		*
Thomas L. Keltner		*		*
J. Landis Martin	76,500(13)	*	34,646(14)	*
Robert A. Miller		*		*
Thomas L. Rhodes	89,400(15)	*	34,365(16)	*
Michael A. Stein	16,000(17)	*		*
All directors, director nominees and executive officers as a group (19 persons)	9,727,658(18)	9.40%	2,561,019(19)	10.86%
5% or Greater Holders:				
Cohen & Steers, Inc. 280 Park Avenue New York, New York 10017	8,357,887(20)	8.62%		7.84%
The Vanguard Group	7,103,624(21)	7.33%		6.66%

100 Vanguard Blvd. Malvern, Pennsylvania 19355			
Deutsche Bank AG Taunusanlage 12, D-60325 Frankfurt am Main Federal Republic of Germany	6,807,866(22)	7.02%	6.38%

* Less than 1.0%

(1) Excludes shares of Common Stock issuable upon redemption of OP Units or Class I Units.

(2) Represents the number of shares of Common Stock beneficially owned by each person divided by the total number of shares of Common Stock outstanding. Any shares of Common Stock that may be acquired by a person within 60 days upon the exercise of options, warrants, rights or conversion privileges are deemed to be beneficially owned by that person and are deemed outstanding for the purpose of computing the percentage of outstanding shares of Common Stock owned by that person, but not any other person.

(3) Through wholly owned subsidiaries, Aimco acts as general partner of, and, as of March 2, 2007, holds approximately 90% of the interests in AIMCO Properties, L.P., the operating partnership in Aimco s structure. Interests in the AIMCO Properties, L.P. that are held by limited partners other than Aimco are referred to as OP Units. OP Units include common OP Units, partnership preferred units, and high performance partnership units. Generally after a holding period of twelve months, OP Units may be tendered for redemption and, upon tender, may be acquired by Aimco for shares of Common Stock at an exchange ratio of one share of Common Stock for each OP Unit (subject to adjustment). If Aimco acquired all OP Units for Common Stock (without regard to the ownership limit set forth in Aimco s Charter) these shares of Common Stock would constitute approximately 10% of the then outstanding shares of Common Stock. OP Units are subject to certain restrictions on transfer. Class I High Performance Units (Class I Units) are generally not redeemable for, or convertible into, Common Stock; however, in the event of a change of control of the Company, holders of the Class I Units will have redemption rights similar to those of holders of OP Units.

(4) Represents the number of shares of Common Stock beneficially owned, divided by the total number of shares of Common Stock outstanding, assuming, in both cases, that all 7,365,616 OP Units and 2,379,084 Class I Units outstanding as of March 2, 2007, are redeemed in exchange for shares of Common Stock (notwithstanding any holding period requirements, Aimco s ownership limit and, in the case of Class I Units, the absence of a change of control). See Note (3) above. Excludes Partnership Preferred Units issued by the Operating Partnership and Aimco preferred securities.

(5) Includes: 236,656 shares held directly by Mr. Considine, 114,681 shares held by an entity in which Mr. Considine has sole voting and investment power, 1,195,500 shares held by Titahotwo Limited Partnership RLLLP (Titahotwo), a registered limited liability limited partnership for which Mr. Considine serves as the general partner and holds a 0.5% ownership interest; and 945,570 shares subject to options that are exercisable within 60 days. Also includes the following shares of which Mr. Considine disclaims beneficial ownership: 500,000 shares held by Titaho Limited Partnership RLLLP (Titaho), a registered limited liability limited partnership for which Mr. Considine s brother is the trustee for the sole general partner, 4,339,388 shares subject to options that are exercisable within 60 days held by Titaho; 74,743 shares held by Mr. Considine s spouse; 116,363 shares held by a non-profit foundation in which Mr. Considine has shared voting and investment power; and 300 shares held by trusts for which Mr. Considine is the trustee. Mr. Considine, Titaho, Titahotwo, and an entity in which Mr. Considine has sole voting and investment power have pledged 1,198,152 shares as security for loans or other extensions of credit to Titahotwo and/or its affiliates.

(6) Includes 850,185 OP Units and 1,589,372 Class I Units that represent 11.54% of OP Units outstanding and 66.81% of Class I Units outstanding, respectively. The 850,185 OP Units include 510,452 OP Units held directly, 179,735 OP Units held by an entity in which Mr. Considine has sole voting and investment power, 2,300 OP Units held by Titahotwo, and 157,698 OP Units held by Mr. Considine s spouse, for which Mr. Considine disclaims beneficial ownership. All Class I Units are held by Titahotwo. Mr. Considine, Titahotwo, and an entity in which Mr. Considine has sole voting and investment power have pledged 642,816 OP Units as security for loans or other extensions of credit to Titahotwo and/or its affiliates.

(7) Includes 7,548 shares subject to options that are exercisable within 60 days.

(8) Includes 334,691 shares subject to options that are exercisable within 60 days. Mr. Robertson has pledged 88,601 shares as security for a loan or other extension of credit.

(9) Includes 2,178 shares subject to options that are exercisable within 60 days.

(10) Includes 317,687 shares subject to options that are exercisable within 60 days.

Table of Contents

(11) Includes 23,000 shares subject to options that are exercisable within 60 days.

(12) Includes 29,000 shares subject to options that are exercisable within 60 days, 1,000 shares that are held by Mr. Ellwood s spouse, for which Mr. Ellwood disclaims beneficial ownership, and 200 shares held in a charitable trust for which Mr. Ellwood disclaims beneficial ownership.

(13) Includes 29,000 shares subject to options that are exercisable within 60 days.

(14) Includes 280.5 OP Units, which represent less than 1% of the class outstanding, and 34,365 Class I Units, which represent 1.4% of the class outstanding.

(15) Includes 29,000 shares subject to options that are exercisable within 60 days.

(16) Represents Class I Units, which represent 1.4% of the class outstanding.

(17) Includes 3,000 shares subject to options that are exercisable within 60 days.

(18) Includes 6,520,557 shares subject to options that are exercisable within 60 days and 1,344,623 shares that have been pledged as security for loans or other extensions of credit.

(19) Includes 850,466 OP Units and 1,710,553 Class I Units, which represent 10.96% of OP Units outstanding and 71.90% of Class I Units outstanding, respectively. Also includes 642,816 OP Units that have been pledged as security for loans or other extensions of credit.

(20) Included in the securities listed above as beneficially owned by Cohen & Steers, Inc. are 7,539,690 shares over which Cohen & Steers, Inc. and Cohen & Steers Capital Management, Inc. (which is held 100% by Cohen & Steers, Inc.) have sole voting power and 8,316,890 shares over which such entities have sole dispositive power. Also included in the securities listed above are 40,997 shares over which Cohen & Steers, Inc. has shared voting power and shared dispositive power with Houlihan Rovers SA (which is held 50% by Cohen & Steers, Inc.).

(21) Included in the securities listed above as beneficially owned by The Vanguard Group, Inc. are 109,756 shares over which Vanguard Fiduciary Trust Company has sole voting power.

(22) Included in the securities listed above as beneficially owned by Deutsche Bank AG are 4,900 shares for which Deutsche Investment Management Company Americas has sole dispositive power, 13,400 for which Deutsche Bank Trust Corp. Americas has sole dispositive power, 116,648 shares for which Deutsche Asset Management Investment has sole voting or dispositive power, 6,670,414 shares for which RREEF America, L.L.C. has sole voting or dispositive power, and 2,504 for which DWS Austria Investmentgesellchaft mbh has sole voting or dispositive power.

COMPENSATION DISCUSSION & ANALYSIS (CD&A)

This Compensation Discussion & Analysis addresses the following:

- Aimco s executive compensation philosophy
- Components of executive compensation
- Total compensation for 2006
- Other compensation
- Post-employment compensation and severance arrangements
- Other benefits; perquisite philosophy
- Stock ownership guidelines
- Role of outside consultants and executive officers
- Base salary, bonus compensation, and equity grant practices
- 2007 compensation

Aimco s Executive Compensation Philosophy

Aimco s philosophy in setting compensation for executive officers is to provide competitive compensation that allows Aimco to attract and retain executive talent together with variable elements that reward performance. The Compensation and Human Resources Committee (the Committee) reviews the performance of and determines the compensation for the Chief Executive Officer. The Committee also reviews and approves the decisions made by the Chief Executive Officer as to the compensation of Aimco s other executive officers. Aimco uses the following guidelines for compensation decisions:

- Align executive compensation with stockholder objectives;
- Reward individual performance of Aimco s executives; and
- Attract and retain executive talent.

Components of Executive Compensation

Total compensation for Aimco s executive officers is comprised of the following components:

- Base compensation;
- Bonus compensation, which is paid in a combination of cash, restricted stock or stock options.

Together, these components comprise total compensation.

How the Committee determines the amount of target total compensation for the CEO.

The Committee sets Mr. Considine s target total compensation at a level that reflects the Committee s understanding of what is required in the market to attract and retain comparable talent for a comparable position. At the beginning of the year, the Committee determined target total compensation for Mr. Considine. To determine target total compensation for Mr. Considine, the Committee used an analysis provided by Aimco s Human Resources team of proxy data for comparable positions from a peer group consisting of certain other multifamily REITs and certain Large Cap REITs in areas other than multifamily and also used REIT and general industry survey data. For Mr. Considine, the peer companies were: Archstone-Smith Trust, AvalonBay Communities Inc., BRE Properties, Inc., Boston Properties, Inc., Camden Property Trust, Developers Diversified Realty Corp., Duke Realty Corp., Equity

Office Properties Trust, Equity Residential, Essex Property Trust, Inc., Forest City Enterprises, Inc., General Growth Properties, Inc., Hilton Hotels Corp., Home Properties, Inc., Starwood Hotels & Resorts, Host Marriott Corp., Kimco Realty Corp., Macerich Co., Marriott International, Inc., Prologis, Post Properties, Inc., Public Storage, Inc., Simon Property Group, Inc., United Dominion Realty Trust, and Vornado Realty Trust. Taking the average of market compensation for other chief executive officers served as the primary factor in determining the target total compensation for Mr. Considine. Other factors included an assessment of Mr. Considine s objectives for the year and the Committee s discretion.

How the Committee determines the allocation of Mr. Considine s target total compensation between base and bonus.

The Committee s philosophy with respect to Mr. Considine s base compensation is to set a fixed base compensation amount to provide a level of base compensation that is competitive with pay for comparable chief executive officer positions in real estate companies and companies in other industries with similar revenue size and management complexity. Prior to 2006, Mr. Considine s base compensation was paid in cash. For 2006 and 2007, Mr. Considine s base compensation has been in the form of a stock option subject to vesting based on achievement of a performance threshold. Bonus compensation is the amount in excess of base compensation that, together with base compensation, constitutes total compensation. Bonus compensation is tied both to the achievement of company objectives and specific individual goals.

How Aimco determines the amounts of target total compensation for executive officers (other than the CEO).

Aimco sets executive officer target total compensation at a level that reflects Aimco s understanding of what is required in the market to attract and retain comparable talent for a comparable position. At the beginning of 2006, Mr. Considine, in consultation with the Committee, determined target total compensation for the executive officers. To make these determinations, Mr. Considine worked with Aimco s Human Resources team, which provided an analysis of data for each position drawn from proxy data for comparable positions from a peer group consisting of certain other multifamily REITs and certain other REITs in areas other than multifamily, REIT industry survey data, and survey data for companies in other industries with comparable positions, transactional functions, and similar revenue size and management complexity. Taking the average of market compensation for other comparable positions served as the primary factor in determining the target total compensation for executive officers. Survey data was reviewed and used to validate proxy data obtained or to provide a market comparison of the value of the position. Other factors included an assessment of each executive officer s objectives for the year and Mr. Considine s discretion. Aimco has used substantially the same comparisons for these positions for the past several years to assist in the determination of executive compensation. These comparisons were deemed to represent fairly information from the labor markets in which Aimco competes for executive talent.

How Aimco determines the allocation of executive officer target total compensation between base and bonus.

Aimco s philosophy with respect to base compensation for executive officers is to set a fixed base compensation amount that is competitive with the average base pay for comparable positions in real estate companies and companies in other industries with similar revenue size and management complexity. Base compensation amounts are generally the same for officers with comparable levels of responsibility to provide internal equity and consistency among executive officers. Executive officer base compensation is generally paid in cash. In some cases, base compensation varies from that of the market average or from that of officers with comparable levels of responsibility because of the current recruiting or retention market for a particular position, or because of the tenure of a particular officer in his position.

Bonus compensation is the amount in excess of base compensation that, when totaled together with base compensation, constitutes total compensation. Each executive officer s bonus compensation is tied both to the achievement of company objectives and specific individual goals.

The total percentage of bonus compensation that is contingent upon Aimco achieving certain minimum objectives (*e.g.*, the 2006 AFFO Target described below) and may be reduced in the event Aimco s objectives are not met is as follows: up to 50% for executive vice presidents and up to 25% for other officers. In this way, each officer s compensation is tied directly to Aimco s performance and those officers with greater influence over Aimco s performance have greater upside potential and greater downside risk.

Table of Contents

As part of the process of setting target total compensation and determining the mix of compensation, the Committee (for Mr. Considine), and Mr. Considine in consultation with the Committee (for the other executive officers), also considered tally sheets setting forth all components of the compensation, including base compensation, bonus compensation (including cash and equity), the dollar value to the executive and the cost to the Company of all perquisites and other personal benefits, the potential for accelerated payments resulting from a change in control, death, disability and termination of employment other than for cause.

How bonus compensation serves Aimco s objectives.

Bonus compensation is used primarily to provide total compensation potential that is competitive with pay for comparable positions in real estate companies and companies in other industries with similar revenue size and management complexity. Discretionary bonus amounts above target bonus compensation amounts reward and therefore encourage outstanding individual and Company performance. Providing bonus compensation in the form of Aimco equity that vests over time (typically a period of four or five years) serves as a retention incentive, aligns executive compensation with stockholder objectives and serves as an incentive to take a longer-term view of Aimco performance. With respect to the equity portion of bonus compensation, Aimco permits each executive vice president to select up to 25% of such equity compensation in stock options with the remainder in restricted stock. Aimco permits this individual election to give each executive officer the opportunity to receive a mix of restricted stock and options that best suits each individual s investment preferences while ensuring that each executive officer s compensation is tied to Aimco s performance over time. When the equity is in the form of stock options, the currency is inherently performance based because the optionee only receives a benefit if and to the extent Aimco s stock price rises after the date the option is granted. When the equity is in the form of restricted stock, the compensation is also linked to performance because the future value of the equity depends on the performance of Aimco s stock.

Total compensation for 2006

For 2006, total compensation is the sum of base compensation and bonus compensation.

Base Compensation for 2006

Mr. Considine s Base Compensation

Although historically Mr. Considine s base compensation has been paid in cash, for 2006, based on Mr. Considine s recommendation, the Committee determined that Mr. Considine s base compensation of $600,000 be contingent on Aimco s achievement of $2.40 per share of adjusted funds from operations, or AFFO, in 2006 (the 2006 AFFO Target) to provide Mr. Considine an incentive highly correlated with a specific corporate objective. Accordingly, instead of paying Mr. Considine a $600,000 cash base salary, on February 13, 2006, the Committee awarded Mr. Considine a non-qualified stock option for 115,385 shares at an exercise price equal to fair market value on the date of grant ($42.98). For the purpose of calculating the number of shares subject to the stock option to be granted, the foregone $600,000 cash salary amount was divided by $5.20, which price was calculated by a nationally recognized independent investment bank using certain assumptions provided by Aimco and the Black-Scholes Option Pricing Model, which model Aimco uses to measure compensation cost under Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R). Because Aimco met the 2006 AFFO Target, the option vested on the first anniversary of the grant date of February 13, 2006. This option grant is reflected in the Summary Compensation Table see note 6 thereto.

Other Executive Officer Base Compensation

For 2006, base compensation for all executive vice presidents was set between $275,000 and $350,000. Prior to August 2006, Mr. Beaudin s base compensation was at a higher rate in order to recruit him to Aimco. Base compensation for all officers below the executive vice president level was determined based on market studies and also based on external market conditions.

Table of Contents

Bonus Compensation for 2006

Bonus compensation was determined based on Aimco s achievement of the objectives of Aimco s 2006 approved operating plan, including the 2006 AFFO Target, specific transaction related goals, and achievement of specific individual objectives as detailed in our performance management program Managing Aimco Performance (MAP) which sets and monitors performance objectives for each team member. Once Aimco s performance against the 2006 AFFO Target was determined, individual performances against goals set forth in each executive s individual MAP were measured. The Committee (in the case of Mr. Considine), or Mr. Considine, in consultation with the Committee (in the case of the other executive officers), also had discretion to adjust the final bonus amount based on assessments of performance factors outside of the MAP process.

The formula for determining bonus compensation was as follows:

Total bonus compensation =

Target bonus compensation x 2006 AFFO Target Multiplier (described below) x MAP Performance Achievement (described below)

2006 AFFO Target Multiplier

All officers had a portion of their target bonus compensation subject to the achievement of the 2006 AFFO Target the 2006 AFFO Target Multiplier in the formula above. If Aimco met the 2006 AFFO Target, the 2006 AFFO Target Multiplier would equal 100%.

If Aimco failed to meet the 2006 AFFO Target, the 2006 AFFO Target Multiplier would have been the amount by which a target bonus compensation amount could have been reduced. For example, if Aimco failed to meet the 2006 AFFO Target, Mr. Considine s bonus compensation was subject to up to a 100% reduction (in addition to the forfeiture of his base compensation) and thus the 2006 AFFO Target Multiplier would have been zero. For an executive vice president, the 2006 AFFO Target Multiplier would have been 50%, reducing the bonus amount by half. Officers below the executive vice president level were subject to up to a 25% reduction of their target total bonus, if the 2006 AFFO Target had not been met, the AFFO Target Multiplier would have been 75%. In this way, each officer s compensation was tied directly to Aimco s performance and those officers with greater influence over Aimco s performance had greater upside potential and greater downside risk.

MAP Performance Achievement

Each executive s performance was evaluated based on goals set forth in each executive s individual MAP. Each executive s performance was assigned a percentage, which percentage is used as the MAP Performance Achievement in the formula.

For example, because the 2006 AFFO Target was met, the formula dictated that an executive with a target bonus compensation amount of $1 million, whose MAP performance was 90%, receive a bonus of $900,000, calculated as follows:

$1 million x 100% (2006 AFFO Target Multiplier) x 90% (MAP Performance Achievement) = $900,000.

The final amount was subject to adjustment based on the discretion of either the Committee (in the case of Mr. Considine), or Mr. Considine, in consultation with the Committee (in the case of the other executive officers).

For Mr. Considine, based on the average of the competitive data, the Committee determined at the start of 2006 that his bonus target was $3.3 million. The Committee reviewed Aimco s and Mr. Considine s performance based on his MAP objectives, which included:

- Ensuring Aimco s long-term financial stability

- Executing growth in profitability

Table of Contents

Promoting Aimco s values

Attracting, retaining and motivating a strong management team.

The Committee noted that Aimco met the 2006 AFFO Target (even after factoring in the 3.7 million increase in Aimco s effective share count due to the increase in Aimco s Common Stock price), which was the most important performance objective for 2006. In meeting the 2006 AFFO Target, Aimco also:

Provided annual total stockholder return of approximately 55%.

Produced Same Store net operating income of $576.2 million, up 9.5% over 2005.

Earned activity fee and asset management income net of tax of $28.2 million compared with $19.2 million in 2005.

Acquired nine conventional core properties, containing approximately 1,700 residential units for an aggregate purchase price of approximately $177 million.

Originated approximately $100 million in loans secured by 87 properties with 1,597 residential units and 42 commercial spaces in the West Harlem District of New York City. In conjunction with this loan agreement, Aimco obtained an option to purchase some or all of the properties during the next ten years.

Sold 63 conventional non-core properties and two conventional core properties generating net cash proceeds to Aimco, after repayment of existing debt, payment of transaction costs and distributions to limited partners, of $505 million.

Invested approximately $233.6 million in redevelopment activity.

Closed loans totaling $1,224.6 million at an average interest rate of 5.66%, which included the refinancing of loans totaling $586.3 million with prior interest rates averaging 6.34%.

Reduced general and administrative expenses, before variable compensation, by approximately $8 million as compared to 2005.

Based on Aimco s performance and Mr. Considine s achievement of his MAP objectives, the Committee determined that Mr. Considine should receive the following:

			2006 Bonus Compensation			
Total Target Compensation ($)	**Base ($)**	**Target Total Bonus Compensation ($)**	**Cash ($)**	**Stock Options ($)**	**Restricted Stock ($)**	**Total 2006 Compensation ($)**
3,900,000	600,000	3,300,000	1,650,000	2,650,000	0	4,900,000

The total target compensation of $3.9 million was set by the Committee based on the average of market compensation for comparable chief executive officer positions, an assessment of Mr. Considine s objectives for the year and the Committee s discretion. Mr. Considine was paid based on full achievement of target performance plus an additional $1 million in equity to recognize Aimco s overall performance as reflected, in part, by Aimco s total stockholder return and stock price performance. Mr. Considine s bonus compensation was in the form of $1.65 million in cash, a ten-year non-qualified stock option to acquire 146,018 shares, which option vests ratably over four years, and a ten-year non-qualified stock option to acquire 88,496 shares, which option vests ratably over five years. The options were granted February 5, 2007. The cash bonus shown above appears in the Summary Compensation Table under the column headed Non-Equity Incentive Plan Compensation. Because the equity awards for 2006 bonus compensation were made in 2007, pursuant to the applicable disclosure rules such awards will be reflected in the Summary Compensation and Grants of Plan Based Awards tables in Aimco s proxy statement for the 2008 annual meeting of stockholders. The Committee considered Aimco s burn rate and discussed with Mr. Considine his preference for the form in which his equity is awarded and gave Mr. Considine latitude in making the determination. Mr. Considine prefers the risk and potential upside inherent in stock options and therefore selected all of his equity compensation in stock options. Mr. Considine s bonus compensation was tied directly to Aimco s performance, with 100% of his bonus contingent on Aimco s achievement of the 2006 AFFO Target. In this way, the Committee rewarded Mr. Considine for Aimco s performance and return for Aimco s stockholders. The Committee and Mr. Considine believe that it is in the shareholders best interest to motivate and reward

Table of Contents

Mr. Considine in this highly entrepreneurial manner. Bonus compensation paid in cash is used by the Committee primarily to provide competitive compensation as compared to comparable chief executive officer positions in real estate companies and companies in other industries with similar revenue size and management complexity. Providing bonus compensation in the form of Aimco equity that vests over time (typically a period of four or five years) serves as a retention incentive, aligns Mr. Considine s compensation with stockholder objectives and serves as an incentive to take a longer term view of Aimco performance.

Based on Aimco s performance and each named executive officer s achievement of his MAP objectives, Mr. Considine, in consultation with the Committee, determined that the named executive officers should receive the following:

				2006 Bonus Compensation ($)			
	Total Target Compensation ($)	Base ($)	Target Total Bonus Compensation ($)	Cash ($)	Stock Options ($)	Restricted Stock ($)	Total 2006 Compensation ($)
Mr. Herzog	$1,600,000	$350,000	$1,250,000	$800,000		$850,000	