

APARTMENT INVESTMENT & MANAGEMENT CO

Form S-4/A

January 31, 2007

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As filed with the Securities and Exchange Commission on January 31, 2007

Registration No. 333-136801

**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**Amendment No. 4  
to  
Form S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**APARTMENT INVESTMENT AND MANAGEMENT COMPANY  
AIMCO PROPERTIES, L.P.**

*(Exact Name of Registrant as Specified in Its Charter)*

**Apartment Investment and  
Management Company  
Maryland  
AIMCO Properties, L.P.  
Delaware**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**Apartment Investment and  
Management Company  
6798  
AIMCO Properties, L.P.  
6513**  
*(Primary Standard Industrial  
Classification Code Number)*

**Apartment Investment and  
Management Company  
84-1259577  
AIMCO Properties, L.P.  
84-1275621**  
*(I.R.S. Employer  
Identification No.)*

**4582 South  
Ulster Street Parkway,  
Suite 1100  
Denver, Colorado 80237  
(303) 757-8101**

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive  
Offices)*

**Harry G. Alcock  
Executive Vice President and Chief Investment Officer  
Apartment Investment and Management Company  
4582 South Ulster Street Parkway, Suite 1100  
Denver, Colorado 80237  
(303) 757-8101**

*(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)*

**With copies to:  
Gregory M. Chait  
Alston & Bird LLP  
1201 West Peachtree Street  
Atlanta, Georgia 30309-3424  
Telephone: (404) 881-7000**

Facsimile: (404) 881-4777

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of the Registration Statement.

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered(1)</b>	<b>Amount to be Registered(1)</b>	<b>Proposed Maximum Offering Price Per Unit/Share(1)</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee(3)</b>
AIMCO Properties, L.P. Partnership Common Units AIMCO Class A Common Stock (2)			\$230,078,260	\$24,619

(1) Omitted in reliance on Rule 457(o) under the Securities Act of 1933.

(2) Represents shares of common stock issuable upon redemption of the Partnership Common Units registered hereunder.

(3) Offset by \$23,993 previously paid pursuant to Form S-4 (Reg. No. 333-136801), filed on August 22, 2006.

**The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this proxy statement-prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED JANUARY 31, 2007**

**PROSPECTUS**

**APARTMENT INVESTMENT AND MANAGEMENT COMPANY  
AIMCO PROPERTIES, L.P.**

**NOTICE OF OFFER TO ACQUIRE SEVEN PROPERTIES OWNED BY VMS NATIONAL PROPERTIES  
JOINT VENTURE FOR PARTNERSHIP COMMON UNITS OR CASH**

**NOTICE OF INTENT TO SELL EIGHT PROPERTIES TO UNAFFILIATED THIRD PARTIES**

VMS National Properties Joint Venture, or VMS, entered into an agreement to contribute certain of its properties to AIMCO Properties, LLC, a wholly owned subsidiary of AIMCO Properties, L.P. in a transaction pursuant to which you may elect to receive partnership common units of AIMCO Properties, L.P. or cash or a combination of units and cash. The properties to be contributed are Casa de Monterey, Buena Vista Apartments, Crosswood Park, Mountain View Apartments, Pathfinder Village Apartments, Scotchhollow Apartments, and The Towers of Westchester Park. Separately, VMS intends to sell its other eight properties to one or more unaffiliated third parties in one or more sales. The properties to be sold to third parties are North Park Apartments, Chapelle Le Grande, Terrace Gardens, Forest Ridge Apartments, The Bluffs, Watergate Apartments, Shadowood Apartments and Vista Village Apartments. On November 22, 2006, VMS entered into an agreement to sell Watergate Apartments to an unaffiliated third party for a total purchase price of \$7,710,000. On November 28, 2006, VMS entered into an agreement to sell Shadowood Apartments to an unaffiliated third party for a total purchase price of \$5,300,000. On December 4, 2006, VMS entered into agreements to sell Terrace Gardens and The Bluffs to unaffiliated third parties for total purchase prices of \$7,200,000 and \$9,650,000, respectively. On December 11, 2006, VMS entered into an agreement to sell Vista Village Apartments to an unaffiliated third party for a total purchase price of \$7,250,000. On December 12, 2006, VMS entered into an agreement to sell Chappelle Le Grande to an unaffiliated third party for a total purchase price of \$5,250,000. The terms of the two remaining third party sales are not yet defined as purchase agreements have not been entered into. However, VMS has received offers at specific offer prices to purchase the two remaining Unaffiliated Sale Properties. Both transactions are described more fully in this proxy statement-prospectus.

Limited partners electing to waive any portion of the cash distribution and receive Common OP Units instead of all or a portion of cash otherwise distributable to them will receive that number of Common OP Units equal to (i) the amount of the cash distribution waived by such limited partner divided by (ii) the average daily closing price of a share of Class A Common Stock on the NYSE over the twenty trading-day period ended two days prior to consummation of the Affiliated Contribution. Although the Managing General Partner of VMS has provided estimates of the potential cash distributions to limited partners resulting from the Affiliated Contribution, a limited partner will not know the precise amount of the cash distribution or Common OP Units to be received at the time of such limited partner's election to receive cash, Common OP Units or a combination thereof.

VMS will not complete either of the transactions summarized above if limited partners owning more than 50% of the aggregate units of VMS National Residential Portfolio I and VMS National Residential Portfolio II, the sole participants of VMS National Properties Joint Venture, give written notice of objection to that transaction prior

to \_\_\_\_\_, 2007. VMS National Residential Portfolio I has 669 limited partners and VMS National Residential Portfolio II has 257 limited partners. The process for objecting is more fully described in this proxy statement-prospectus.

You should read this entire proxy statement-prospectus carefully because it contains important information about the transactions.

**In particular, you should read carefully the information under the section entitled Risk Factors, beginning on page 44.**

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

The date of this proxy statement-prospectus is \_\_\_\_\_, 2007 and is first being mailed to limited partners on or about \_\_\_\_\_, 2007.

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**WE ARE CURRENTLY SEEKING QUALIFICATION TO ALLOW ALL HOLDERS OF PARTNERSHIP INTERESTS IN VMS THE ABILITY TO ELECT TO RECEIVE COMMON OP UNITS IN CONNECTION WITH THE AFFILIATED CONTRIBUTION. HOWEVER, AT THE PRESENT TIME, IF YOU ARE A RESIDENT OF ONE OF THE FOLLOWING STATES, YOU ARE NOT PERMITTED TO ELECT TO RECEIVE COMMON OP UNITS IN CONNECTION WITH THE AFFILIATED CONTRIBUTION:**

**ALABAMA**

**ALASKA**

**MARYLAND**

**NEW HAMPSHIRE**

**NEW JERSEY**

**NEW YORK**

**OREGON**

**TENNESSEE**

**TEXAS**

**WASHINGTON**

**IF YOU ARE NOT A RESIDENT OF ONE OF THESE STATES, YOU MAY ELECT TO WAIVE YOUR RIGHT TO RECEIVE ANY PORTION OF THE CASH DISTRIBUTION WITH RESPECT TO THE AFFILIATED CONTRIBUTION AND TO RECEIVE COMMON OP UNITS DIRECTLY FROM AIMCO PROPERTIES, L.P., AS DESCRIBED HEREIN.**

**THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE DELAWARE SECURITIES ACT BUT RATHER VIA AN EXEMPTION TO THE REGISTRATION REQUIREMENTS OF SUCH ACT. THE SUBSEQUENT RESALE OR TRANSFER OF THESE SECURITIES IN THE STATE OF DELAWARE CAN ONLY BE MADE PURSUANT TO THE PROVISIONS OF THE DELAWARE SECURITIES ACT OR A VALID EXEMPTION PROMULGATED THEREUNDER.**

**THESE SECURITIES ARE OFFERED IN THE STATE OF MARYLAND PURSUANT TO REGISTRATION WITH THE DIVISION OF SECURITIES OF THE DEPARTMENT OF LAW OF MARYLAND, BUT REGISTRATION IS PERMISSIVE ONLY AND DOES NOT CONSTITUTE A FINDING THAT THIS PROSPECTUS IS TRUE, COMPLETE, AND NOT MISLEADING, NOR HAS THE DIVISION OF SECURITIES PASSED IN ANY WAY UPON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL TO THESE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE CORPORATION AND SECURITIES BUREAU, MICHIGAN DEPARTMENT OF COMMERCE. THE DEPARTMENT HAS NOT UNDERTAKEN TO PASS UPON THE VALUE OF THESE SECURITIES NOR TO MAKE ANY RECOMMENDATIONS AS TO THEIR PURCHASE.**

**A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECRETARY OF STATE OF MISSISSIPPI, BUT HAS NOT YET BECOME EFFECTIVE. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE.**

**THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.**

**HOW TO OBTAIN ADDITIONAL INFORMATION**

This proxy statement-prospectus incorporates important business and financial information about VMS, the Aimco Operating Partnership and Aimco, that is not included in, or delivered with, this document. This information is described on page 117 under INFORMATION INCORPORATED BY REFERENCE. VMS, the Aimco Operating Partnership and Aimco file annual, quarterly and current reports, and other statements with the Securities and Exchange Commission (the Commission or the SEC). You may read and copy any filed document at the Commission's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the public reference room. Documents filed with the Commission are also available to the public at the Commission's website at <http://www.sec.gov>. VMS, the Aimco

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Operating Partnership or Aimco, as appropriate, will furnish without charge to you, upon written or oral request, a copy of any or all of the documents incorporated by reference, including the exhibits or schedules to these documents. You should direct any such requests to The Altman Group, Inc., 1200 Wall Street, 3<sup>rd</sup> Floor, Lyndhurst, New Jersey 07071; by fax at (201) 460-0050 or by telephone at (800) 217-9608.

**PLEASE NOTE**

Aimco and the Aimco Operating Partnership have not authorized anyone to provide you with any information or to make any representation other than as is contained or incorporated by reference in this proxy statement-prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this proxy statement-prospectus. You should not assume that the information contained in this proxy statement-prospectus is accurate on any date subsequent to the date set forth on the front of the document or that any information incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this proxy statement-prospectus is delivered or securities are sold on a later date.

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**VMS NATIONAL RESIDENTIAL PORTFOLIO I**

**VMS NATIONAL RESIDENTIAL PORTFOLIO II  
(participants in VMS National Properties Joint Venture)  
, 2007**

Dear Limited Partner:

VMS National Properties Joint Venture ( VMS ) entered into an agreement (the Contribution Agreement ) to contribute certain of its properties to AIMCO Properties, LLC ( Aimco Properties, LLC ), a wholly owned subsidiary of AIMCO Properties, L.P. (the Aimco Operating Partnership ), in a transaction pursuant to which you may elect to receive partnership common units ( Common OP Units ) of the Aimco Operating Partnership, cash or a combination of Common OP Units and cash (the Affiliated Contribution ). The properties to be contributed in the Affiliated Contribution are Casa de Monterey, Buena Vista Apartments, Crosswood Park, Mountain View Apartments, Pathfinder Village Apartments, Scotchollow Apartments, and The Towers of Westchester Park (collectively, the Affiliated Contribution Properties ), and are described in more detail below.

Limited partners electing to waive any portion of the cash distribution and receive Common OP Units instead of all or a portion of cash otherwise distributable to them will receive that number of Common OP Units equal to (i) the amount of the cash distribution waived by such limited partner divided by (ii) the average daily closing price of a share of Class A Common Stock on the NYSE over the twenty trading-day period ended two days prior to consummation of the Affiliated Contribution. Although the Managing General Partner of VMS has provided estimates of the potential cash distributions to limited partners resulting from the Affiliated Contribution, a limited partner will not know the precise amount of the cash distribution or Common OP Units to be received at the time of such limited partner's election to receive cash, Common OP Units or a combination thereof.

Separately, and as a condition to the Affiliated Contribution, VMS intends to sell its other eight properties to one or more unaffiliated third parties in one or more sales (the Unaffiliated Sales, and together with the Affiliated Contribution, the Transactions ). The properties to be sold in the Unaffiliated Sales are North Park Apartments, Chapelle Le Grande, Terrace Gardens, Forest Ridge Apartments, The Bluffs, Watergate Apartments, Shadowood Apartments and Vista Village Apartments (collectively, the Unaffiliated Sale Properties and together with the Affiliated Contribution Properties, the Properties ), and are described in more detail below. On November 22, 2006, VMS entered into an agreement to sell Watergate Apartments to an unaffiliated third party for a total purchase price of \$7,710,000. On November 28, 2006, VMS entered into an agreement to sell Shadowood Apartments to an unaffiliated third party for a total purchase price of \$5,300,000. On December 4, 2006, VMS entered into agreements to sell Terrace Gardens and The Bluffs to unaffiliated third parties for total purchase prices of \$7,200,000 and \$9,650,000, respectively. On December 11, 2006, VMS entered into an agreement to sell Vista Village Apartments to an unaffiliated third party for a total purchase price of \$7,250,000. On December 12, 2006, VMS entered into an agreement to sell Chapelle Le Grande to an unaffiliated third party for a total purchase price of \$5,250,000. The terms of the two remaining Unaffiliated Sales are not yet defined as purchase agreements have not been entered into. However, VMS has received offers at specific offer prices to purchase the two remaining Unaffiliated Sale Properties.

We will not complete the Affiliated Contribution if limited partners owning more than 50% of the aggregate units of VMS National Residential Portfolio I ( Portfolio I ) and VMS National Residential Portfolio II ( Portfolio II ), and together with Portfolio I, the Partnerships ) give written notice of objection prior to , 2007. A holder of limited partnership interests in either of the Partnerships may object to the Affiliated Contribution by following the procedures set forth in the proxy statement-prospectus on page 66. If the Affiliated Contribution is not consummated, VMS will continue to own the Affiliated Contribution Properties and remain responsible for the related mortgage debt. The Affiliated Contribution is more fully described in this proxy statement-prospectus.

Likewise, we will not complete the Unaffiliated Sales if limited partners owning more than 50% of the aggregate units of the Partnerships give written notice of objection prior to \_\_\_\_\_, 2007. A holder of limited partnership interests in either of the Partnerships may object to the Unaffiliated Sales by following the procedures set forth in the proxy statement-prospectus on page 66. Further, we will not complete an Unaffiliated Sale if the purchase price for such Unaffiliated Sale Property does not exceed eighty-five percent (85%) of (i) the purchase price for such Property set forth in the applicable purchase agreement described above or (ii) the highest offer price for a Property for which a contract has not yet been executed (each, the Minimum Unaffiliated Sale Price and, collectively, the Minimum Unaffiliated Sale Prices ) or \$60,018,500 in the aggregate. If any of the Unaffiliated Sales are not consummated, VMS will continue to own the Unaffiliated Sale Properties not sold, the Affiliated Contribution will not be completed and VMS will remain responsible for the related mortgage debt for the Properties it continues to own. The Unaffiliated Sales are more fully described in this proxy statement-prospectus.

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In the event that the Transactions are consummated, immediately after the completion of the Affiliated Contribution, VMS shall liquidate and shall be dissolved, pursuant to the terms of the Joint Venture Agreement of VMS.

On January 19, 2007, MAERIL, Inc., the managing general partner (the Managing General Partner), refinanced the then-existing mortgage indebtedness encumbering the Properties. Notwithstanding the refinancing, if a disposition of the Properties is not consummated, there will be an increased risk that VMS will not be able to repay or refinance the mortgage and other debt on acceptable terms or fund any deficits, capital expenditures, or other costs and therefore an increased risk that VMS will default upon its indebtedness in the future, and perhaps lose its Properties in the future through mortgage foreclosure. Were VMS to lose any of its Properties, partners could recognize taxable gain and likely would not receive distributions sufficient to pay the tax then due.

Aimco Properties, LLC is an affiliate of ours. As a result, we had significant conflicts of interest in approving the Affiliated Contribution. However, as the managing general partner of the Partnerships, we approved the Transactions after determining that the Transactions are fair to, and in the best interests of, VMS, the Partnerships and the limited partners. In making this determination, we evaluated the tax consequences to the limited partners of a sale to a third party for cash, as well as the likely financial consequences of continuing to operate the Properties. In reaching a determination regarding the fairness of the consideration to be received in the Affiliated Contribution, we relied on appraisals of the Affiliated Contribution Properties prepared by KTR Valuation and Consulting Services, LLC, an independent appraisal firm, and our own internal valuations.

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

As more fully discussed in the proxy statement-prospectus, limited partners of the Partnerships are not entitled to appraisal rights under applicable law permitting them to seek a judicial determination of the value of their Partnership interests in lieu of accepting the distributions resulting from the Transactions. However, pursuant to the Contribution Agreement, VMS, the Partnerships and Aimco Properties, LLC have provided each limited partner with contractual dissenters' appraisal rights with respect to the Affiliated Contribution that are generally based upon the dissenters' appraisal rights that a limited partner would have were it a shareholder in a corporate merger under the corporation laws of Illinois, the state of the Partnerships' organization. See APPRAISAL RIGHTS.

If you want to object to either, or both, the Affiliated Contribution or the Unaffiliated Sales, please complete and sign the Notice of Objection included with this proxy statement-prospectus and return it to us at the address indicated on the Notice of Objection. Any Notice of Objection received after \_\_\_\_\_, 2007 will not be considered. The Managing General Partner currently anticipates that the Affiliated Contribution will be consummated no later than \_\_\_\_\_, 2007. If you want to receive Common OP Units rather than cash for the Affiliated Contribution, please complete and sign the Consideration Election Form included with this proxy statement-prospectus and return it to us at the address indicated on the Consideration Election Form. Any Consideration Election Form received after \_\_\_\_\_, 2007 will not be considered, unless the Managing General Partner elects, in its sole discretion, to extend the time for submission thereof. If you have any questions regarding this proxy statement-prospectus, please contact our information agent, The Altman Group, Inc., at (800) 217-9608 (toll-free).

Very truly yours,

MAERIL, Inc.  
Managing General Partner of the Partnerships

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Opinion of Alston & Bird LLP - Legality

Opinion of DLA Piper Rudnick Gray Cary LLP - Legality

Opinion of Alston & Bird LLP - Tax Matters

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Consent of Ersnt & Young LLP, Greenville, South Carolina

Consent of Ernst & Young LLP, Denver, Colorado

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**SUMMARY**

*This summary highlights material terms of the proposed transactions in this proxy statement-prospectus. We urge you to read this entire proxy statement-prospectus, including the information and the financial statements and notes thereto that are incorporated herein by reference. See Where You Can Find More Information.*

*In this proxy statement-prospectus, interests in the Aimco Operating Partnership are sometimes referred to as OP Units, with Partnership Common Units referred to as Common OP Units, Partnership Preferred Units referred to as Preferred OP Units and High Performance Partnership Units referred to as High Performance Units or HPUs. Preferred OP Units are interests in the Aimco Operating Partnership that have distribution rights, or rights upon liquidation, winding up or dissolution, that are superior or prior to the Common OP Units. Holders of OP Units are sometimes referred to as OP Unitholders and holders of Common OP Units are referred to as Common OP Unitholders. Class A Common Stock of Apartment Investment and Management Company ( Aimco ) is referred to as Class A Common Stock. Finally, references to we and us refer to Aimco and the Aimco Operating Partnership as joint filers of this proxy statement-prospectus.*

*The Transactions.* On August 21, 2006, VMS and Aimco Properties, LLC entered into an agreement (the Contribution Agreement ) pursuant to which VMS agreed to the Affiliated Contribution. The Properties to be contributed in the Affiliated Contribution are Casa de Monterey, Buena Vista Apartments, Crosswood Park Apartments, Mountain View Apartments, Pathfinder Village Apartments, Scotchollow Apartments, and The Towers of Westchester Park. The value of the consideration to be received by VMS for each of the Affiliated Contribution Properties is \$230,078,260, which is equal to the greater of the appraised market value of the fee simple interest in such Properties and internal valuations prepared annually by Aimco. Separately, and as a condition to the Affiliated Contribution, VMS intends to complete the Unaffiliated Sales. On November 22, 2006, VMS entered into an agreement to sell Watergate Apartments to an unaffiliated third party for a total purchase price of \$7,710,000. On November 28, 2006, VMS entered into an agreement to sell Shadowood Apartments to an unaffiliated third party for a total purchase price of \$5,300,000. On December 4, 2006, VMS entered into agreements to sell Terrace Gardens and The Bluffs to unaffiliated third parties for total purchase prices of \$7,200,000 and \$9,650,000, respectively. On December 11, 2006, VMS entered into an agreement to sell Vista Village Apartments to an unaffiliated third party for a total purchase price of \$7,250,000. On December 12, 2006, VMS entered into an agreement to sell Chappelle Le Grande to an unaffiliated third party for a total purchase price of \$5,250,000. The terms of the two remaining Unaffiliated Sales are currently unknown as purchase agreements have not been entered into. However, VMS has received offers at specific offer prices to purchase the two remaining Unaffiliated Sale Properties. VMS will not complete an Unaffiliated Sale if the purchase price for such Unaffiliated Sale Property does not exceed eighty-five percent (85%) of (i) the purchase price of such Property set forth in the applicable agreement described above, or (ii) the highest offer price for a Property for which a purchase agreement has not yet been executed, or \$60,018,500 in the aggregate. We refer to the Affiliated Contribution and the Unaffiliated Sales collectively as the Transactions and individually as a Transaction in this proxy statement-prospectus. See SPECIAL FACTORS BACKGROUND AND REASONS FOR THE TRANSACTIONS, THE TRANSACTIONS, VMS AND THE PARTNERSHIPS Capital Replacement, and UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTIONS.

*Limited Partners Right to Object.* In accordance with the terms of the VMS joint venture agreement and the partnership agreements of each of the Partnerships, VMS will not complete a Transaction if limited partners owning more than 50% of the aggregate units of the Partnerships give written notice of objection to that Transaction prior to , 2007. For additional information, see PROCEDURE FOR OBJECTING TO A

TRANSACTION.

*Choice of Consideration.* The limited partners of the Partnerships are being given a choice as to the consideration they will receive with respect to the Affiliated Contribution. The limited partners may elect to waive the right to receive any portion of the cash distribution with respect to the Affiliated Contribution and receive that portion of the distributable proceeds from the Affiliated Contribution as Common OP Units instead. Those who so elect and those that do not make an election will receive their portion of the distributable proceeds in cash. The choice of consideration with respect to the Affiliated Contribution is more fully described under THE TRANSACTIONS. After the first anniversary of becoming a holder of

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Common OP Units, each holder has the right, subject to the terms and conditions set forth in the Aimco Operating Partnership's agreement of limited partnership (the Aimco Operating Partnership Agreement), to require the Aimco Operating Partnership to redeem all or a portion of the Common OP Units held by such party in exchange for shares of Class A Common Stock or a cash amount equal to the value of such shares, as the Aimco Operating Partnership may elect. See DESCRIPTION OF COMMON OP UNITS for additional information.

*Advantages of the Transactions.* The Managing General Partner believes that the Transactions have the following principal advantages:

Limited partners that elect to receive Common OP Units as consideration may be entitled to defer a portion of their taxable gain and have the opportunity to participate in the Aimco Operating Partnership's enterprise.

Limited partners that do not elect to receive Common OP Units will forego the potential deferral of taxable gain that may result from receipt of Common OP Units, but will receive a cash distribution of approximately \$28,939 per Portfolio I nondefaulted unit and \$28,715 per Portfolio II nondefaulted unit from the Affiliated Contribution.

The Unaffiliated Sales will result in cash distributions to the limited partners of approximately \$9,917 per Portfolio I nondefaulted unit and \$9,840 per Portfolio II nondefaulted unit, assuming the Minimum Unaffiliated Sale Price for each Unaffiliated Sale Property is achieved.

The Affiliated Contribution provides greater certainty than sales to third parties, due to, among other things, the short feasibility period and abbreviated conditions to closing. Simultaneous approval of the Unaffiliated Sales will permit the Partnerships to avoid the costs and delay of subsequent notifications to the partners.

There are various costs associated with being a public reporting company, including costs associated with preparing, auditing and filing periodic reports with the SEC, which would be eliminated if VMS were to terminate its registration and therefore its obligation to file annual, quarterly and other reports with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act). The Managing General Partner estimates these expenses to be approximately \$87,000 per year. This represents approximately 13% of VMS's general and administrative expenses and 0.20% of its total expenses (based on 2005 expenses of approximately \$686,000 and \$42,508,000, respectively). In addition, as a result of the Sarbanes-Oxley Act of 2002, the Managing General Partner estimates these costs will increase by approximately 10% beginning in 2007.

All of the Properties currently require capital expenditures for which existing resources are not adequate. The refinancing of the Properties, while beneficial to the debt structure of the Partnerships and the Transactions, did not generate sufficient cash to fund the required capital expenditures.

The tax benefits of continued investment in the Properties have been reduced for most limited partners.

*Disadvantages of the Transactions.* The Managing General Partner believes that the Transactions have the following disadvantages:

The Unaffiliated Sales will result in taxable gain to the limited partners, and distributable proceeds to the limited partners will likely be insufficient to pay the resulting tax liability.

To the extent that limited partners in the Partnerships receive cash in connection with the Affiliated Contribution, all limited partners in the Partnership, including limited partners receiving Common OP Units and no cash, will recognize taxable gain.

The Managing General Partner is an affiliate of Aimco Properties, LLC, and the terms of the Affiliated Contribution, including the amount of consideration, were determined without an arms-length negotiation. VMS might obtain greater consideration in a sale to a third party or another transaction that involved independent third-party negotiations.



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In structuring the Affiliated Contribution, no one separately represented the interests of the limited partners. Although the Managing General Partner has a fiduciary duty to the limited partners, it also has responsibilities to its stockholder, which is affiliated with Aimco Properties, LLC, resulting in a conflict of interest.

For those limited partners that elect to receive solely Common OP Units as consideration, the Affiliated Contribution will not result in any immediate cash distribution.

For additional information, see RISK FACTORS, SPECIAL FACTORS BACKGROUND AND REASONS FOR THE TRANSACTIONS Expected Benefits of the Transactions and SPECIAL FACTORS BACKGROUND AND REASONS FOR THE TRANSACTIONS Expected Detriments of the Transactions.

*Conflicts of Interest.* Apartment Investment and Management Company ( Aimco ) beneficially owns both the Managing General Partner of the Partnerships and the general partnership interest and approximately ninety percent (90%) of the common partnership units and equivalents of the Aimco Operating Partnership, as of September 30, 2006. The Aimco Operating Partnership is the sole member of Aimco Properties, LLC and is also a limited partner in the Partnerships. The Managing General Partner has fiduciary duties to the limited partners of the Partnerships, on the one hand, and to Aimco, as its sole stockholder, on the other. As a result, in considering the Affiliated Contribution, the Managing General Partner has substantial conflicts of interest. Dissolution of the partnership would result in the loss of management fees to the Managing General Partner and its affiliates. Prior to the refinancing, Aimco or its affiliates also held the junior mortgage and certain other indebtedness and bankruptcy claims, including a mortgage participation, general partner loans and other accrued fees in an aggregate amount of \$91,009,991 that were repaid as a part of the refinancing. See RISK FACTORS, CONFLICTS OF INTEREST and VMS AND THE PARTNERSHIPS Transactions with Affiliates for additional information.

*Fairness of the Transactions.* Although the Managing General Partner has interests that may conflict with those of the limited partners of the Partnerships, the Managing General Partner is of the opinion that each Transaction, considered independently, is fair to the limited partners in view of the factors listed below and described in greater detail under FAIRNESS OF THE TRANSACTIONS.

The consideration for the Affiliated Contribution Properties is equal in value to the greater of the appraised market value of the Properties and internal valuations prepared annually by Aimco.

VMS will not complete a Transaction if limited partners owning more than 50% of the aggregate units of the Partnerships give written notice of objection to that Transaction prior to , 2007.

The Managing General Partner arrived at the Minimum Unaffiliated Sale Prices by applying a 15% discount to (i) the purchase price for each Unaffiliated Sale Property contained in the purchase agreement for such Property described elsewhere herein, or (ii) the highest offer price for a Property for which a purchase agreement has not yet been executed.

Limited partners that elect to receive Common OP Units as consideration for the Affiliated Contribution may be entitled to defer a portion of their taxable gain and would have the opportunity to participate in the Aimco Operating Partnership s enterprise.

Pursuant to the Contribution Agreement, VMS, the Partnerships and Aimco Properties, LLC have provided each limited partner with contractual dissenters appraisal rights with respect to the Affiliated Contribution that

are generally based upon the dissenters' appraisal rights that a limited partner would have were it a shareholder in a corporate merger under the corporation laws of Illinois, the state of the Partnerships' organization.

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The factors considered by the Managing General Partner in evaluating the fairness of the Transactions are more fully described under FAIRNESS OF THE TRANSACTIONS.

*After the Transactions are Consummated.* After completion of the Transactions, any available proceeds will be distributed to the partners in accordance with the joint venture and partnership agreements (including default provisions with respect to limited partners failing to satisfy certain obligations thereunder), and the elections, if any, of the limited partners as to the nature of the consideration desired, and VMS and the Partnerships will be dissolved in accordance with the terms of their respective venture and partnership agreements. Upon dissolution of VMS, the Managing General Partner intends to file a notice with the SEC that will result in a termination of VMS's obligation to file annual, quarterly and other reports with the SEC pursuant to the Exchange Act. There are various costs associated with being a public reporting company, including costs associated with preparing, auditing and filing periodic reports with the SEC, which would be eliminated if VMS were to terminate its registration under the Exchange Act. For additional information, see PLANS AFTER THE TRANSACTIONS ARE CONSUMMATED.

*VMS and the Partnerships.* The general partners of VMS are Portfolio I and Portfolio II. VMS is owned 70.69% by Portfolio I and 29.31% by Portfolio II. There are currently 644 units of Portfolio I and 267 units of Portfolio II issued and outstanding, which are held of record by 669 and 257 limited partners, respectively. VMS's investment portfolio currently consists of the following 15 residential apartment complexes: Buena Vista Apartments, a 92-unit complex in Pasadena, California; Casa de Monterey, a 144-unit complex in Norwalk, California; Crosswood Park Apartments, a 180-unit complex in Citrus Heights, California; Mountain View Apartments, a 168-unit complex in San Dimas, California; Pathfinder Village Apartments, a 246-unit complex in Fremont, California; Scotchollow Apartments, a 418-unit complex in San Mateo, California; The Bluffs, a 137-unit complex in Milwaukie, Oregon; Vista Village Apartments, a 220-unit complex in El Paso, Texas; Chapelle Le Grande, a 105-unit complex in Merrillville, Indiana; Shadowood Apartments, a 120-unit complex in Monroe, Louisiana; The Towers of Westchester Park, a 303-unit complex in College Park, Maryland; Terrace Gardens, a 126-unit complex in Omaha, Nebraska; North Park Apartments, a 284-unit complex in Evansville, Indiana; Watergate Apartments, a 140-unit complex in Little Rock, Arkansas; and Forest Ridge Apartments, a 278-unit complex in Flagstaff, Arizona. An affiliate of the Aimco Operating Partnership currently serves as manager of the Properties. The principal executive offices of the Managing General Partner, the Partnerships and VMS are located at 55 Beattie Place, P.O. Box 1089, Greenville, South Carolina 29602, telephone (864) 239-1000. For additional information about VMS and the Partnerships, see VMS AND THE PARTNERSHIPS and GENERAL INFORMATION.

*The Aimco Operating Partnership and Aimco.* The Aimco Operating Partnership is a Delaware limited partnership that conducts substantially all of the operations of Aimco. As of September 30, 2006, Aimco beneficially owns approximately ninety percent (90%) of the Common OP Units and equivalents of the Aimco Operating Partnership. Aimco is a real estate investment trust (a REIT) that owns and manages multifamily apartment properties throughout the United States. The Aimco Operating Partnership, through its operating divisions and subsidiaries, holds substantially all of Aimco's assets and manages the daily operations of Aimco's business and assets. As of September 30, 2006, the Aimco Operating Partnership owned or managed a portfolio of 1,290 apartment properties containing 224,837 apartment units located in 47 states, the District of Columbia and Puerto Rico. Based on apartment unit data compiled by the National Multi Housing Council, as of January 1, 2006, Aimco is the largest owner of multifamily apartment properties in the United States. The general partner of the Aimco Operating Partnership is AIMCO-GP, Inc., a Delaware corporation, which is a wholly owned subsidiary of Aimco. The Aimco Operating Partnership is the sole member of Aimco Properties, LLC. The principal executive offices of Aimco, the Aimco Operating Partnership and Aimco Properties, LLC are located at 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237, and their telephone

number is (303) 757-8101. For additional information about Aimco, the Aimco Operating Partnership and Aimco Properties, LLC, see INFORMATION CONCERNING AIMCO AND THE AIMCO OPERATING PARTNERSHIP.

*Tax Consequences of the Transactions.* The Unaffiliated Sales will be taxable transactions for United States federal income tax purposes and likely for state and local income tax purposes as well. To the extent

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that limited partners receive cash in connection with the Affiliated Contribution, the Affiliated Contribution will also be in part a taxable transaction for such tax purposes because VMS will receive cash in the Affiliated Contribution. Any taxable income from the Unaffiliated Sales and the Affiliated Contribution will pass through, and be taxable, to the partners. Taxable income from the Affiliated Contribution will pass through, and be taxable, to all limited partners, including those who elect to receive Common OP Units rather than cash in connection with the Affiliated Contribution. Additional gain may be recognized in connection with actual or deemed distributions of cash by VMS and the Partnerships. There are also other tax considerations related to the Affiliated Contribution and to investment in the Aimco Operating Partnership and Aimco that you should consider. See UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTIONS for additional information.

*Appraisal Rights.* Pursuant to the Contribution Agreement, VMS, the Partnerships and Aimco Properties, LLC have provided each limited partner with contractual dissenters appraisal rights with respect to the Affiliated Contribution that are generally based upon the dissenters appraisal rights that a limited partner would have were it a shareholder in a corporate merger under the corporation laws of Illinois, the state of the Partnerships organization. To exercise this right, you must take the necessary steps provided by the Contribution Agreement. See APPRAISAL RIGHTS for additional information.

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**SPECIAL FACTORS**

**BACKGROUND AND REASONS FOR THE TRANSACTIONS**

*General.* VMS was formed as a general partnership pursuant to the Uniform Venture Act of the State of Illinois and a joint venture agreement dated September 27, 1984, between Portfolio I and Portfolio II. Its primary business is real estate ownership and related operations. VMS was formed for the purpose of making investments in various types of real properties that offer potential capital appreciation and cash distributions to its partners. Effective December 12, 1997, the managing general partner of each of the Partnerships was transferred from VMS Realty Investment, Ltd. (formerly VMS Realty Partners) to MAERIL, Inc., a wholly-owned subsidiary of MAE GP Corporation and an affiliate of Insignia Financial Group, Inc. ( Insignia ). Effective February 25, 1998, MAE GP Corporation was merged with Insignia Properties Trust ( IPT ), which was an affiliate of Insignia. Insignia and IPT were merged into Aimco effective October 1, 1998 and February 26, 1999, respectively. Thus, the Managing General Partner is now a wholly-owned subsidiary of Aimco.

Since that time, Aimco and the Managing General Partner have sought to maximize the operating results and, ultimately, the net realizable value of each of VMS's holdings in order to achieve the best possible return for the investors. The Managing General Partner regularly analyzes the effects of each Property's operating performance on the financial position of VMS and whether additional capital expenditures on these Properties or investments in alternative assets would benefit VMS's financial position. The Managing General Partner periodically evaluates the physical improvement requirements of the Properties and the availability of favorable financing opportunities to fund these requirements. In addition, the Managing General Partner monitors the conditions of the real estate markets affecting the Properties, considering whether a disposition of any of the Properties would further the Partnerships' best interests.

Prior to the refinancing completed on January 19, 2007, the terms of the senior mortgages encumbering the Properties contemplated the payment of an agreed valuation amount of \$110,000,000 for such indebtedness, which was less than the applicable face amount of \$152,225,000, if repayment occurred after January 1, 2007 and on or prior to January 1, 2008, the maturity date. The structure, including an *agreed valuation amount* and a *face amount*, was based on the VMS bankruptcy plan. The structure of certain secured notes originally held by the FDIC contemplated preservation of the full principal amount, in this case \$152,225,000, and an agreed valuation amount of \$110,000,000 that could be paid if there were no defaults. The discounted payoff was based on the actual value of the collateral underlying the notes from June, 1992, as determined in the bankruptcy proceeding. In addition, the mortgage indebtedness provided that if a default occurred with respect to a particular mortgage and that mortgage was subsequently repaid prior to January 1, 2008, then an additional prepayment premium (sometimes known as yield maintenance and referred to as the *Prepayment Consideration*) of not less than 1% of the agreed valuation amount would also be owed. The *Prepayment Consideration* was equal to the greater of (x) one percent of the agreed valuation amount; and (y) the present value of a series of payments, each equal to the *Payment Differential* (as defined below) and payable on each monthly payment date over the remaining original term of the Amended, Restated, and Consolidated Senior Notes and on January 1, 2008, discounted at the *Reinvestment Yield* (as defined below) for the number of months remaining from the date prepayment is received through and including January 1, 2008.

With respect to the calculation of the *Prepayment Consideration*, (i) *Reinvestment Yield* meant the lesser of (a) the yield on the US treasury issue (primary issue) with a maturity date closest to January 1, 2008, and (b) the yield on the US Treasury issue (primary issue) with a term equal to the remaining average life of the Debt, with each such yield being based on the bid price for such issue as published in the WSJ on the date that is 14 days prior to the date prepayment is received (or if such bid price is not published on that date, the next preceding date on which that bid

price is so published); and (ii) Payment Differential meant the difference between 8.5% per annum and the Reinvestment Yield, divided by 12, and then multiplied by the agreed valuation amount or such other lesser amount being prepaid in order to reinstate the debt) on the date prepayment was actually made. In no event was it to be less than zero.

In any event, if any of the mortgages were not paid on or before January 1, 2008, a default would have occurred and the full face amount of that mortgage, rather than the agreed valuation amount, would have become due.

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Prior to the refinancing completed on January 19, 2007, the terms of the existing outstanding mortgage indebtedness encumbering the Properties included prohibitions on repayment prior to January 1, 2007. Therefore, completion of either Transaction prior to that date would have required the consent of the holders of that indebtedness. Thus, because of the note provision precluding prepayment, the consent of the holders of the note was required. Further, a contrived default could not enable the notes to be prepaid without payment of the Prepayment Consideration outlined above.

Additionally, as a result of limits on cash available for capital expenditures imposed by the terms of the senior mortgage indebtedness existing prior to the refinancing completed on January 19, 2007, which limited such expenditures to an annual limit of \$300 per unit per Property, VMS did not have sufficient funds to pay for necessary capital expenditures. As noted below in ESTIMATED DISTRIBUTIONS AND TAX CONSEQUENCES, the proceeds of the refinancing available for distribution to the limited partners is approximately \$11,482,289, assuming the limited partners do not object to the Transactions. Even if VMS did not distribute those estimated proceeds, estimated capital expenditure needs of approximately \$32,100,498, described in more detail on pages 62-66 below, would exceed those proceeds by more than \$20,000,000. As a result, the Managing General Partner believes that operations will be insufficient, even following the refinancing, to finance these necessary capital expenditures. If either Transaction does not occur and VMS continues to own some or all of the Properties, the proceeds of the refinancing received by VMS after repayment of existing indebtedness and bankruptcy claims will be retained by VMS to pay for a portion of the necessary capital expenditures.

On April 4, 2006, Mr. Terry Considine, Mr. Thomas Herzog, Mr. Harry Alcock, Mr. Robert Walker, Ms. Martha Long, Mr. Scott Anderson and Mr. Derek McCandless convened to discuss the VMS debt and bankruptcy structure, including the impending maturity of the then-outstanding indebtedness and potential alternatives for addressing the shortfall in cash necessary for capital expenditures.

The attendees also discussed Aimco's potential interest in acquiring certain of the properties, as well as its fiduciary duties to the limited partners if such a transact