

APARTMENT INVESTMENT & MANAGEMENT CO

Form S-4

July 28, 2011

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As filed with the Securities and Exchange Commission on July 28, 2011

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

APARTMENT INVESTMENT AND MANAGEMENT COMPANY

*(Exact name of registrant as specified in its charter)*

**Maryland**

*(State of other jurisdiction of  
incorporation or organization)*

**6798**

*(Primary standard industrial  
classification code number)*

**84-1259577**

*(IRS Employer  
Identification Number)*

**AIMCO PROPERTIES, L.P.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State of other jurisdiction of  
incorporation or organization)*

**6513**

*(Primary standard industrial  
classification code number)*

**84-1275621**

*(IRS Employer  
Identification Number)*

**4582 South Ulster Street 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)*

**John Bezzant**

**Executive Vice President**

**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)*

*Copy to:*

**Robert Mintz, Esq.**

**Hogan Lovells US LLP**

**One Tabor Center**

**1200 Seventeenth St., Suite 1500**

**Denver, Colorado 80202  
(303) 899-7300**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement is declared effective and all other conditions to the merger as described in the enclosed information statement/prospectus are satisfied or waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**CALCULATION OF REGISTRATION FEE**

<b>Title of each Class of Securities to be Registered</b>	<b>Amount to be Registered(1)</b>	<b>Proposed Maximum Offering Price Per Share(1)</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee</b>
Partnership Common Units of AIMCO Properties, L.P.			\$ 2,373,506.85	\$ 275.56
Common Stock of Apartment Investment and Management Company(2)				

- (1) Omitted in reliance on Rule 457(o) under the Securities Act of 1933.
- (2) Represents shares of Common Stock issuable upon redemption of Partnership Common Units issued hereunder.

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

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The information in this information 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 information statement/prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED JULY 28, 2011**

**INFORMATION STATEMENT/PROSPECTUS**

**NATIONAL PROPERTY INVESTORS 4**

National Property Investors 4, or NPI, has entered into an agreement and plan of conversion and merger, or a merger agreement, with AIMCO Properties, L.P., or Aimco OP, and a wholly-owned subsidiary of Aimco OP. Under the merger agreement:

(i) First, NPI will be converted from a California limited partnership to a Delaware limited partnership named National Property Investors 4, LP, or New NPI. In the conversion, each unit of limited partnership interest in NPI, or NPI Unit, will be converted into an identical unit of limited partnership interest in New NPI, also referred to herein as an NPI Unit, and the general partnership interest in NPI now held by NPI's general partner will be converted into a general partnership interest in New NPI; and

(ii) Second, Aimco OP's subsidiary, AIMCO NPI 4 Merger Sub LLC, a Delaware limited liability company, or the Aimco Subsidiary, will be merged with and into New NPI, with New NPI as the surviving entity. Aimco Subsidiary was formed for the purpose of effecting this merger and does not have any assets or operations. In this merger, each NPI Unit will be converted into the right to receive, at the election of the holder of such unit, either:

\$195.27 in cash, or

\$195.27 in partnership common units of Aimco OP, or OP Units.

The merger consideration of \$195.27 per NPI Unit was based on an independent third party appraisal of NPI's property by KTR Real Estate Advisors LLC, or KTR, an independent valuation firm.

The number of OP Units offered for each NPI Unit in the merger will be calculated by dividing \$195.27 by the average closing price of common stock of Apartment Investment and Management Company, or Aimco, as reported on the New York Stock Exchange, or the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger. For example, as of July 21, 2011, the average closing price of Aimco common stock over the preceding ten consecutive trading days was \$26.98, which would have resulted in 7.24 OP Units offered for each NPI Unit. However, if Aimco OP determines that the law of the state or other jurisdiction in which a limited partner resides would prohibit the issuance of OP Units in that state or other jurisdiction (or that registration or qualification in that state or jurisdiction would be prohibitively costly), then such limited partner will not be entitled to elect OP Units, and will receive cash.

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

In the merger, Aimco OP's interest in the Aimco Subsidiary will be converted into limited partnership interests in New NPI. As a result, after the merger, Aimco OP will be the sole limited partner of New NPI.

Within ten days after the effective time of the merger, Aimco OP will prepare and mail to former holders of NPI Units an election form pursuant to which former holders of NPI Units can elect to receive cash or OP Units. Former holders of NPI Units may elect the form of consideration they wish to receive by completing and returning the election form in accordance with its instructions. If the information agent does not receive a properly completed election form from a former holder of NPI Units before 5:00 p.m., New York time, on the 30th day after the mailing of the election form, such former holder will be deemed to have elected to receive cash. Former holders of NPI Units may also use the election form to elect to receive, in lieu of the merger consideration, the appraised value of their NPI Units, determined through an arbitration proceeding.

Prior to consummating the transactions contemplated by the merger agreement, the agreement of limited partnership of NPI will be amended to (i) eliminate the prohibition on transactions between NPI, on one hand, and its general partner and its affiliates, on the other, and (ii) authorize the general partner to complete the conversion and merger described above without any further action by the limited partners. Under applicable law, the merger agreement, the conversion, the merger and the amendment must be approved by NPI's general partner and a majority of the NPI Units. NPI's general partner, NPI Equity Investments, Inc., or the General Partner, has determined that the merger agreement, the conversion, the merger and the amendment are advisable, fair to and in the best interests of NPI and its limited partners and has approved the merger agreement, the conversion, the merger and the amendment. As of July 21, 2011, there were 60,005 issued and outstanding NPI Units, and Aimco OP and its affiliates owned 47,850 of those units, or approximately 79.74% of the number of units outstanding. As more fully described herein, 26,466 NPI Units owned by an affiliate of the General Partner are subject to a voting restriction, which requires such NPI Units to be voted in proportion to the votes cast with respect to NPI Units not subject to this voting restriction. The General Partner's affiliates have indicated that they will vote all of their NPI Units that are not subject to this restriction, 21,384 NPI Units or approximately 35.64% of the outstanding NPI Units, in favor of the merger agreement, the conversion, the merger and the amendment. As a result, affiliates of the General Partner will vote a total of 38,258 NPI Units, or approximately 63.76% of the outstanding NPI Units, in favor of the merger agreement, the conversion, the merger and the amendment.

Aimco OP and its affiliates have indicated that they intend to take action by written consent, as permitted under the partnership agreement, to approve the merger agreement, the conversion, the merger and the amendment on or about \_\_\_\_\_, 2011. **As a result, approval of the conversion and merger is assured, and your consent to the conversion, merger and amendment is not required.**

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

This information statement/prospectus contains information about the proposed amendment of the limited partnership agreement of NPI, the merger agreement and the transactions contemplated thereby and the securities offered hereby, and the reasons that the General Partner has decided that the conversion, the merger and the amendment are in the best interests of NPI and its limited partners. The General Partner has conflicts of interest with respect to the transactions that are described in greater detail herein. Please read this information statement/prospectus carefully, including the section entitled "Risk Factors" beginning on page 18. It provides you with detailed information about the proposed amendment of the limited partnership agreement of NPI, the merger agreement and the transactions contemplated thereby and the securities offered hereby. The merger agreement is attached to this information statement/prospectus as Annex A. The proposed amendment of the limited partnership agreement of NPI is attached to this information statement/prospectus as Annex B.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the transactions described herein or determined if this information statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

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

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**WE ARE CURRENTLY SEEKING QUALIFICATION TO ALLOW ALL HOLDERS OF NPI UNITS THE ABILITY TO ELECT TO RECEIVE OP UNITS IN CONNECTION WITH THE TRANSACTIONS DESCRIBED HEREIN. HOWEVER, AT THE PRESENT TIME, IF YOU ARE A RESIDENT OF ONE OF THE FOLLOWING STATES, YOU ARE NOT PERMITTED TO ELECT TO RECEIVE OP UNITS IN CONNECTION WITH THE TRANSACTIONS DESCRIBED HEREIN:**

**CALIFORNIA  
MASSACHUSETTS  
NEW YORK**

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

**ADDITIONAL INFORMATION**

This information statement/prospectus incorporates important business and financial information about Aimco from documents that it has filed with the Securities and Exchange Commission, or the SEC, but that have not been included in or delivered with this information statement/prospectus. For a listing of documents incorporated by reference into this information statement/prospectus, please see *Where You Can Find Additional Information* beginning on page 91 of this information statement/prospectus.

Aimco will provide you with copies of such documents relating to Aimco (excluding all exhibits unless Aimco has specifically incorporated by reference an exhibit in this information statement/prospectus), without charge, upon written or oral request to:

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

**If you wish to obtain any of these documents from Aimco, you should make your request no later than \_\_\_\_\_, 2011 to ensure timely delivery. You will not be charged for any of the documents you request.**

If you have any questions or require any assistance, please contact our information agent, Eagle Rock Proxy Advisors, LLC, by mail at 12 Commerce Drive, Cranford, New Jersey 07016; by fax at (908) 497-2349; or by telephone at (800) 217-9608.

**ABOUT THIS INFORMATION STATEMENT/PROSPECTUS**

This information statement/prospectus, which forms a part of a registration statement on Form S-4 filed with the SEC by Aimco and Aimco OP, constitutes a prospectus of Aimco OP under Section 5 of the Securities Act of 1933, as amended, or the Securities Act, with respect to the OP Units that may be issued to holders of NPI Units in connection with the transactions described herein, and a prospectus of Aimco under Section 5 of the Securities Act with respect to shares of Aimco common stock that may be issued in exchange for such OP Units tendered for redemption. This document also constitutes an information statement under Section 14(c) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, with respect to the action to be taken by written consent to approve the amendment of the limited partnership agreement of NPI, the merger agreement and the transactions contemplated thereby.



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**SUMMARY TERM SHEET**

*This summary term sheet highlights the material information with respect to the merger agreement, the conversion, the merger, the amendment and the other matters described herein. It may not contain all of the information that is important to you. You are urged to carefully read the entire information statement/prospectus and the other documents referred to in this information statement/prospectus, including the merger agreement and the amendment. Aimco, Aimco OP, the General Partner and Aimco's subsidiaries that may be deemed to directly or indirectly beneficially own NPI Units are referred to herein, collectively, as the Aimco Entities.*

**The Transactions:**

*Amendment of NPI's Partnership Agreement.* Prior to consummating the transactions contemplated by the merger agreement, NPI's partnership agreement will be amended to (i) eliminate the prohibition on transactions between NPI, on the one hand, and its general partner and its affiliates, on the other, and (ii) authorize the General Partner to complete the conversion and merger described below without any further action by the limited partners. See *The Transactions Amendment to Partnership Agreement* beginning on page 38. A copy of the proposed amendment to the NPI partnership agreement is attached as **Annex B** to this information statement/prospectus.

*The Conversion and Merger.* NPI has entered into an agreement and plan of conversion and merger, or merger agreement, with the Aimco Subsidiary and Aimco OP. Under the merger agreement:

First, NPI will be converted from a California limited partnership to a Delaware limited partnership named National Property Investors 4, LP, or New NPI. In the conversion, each NPI Unit will be converted into an identical unit of limited partnership in New NPI and the general partnership interest in NPI now held by the general partner will be converted into a general partnership interest in New NPI. NPI's partnership agreement in effect immediately prior to the conversion will be adopted as the partnership agreement of New NPI, with the following changes: (i) references therein to the California Uniform Limited Partnership Act, as amended, or the California Act, will be amended to refer to the Delaware Revised Uniform Limited Partnership Act, as amended, or the Delaware Act; (ii) a description of the conversion will be added; and (iii) the name of the partnership will be National Property Investors 4, LP.

Second, the Aimco Subsidiary will be merged with and into New NPI, with New NPI as the surviving entity. The Aimco Subsidiary was formed for the purpose of effecting this merger and does not have any assets or operations. In the merger, each NPI Unit will be converted into the right to receive the merger consideration described below. A copy of the merger agreement is attached as **Annex A** to this information statement/prospectus. You are encouraged to read the merger agreement carefully in its entirety because it is the legal agreement that governs the conversion and merger.

*Merger Consideration:* In the merger, each NPI Unit will be converted into the right to receive, at the election of the holder of such NPI Unit, either \$195.27 in cash or equivalent value in OP Units, except in those jurisdictions where the law prohibits the offer of OP Units (or registration or qualification would be prohibitively costly). The number of OP Units issuable with respect to each NPI Unit will be calculated by dividing the \$195.27 per unit cash merger consideration by the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger. For a full description of the determination of the merger consideration, see *The Transactions Determination of Merger Consideration* beginning on page 38.

*Fairness of Merger Consideration:* Although the Aimco Entities have interests that may conflict with those of NPI's unaffiliated limited partners, each of the Aimco Entities believes that the amendment, the merger agreement, the conversion and the merger are fair to the unaffiliated limited partners of NPI. See Special Factors Fairness of the Transactions beginning on page 7. The merger consideration of \$195.27 per NPI Unit was based on an independent third party appraisal of NPI's underlying property by KTR, an independent appraisal firm.

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*Opinion of Financial Advisor:* In connection with the transactions, Duff & Phelps LLC, or Duff & Phelps, has delivered its written opinion to the boards of directors of Aimco and the general partners of Aimco OP and NPI to the effect that, as of July 28, 2011, the cash consideration offered in the merger is fair, from a financial point of view, to the unaffiliated limited partners of NPI. The full text of Duff & Phelps' written opinion, which sets forth the assumptions made, procedures followed, factors considered and qualifications and limitations on the review undertaken by Duff & Phelps in connection with its opinion, is attached to this information statement/prospectus as Annex C. You are encouraged to read Duff & Phelps' opinion, and the section entitled "Special Factors – Opinion of Financial Advisor" beginning on page 13, carefully and in their entirety. Duff & Phelps' opinion was directed to the boards of directors of Aimco and the general partners of Aimco OP and NPI, and addresses only the fairness to the unaffiliated limited partners of NPI, from a financial point of view, of the cash consideration offered to them in the merger as of the date of the opinion. Duff & Phelps' opinion did not address any other aspect of the transactions and was not intended to and does not constitute a recommendation as to how any party should vote or act with respect to the transactions or any matter relating thereto.

*Effects of the Transactions:* After the amendment of NPI's partnership agreement and the conversion and the merger, Aimco OP will be the sole limited partner in New NPI, and will own all of the outstanding limited partnership interests of New NPI. As a result, after the merger, you will cease to have any rights in New NPI as a limited partner. See "Special Factors – Effects of the Transactions," beginning on page 6.

*Appraisal Rights:* Pursuant to the terms of the merger agreement, Aimco OP will provide each limited partner with contractual dissenters' appraisal rights that are similar to the dissenters' appraisal rights available to a stockholder of a constituent corporation in a merger under Delaware law, and which will enable a limited partner to obtain an appraisal of the value of the limited partner's NPI Units in connection with the transactions. See "The Transactions – Appraisal Rights," beginning on page 40. A description of the appraisal rights being provided, and the procedures that a limited partner must follow to seek such rights, is attached to this information statement/prospectus as Annex D.

**Parties Involved:**

National Property Investors 4, or NPI, is a California limited partnership organized on July 1, 1980 for the purpose of acquiring, managing, and ultimately selling income-producing real property. NPI presently owns and operates one investment property, the Village of Pennbrook Apartments, a 722 unit apartment project located in Falls Township, Pennsylvania. See "Information About National Property Investors 4," beginning on page 32. NPI's principal address is 55 Beattie Place, P.O. Box 1089, Greenville, South Carolina 29602, and its telephone number is (864) 239-1000. NPI will be converted to a Delaware limited partnership, or New NPI, under the terms of the proposed conversion.

Apartment Investment and Management Company, or Aimco, is a Maryland corporation that is a self-administered and self-managed real estate investment trust, or REIT. Aimco's principal financial objective is to provide predictable and attractive returns to its stockholders. Aimco's common stock is listed and traded on the NYSE under the symbol AIV. See "Information about the Aimco Entities," beginning on page 30. Aimco's principal address is 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237, and its telephone number is (303) 757-8101.

AIMCO Properties, L.P., or Aimco OP, is a Delaware limited partnership which, through its operating divisions and subsidiaries, holds substantially all of Aimco's assets and manages the daily operations of Aimco's business and assets. See "Information about the Aimco Entities," beginning on page 30. Aimco OP's



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

AIMCO NPI 4 Merger Sub LLC, or the Aimco Subsidiary, is a Delaware limited liability company formed on July 26, 2011, for the purpose of consummating the merger with New NPI. The Aimco Subsidiary is a direct wholly-owned subsidiary of Aimco OP. See Information about the Aimco Entities, beginning on page 30.

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*Reasons for the Transactions:* Aimco and Aimco OP are in the business of acquiring, owning and managing apartment properties such as the one owned by NPI, and have decided to proceed with the transactions as a means of acquiring the property currently owned by NPI in a manner that they believe (i) provides fair value to limited partners, (ii) offers limited partners an opportunity to receive immediate liquidity, or defer recognition of taxable gain (except where the law of the state or other jurisdiction in which a limited partner resides would prohibit the issuance of OP Units in that state or other jurisdiction, or where registration or qualification would be prohibitively costly), and (iii) relieves NPI of the expenses associated with a sale of the property, including marketing and other transaction costs. The Aimco Entities decided to proceed with the transactions at this time for the following reasons:

In the absence of a transaction, NPI limited partners have only limited options to liquidate their investment in NPI. The NPI Units are not traded on an exchange or other reporting system, and transactions in the securities are limited and sporadic.

The value of the single property owned by NPI is not sufficient to justify its continued operation as a public company. As a public company with a significant number of unaffiliated limited partners, NPI incurs costs associated with preparing audited annual financial statements, unaudited quarterly financial statements, tax returns and partner Schedule K-1s, periodic SEC reports and other expenses. The Aimco Entities estimate these costs to be approximately \$63,000 per year.

NPI has been operating at a loss for two of the last three years. Since January 1, 2009, Aimco OP has advanced approximately \$1,221,000 to NPI to help fund NPI's operating expenses with NPI having repaid to Aimco OP approximately \$962,000 of advances during such period. NPI may receive additional advances of funds from Aimco OP, although Aimco OP is not obligated to provide such advances. If the Aimco Entities acquire 100% ownership of NPI, they will have greater flexibility in financing and operating its property.

See Special Factors Purposes, Alternatives and Reasons for the Transactions, beginning on page 5.

*Conflicts of Interest:* The General Partner is indirectly wholly-owned by Aimco. Therefore, the General Partner has a conflict of interest with respect to the transactions. The General Partner has fiduciary duties to AIMCO/IPT, Inc., the General Partner's sole stockholder and an affiliate of Aimco, on the one hand, and to NPI and its limited partners, on the other hand. The duties of the General Partner to NPI and its limited partners conflict with the duties of the General Partner to AIMCO/IPT, Inc., which could result in the General Partner approving a transaction that is more favorable to Aimco than might be the case absent such conflict of interest. See The Transactions Conflicts of Interest, beginning on page 39.

*Risk Factors:* In evaluating the proposed amendment of NPI's partnership agreement, the merger agreement and the transactions contemplated thereby, NPI limited partners should carefully read this information statement/prospectus and especially consider the factors discussed in the section entitled Risk Factors, beginning on page 18. Some of the risk factors associated with the transactions are summarized below:

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

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

There are a number of significant differences between NPI Units and OP Units relating to, among other things, the nature of the investment, voting rights, distributions and liquidity and transferability/redemption. For more information regarding those differences, see Comparison of NPI Units and Aimco OP Units, beginning on page 61.

NPI limited partners may elect to receive OP Units as merger consideration, and there are risks related to an investment in OP Units, including the fact that there are restrictions on transferability of OP Units; there is no public market for OP Units; and there is no assurance as to the value that might be realized upon

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a future redemption of OP Units. See Comparison of NPI Units and Aimco OP Units, beginning on page 61.

Material United States Federal Income Tax Consequences of the Transactions: New NPI, the Delaware partnership, will be considered a continuation of NPI, the California partnership for tax purposes. NPI will not recognize gain as a result of the conversion. New NPI will have the same federal identification number as that of NPI and will have the same tax basis, holding period, and depreciation method for each of its assets as that of NPI. The partners of NPI will not recognize any gain from the conversion of NPI with and into New NPI. The bases of the partners in New NPI will be equal to their bases in NPI, and their holding periods in their units in New NPI will be the same as their holding periods in the NPI units. Aimco believes that completion of the conversion will not result in any tax consequences to the limited partners of NPI. The merger between New NPI and the Aimco Subsidiary will generally be treated as a partnership merger for U.S. Federal income tax purposes. In general, any payment of cash for NPI Units will be treated as a sale of such NPI Units by the holder thereof. Any exchange of NPI Units for OP Units under the terms of the merger agreement will be treated as a tax-free transaction, except to the extent described in Material United States Federal Income Tax Considerations – United States Federal Income Tax Consequences Relating to the Transactions – Taxation of Aimco OP and OP Unitholders, beginning on page 68.

**The foregoing is a general discussion of the material U.S. Federal income tax consequences of the transactions. This summary does not discuss all aspects of U.S. Federal income taxation that may be relevant to you in light of your specific circumstances or if you are subject to special treatment under the U.S. Federal income tax laws. The particular tax consequences of the transactions to you will depend on a number of factors related to your tax situation. You should review Material United States Federal Income Tax Considerations, herein and consult your tax advisors for a full understanding of the tax consequences to you of the transactions.**

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**SPECIAL FACTORS**

**Purposes, Alternatives and Reasons for the Transactions**

Aimco and Aimco OP are in the business of acquiring, owning and managing apartment properties such as the one owned by NPI, and have decided to proceed with the transactions as a means of acquiring the property currently owned by NPI in a manner they believe (i) provides fair value to limited partners, (ii) offers limited partners an opportunity to receive immediate liquidity, or defer recognition of taxable gain, if any (except where the law of the state or other jurisdiction in which a limited partner resides would prohibit the issuance of OP Units in that state or other jurisdiction, or where registration or qualification would be prohibitively costly), and (iii) relieves NPI of the expenses associated with a sale of the property, including marketing and other transaction costs.

The Aimco Entities determined to proceed with the transactions at this time for the following reasons:

In the absence of a transaction, NPI limited partners have only limited options to liquidate their investment in NPI. The NPI Units are not traded on an exchange or other reporting system, and transactions in the securities are limited and sporadic.

The value of the single property owned by NPI is not sufficient to justify its continued operation as a public company. As a public company with a significant number of unaffiliated limited partners, NPI incurs costs associated with preparing audited annual financial statements, unaudited quarterly financial statements, tax returns and partner Schedule K-1s, periodic SEC reports and other expenses. The Aimco Entities estimate these costs to be approximately \$63,000 per year.

NPI has been operating at a loss for two of the last three years. Since January 1, 2009, Aimco OP has advanced approximately \$1,221,000 to NPI to help fund NPI's operating expenses with NPI having repaid to Aimco OP approximately \$962,000 of advances during such period. NPI may receive additional advances of funds from Aimco OP, although Aimco OP is not obligated to provide such advances. If the Aimco Entities acquire 100% ownership of NPI, they will have greater flexibility in financing and operating its property.

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

*Continuation of NPI as a Public Company Operating the Property.* The General Partner and the other Aimco Entities did not consider the continuation of NPI as a public company operating the property to be a viable alternative primarily because of the costs associated with preparing financial statements, tax returns, periodic SEC reports and other expenses. If NPI is unable to generate sufficient funds to cover operating expenses, advances from Aimco OP may not be available in the future.

*Liquidation of NPI.* The General Partner and the other Aimco Entities considered a liquidation of NPI in which NPI's property would be marketed and sold.