

APARTMENT INVESTMENT & MANAGEMENT CO

Form S-4/A

October 28, 2010

**Table of Contents**

**As filed with the Securities and Exchange Commission on October 27, 2010**

**Registration No. 333-169872**

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

**Amendment No. 1**

**to**

**Form S-4**

**REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**APARTMENT INVESTMENT AND MANAGEMENT COMPANY**

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

**Maryland**

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

**6798**

*(Primary standard industrial  
classification code number)*

**84-1259577**

*(IRS Employer  
Identification Number)*

**AIMCO PROPERTIES, L.P.**

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

**Delaware**

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

**6513**

*(Primary standard industrial  
classification code number)*

**84-1275621**

*(IRS Employer  
Identification Number)*

**4582 South Ulster Street 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**

**Senior 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)*

**Copies to:**

**Jonathan Friedman, Esq.**  
**Skadden, Arps, Slate, Meagher & Flom LLP**  
**300 South Grand Avenue, Suite 3400**  
**Los Angeles, CA 90071**  
**Telephone: (213) 687-5396**  
**Fax: (213) 621-5396**

**Joseph Coco, Esq.**  
**Skadden, Arps, Slate, Meagher & Flom LLP**  
**Four Times Square**  
**New York, NY 10036**  
**Telephone: (212) 735-3050**  
**Fax: (917) 777-3050**

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

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

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

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

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

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

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

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

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

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

---

**Table of Contents**

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

**SUBJECT TO COMPLETION, DATED OCTOBER 27, 2010**

**INFORMATION STATEMENT/PROSPECTUS**

**NATIONAL PROPERTY INVESTORS III**

National Property Investors III, or NPI, plans to enter into an agreement and plan of merger with AIMCO Properties, L.P., or Aimco OP. Under the proposed merger agreement:

- (i) First, NPI will be merged with and into Aimco OP's subsidiary, National Property Investors III, LP, a Delaware limited partnership, or New NPI, with New NPI as the surviving entity. New NPI was formed for the purpose of effecting this merger and does not have any assets or operations. In this merger, each unit of limited partnership interest in NPI, or NPI Unit, will be converted into an identical unit of limited partnership in New NPI, or New NPI Units, and the general partnership interest in NPI now held by the general partner will be converted into a general partnership interest in New NPI. All interests in New NPI outstanding immediately prior to the merger will be cancelled in the merger; and
- (iii) Second, Aimco OP's subsidiary, AIMCO NPI III 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. The 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:

\$57.24 in cash, or

\$57.24 in partnership common units of Aimco OP, or OP Units.

The number of OP Units offered for each NPI Unit will be calculated by dividing \$57.24 by the average closing price of common stock of Apartment Investment and Management Company, or Aimco, as reported on the New York Stock Exchange, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger. For example, as of October 25, 2010, the average closing price of Aimco common stock over the preceding ten consecutive trading days was \$22.96, which would have resulted in 2.49 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.

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

Within ten days after the mergers, Aimco OP will prepare and mail to you an election form pursuant to which you can elect to receive cash or OP Units. You may elect your form of consideration by completing and returning the election

form in accordance with its instructions. If the information agent does not receive a properly completed election form from you before 5:00 p.m., New York time, on the 30th day after the mergers, you will be deemed to have elected to receive cash. You may also use the election form to elect to receive, in lieu of the merger consideration, the appraised value of your NPI Units, determined through an arbitration proceeding.

In addition and separate from the merger consideration, you may elect to receive an additional cash payment of \$9.42 in exchange for executing a waiver and release of certain claims. In order to receive such additional payment, you must complete the relevant section of the election form, execute the waiver and release that is attached to the election form and return both the election form and the executed waiver and release to the information agent as described above.

Prior to entering into 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 partners and their affiliates, on the other, and (ii) authorize the managing general partner to complete the mergers described above without any further action by the limited partners. This amendment must be approved by NPI's general partner and a majority in interest of the limited partners. NPI's general partner, NPI Equity Investments, Inc., or the General Partner, has determined that the amendment and the transactions contemplated thereby are advisable and in the best interests of NPI and its limited partners and has approved the amendment and the transactions. As of October 25, 2010, there were issued and outstanding 48,039 NPI Units, and Aimco OP and its affiliates owned 37,419 of those units, or approximately 77.89% of the number of units outstanding. As more fully described herein, 21,380 of the NPI Units owned by an affiliate of the General Partner are subject to a voting restriction, which requires the 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, 16,039 Units or approximately 33.39% of the outstanding NPI Units, in favor of the amendment and the transactions. As a result, affiliates of the General Partner will vote a total of 28,901 NPI Units, or approximately 60.16% of the outstanding NPI Units, in favor of the amendment and the transactions.

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 amendment and the transactions on or about \_\_\_\_\_, 2010. **As a result, approval of the merger is assured, and your consent to the merger is not required.**

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

This information statement/prospectus contains information about the proposed amendment of the limited partnership agreement of NPI, the proposed merger agreement and the transactions contemplated thereby and the securities offered hereby, and the reasons that the General Partner has decided that the transactions 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 12. It provides you with detailed information about the proposed amendment of the limited partnership agreement of NPI, the proposed merger agreement and the transactions contemplated thereby and the securities offered hereby. The proposed 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 E.

**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 mergers 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, \_\_\_\_\_, 2010, and is first being mailed to limited partners on or about \_\_\_\_\_, 2010.*



**Table of Contents**

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

**CALIFORNIA  
MASSACHUSETTS  
NEW YORK**

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

**ADDITIONAL INFORMATION**

This information statement/prospectus incorporates important business and financial information about Aimco and Aimco OP from documents that they have filed with the Securities and Exchange Commission 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 88 of this information statement/prospectus.

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

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

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

---



**Table of Contents**

**ABOUT THIS INFORMATION STATEMENT/PROSPECTUS**

This information statement/prospectus, which forms a part of a registration statement on Form S-4 filed with the Securities and Exchange Commission 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 mergers, 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 by the holder thereof. 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 proposed merger agreement and the transactions contemplated thereby.

---

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>SUMMARY TERM SHEET</u>	1
<u>SPECIAL FACTORS</u>	
<u>Purposes, Alternatives and Reasons for the Transactions</u>	1
<u>Effects of the Transactions</u>	5
<u>Material United States Federal Income Tax Consequences of the Transactions</u>	6
<u>Fairness of the Transactions</u>	6
<u>The Appraisal</u>	8
<u>RISK FACTORS</u>	12
<u>Risks Related to the Transactions</u>	12
<u>Risks Related to an Investment in Aimco or Aimco OP</u>	13
<u>Risks Related to an Investment in OP Units</u>	13
<u>Certain United States Tax Risks Associated with an Investment in the OP Units</u>	15
<u>SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF APARTMENT INVESTMENT AND MANAGEMENT COMPANY</u>	17
<u>SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF AIMCO PROPERTIES, L.P.</u>	19
<u>SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF NATIONAL PROPERTY INVESTORS III</u>	21
<u>COMPARATIVE PER SHARE DATA</u>	22
<u>INFORMATION ABOUT THE AIMCO ENTITIES</u>	23
<u>INFORMATION ABOUT NATIONAL PROPERTY INVESTORS III</u>	25
<u>Distributions to Limited Partners</u>	26
<u>Certain Relationships and Related Transactions</u>	26
<u>Directors, Executive Officers and Corporate Governance</u>	28
<u>Security Ownership of Certain Beneficial Owners and Management</u>	28
<u>Additional Information</u>	29
<u>THE TRANSACTIONS</u>	30
<u>Background of the Transactions</u>	30
<u>Amendment to Partnership Agreement</u>	31
<u>Determination of Merger Consideration</u>	31
<u>Conflicts of Interest</u>	32
<u>Waiver and Release and Additional Consideration</u>	32
<u>The Appraisal</u>	33
<u>Future Plans for the Property</u>	33
<u>Material United States Federal Income Tax Consequences of the Transactions</u>	33
<u>Regulatory Matters</u>	33
<u>Accounting Treatment of the Transactions</u>	34
<u>Appraisal Rights</u>	34
<u>Expenses and Fees and Source of Funds</u>	34
<u>Approvals Required</u>	34
<u>THE MERGER AGREEMENT</u>	36
<u>The Mergers</u>	36
<u>Conditions to Obligations to Complete the Transactions</u>	36
<u>Termination of the Merger Agreement</u>	36

**Table of Contents**

	<b>Page</b>
<u>Amendment</u>	37
<u>Governing Law</u>	37
<u>Appraisal Rights</u>	37
<u>Election Forms</u>	37
<u>DESCRIPTION OF AIMCO OP UNITS; SUMMARY OF AIMCO OP PARTNERSHIP AGREEMENT</u>	38
<u>General</u>	38
<u>Purpose And Business</u>	38
<u>Management By The General Partner</u>	38
<u>Outstanding Classes Of Units</u>	39
<u>Distributions</u>	40
<u>Allocations Of Net Income And Net Loss</u>	41
<u>Withholding</u>	41
<u>Return Of Capital</u>	42
<u>Redemption Rights Of Qualifying Parties</u>	42
<u>Partnership Right To Call Limited Partner Interests</u>	42
<u>Transfers And Withdrawals</u>	42
<u>Amendment of the Partnership Agreement</u>	44
<u>Procedures for Actions and Consents of Partners</u>	44
<u>Records and Accounting; Fiscal Year</u>	44
<u>Reports</u>	44
<u>Tax Matters Partner</u>	45
<u>Dissolution and Winding Up</u>	45
<u>DESCRIPTION OF AIMCO COMMON STOCK</u>	46
<u>General</u>	46
<u>Outstanding Classes Of Preferred Stock</u>	47
<u>COMPARISON OF AIMCO OP UNITS AND AIMCO COMMON STOCK</u>	52
<u>COMPARISON OF NPI UNITS AND AIMCO OP UNITS</u>	55
<u>Compensation and Distributions</u>	58
<u>MATERIAL UNITED STATES FEDERAL INCOME TAX MATTERS</u>	60
<u>United States Federal Income Tax Consequences Relating to the Transactions</u>	60
<u>Taxation of Aimco OP and OP Unitholders</u>	62
<u>Taxation of Aimco and Aimco Stockholders</u>	68
<u>Other Tax Consequences</u>	83
<u>FEES AND EXPENSES</u>	85
<u>LEGAL MATTERS</u>	86
<u>EXPERTS</u>	87
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	88

**Table of Contents**

	<b>Page</b>
<b>Annexes</b>	
<u>Annex A Agreement and Plan of Merger</u>	A-1
<u>Annex B Appraisal Rights of Limited Partners</u>	B-1
<u>Annex C Officers and Directors</u>	C-1
<u>Annex D NPI s Annual Report on Form 10-K for the year ended December 31, 2009</u>	D-1
<u>Annex E NPI s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010</u>	E-1
<u>Annex F Amendment to Partnership Agreement</u>	F-1
<u>Annex G Summary of Appraisal Table</u>	G-1
<u>EX-23.1</u>	
<u>EX-23.2</u>	
<u>EX-23.3</u>	

**Table of Contents**

**SUMMARY TERM SHEET**

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

**The Transactions:**

*Amendment of NPI's Partnership Agreement.* Prior to entering into the proposed 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 partners and their affiliates, on the other, and (ii) authorize the General Partner to complete the mergers described below without any further action by the limited partners. See *The Transactions - Amendment to Partnership Agreement* beginning on page 31. A copy of the proposed amendment to NPI partnership agreement is attached as Annex F to this information statement/prospectus.

*The Mergers.* Following the amendment of NPI's partnership agreement, NPI plans to enter into a merger agreement with Aimco OP. The merger agreement contemplates two merger transactions. First, NPI will be merged with and into New NPI with New NPI as the surviving entity. In this merger, 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. All interests in New NPI outstanding immediately prior to the merger will be cancelled in the merger. NPI's partnership agreement in effect immediately prior to the merger 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 merger will be added; and (iii) the name of the partnership will be National Property Investors III, LP. Second, the Aimco Subsidiary will be merged with and into New NPI, with New NPI as the surviving entity. In this second merger, each NPI Unit will be converted into the right to receive the merger consideration described below. A copy of the proposed merger agreement is attached as Annex A to this information statement/prospectus. You are encouraged to read the proposed merger agreement carefully in its entirety because it is the legal agreement that governs the mergers.

**Merger Consideration:** In the second merger, each NPI Unit will be converted into the right to receive, at the election of the holder of such NPI Unit, either \$57.24 in cash or equivalent value in OP Units, except in those jurisdictions where the law prohibits the offer of OP Units (or registration would be prohibitively costly). The number of OP Units issuable with respect to each NPI Unit will be calculated by dividing the \$2.76 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 31.

**Effects of the Transactions:** After the amendment of NPI's partnership agreement and the two mergers, Aimco OP will be the sole limited partner in New NPI, and will own all of the outstanding New NPI Units. As a result, after the transactions, you will cease to have any rights in New NPI as a limited partner. See *Special Factors*

Effects of the Transactions, beginning on page 5.

Appraisal Rights: Pursuant to the terms of the proposed 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 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 34. A description of the appraisal rights being provided, and the procedures that a limited partner must follow to seek such rights, is attached to this information statement/prospectus as Annex B.

**Table of Contents**

**Additional Payment for Waiver and Release:** In addition to the merger consideration, each limited partner unaffiliated with Aimco OP or its affiliates may elect to receive an additional cash payment of \$9.42 per NPI Unit in exchange for executing a waiver and release of potential claims such unaffiliated limited partner may have had in the past, may now have or may have in the future (through and including the date of the consummation of the merger) against NPI, the General Partner, Aimco OP or its affiliates and certain other persons and entities, including but not limited to claims related to the merger agreement and the transactions contemplated thereby, but excluding claims limited partners may have under federal securities laws. See *The Transactions – Waiver and Release and Additional Consideration*, beginning on page 32.

**Parties Involved:**

National Property Investors III, or NPI, is a California limited partnership organized on February 1, 1979 for the purpose of operating income-producing residential real estate. NPI presently owns and operates one investment property, Lakeside Apartments, a 568 unit apartment project located in Lisle, Illinois. See *Information About National Property Investors III*, beginning on page 25. NPI's principal address is 55 Beattie Place, P.O. Box 1089, Greenville, South Carolina 29602, and its telephone number is (864) 239-1000.

Apartment Investment and Management Company, or Aimco, is a Maryland corporation that is a self-administered and self-managed real estate investment trust, or REIT, focused on the ownership and management of quality apartment communities located in the 20 largest markets in the United States. Aimco is one of the largest owners and operators of apartment properties in the United States. Aimco's common stock is listed and traded on the NYSE under the symbol AIV. See *Information about the Aimco Entities*, beginning on page 23.

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 23.

National Property Investors III, or New NPI, is a Delaware limited partnership formed on October 8, 2010, for the purpose of consummating the merger with NPI. New NPI's general partner is Aimco OP, and its sole limited partner is the Aimco Subsidiary. See *Information about the Aimco Entities*, beginning on page 23.

AIMCO NPI III Merger Sub LLC, or the Aimco Subsidiary, is a Delaware limited liability company formed on September 29, 2010, for the purpose of acting as limited partner of New NPI prior to the merger, and consummating the merger with New NPI. See *Information about the Aimco Entities*, beginning on page 23.

**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 for partners on schedule K-1, periodic SEC reports and other expenses. The Aimco Entities estimate these costs to be approximately \$55,000 per year.



**Table of Contents**

NPI has been operating at a loss for the past several years. Since 2007, Aimco OP has made loans of \$16,808,000 to NPI to help fund a redevelopment project as well as operating expenses, but it is not willing to continue to make advances to NPI. The Aimco Entities do not believe that NPI can obtain financing from an independent third party. If the Aimco Entities acquire 100% ownership of NPI, they will have greater flexibility in financing and operating its property.

**Fairness of the Merger:** Although the Aimco Entities have interests that may conflict with those of NPI's unaffiliated limited partners, each of the Aimco Entities believe that the merger is fair to the unaffiliated limited partners of NPI. See **Special Factors – Fairness of the Transactions** beginning on page 6.

**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 32.

**Risk Factors:** In evaluating the proposed amendment of NPI's partnership agreement, the proposed 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 12. Some of the risk factors associated with the merger are summarized below:

Aimco owns the General Partner. As a result, the General Partner has a conflict of interest in the transactions. 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 transactions and that gain could exceed the merger consideration.

There are a number of significant differences between NPI Units and Aimco OP Units relating to, among other things, the nature of the investment, voting rights, distributions and liquidity and transferability/redemption. For more information regarding those differences, see **Comparison of NPI Units and Aimco OP Units**, beginning on page 55.

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 and there is no assurance as to the value that might be realized upon a future redemption of OP Units.

**Material United States Federal Income Tax Consequences of the Transactions:** The merger between NPI and New NPI will generally be treated as a partnership merger for Federal income tax purposes. In general, NPI will not recognize gain as a result of contribution of its assets to New NPI, and the merger between NPI and New NPI will not result in any tax consequences to the limited partners of NPI. The merger between NPI and the Aimco Subsidiary will generally be treated as a partnership merger for Federal income tax purposes. In general, any payment of cash for NPI Units will be treated as a sale of such NPI Units by such holder, and any exchange of NPI Units for OP Units under the terms of the merger agreement will be treated, in accordance with Sections 721 and 731 of the Internal Revenue Code of 1986, as amended, or the Code, as a tax free transaction, except to the extent described in **Material United States Federal Income Tax Matters – Taxation of**

Aimco OP and OP Unitholders United States Federal Income Tax Consequences Relating to the Transactions, beginning on page 60.

**The foregoing is a general discussion of the United States federal income tax consequences of the transactions. This summary does not discuss all aspects of 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 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 Matters, herein and consult your tax advisors for a full understanding of the tax consequences to you of the transactions.**

**Table of Contents**

**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 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 for partners on schedule K-1, periodic SEC reports and other expenses. The Aimco Entities estimate these costs to be approximately \$55,000 per year.

NPI has been operating at a loss for the past several years. Since 2007, Aimco OP has made loans of \$16,808,000 to NPI to help fund a redevelopment project as well as operating expenses, but it is not willing to continue to make advances to NPI. The Aimco Entities do not believe that NPI can obtain additional financing from an independent third party. 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.* As discussed above, the General Partner and the Aimco Entities did not consider this a viable alternative primarily because of the costs associated with preparing financial statements, tax returns, periodic SEC reports and other expenses, and the inability of NPI to generate sufficient funds to cover operating expenses without advances from Aimco OP which would 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 to a third party for cash, with any net proceeds remaining, after payment of all liabilities, distributed to NPI's limited partners. The primary advantage of such a transaction would be that the sale price would reflect arm's-length negotiations and might therefore be higher than the appraised value which has been used to determine the merger consideration. The General Partner and the other Aimco Entities rejected this alternative because of: (i) the risk that a third party purchaser might not be found that would offer a satisfactory price or at all; (ii) the costs that NPI would incur in connection with marketing and selling the property; (iii) the fact that limited partners would recognize taxable gain on the sale; and (iv) the prepayment penalties that NPI would incur in repaying

its mortgage debt upon a sale of the property.

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

## **Table of Contents**

### **Effects of the Transactions**

The Aimco Entities believe that the transactions will have the following benefits and detriments to unaffiliated limited partners, NPI and the Aimco Entities:

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

**Option to Defer Taxable Gain.** Limited partners are given a choice of merger consideration, and may elect to receive either cash or OP Units in the merger, except in those jurisdictions where the law prohibits the offer of OP Units (or registration would be prohibitively costly). Limited partners who receive OP Units in the merger may defer recognition of taxable gain.

**Liquidity.** Limited partners who receive the cash consideration will receive immediate liquidity with respect to their investment.

**Diversification.** Limited partners who receive OP Units in the merger will have the opportunity to participate in Aimco OP, which has a more diversified property portfolio than NPI.

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

**Elimination of Costs Associated with SEC Reporting Requirements and Multiple Limited Partners.** After the merger, the Aimco Entities will own all of the interests in NPI, and NPI will terminate its registration and cease filing periodic reports with the SEC. As a result, NPI will no longer incur costs associated with preparing audited annual financial statements, unaudited quarterly financial statements, tax returns for partners on schedule K-1, periodic SEC reports and other expenses. The Aimco Entities estimate these expenses to be approximately \$55,000 per year.

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

**Increased Interest in NPI.** Upon completion of the merger, Aimco OP will be the sole limited partner of NPI. As a result, the Aimco Entities will receive all of the benefit from any future appreciation in value of the property after the merger, and any future property income.

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

**Taxable Gain.** Limited partners who receive cash consideration may recognize taxable gain in the merger and that gain could exceed the merger consideration. Limited partners who receive OP Units in the merger could recognize taxable gain if Aimco subsequently sells the property.

**Risks Related to OP Units.** Limited partners who receive OP Units in the merger will be subject to the risks related to an investment in OP Units, as described in greater detail under the heading Risk Factors Risks Related to an Investment in OP Units.

**Conflicts of Interest; No Separate Representation of Unaffiliated Limited Partners.** The 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 Corporate 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. In negotiating the merger agreement, no one separately represented the interests of the unaffiliated limited partners. If an independent advisor had been engaged, it is possible that such advisor could have negotiated better terms for NPI's unaffiliated limited partners.

*Detriments to NPI.* The transactions are not expected to have any detriments to NPI.

## **Table of Contents**

*Detriments to the Aimco Entities.* The transactions are expected to have the following principal detriments to the Aimco Entities:

**Increased Interest in NPI.** Upon completion of the merger, the Aimco Entities' interest in the net book value of NPI will increase from 78.1% to 100%, or from a deficit of \$19,120,000 to a deficit of \$24,478,000 as of December 31, 2009, and their interest in the net losses of NPI will increase from 78.1% to 100%, or from \$2,683,000 to \$3,435,000 for the period ended December 31, 2009. As a result, Aimco OP will bear the burden of all future operating or other losses, as well as any decline in the value of NPI's property.

**Burden of Capital Expenditures.** Upon completion of the transactions, the Aimco Entities will have sole responsibility for providing any funds necessary to pay for capital expenditures at the property.

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

For a discussion of the material United States federal income tax consequences of the merger, see **Material United States Federal Income Tax Matters** - United States Federal Income Tax Consequences Relating to the Transactions.

## **Fairness of the Transactions**

*Factors in Favor of Fairness Determination.* The Aimco Entities (including the General Partner) believe that the transactions are fair and in the best interests of NPI and its unaffiliated limited partners. In support of such determination, the Aimco Entities considered the following factors:

The merger consideration of \$57.24 per NPI Unit was based on an independent third party appraisal of NPI's property by CRA, an independent valuation firm.

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

The merger consideration is greater than the Aimco Entities' estimate of liquidation value because there was no deduction for certain amounts that would be payable upon an immediate sale of the property, such as prepayment penalties on the mortgage debt, currently estimated to be \$6,994,277.

The merger consideration exceeds the net book value per unit (a deficit of \$538.46 per NPI Unit at June 30, 2010).

The merger consideration exceeds the price paid by the Aimco Entities to purchase units of limited partnership interest in NPI during the past two years (\$5.00 per unit in October 2008).

Limited partners may defer recognition of taxable gain by electing to receive OP Units in the merger, except in those jurisdictions where the law prohibits the offer of OP Units (or registration would be prohibitively costly).

The number of OP Units issuable to limited partners in the merger will be determined based on the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger.

Limited partners who receive cash consideration will achieve immediate liquidity with respect to their investment.

If the merger is completed by December 31, 2010, limited partners who receive cash consideration and who recognize taxable gain in the merger will be taxed at current capital gains rates. The maximum long term federal capital gains rate, currently 15%, is expected to increase to 20% in 2011.

Limited partners who receive OP Units in the merger will have the opportunity to participate in Aimco OP, which has a more diversified property portfolio than NPI.



**Table of Contents**

Although limited partners are not entitled to dissenters' appraisal rights under Delaware law, the merger agreement provides them with contractual dissenters' appraisal rights that are similar to the dissenters' appraisal rights that are available to stockholders in a corporate merger under Delaware law.

Although the merger agreement may be terminated by either side at any time, Aimco OP and the Aimco Subsidiary are very likely to complete the merger on a timely basis.

Unlike a typical property sale agreement, the merger agreement contains no indemnification provisions, so there is no risk of subsequent reduction of the proceeds.

In contrast to a sale of the property to a third party, which would involve marketing and other transaction costs, Aimco OP has agreed to pay all expenses associated with the merger.

The merger consideration is greater than some of the prices at which NPI Units have historically sold in the secondary market (\$5.00 to \$300.00 per NPI Unit from January 1, 2008 through December 31, 2009).

The merger consideration is greater than some of the prices at which NPI Units have recently sold in the secondary market (\$40.00 to \$121.12 per NPI Unit from January 1, 2010 through October 19, 2010).

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

The General Partner has substantial conflicts of interest with respect to the transactions as a result of (i) the fiduciary duties it owes to unaffiliated limited partners, who have an interest in receiving the highest possible consideration, and (ii) the fiduciary duties it owes to its sole stockholder, a subsidiary of Aimco which has an interest in obtaining the NPI property for the lowest possible consideration.

The terms of the transactions were not approved by any independent directors.

An unaffiliated representative was not retained to act solely on behalf of the unaffiliated limited partners for purposes of negotiating the transactions on an independent, arm's-length basis, which might have resulted in better terms for the unaffiliated limited partners.

The transactions do not require the approval of any unaffiliated limited partners.

No opinion has been obtained from an independent financial advisor that the transactions are fair to the unaffiliated limited partners.

The merger consideration is less than some of the prices at which NPI Units have recently sold in the secondary market (\$40 to \$121.12 per NPI Unit from January 1, 2010 through October 19, 2010).

The merger consideration is less than some of the prices at which NPI Units have historically sold in the secondary market (\$5 to \$300 per NPI Unit from January 1, 2008 through December 31, 2009).

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

Limited partners who receive OP Units in the merger could recognize taxable gain if Aimco subsequently sells the property.

Limited partners who receive OP Units in the merger will be subject to the risks related to an investment in OP Units, as described in greater detail under the heading Risk Factors Risks Related to an Investment in OP Units.

CRA, the valuation firm that appraised the NPI property, has performed work for Aimco OP and its affiliates in the past and this pre-existing relationship could negatively impact CRA's independence.

The Aimco Entities did not assign relative weights to the above factors in making their conclusion that the transactions are fair to NPI and its unaffiliated limited partners. They relied primarily on their estimate of value calculated by adding the value of NPI's property as determined by CRA, an independent valuation firm, and the

## **Table of Contents**

value of all of NPI's other assets, and deducting the amount of its mortgage debt (without deducting any prepayment penalties associated with that debt) and all other liabilities.

The Aimco Entities were aware of, but did not place much emphasis on, information regarding prices at which NPI Units may have sold in the secondary markets because they do not view that information as a reliable measure of value. The NPI Units are not traded on an exchange or other reporting system, and transactions in the securities are very limited and sporadic. In addition, some of the historical prices are not comparable to current value because of intervening events, including a property sale, distribution of proceeds and advances from the General Partner.

*Procedural Fairness.* The Aimco Entities determined that the transactions are fair from a procedural standpoint despite the absence of any customary procedural safeguards, such as the engagement of an unaffiliated representative, the approval of independent directors or approval by a majority of unaffiliated limited partners. In making this determination, the Aimco Entities relied primarily on the dissenters' appraisal rights provided to unaffiliated limited partners under the merger agreement that are similar to the dissenters' appraisal rights available to stockholders in a corporate merger under Delaware law.

## **The Appraisal**

*Selection and Qualifications of Independent Appraiser.* The General Partner retained the services of CRA to appraise the market value of NPI's property. CRA is an experienced independent valuation consulting firm that has performed appraisal services for Aimco OP and its affiliates in the past. Aimco OP believes that its relationship with CRA had no negative impact on its independence in conducting the appraisal related to the merger.

*Factors Considered.* CRA performed a complete appraisal of Lakeside Apartments. CRA has represented that its reports were prepared in conformity with the Uniform Standards of Professional Appraisal Practice, as promulgated by the Appraisal Standards Board of the Appraisal Foundation and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. NPI furnished CRA with all of the necessary information requested by CRA in connection with the appraisal. The appraisal was not prepared in conjunction with a request for a specific value or a value within a given range or predicated upon loan approval. In preparing its valuation of the property, CRA, among other things:

Inspected the property and its environs;

Reviewed demographic and other socioeconomic trends pertaining to the city and region where the property is located;

Examined regional apartment market conditions, with special emphasis on the property's apartment submarket;

Investigated lease and sale transactions involving comparable properties in the influencing market;

Reviewed the existing rent roll and discussed the leasing status with the building manager and leasing agent. In addition, CRA reviewed the property's recent operating history and those of competing properties;

Utilized appropriate appraisal methodology to derive estimates of value; and

Reconciled the estimates of value into a single value conclusion.

*Summary of Approaches and Methodologies Employed.* The following summary describes the approaches and analyses employed by CRA in preparing the appraisal. CRA principally relied on two approaches to valuation: (i) the

income capitalization approach and (ii) the sales comparison approach.

The income capitalization approach is based on the premise that value is derived by converting anticipated benefits into property value. Anticipated benefits include the present value of the net income and the present value of the net proceeds resulting from the re-sale of the property. CRA reported that the property has an adequate operations history to determine its income-producing capabilities over the near future. In addition, performance levels of competitive properties served as an adequate check as to the reasonableness of the property's actual performance. As such, the income capitalization approach was utilized in the appraisal of the property.

**Table of Contents**

As part of the income capitalization approach, CRA used the direct capitalization method to estimate a value for Lakeside Apartments. According to CRA's report, the basic steps in the direct capitalization analysis to valuing the property are as follows: (i) calculate potential gross income from all sources that a competent owner could legally generate; (ii) estimate and deduct an appropriate vacancy and collection loss factor to arrive at effective gross income; (iii) estimate and deduct operating expenses that would be expected during a stabilized year to arrive at a probable net operating income; (iv) develop an appropriate overall capitalization rate to apply to the net operating income; and (v) estimate value by dividing the net operating income by the overall capitalization rate. In addition, any adjustments to account for differences between the current conditions and stabilized conditions are also considered. The assumptions utilized by CRA with respect to the property are set forth below. The property-specific assumptions were determined by CRA to be reasonable based on its review of historical operating and financial data for the property and comparison of said data to the operating statistics of similar properties in the influencing market areas. The capitalization rate for the property was determined to be reasonable by CRA based on their review of applicable data ascertained within the market in which the property is located. The capitalization rate was determined to be reasonable by CRA based on their review of applicable data ascertained within the market in which the property is located.

The sales comparison approach is an estimate of value based upon a process of comparing recent sales of similar properties in the surrounding or competing areas to the subject property. Inherent in and central to this approach is the principle of substitution. This comparative process involves judgment as to the similarity of the subject property and the comparable sales with respect to many value factors such as location, contract rent levels, quality of construction, reputation and prestige, age and condition, and the interest transferred, among others. The value estimated through this approach represents the probable price at which the subject property would be sold by a willing seller to a willing and knowledgeable buyer as of the date of value. The reliability of this technique is dependent upon the availability of comparable sales data, the verification of the sales data, the degree of comparability and extent of adjustment necessary for differences, and the absence of atypical conditions affecting the individual sales prices. CRA reported that, although the volume of sales activity is down as a result of market conditions, its research revealed adequate sales activity to form a reasonable estimation of the subject property's market value pursuant to the sales comparison approach.

For the appraisal, CRA conducted research in the market in an attempt to locate sales of properties similar to the appraised property. In the appraisal, numerous sales were uncovered and the specific sales included in the appraisal report were deemed representative of the most comparable data available at the time the appraisal was prepared. Important criteria utilized in selecting the most comparable data included: conditions under which the sale occurred (i.e. seller and buyer were typically motivated); date of sale every attempt was made to utilize recent sales transactions; sales were selected based on their physical similarity to the appraised property; transactions were selected based on the similarity of location between the comparable and appraised property; and, similarity of economic characteristics between the comparable and appraised property. Sales data that may have been uncovered during the course of research that was not included in the appraisal did not meet the described criteria and/or could not be adequately confirmed.

According to CRA's report, the basic steps in processing the sales comparison approach are outlined as follows: (i) research the market for recent sales transactions, listings, and offers to purchase or sell of properties similar to the subject property; (ii) select a relevant unit of comparison and develop a comparative analysis; (iii) compare comparable sale properties with the subject property using the elements of comparison and adjust the price of each comparable to the subject property; and (iv) reconcile the various value indications produced by the analysis of the comparables.

The final step in the appraisal process is the reconciliation of the value indicators into a single final estimate. CRA reviewed each approach in order to determine its appropriateness relative to the property. The accuracy of the data

available and the quantity of evidence were weighted in each approach. For the appraisal of Lakeside Apartments, CRA relied principally on the income capitalization approach to valuation, and the direct capitalization method was given greatest consideration in the conclusion of value under this approach. CRA relied secondarily on the sales comparison approach, and reported that the value conclusion derived pursuant to the sales comparison approach is supportive of the conclusion derived pursuant to the income capitalization approach.

**Table of Contents**

*Summary of Independent Appraisal of Lakeside Apartments.* CRA performed a complete appraisal of Lakeside Apartments. The appraisal report of Lakeside Apartments is dated May 19, 2010, and provides an estimate of the property's market value as of April 21, 2010. The summary set forth below describes the material conclusions reached by CRA based on the value determined under the valuation approaches and subject to the assumptions and limitations described below. According to CRA's report, the estimated aggregate market value of Lakeside Apartments is \$48,800,000 as of April 21, 2010. The following is a summary of the appraisal report dated May 19, 2010:

*Valuation Under Income Capitalization Approach.* Using the income capitalization approach, CRA performed a direct capitalization analysis to derive a value for Lakeside Apartments.

The direct capitalization analysis resulted in a valuation conclusion for Lakeside Apartments of approximately \$48,800,000.

The assumptions employed by CRA to determine the value of Lakeside Apartments under the income capitalization approach using a direct capitalization analysis included:

- potential gross income from apartment unit rentals of \$545,422 per month or \$6,545,064 for the appraised year;
- a loss to lease allowance of 1.5% of the gross rent potential;
- rent concessions of 1.0% of the gross rent potential;
- a combined vacancy and credit loss allowance of 7.0%;
- estimated utility recovery of \$810 per unit;
- other income of \$700 per unit;
- projected total expenses (including reserves) of \$3,363,869;
- capitalization rate of 7.0%.

Using a direct capitalization analysis, CRA calculated the value of Lakeside Apartments by dividing the stabilized net operating income (including an allowance for reserves) by the concluded capitalization rate of 7.0%. CRA calculated the value conclusion of Lakeside Apartments under the income capitalization approach of approximately \$48,800,000 as of April 21, 2010.

*Valuation Under Sales Comparison Approach.* CRA estimated the property value of Lakeside Apartments under the sales comparison approach by analyzing sales from the influencing market that were most similar to Lakeside Apartments in terms of age, size, tenant profile and location. CRA reported that adequate sales existed to formulate a defensible value for Lakeside Apartments under the sales comparison approach.

The sales comparison approach resulted in a valuation conclusion for Lakeside Apartments of approximately \$48,300,000.

In reaching a valuation conclusion for Lakeside Apartments, CRA examined and analyzed comparable sales of five properties in the influencing market. The sales reflected unadjusted sales prices ranging from \$47,222 to \$154,068 per unit. After adjustment, the comparable sales illustrated a value range of \$59,028 to \$96,797 per unit, with mean and

median adjusted sale prices of \$82,534 and \$82,800 per unit, respectively. CRA reported that two of the comparable sales required the least adjustment and were accorded most significance in the analysis, and that the adjusted indicators exhibited by these two sales ranged from \$81,606 to \$96,797 per unit. CRA estimated a value of \$85,000 per unit for Lakeside Apartments. Applied to Lakeside Apartments' 586 units, this resulted in CRA's total value estimate for Lakeside Apartments of approximately \$48,300,000.

CRA also performed an EGIM analysis. The EGIM (Effective Gross Income Multiplier) is the ratio of the sale price of a property to its effective gross income at the time of sale. The EGIM is used to compare the income-producing characteristics of properties. In the appraisal, the indicated EGIM of approximately 7.1 on a stabilized basis, calculated by dividing the value concluded for the appraised property via the sale comparison approach by its projected effective gross income, was compared to the EGIMs produced by the sales data. In the appraisal, the



**Table of Contents**

EGIM fell within the range of EGIMs produced by the sales data under analysis and suggests that the value concluded for the property via comparative analysis was reasonable based on the income-producing characteristics of Lakeside Apartments.

*Reconciliation of Values and Conclusion of Appraisal.* For the appraisal of Lakeside Apartments, CRA relied principally on the income capitalization approach to valuation, and the direct capitalization method was given greatest consideration in the conclusion of value under this approach. CRA relied secondarily on the sales comparison approach, and reported that the value conclusion derived pursuant to the sales comparison approach was supportive of the conclusion derived pursuant to the income capitalization approach. The income capitalization approach using a direct capitalization method resulted in a value of \$48,800,000, and the sales comparison approach resulted in a value of \$48,300,000. CRA concluded that the market value of Lakeside Apartments as of April 21, 2010 was \$48,800,000.

*Assumptions, Limitations and Qualifications of CRA's Valuations.* CRA's appraisal report was subject to the following assumptions and limiting conditions: no responsibility was assumed for the legal description or for matters including legal or title considerations, and title to the property was assumed to be good and marketable unless otherwise stated; the property was appraised free and clear of any or all liens or encumbrances unless otherwise stated; responsible ownership and competent property management were assumed; the information furnished by others was believed to be reliable, and no warranty was given by CRA for the accuracy of such information; all engineering was assumed to be correct; there were no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable, and no responsibility was assumed for such conditions or for arranging for engineering studies that may be required to discover them; there was full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance was stated, defined, and considered in the appraisal report; all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity had been stated, defined, and considered in the appraisal report; all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in the appraisal report was based; the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the appraisal report; the distribution, if any, of the total valuation in the appraisal report between land and improvements applies only under the stated program of utilization; unless otherwise stated in the appraisal report, the existence of hazardous substances, including without limitation, asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection, and the appraiser had no knowledge of the existence of such materials on or in the property unless otherwise stated; the appraiser has not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the Americans with Disabilities Act; and former personal property items such as kitchen and bathroom appliances were, at the time of the appraisal report, either permanently affixed to the real estate or were implicitly part of the real estate in that tenants expected the use of such items in exchange for rent and never gained any of the rights of ownership, and the intention of the owners was not to remove the articles which are required under the implied or express warranty of habitability.

*Compensation of Appraiser.* CRA's fee for the appraisal was approximately \$7,124. Aimco OP paid for the costs of the appraisal. In addition to the appraisal performed in connection with the transactions, during the prior two years, CRA has been paid approximately \$106,669 for appraisal services by Aimco OP and its affiliates. Except as set forth above, during the prior two years, no material relationship has existed between CRA and NPI or Aimco OP or any of their affiliates. Aimco OP believes that its relationship with CRA had no negative impact on its independence in conducting the appraisals.

*Availability of Appraisal Reports.* You may obtain a full copy of CRA's appraisal upon request, without charge, by contacting Eagle Rock Proxy Advisors, LLC, by mail at 12 Commerce Drive, Cranford, New Jersey 07016; by fax at

(908) 497-2349; or by telephone at (800) 217-9608. In addition, the appraisal report has been filed with the SEC. For more information about how to obtain a copy of the appraisal report see [Where You Can Find Additional Information](#).

**Table of Contents**

**RISK FACTORS**

**Risks Related to the Transactions**

*Conflicts of Interest.* The General Partner is indirectly wholly owned by Aimco. Therefore, it has a conflict of interest with respect to the transactions. The General Partner has fiduciary duties to its sole stockholder, which is wholly owned by 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 its duties to its sole stockholder, 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. The General Partner's desire to seek the best possible terms for NPI's limited partners conflicts with Aimco's interest in obtaining the best possible terms for Aimco OP.

*No independent representative was engaged to represent the unaffiliated limited partners in negotiating the terms of the transactions.* If an independent advisor had been engaged, it is possible that such advisor could have negotiated better terms for NPI's unaffiliated limited partners.

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

*The amendment of the partnership agreement and the merger agreement does not require approval by a majority of the unaffiliated limited partners.* Under the provisions of the NPI partnership agreement and applicable law, the amendment of the partnership agreement, the mergers and the transactions contemplated thereby must be approved by a majority in interest of the limited partnership units. As of October 25, 2010, Aimco OP and its affiliates owned approximately 77.89% of the outstanding NPI Units. Of the NPI Units owned by affiliates of the General Partner, 21,380 of such units are subject to a voting restriction, which requires such units to be voted in proportion to the votes cast with respect to NPI Units not subject to this restriction. The General Partner's affiliates have indicated that they will vote all of their NPI Units that are not subject to this restriction, 16,039 NPI Units or approximately 33.39% of the outstanding NPI Units, in favor of the amendment of the partnership agreement, the mergers and the transactions contemplated thereby. As a result, affiliates of the General Partner will vote a total of 28,901 Units, or approximately 60.16% of the outstanding NPI Units, enabling them to approve the transactions without the consent or approval of any unaffiliated limited partners.

*Alternative valuations of NPI's property might exceed the appraised value relied on to determine the merger consideration.* Aimco determined the merger consideration in reliance on the appraised value of NPI's property. See, Special Factors – The Appraisal, beginning on page 8, for more information about the appraisal. Although an independent appraiser was engaged to perform a complete appraisal of the property, valuation is not an exact science. There are a number of other methods available to value real estate, each of which may result in different valuations of a property. Also, others using the same valuation methodology could make different assumptions and judgments, and obtain different results.

*The actual sales price of NPI's property could exceed the appraised value that Aimco relied on to determine the merger consideration.* No recent attempt has been made to market Lakeside Apartments to unaffiliated third parties. There can be no assurance that Lakeside Apartments could not be sold for a value higher than the appraised value used

to determine the merger consideration if it was marketed to third-party buyers interested in a property of this type.

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

## **Table of Contents**

*No opinion has been obtained from an independent financial advisor that the transactions are fair to unaffiliated limited partners.* While the General Partner and each of the other Aimco Entities believes that the terms of the transactions are fair to NPI limited partners unaffiliated with the General Partner or Aimco for the reasons discussed in Special Factors Fairness of the Transactions beginning on page 6, no opinion has been obtained as to whether the transactions are fair to the limited partners of NPI unaffiliated with the General Partner or Aimco from a financial point of view.

*Limited partners may recognize taxable gain in connection with the transactions, and that gain could exceed the merger consideration.* Limited partners who elect to receive cash in connection with the transactions will recognize gain or loss equal to the difference between their amount realized and their adjusted tax basis in the NPI Units sold. The resulting tax liability could exceed the value of the cash received in connection with the transactions.

*Limited partners in certain jurisdictions will not be able to elect OP Units.* In those states or jurisdictions where the issuance of the OP Units hereby is not permitted (or the registration or qualification of OP Units in that state or jurisdiction would be prohibitively costly), residents of those states will receive only the cash consideration in the merger.

### **Risks Related to an Investment in Aimco or Aimco OP**

For a description of risks related to an investment in Aimco and Aimco OP, please see the information set forth under Part I Item 1A. Risk Factors in the Annual Reports on Form 10-K for the year ended December 31, 2009 of each of Aimco and Aimco OP, which documents are incorporated herein by reference and are available electronically through the SEC's website, [www.sec.gov](http://www.sec.gov), or by request to Aimco.

### **Risks Related to an Investment in OP Units**

*There are restrictions on the ability to transfer OP Units, and there is no public market for Aimco OP Units.* The Aimco OP partnership agreement restricts the transferability of OP Units. Until the expiration of a one-year holding period, subject to certain exceptions, investors may not transfer OP Units without the consent of Aimco OP's general partner. Thereafter, investors may transfer such OP Units subject to the satisfaction of certain conditions, including the general partner's right of first refusal. There is no public market for the OP Units. Aimco OP has no plans to list any OP Units on a securities exchange. It is unlikely that any person will make a market in the OP Units, or that an active market for the OP Units will develop. If a market for the OP Units develops and the OP Units are considered readily tradable on a secondary market (or the substantial equivalent thereof), Aimco OP would be classified as a publicly traded partnership for United States Federal income tax purposes, which could have a material adverse effect on Aimco OP.

*Cash distributions by Aimco OP are not guaranteed and may fluctuate with partnership performance.* Aimco OP makes quarterly distributions to holders of OP Units (on a per unit basis) that generally are equal to dividends paid on the Aimco common stock (on a per share basis). However, such distributions will not necessarily continue to be equal to such dividends. Although Aimco OP makes quarterly distributions on its OP Units, there can be no assurance regarding the amounts of available cash that Aimco OP will generate or the portion that its general partner will choose to distribute. The actual amounts of available cash will depend upon numerous factors, including profitability of operations, required principal and interest payments on our debt, the cost of acquisitions (including related debt service payments), its issuance of debt and equity securities, fluctuations in working capital, capital expenditures, adjustments in reserves, prevailing economic conditions and financial, business and other factors, some of which may be beyond Aimco OP's control. Cash distributions depend primarily on cash flow, including from reserves, and not on profitability, which is affected by non-cash items. Therefore, cash distributions may be made during periods when

Aimco OP records losses and may not be made during periods when it records profits. The Aimco OP partnership agreement gives the general partner discretion in establishing reserves for the proper conduct of the partnership's business that will affect the amount of available cash. Aimco is required to make reserves for the future payment of principal and interest under its credit facilities and other indebtedness. In addition, Aimco OP's credit facility limits its ability to distribute cash to holders of OP Units. As a result of these and other factors, there can be no assurance regarding actual levels of cash distributions on OP Units, and Aimco

**Table of Contents**

OP's ability to distribute cash may be limited during the existence of any events of default under any of its debt instruments.

*Holdings of OP Units are limited in their ability to effect a change of control.* The limited partners of Aimco OP are unable to remove the general partner of Aimco OP or to vote in the election of Aimco's directors unless they own shares of Aimco. In order to comply with specific REIT tax requirements, Aimco's charter has restrictions on the ownership of its equity securities. As a result, Aimco OP limited partners and Aimco stockholders are limited in their ability to effect a change of control of Aimco OP and Aimco, respectively.

*Holdings of OP Units have limited voting rights.* Aimco OP is managed and operated by its general partner. Unlike the holders of common stock in a corporation, holders of OP Units have only limited voting rights on matters affecting Aimco OP's business. Such matters relate to certain amendments of the partnership agreement and certain transactions such as the institution of bankruptcy proceedings, an assignment for the benefit of creditors and certain transfers by the general partner of its interest in Aimco OP or the admission of a successor general partner. Holders of OP Units have no right to elect the general partner on an annual or other continuing basis, or to remove the general partner. As a result, holders of OP Units have limited influence on matters affecting the operation of Aimco OP, and third parties may find it difficult to attempt to gain control over, or influence the activities of, Aimco OP.

*Holdings of OP Units are subject to dilution.* Aimco OP may issue an unlimited number of additional OP Units or other securities for such consideration and on such terms as it may establish, without the approval of the holders of OP Units. Such securities could have priority over the OP Units as to cash flow, distributions and liquidation proceeds. The effect of any such issuance may be to dilute the interests of holders of OP Units.

*Holdings of OP Units may not have limited liability in specific circumstances.* The limitations on the liability of limited partners for the obligations of a limited partnership have not been clearly established in some states. If it were determined that Aimco OP had been conducting business in any state without compliance with the applicable limited partnership statute, or that the right or the exercise of the right by the OP Unit holders as a group to make specific amendments to the agreement of limited partnership or to take other action under the agreement of limited partnership constituted participation in the control of Aimco OP's business, then a holder of OP Units could be held liable under specific circumstances for Aimco OP's obligations to the same extent as the general partner.

*Aimco may have conflicts of interest with holders of OP Units.* Conflicts of interest have arisen and could arise in the future as a result of the relationships between the general partner of Aimco OP and its affiliates (including Aimco), on the one hand, and Aimco OP or any partner thereof, on the other. The directors and officers of the general partner have fiduciary duties to manage the general partner in a manner beneficial to Aimco, as the sole stockholder of the general partner. At the same time, as the general partner of Aimco OP, it has fiduciary duties to manage Aimco OP in a manner beneficial to Aimco OP and its limited partners. The duties of the general partner of Aimco OP to Aimco OP and its partners may therefore come into conflict with the duties of the directors and officers of the general partner to its sole stockholder, Aimco. Such conflicts of interest might arise in the following situations, among others:

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

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

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

Any agreements between Aimco OP and the general partner and its affiliates will not grant to the OP Unitholders, separate and apart from Aimco OP, the right to enforce the obligations of the general partner and such affiliates in favor of Aimco OP. Therefore, the general partner, in its capacity as the general partner of Aimco OP, will be primarily responsible for enforcing such obligations.



## **Table of Contents**

Under the terms of the Aimco OP partnership agreement, the general partner is not restricted from causing Aimco OP to pay the general partner or its affiliates for any services rendered on terms that are fair and reasonable to Aimco OP or entering into additional contractual arrangements with any of such entities on behalf of Aimco OP. Neither the Aimco OP partnership agreement nor any of the other agreements, contracts and arrangements between Aimco OP, on the one hand, and the general partner of Aimco OP and its affiliates, on the other, are or will be the result of arm's-length negotiations.

*Provisions in the Aimco OP partnership agreement may limit the ability of a holder of OP Units to challenge actions taken by the general partner.* Delaware law provides that, except as provided in a partnership agreement, a general partner owes the fiduciary duties of loyalty and care to the partnership and its limited partners. The Aimco OP partnership agreement expressly authorizes the general partner to enter into, on behalf of Aimco OP, a right of first opportunity arrangement and other conflict avoidance agreements with various affiliates of Aimco OP and the general partner, on such terms as the general partner, in its sole and absolute discretion, believes are advisable. The latitude given in the Aimco OP partnership agreement to the general partner in resolving conflicts of interest may significantly limit the ability of a holder of OP Units to challenge what might otherwise be a breach of fiduciary duty. The general partner believes, however, that such latitude is necessary and appropriate to enable it to serve as the general partner of Aimco OP without undue risk of liability.

The Aimco OP partnership agreement limits the liability of the general partner for actions taken in good faith. Aimco OP's partnership agreement expressly limits the liability of the general partner by providing that the general partner, and its officers and directors, will not be liable or accountable in damages to Aimco OP, the limited partners or assignees for errors in judgment or mistakes of fact or law or of any act or omission if the general partner or such director or officer acted in good faith. In addition, Aimco OP is required to indemnify the general partner, its affiliates and their respective officers, directors, employees and agents to the fullest extent permitted by applicable law, against any and all losses, claims, damages, liabilities, joint or several, expenses, judgments, fines and other actions incurred by the general partner or such other persons, provided that Aimco OP will not indemnify for (i) willful misconduct or a knowing violation of the law or (ii) for any transaction for which such person received an improper personal benefit in violation or breach of any provision of the partnership agreement. The provisions of Delaware law that allow the common law fiduciary duties of a general partner to be modified by a partnership agreement have not been resolved in a court of law, and the general partner has not obtained an opinion of counsel covering the provisions set forth in the Aimco OP partnership agreement that purport to waive or restrict the fiduciary duties of the general partner that would be in effect under common law were it not for the partnership agreement.

### **Certain United States Tax Risks Associated with an Investment in the OP Units**

The following are among the United States Federal income tax considerations to be taken into account in connection with an investment in OP Units. For a general discussion of certain United States Federal income tax consequences resulting from acquiring, holding, exchanging, and otherwise disposing of OP Units, see *Material United States Federal Income Tax Matters – Taxation of Aimco OP and OP Unitholders*.

*Aimco OP may be treated as a publicly traded partnership taxable as a corporation.* If Aimco OP were treated as a publicly traded partnership taxed as a corporation for United States Federal income tax purposes, material adverse consequences to the partners and their owners would result. In addition, Aimco would not qualify as a REIT for United States Federal income tax purposes, which would have a material adverse impact on Aimco and its shareholders. Aimco believes and intends to take the position that Aimco OP should not be treated as a publicly traded partnership or taxable as a corporation. No assurances can be given that the Internal Revenue Service, or the IRS, would not assert, or that a court would not sustain a contrary position. Accordingly, each prospective investor is urged to consult his tax advisor regarding the classification and treatment of Aimco OP as a partnership for United States

Federal income tax purposes.

*The limited partners may recognize gain on the transaction.* If a limited partner receives or is deemed to receive cash or consideration other than OP Units in connection with the merger, the receipt of such cash or other consideration would be taxable to the limited partner either as boot or under the disguised sale rules. Subject to certain exceptions, including exceptions applicable to periodic distributions of operating cash flow, any transfer or

**Table of Contents**

deemed transfer of cash by Aimco OP to the limited partner (or its owners), including cash paid at closing, within two years before or after such a contribution of property that has an adjusted tax basis in excess of its fair market value, will generally be treated as part of a disguised sale. The application of the disguised sale rules is complex and depends, in part, upon the facts and circumstances applicable to the limited partner (and its owners), which Aimco has not undertaken to review. Accordingly, limited partners and their owners are particularly urged to consult with their tax advisors concerning the extent to which the disguised sale rules would apply.

*A contribution of appreciated or depreciated property may result in special allocations to the contributing partner.* If property is contributed to Aimco OP, and the adjusted tax basis of the property differs from its fair market value, then Aimco OP tax items must be specially allocated, for United States Federal income tax purposes, in a manner chosen by Aimco OP such that the contributing partner is charged with and must recognize the unrealized gain, or benefits from the unrealized loss, associated with the property at the time of the contribution. As a result of such special allocations, the amount of net taxable income allocated to a contributing partner is likely to exceed the amount of cash distributions, if any, to which such contributing partner is entitled.

*The Aimco OP general partner could take actions that would impose tax liability on a contributing partner.* There are a variety of transactions that Aimco OP may in its sole discretion undertake following a property contribution that could cause the transferor (or its partners) to incur a tax liability without a corresponding receipt of cash. Such transactions include, but are not limited to, the sale or distribution of a particular property and a reduction in nonrecourse debt, or certain tax elections made by Aimco OP. In addition, future economic, market, legal, tax or other considerations may cause Aimco OP to dispose of the contributed property or to reduce its debt. As permitted by the Aimco OP partnership agreement, the general partner intends to make decisions in its capacity as general partner of Aimco OP so as to maximize the profitability of Aimco OP as a whole, independent of the tax effects on individual holders of OP Units.

*An investor's tax liability from OP Units could exceed the cash distributions received on such OP Units.* A holder of OP Units will be required to pay United States Federal income tax on such holder's allocable share of Aimco OP's income, even if such holder receives no cash distributions from Aimco OP. No assurance can be given that a holder of OP Units will receive cash distributions equal to such holder's allocable share of taxable income from Aimco OP or equal to the tax liability to such holder resulting from that income. Further, upon the sale, exchange or redemption of any OP Units, a reduction in nonrecourse debt, or upon the special allocation at the liquidation of Aimco OP, an investor may incur a tax liability in excess of the amount of cash received.

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

The following tables set forth Aimco's selected summary historical financial data as of the dates and for the periods indicated. Aimco's historical consolidated statements of income data set forth below for each of the five fiscal years in the period ended December 31, 2009 and the historical consolidated balance sheet data for each of the five fiscal year-ends in the period ended December 31, 2009, are derived from information included in Aimco's Current Report on Form 8-K filed with the SEC on September 10, 2010. Aimco's historical consolidated statements of income data set forth below for each of the six months ended June 30, 2010 and 2009, and the historical consolidated balance sheet data as of June 30, 2010, are derived from Aimco's unaudited interim Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.

You should read this information together with Management's Discussion and Analysis of Financial Condition and Results of Operations and with the consolidated financial statements and notes to the consolidated financial statements included in Aimco's Current Report on Form 8-K filed with the SEC on September 10, 2010 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed with the SEC on July 30, 2010, which are incorporated by reference in this information statement/prospectus. See Where You Can Find Additional Information in this information statement/prospectus.

	<b>For the Six Months Ended June 30,</b>		<b>For the Years Ended December 31,</b>				
	<b>2010</b>	<b>2009(1)</b>	<b>2009(1)</b>	<b>2008(1)</b>	<b>2007(1)</b>	<b>2006(1)</b>	<b>2005(1)</b>
	<b>(Unaudited)</b>						
	<b>(Dollar amounts in thousands, except per share data)</b>						
<b>Consolidated Statements of Income:</b>							
Total revenues	\$ 584,475	\$ 581,447	\$ 1,165,641	\$ 1,213,170	\$ 1,145,922	\$ 1,057,177	\$ 878,084
Total operating expenses(2)	(520,057)	(518,406)	(1,061,474)	(1,162,893)	(967,670)	(888,390)	(739,863)
Operating income(2)	64,418	63,041	104,167	50,277	178,252	168,787	138,221
Loss from continuing operations(2)	(74,296)	(79,640)	(198,765)	(120,533)	(49,071)	(44,613)	(36,797)
Income from discontinued operations, net(3)	47,366	39,440	153,965	747,535	174,577	331,635	162,149
Net (loss) income	(26,930)	(40,200)	(44,800)	627,002	125,506	287,022	125,352
Net income attributable to noncontrolling interests	(8,413)	(2,779)	(19,474)	(214,995)	(95,595)	(110,234)	(54,370)
Net income attributable to preferred stockholders	(23,050)	(24,643)	(50,566)	(53,708)	(66,016)	(81,132)	(87,948)

Net (loss) income attributable to Aimco common stockholders	(58,393)	(67,622)	(114,840)	351,314	(40,586)	93,710	(21,223)
Earnings (loss) per common share basic and diluted:							
Loss from continuing operations attributable to Aimco common stockholders	\$ (0.74)	\$ (0.72)	\$ (1.74)	\$ (2.14)	\$ (1.41)	\$ (1.48)	\$ (1.33)
Net (loss) income attributable to Aimco common stockholders	\$ (0.50)	\$ (0.60)	\$ (1.00)	\$ 3.96	\$ (0.43)	\$ 0.98	\$ (0.23)

**Table of Contents**

	<b>For the Six Months Ended June 30,</b>		<b>For the Years Ended December 31,</b>				<b>2005(1)</b>
	<b>2010 (Unaudited)</b>	<b>2009(1)</b>	<b>2009(1)</b>	<b>2008(1)</b>	<b>2007(1)</b>	<b>2006(1)</b>	
<b>(Dollar amounts in thousands, except per share data)</b>							
<b>Consolidated</b>							
<b>Balance Sheets:</b>							
Real estate, net of accumulated depreciation	\$ 6,810,113		\$ 6,861,247	\$ 7,021,643	\$ 6,797,518	\$ 6,334,853	\$ 5,639,155
Total assets	7,707,801		7,906,468	9,441,870	10,617,681	10,292,587	10,019,160
Total indebtedness	5,643,911		5,602,216	5,984,016	5,599,523	4,905,622	4,243,381
Total equity	1,453,319		1,534,703	1,646,749	2,048,546	2,650,182	3,060,969
<b>Other Information:</b>							
Dividends declared per common share	\$ 0.10	\$ 0.10	\$ 0.40	\$ 7.48	\$ 4.31	\$ 2.40	\$ 3.00
Total consolidated properties (end of period)	427	485	426	514	657	703	619
Total consolidated apartment units (end of period)	94,506	111,054	95,202	117,719	153,758	162,432	158,548
Total unconsolidated properties (end of period)	59	82	77	85	94	102	264
Total unconsolidated apartment units (end of period)	6,943	8,915	8,478	9,613	10,878	11,791	35,269
Units managed (end of period)(4)	26,175	32,241	31,974	35,475	38,404	42,190	46,667

(1) Certain reclassifications have been made to conform to the June 30, 2010 financial statement presentation, including retroactive adjustments to reflect additional properties sold or classified as held for sale as of June 30, 2010, as discontinued operations (see Note 3 to the condensed consolidated financial statements in Item 1 Financial Statements in Aimco's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, and Note 13 to the consolidated financial statements in Item 8 Financial Statements and Supplementary Data in Aimco's Current Report on Form 8-K, filed with the SEC on September 10, 2010, which are incorporated by reference in this information statement/prospectus.).

(2) Total operating expenses, operating income and loss from continuing operations for the year ended December 31, 2008, include a \$91.1 million pre-tax provision for impairment losses on real estate development assets, which is discussed further in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in Aimco's Current Report on Form 8-K filed with the SEC on September 10, 2010, which is incorporated by reference in this information statement/prospectus.

(3)

Income from discontinued operations for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 includes \$221.8 million, \$800.3 million, \$117.6 million, \$337.1 million and \$162.7 million in gains on disposition of real estate, respectively. Income from discontinued operations for 2009, 2008 and 2007 is discussed further in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in Aimco's Current Report on Form 8-K filed with the SEC on September 10, 2010, which is incorporated by reference in this information statement/prospectus.

- (4) Units managed represents units in properties for which Aimco provides asset management services only, although in certain cases Aimco may indirectly own generally less than one percent of the economic interest in such properties through a partnership syndication or other fund.

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

The following table sets forth Aimco OP's selected summary historical financial data as of the dates and for the periods indicated. Aimco OP's historical consolidated statements of income data set forth below for each of the five fiscal years in the period ended December 31, 2009 and the historical consolidated balance sheet data for each of the five fiscal year-ends in the period ended December 31, 2009, are derived from information included in Aimco OP's Current Report on Form 8-K filed with the SEC on September 10, 2010. Aimco OP's historical consolidated statements of income data set forth below for each of the six months ended June 30, 2010 and 2009, and the historical consolidated balance sheet data as of June 30, 2010, are derived from Aimco OP's unaudited interim Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.

You should read this information together with Management's Discussion and Analysis of Financial Condition and Results of Operations and with the consolidated financial statements included in Aimco OP's Current Report on Form 8-K filed with the SEC on September 10, 2010, and Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed with the SEC on July 30, 2010, which are incorporated by reference in this information statement/prospectus. See Where You Can Find Additional Information in this information statement/prospectus.

	<b>For the Six Months Ended June 30,</b>		<b>For the Years Ended December 31,</b>				
	<b>2010</b>	<b>2009(1)</b>	<b>2009(1)</b>	<b>2008(1)</b>	<b>2007(1)</b>	<b>2006(1)</b>	<b>2005(1)</b>
	<b>(Unaudited)</b>						
	<b>(Dollar amounts in thousands, except per unit data)</b>						
<b>Consolidated Statements of Income:</b>							
Total revenues	\$ 584,475	\$ 581,447	\$ 1,165,641	\$ 1,213,170	\$ 1,145,922	\$ 1,057,177	\$ 878,084
Total operating expenses(2)	(520,057)	(518,406)	(1,061,474)	(1,162,893)	(967,670)	(888,390)	(739,863)
Operating income(2)	64,418	63,041	104,167	50,277	178,252	168,787	138,221
Loss from continuing operations(2)	(73,870)	(79,232)	(197,945)	(119,747)	(48,322)	(41,653)	(32,339)
Income from discontinued operations, net(3)	47,366	39,440	153,965	747,535	174,577	331,635	162,149
Net (loss) income	(26,504)	(39,792)	(43,980)	627,788	126,255	289,982	129,810
Net income attributable to noncontrolling interests	(9,418)	(5,411)	(22,442)	(155,749)	(92,138)	(92,917)	(49,064)
Net income attributable to preferred unitholders	(26,426)	(27,458)	(56,854)	(61,354)	(73,144)	(90,527)	(98,946)
Net (loss) income attributable to the Partnership's common	(62,348)	(72,661)	(123,276)	403,700	(43,508)	104,592	(22,458)



unitholders														
Earnings (loss) per														
common unit basic														
and diluted:														
Loss from continuing														
operations														
attributable to the														
Partnership's common														
unitholders	\$	(0.74)	\$	(0.72)	\$	(1.75)	\$	(1.99)	\$	(1.40)	\$	(1.47)	\$	(1.32)
Net (loss) income														
attributable to the														
Partnership's common														
unitholders	\$	(0.50)	\$	(0.60)	\$	(1.00)	\$	4.11	\$	(0.42)	\$	0.99	\$	(0.21)

**Table of Contents**

	For the Six Months Ended June 30,		For the Years Ended December 31,				2005(1)
	2010 (Unaudited)	2009(1)	2009(1)	2008(1)	2007(1)	2006(1)	
<b>(Dollar amounts in thousands, except per unit data)</b>							
<b>Consolidated</b>							
<b>Balance Sheets:</b>							
Real estate, net of accumulated depreciation	\$ 6,810,618		\$ 6,861,752	\$ 7,022,148	\$ 6,798,023	\$ 6,335,358	\$ 5,639,660
Total assets	7,723,898		7,922,139	9,456,721	10,631,746	10,305,903	10,031,761
Total indebtedness	5,643,911		5,602,216	5,984,016	5,599,523	4,905,622	4,243,381
Total partners' capital	1,469,416		1,550,374	1,661,600	2,152,326	2,753,617	3,164,111
<b>Other Information:</b>							
Distributions declared per common unit	\$ 0.10	\$ 0.10	\$ 0.40	\$ 7.48	\$ 4.31	\$ 2.40	\$ 3.00
Total consolidated properties (end of period)	427	485	426	514	657	703	619
Total consolidated apartment units (end of period)	94,506	111,054	95,202	117,719	153,758	162,432	158,548
Total unconsolidated properties (end of period)	59	82	77	85	94	102	264
Total unconsolidated apartment units (end of period)	6,943	8,915	8,478	9,613	10,878	11,791	35,269
Units managed (end of period)(4)	26,175	32,241	31,974	35,475	38,404	42,190	46,667

- (1) Certain reclassifications have been made to conform to the June 30, 2010 financial statement presentation, including retroactive adjustments to reflect additional properties sold or classified as held for sale as of June 30, 2010, as discontinued operations (see Note 3 to the condensed consolidated financial statements in Item 1 Financial Statements in Aimco OP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, and Note 13 to the consolidated financial statements in Item 8 Financial Statements and Supplementary Data in Aimco OP's Current Report on Form 8-K, filed with the SEC on September 10, 2010, which are incorporated by reference in this information statement/prospectus.).
- (2) Total operating expenses, operating income and loss from continuing operations for the year ended December 31, 2008, include a \$91.1 million pre-tax provision for impairment losses on real estate development assets, which is discussed further in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in Aimco OP's Current Report on Form 8-K, filed with the SEC on September 10, 2010, which is incorporated by reference in this information statement/prospectus.

- (3) Income from discontinued operations for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 includes \$221.8 million, \$800.3 million, \$117.6 million, \$337.1 million and \$162.7 million in gains on disposition of real estate, respectively. Income from discontinued operations for 2009, 2008 and 2007 is discussed further in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in Aimco OP's Current Report on Form 8-K, filed with the SEC on September 10, 2010, which is incorporated by reference in this information statement/prospectus.
- (4) Units managed represents units in properties for which Aimco OP provides asset management services only, although in certain cases Aimco OP may indirectly own generally less than one percent of the economic interest in such properties through a partnership syndication or other fund.

**Table of Contents**

**SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF  
NATIONAL PROPERTY INVESTORS III**

The following table sets forth NPI's selected summary historical financial data as of the dates and for the periods indicated. NPI's historical statements of income and cash flow data set forth below for each of the two fiscal years in the period ended December 31, 2009 and the historical balance sheet data as of December 31, 2009 and 2008, are derived from NPI's financial statements included in NPI's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. NPI's historical statements of income and cash flow data set forth below for each of the six months ended June 30, 2010 and 2009, and the historical balance sheet data as of June 30, 2010, are derived from NPI's unaudited interim Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.

You should read this information together with Management's Discussion and Analysis of Financial Condition and Results of Operations and with the financial statements and notes to the financial statements for the fiscal year ended December 31, 2009 included in NPI's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 filed with the SEC on August 11, 2010, which are attached to this information statement/prospectus. See "Where You Can Find Additional Information" in this information statement/prospectus.

	<b>For the Six Months</b>		<b>For the Years Ended</b>	
	<b>Ended June 30,</b>		<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>
	<b>(Unaudited)</b>			
	<b>(Dollar amounts in thousands, except per unit data)</b>			
<b>Operating Data:</b>				
Total revenues	\$ 3,408	\$ 3,312	\$ 6,812	\$ 6,366
Loss from continuing operations	(1,649)	(1,879)	(3,435)	(3,188)
Net loss	(1,649)	(1,879)	(3,435)	(3,188)
Net loss per limited partnership unit	(33.97)	(38.71)	(70.78)	(65.68)
Distributions per limited partnership unit				
Deficit of earnings to fixed charges	(1,649)	(1,878)	(3,418)	(3,372)
<b>Balance Sheet Data:</b>				
Cash and Cash Equivalents	139	190	194	85
Real Estate, Net of Accumulated Depreciation	18,219	21,488	19,841	23,055
Total Assets	19,298	22,604	20,927	24,076
Mortgage Notes Payable	29,233	29,493	29,375	29,608
Due to Affiliates	14,818	14,712	14,552	13,605
General Partners' Deficit	(260)	(228)	(243)	(209)
Limited Partners' Deficit	(25,867)	(22,694)	(24,235)	(20,834)
Total Partners' Deficit	(26,127)	(22,922)	(24,478)	(21,043)
Total Distributions				
Book value per limited partnership unit	(538.46)	(472.41)	(504.49)	(433.69)
<b>Cash Flow Data:</b>				
Net (decrease) increase in cash and cash equivalents	(55)	105	109	(170)

Net cash provided by operating activities	519	425	364	819
	21			

---

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

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

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. The number of OP Units offered in the merger with respect to each NPI Unit was calculated by dividing the per unit cash merger consideration by the average closing price of Aimco common stock, as reported on the NYSE over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger. The closing price of Aimco common stock as reported on the NYSE on October 25, 2010 was \$22.38.

The NPI Units are not listed on any securities exchange nor do they trade in an active secondary market. The per unit cash merger consideration payable to each holder of NPI Units is greater than the General Partner's estimate of the proceeds that would be available for distribution to limited partners (following the repayment of debt and other liabilities of NPI) if its property was sold at a price equal to its appraised value, given that the General Partner did not deduct certain amounts that would be payable upon an immediate sale of the partnership's property, such as prepayment penalties on the mortgage debt of such property.

The following tables summarize the historical per share information for Aimco, Aimco OP and NPI for the periods indicated:

	<b>Six Months Ended</b>		<b>Fiscal Year Ended December 31,</b>		
	<b>June 30,</b>		<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>2010</b>				
<b>Cash dividends declared per share/unit</b>					
Aimco Common Stock	\$ 0.10		\$ 0.40	\$ 2.40	\$ 2.40
Aimco OP Units	\$ 0.10		\$ 0.40	\$ 2.40	\$ 2.40
NPI Units					
<b>Loss per common share/unit from continuing operations</b>					
Aimco Common Stock	\$ (0.74)		\$ (1.74)	\$ (2.14)	\$ (1.41)
Aimco OP Units	\$ (0.74)		\$ (1.75)	\$ (1.99)	\$ (1.40)
NPI Units	\$ (33.97)		\$ (70.78)	\$ (65.68)	\$ (9.84)
			<b>June 30, 2010</b>	<b>December 31, 2009</b>	
<b>Book value per share/unit</b>					
Aimco Common Stock(1)			\$ 9.74	\$ 10.64	
Aimco OP Units(2)			8.99	9.88	
NPI Units			(538.46)	(504.49)	

- (1) Based on 117.0 million and 116.5 millions shares of common stock outstanding at June 30, 2010 and December 31, 2009, respectively.
- (2) Based on 125.4 million and 124.9 million common OP Units and equivalents outstanding at June 30, 2010 and December 31, 2009, respectively.

**Table of Contents**

**INFORMATION ABOUT THE AIMCO ENTITIES**

Aimco is a Maryland corporation incorporated on January 10, 1994. Aimco is a self-administered and self-managed real estate investment trust, or REIT, focused on the ownership and management of quality apartment communities located in the 20 largest markets in the United States (as measured by total market capitalization, which is the total market value of institutional-grade apartment properties in a particular market). Aimco upgrades the quality of its portfolio through the sale of communities with rents below average market rents and the reinvestment of capital within these 20 target markets through redevelopment and acquisitions. Aimco's apartment properties are generally financed with property-level, non-recourse, long-dated, fixed-rate, amortizing debt. Aimco's common stock is listed and traded on the NYSE under the symbol AIV. As of June 30, 2010, Aimco owned or managed 817 apartment properties containing 129,350 units located in 43 states, the District of Columbia and Puerto Rico. Aimco is one of the largest owners and operators of apartment properties in the United States.

As of June 30, 2010, Aimco:

owned an equity interest in 232 conventional real estate properties with 71,909 units;

owned an equity interest in 254 affordable real estate properties with 29,540 units; and

provided services for or managed 27,901 units in 331 properties, primarily pursuant to long-term asset management agreements. In certain cases, Aimco may indirectly own generally less than one percent of the operations of such properties through a syndication or other fund.

Of these properties, Aimco consolidated 230 conventional properties with 70,605 units and 197 affordable properties with 23,901 units.

Through its wholly owned subsidiaries, AIMCO-GP, the general partner of Aimco OP, and AIMCO-LP Trust, Aimco owns a majority of the ownership interests in Aimco OP. As of June 30, 2010, Aimco held approximately 93% of the common partnership units and equivalents of Aimco OP. Aimco conducts substantially all of its business and owns substantially all of its assets through Aimco OP. Interests in Aimco OP that are held by limited partners other than Aimco include partnership common units or OP Units, partnership preferred units and high performance partnership units, or HPUs. Aimco OP's income is allocated to holders of OP Units and equivalents based on the weighted average number of OP Units and equivalents outstanding during the period. The holders of the OP Units receive distributions, prorated from the date of issuance, in an amount equivalent to the dividends paid to holders of Aimco common stock. Holders of OP Units may redeem such units for cash or, at Aimco OP's option, Aimco common stock. Partnership preferred units entitle the holders thereof to a preference with respect to distributions or upon liquidation. At June 30, 2010, after elimination of shares held by consolidated subsidiaries, 117,039,659 shares of Aimco common stock were outstanding and Aimco OP had 8,330,534 OP Units and equivalents outstanding for a combined total of 125,370,193 shares of Aimco common stock and Aimco OP Units outstanding (excluding partnership preferred units).

AIMCO/IPT, Inc. owns all of the outstanding common stock of the General Partner, and Aimco owns all of the outstanding common stock of AIMCO/IPT, Inc.

AIMCO/IPT, Inc. holds a 70% interest in AIMCO IPLP, L.P. as its general partner. AIMCO/IPT, Inc. and AIMCO IPLP, L.P. share voting and dispositive power over 21,566 NPI Units, or approximately 44.89% of the outstanding NPI Units. Aimco OP holds a 30% interest in AIMCO IPLP, L.P. as its limited partner.



National Property Investors III, LP, or New NPI, is a Delaware limited partnership formed on October 8, 2010, for the purpose of consummating the merger with NPI. New NPI has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement. New NPI's general partner is Aimco OP, and its sole limited partner is the Aimco Subsidiary.

AIMCO NPI III Merger Sub LLC, or the Aimco Subsidiary, is a Delaware limited liability company formed on September 29, 2010, for the purpose of consummating the merger with NPI. The Aimco Subsidiary has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement. The Aimco Subsidiary is a direct wholly owned subsidiary of Aimco OP.

The names, positions and business addresses of the directors and executive officers of Aimco, Aimco OP, AIMCO-GP, AIMCO/IPT, Inc., AIMCO IPLP, L.P., the General Partner and the Aimco Subsidiary, as well as a

**Table of Contents**

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

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

**Table of Contents****INFORMATION ABOUT NATIONAL PROPERTY INVESTORS III**

National Property Investors III is a California limited partnership organized on February 1, 1979. During 1979, NPI commenced a public offering for the sale of 66,000 limited partnership units. A total of 48,049 units of the limited partnership were issued for \$500 each, for an aggregate capital contribution of \$24,024,500. In addition, the general partners contributed a total of \$1,000 to NPI. Since its initial offering, NPI has not received, nor are limited partners required to make, additional capital contributions. NPI's partnership agreement provides that the partnership is to terminate on December 31, 2022 unless terminated prior to such date. The General Partner is a wholly owned subsidiary of Aimco.

NPI was organized for the purpose of operating income-producing residential real estate. At June 30, 2010, NPI owned and operated one property, Lakeside Apartments, a 568 unit apartment project located in Lisle, Illinois.

The average annual rental rates for each of the five years ended December 31, 2009 for the property are as follows:

Property	Average Annual Rental Rates				
	2009	2008	2007	2006	2005
Lakeside Apartments	\$ 11,634/unit	\$ 11,520/unit	\$ 10,505/unit	\$ 9,580/unit	\$ 9,097/unit

The average occupancy for each of the five years ended December 31, 2009 and for the six months ended June 30, 2010 and 2009 for the property is as follows:

Property	Average Occupancy						
	For the Six Months		For the Years Ended December 31,				
	Ended June 30, 2010	2009	2009	2008	2007	2006	2005
Lakeside Apartments	94%	86%	90%	87%	86%	97%	94%

The real estate industry is highly competitive. NPI's property is subject to competition from other residential apartment complexes in the area. The General Partner believes that the property is adequately insured. The property is an apartment complex which leases units for terms of one year or less. No tenant leases 10% or more of the available rental space.

During 2005 NPI commenced a redevelopment project at Lakeside Apartments. In August 2006, the scope of the redevelopment project was significantly expanded and was forecasted to cost approximately \$16,300,000 with the majority of the work started in October 2006 and to be completed by November 2008. During the year ended December 31, 2007 the anticipated cost of the project was increased again by approximately \$7,393,000 to a total project cost of approximately \$23,693,000. The project was completed during the three months ended March 31, 2009 at a total cost of approximately \$22,637,000. The redevelopment consisted of site, building exterior, common area and unit interior improvements. The site improvements consisted of landscape enhancements and replacements, repair of retaining walls and correction of erosion problems, lighting upgrades and the addition of patio privacy fences. The building exterior improvements consisted of rear entrance door replacements, gutter improvements, foundation work

and exterior painting. The common area improvements consisted of upgrading the leasing center, replacing the clubhouse with a business center and conference room, fitness center with locker rooms, and the addition of a boathouse for lake recreation activities. In addition, the west clubhouse was upgraded and includes a social/game room, locker rooms and new decking. The unit interior improvements consisted of kitchen and bath upgrades, replacement of original fireplaces and other interior renovations. NPI funded the redevelopment from operations and advances from Aimco OP.

NPI regularly evaluates the capital improvement needs of the property. While NPI has no material commitments for property improvements and replacements, certain routine capital expenditures are anticipated during 2010. Such capital expenditures will depend on the physical condition of the property as well as insurance proceeds and anticipated cash flow generated by the property. The property is in good condition, subject to normal depreciation and deterioration as is typical for assets of this type and age.

**Table of Contents**

The following table sets forth certain information relating to the mortgages encumbering Lakeside Apartments at June 30, 2010.

	<b>Principal, Balance at June 30, 2010 (In thousands)</b>	<b>Interest Rate(1)</b>	<b>Period Amortized</b>	<b>Maturity Date</b>	<b>Principal Balance Due at Maturity(2) (In thousands)</b>
1st mortgage	\$ 20,251	7.14%	360 months	01/01/22	\$ 15,791
2nd mortgage	8,982	5.90%	360 months	01/01/22	7,185
	\$ 29,233				\$ 22,976

(1) Fixed rate mortgages.

(2) See Note C Mortgage Notes Payable to the financial statements included in Item 8. Financial Statements and Supplementary Data in NPI's Annual Report on Form 10-K for the year ended December 31, 2009 attached hereto as Annex D for information with respect to NPI's ability to prepay these mortgages and other specific details about the mortgages.

**Distributions to Limited Partners**

NPI presently has only NPI Units issued and outstanding. The NPI Units are entitled to allocations of profit and loss, and distributions, relating to NPI's interest in Lakeside Apartments. As of October 25, 2010, there were 48,039 NPI Units outstanding, and Aimco OP and its affiliates owned 37,419 of those units, or approximately 77.89% of those units.

There were no distributions made by NPI during the years ended December 31, 2009 and 2008 or during the six months ended June 30, 2010. Future cash distributions will depend on the levels of net cash generated from operations, the timing of debt maturities, property sales and refinancings. NPI's cash available for distribution is reviewed on a monthly basis. There can be no assurance, however, that NPI will generate sufficient funds from operations, after planned capital improvement expenditures, to permit any distributions to its partners in subsequent periods.

**Certain Relationships and Related Transactions**

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

The NPI partnership agreement also provides that the General Partner and its affiliates receive 5% of gross receipts from NPI's property as compensation for providing property management services. NPI was charged by affiliates approximately \$335,000 and \$315,000 for the years ended December 31, 2009 and 2008, respectively, and approximately \$172,000 and \$164,000 for the six months ended June 30, 2010 and 2009, respectively.

Affiliates of the General Partner charged NPI for reimbursement of accountable administrative expenses amounting to approximately \$156,000 and \$350,000 for the years ended December 31, 2009 and 2008, respectively. A portion of these reimbursements for the years ended December 31, 2009 and 2008 are for construction management services for certain capital improvement expenditures (not related to the redevelopment project described in the following sentence) provided by an affiliate of the General Partner of approximately \$72,000 and \$9,000, respectively. In connection with a redevelopment project at the property, which was completed during the second quarter of 2009 at a total cost of approximately \$22,637,000, an affiliate of the General Partner received a redevelopment supervision fee of 4% of the actual redevelopment costs incurred. NPI was charged approximately \$20,000 and \$230,000 in redevelopment supervision fees during the years ended December 31, 2009 and 2008, respectively.

Affiliates of the General Partner charged NPI for reimbursement of accountable administrative expenses amounting to approximately \$56,000 and \$102,000 for the six months ended June 30, 2010 and 2009, respectively. A portion of these reimbursements for the six months ended June 30, 2010 and 2009 are for construction

**Table of Contents**

management services for certain capital improvement expenditures (not related to the redevelopment project) provided by an affiliate of the General Partner of approximately \$23,000 and \$48,000, respectively. In connection with the redevelopment project completed in 2009, an affiliate of the General Partner received a redevelopment supervision fee of 4% of the actual redevelopment costs incurred. NPI was charged approximately \$20,000 in redevelopment supervision fees during the six months ended June 30, 2009. There were no such redevelopment supervision fees for the six months ended June 30, 2010. At June 30, 2010, approximately \$233,000 of accountable administrative expenses were owed to affiliates of the General Partner.

For services relating to the administration of NPI and operation of NPI's property, the General Partner is entitled to receive payment for non-accountable expenses up to a maximum of \$100,000 per year based upon the number of NPI Units sold, subject to certain limitations. There were no such fees for the years ended December 31, 2009 and 2008 or the six months ended June 30, 2010 and 2009, as no operating distributions were made.

Upon the sale of NPI's property, the General Partner would be entitled to an Incentive Compensation Fee equal to a declining percentage of the difference between the total amount distributed to the limited partners and the appraised value of their investment at February 1, 1992. The percentage amount to be realized by the General Partner, if any, would be dependent upon the year in which the property is sold. Payment of the Incentive compensation Fee is subordinated to the receipt by the limited partners, of: (a) distributions from capital transaction proceeds of an amount equal to their appraised investment in NPI at February 1, 1992, and (b) distributions from all sources (capital transactions as well as cash flow) of an amount equal to six percent (6%) per annum cumulative, non-compounded, on their appraised investment in NPI at February 1, 1992.

In March 2008, the General Partner terminated the revolving credit facility that was established on behalf of NPI and certain affiliated partnerships to fund deferred maintenance and working capital needs of NPI and certain other affiliated partnerships. The General Partner does not have a commitment, intent or implication to fund cash flow deficits or furnish other direct or indirect financial assistance to NPI.

NPI may receive advances of funds from Aimco OP, an affiliate of the General Partner, although Aimco OP is not obligated to fund such advances. During the years ended December 31, 2009 and 2008, NPI received advances of approximately \$2,162,000 and \$5,426,000, respectively, from Aimco OP to fund a rental achievement escrow, redevelopment capital improvements, real estate taxes and operations at Lakeside Apartments. Aimco OP charges interest on advances under the terms permitted by the NPI partnership agreement. The advances bear interest at the prime rate plus 2% per annum. Interest expense during the years ended December 31, 2009 and 2008 was approximately \$758,000 and \$733,000, respectively. During the year ended December 31, 2009, NPI made payments of principal and accrued interest of approximately \$2,035,000. There were no payments made during the year ended December 31, 2008.

During the six months ended June 30, 2010 and 2009, the Partnership received advances of approximately \$358,000 and \$717,000, respectively, from Aimco OP to fund real estate taxes and redevelopment capital improvements, respectively, at Lakeside Apartments. The advances bear interest at the prime rate plus 2% (5.25% at June 30, 2010) per annum. Interest expense was approximately \$372,000 and \$358,000 for the six months ended June 30, 2010 and 2009, respectively. During the six months ended June 30, 2010, NPI repaid \$500,000 of advances and accrued interest. No such payments were made during the six months ended June 30, 2009. At June 30, 2010, the total advances and accrued interest owed to Aimco OP was approximately \$14,585,000. NPI may receive additional advances of funds from Aimco OP although Aimco OP is not obligated to provide such advances. For more information on Aimco OP, see [Where You Can Find Additional Information](#), beginning on page 86 of this information statement/prospectus.

NPI insures its property up to certain limits through coverage provided by Aimco, which is generally self-insured for a portion of losses and liabilities related to workers compensation, property casualty, general liability and vehicle liability. NPI insures its property above the Aimco limits through insurance policies obtained by Aimco from insurers unaffiliated with the General Partner. During the years ended December 31, 2009 and 2008, NPI was charged by Aimco and its affiliates approximately \$99,000 and \$107,000, respectively, for insurance coverage and fees associated with policy claims administration. During the six months ended June 30, 2010, NPI was charged by Aimco and its affiliates approximately \$117,000 for insurance coverage and fees associated with policy claims



## **Table of Contents**

administration. Additional charges will be incurred by NPI during 2010 as other insurance policies renew later in the year.

In addition to its indirect ownership of the general partner interests in NPI, Aimco and its affiliates owned 37,419 NPI Units representing approximately 77.89% of the number of NPI Units outstanding, at October 25, 2010. Pursuant to the NPI partnership agreement, limited partners holding a majority of the units are entitled to take action with respect to a variety of matters that include voting on certain amendments to the NPI partnership agreement and voting to remove the General Partner. As a result of its ownership of 77.89% of the outstanding NPI Units, Aimco and its affiliates are in a position to influence all such voting decisions with respect to NPI. However, with respect to the 21,380 NPI Units acquired on January 19, 1996, AIMCO IPLP, L.P., an affiliate of the General Partner and of Aimco, or AIMCO-IPLP, agreed to vote such NPI Units: (i) against any increase in compensation payable to the General Partner or to its affiliates; and (ii) on all other matters submitted by it or its affiliates, in proportion to the votes cast with respect to NPI Units not subject to this voting restriction. Except for the foregoing, no other limitations are imposed on AIMCO IPLP's, Aimco's or any other affiliates' right to vote each NPI Unit held. Although the General Partner owes fiduciary duties to NPI's limited partners, it also owes fiduciary duties to its sole stockholder, which is wholly owned by Aimco. As a result, the duties of the General Partner to NPI and its limited partners may come into conflict with the duties of the General Partner its sole stockholder.

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

NPI has no directors or executive officers of its own. The names and ages of, as well as the positions and offices held by, the present directors and officers of the General Partner as of June 30, 2010 are set forth in Annex C to this information statement/prospectus. One or more of those persons are also directors and/or officers of a general partner (or general partner of a general partner) of limited partnerships which either have a class of securities registered pursuant to Section 12(g) of the Exchange Act, or are subject to the reporting requirements of Section 15(d) of the Exchange Act. Further, one or more of those persons are also officers of Aimco and the general partner of Aimco OP, entities that have a class of securities registered pursuant to Section 12(g) of the Exchange Act, or are subject to the reporting requirements of Section 15(d) of the Exchange Act. There are no family relationships between or among any officers or directors. No remuneration was paid to NPI nor its directors or officers during the year ended December 31, 2009.

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

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

## **Security Ownership of Certain Beneficial Owners and Management**

The General Partner owns all of the outstanding general partner interests in NPI, which constitute 1% of the total interests in the partnership. NPI has no directors or executive officers of its own. The General Partner is a Florida corporation, which is indirectly wholly owned by Aimco. None of the general partner or any of its directors or executive officers owns any of the NPI Units. The following table sets forth certain information as of October 25, 2010 with respect to the ownership by any person (including any group, as that term is used in Section 13(d)(3) of

**Table of Contents**

the Exchange Act) known to us to be the beneficial owner of more than 5% of the units of limited partnership of the partnership.

<b>Entity Name and Address</b>	<b>Approximate Number of Units</b>	<b>Approximate Percent of Class</b>
Apartment Investment and Management Company(1) 4582 South Ulster Street Parkway, Suite 1100 Denver, CO 80237	37,419(2)	77.89%
AIMCO-GP, Inc.(1) 4582 South Ulster Street Parkway, Suite 1100 Denver, CO 80237	37,419(2)	77.89%
AIMCO Properties, L.P.(1) 4582 South Ulster Street Parkway, Suite 1100 Denver, CO 80237	37,419(2)	77.89%
AIMCO IPLP, L.P.(3) 4582 South Ulster Street Parkway, Suite 1100 Denver, CO 80237	21,566(4)	44.89%
AIMCO/IPT, Inc.(3) 4582 South Ulster Street Parkway, Suite 1100 Denver, CO 80237	21,566(4)	44.89%

- (1) AIMCO-GP, Inc., a Delaware corporation, is the sole general partner of AIMCO Properties, L.P., and owns approximately a 1% general partner interest in AIMCO Properties, L.P. AIMCO-GP, Inc. is wholly owned by Apartment Investment and Management Company. As of October 25, 2010, AIMCO-LP Trust, a Delaware trust wholly owned by Apartment Investment and Management Company, owns approximately a 92% interest in the OP Units and equivalents of AIMCO Properties, L.P.
- (2) AIMCO Properties, L.P., AIMCO-GP, Inc. and Apartment Investment and Management Company share voting and dispositive power over 37,419 NPI Units, representing approximately 77.89% of the class. AIMCO-GP, Inc. holds its NPI Units, directly or indirectly, as nominee for AIMCO Properties, L.P. and so AIMCO Properties, L.P. may be deemed the beneficial owner of the NPI Units held by AIMCO-GP, Inc. Apartment Investment and Management Company may be deemed the beneficial owner of the NPI Units held by AIMCO Properties, L.P. and AIMCO-GP, Inc. by virtue of its indirect ownership or control of these entities.
- (3) AIMCO IPLP, L.P. is indirectly wholly owned by Aimco. AIMCO/IPT, Inc., which is wholly owned by Aimco, holds a 70.0% interest in AIMCO IPLP, L.P. as its general partner. AIMCO Properties, L.P. holds a 30% interest in AIMCO IPLP, L.P. as the limited partner.
- (4) AIMCO IPLP, L.P. and AIMCO/IPT, Inc. share voting and dispositive power over 21,566 NPI Units, representing approximately 44.89% of the class.

**Additional Information**

For additional information about NPI and its property and operating data related to this property, see NPI's Annual Report on Form 10-K for the year ended December 31, 2009, attached hereto as [Annex D](#) and NPI's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, attached hereto as [Annex E](#).

**Table of Contents**

**THE TRANSACTIONS**

**Background of the Transactions**

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

In early 2010, the General Partner began to consider strategic alternatives for NPI and its sole property, Lakeside Apartments. The General Partner considered the costs of operating NPI, including audit, tax and SEC reporting costs. The General Partner looked at these costs, among other things, in light of Aimco's significant ownership percentage. The General Partner also considered past loans that had been made by Aimco OP to NPI, including an aggregate of approximately \$16,808,000 between 2005 and 2009, related to a redevelopment project, as well as operations at Lakeside Apartments. Certain expenses related to the redevelopment were capitalized and are being depreciated over the remaining life of the related assets. No such costs were capitalized during the six months ended June 30, 2010. Aimco OP has indicated an unwillingness to make additional advances to NPI.

On March 10, 2010, Mr. Terry Considine, Chairman and Chief Executive Officer of Aimco, and Mr. Derek McCandless, Senior Vice President, Assistant General Counsel and Assistant Secretary of Aimco and the General Partner, met to discuss strategic alternatives for the Lakeside Apartments. Messrs. Considine and McCandless agreed to explore the possibility of Aimco OP acquiring the property through a transaction that would provide the unaffiliated limited partners with the opportunity to defer tax gain through an exchange of NPI Units for OP Units.

During March and April 2010, Mr. McCandless sought advice from representatives of Skadden, Arps, Slate, Meagher & Fiom, LLP, outside legal and tax counsel, to determine whether a transaction would be feasible that would result in Aimco OP's ownership of Lakeside Apartments while also providing potential tax deferral to the unaffiliated limited partners. Subsequently, the General Partner decided to obtain an appraisal to determine the value of Lakeside Apartments and to evaluate the proceeds and tax consequences to limited partners in such a transaction.

Also during March and April 2010, Mr. McCandless spoke with different appraisers regarding the possibility of appraising Lakeside Apartments for purposes of a potential acquisition by Aimco OP. On April 13, 2010, the General Partner engaged CRA to appraise Lakeside Apartments.

On May 21, 2010, CRA informed Mr. McCandless that it had valued Lakeside Apartments at \$48.8 million. During the following two weeks, Mr. McCandless discussed CRA's assumptions and valuation with Mr. John Bezzant, Senior Vice President - Transactions of Aimco and a Director and Senior Vice President of the General Partner and Mr. Nikhil Venkatesh, Vice President - Portfolio Strategy of Aimco and Vice President of the General Partner. Mr. Bezzant reviewed the \$48.8 million value in light of fiduciary duties owed to unaffiliated limited partners and Aimco OP's investment criteria. Aimco OP's investment criteria was to acquire the property at a price that did not significantly exceed Aimco OP's estimate of the value of the property, which it calculated by adding the appraised value of the property to other assets and deducting therefrom the amount of liabilities associated with the property, including

mortgage debt (but excluding prepayment penalty). Mr. Bezzant determined that Aimco OP would pay the appraised value for Lakeside Apartments.

On October 8, 2010, the General Partner's board of directors held a meeting to discuss the proposed transaction. The board decided to approve and effect a transaction with Aimco OP that would give Aimco OP indirect ownership of Lakeside Apartments. On October 8, 2010, the General Partner approved and authorized the transactions. The General Partner and the Aimco Entities considered a number of possible alternatives to the

**Table of Contents**

proposed transactions, as described in greater detail above. However, the General Partner ultimately determined that the proposed transactions are in the best interests of NPI and its limited partners.

**Amendment to Partnership Agreement**

Prior to entering into the proposed 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 partners and their affiliates, on the other, and (ii) authorize the General Partner to complete the mergers described below without any further action by the limited partners. The proposed amendment to NPI's partnership agreement is included in this information statement/prospectus as Annex F.

**Determination of Merger Consideration**

Upon completion of the transactions, limited partners in NPI will receive, for each NPI Unit outstanding immediately prior to consummation of the mergers, at the election of the holder, either \$57.24 in cash or equivalent value in Aimco OP Units, except in those jurisdictions where the law prohibits the offer of OP Units in this transaction (or registration would be prohibitively costly). Because Aimco wholly owns the General Partner, the merger consideration has not been determined in an arm's-length negotiation. In order to arrive at a fair consideration, CRA, an independent real estate appraisal firm, was engaged to perform a complete appraisal of NPI's property. For more detailed information about the independent appraiser's determination of the estimated value of the property, see Special Factors The Appraisal. The per unit cash merger consideration payable to each holder of NPI Units is greater than the General Partner's estimate of the proceeds that would be available for distribution to limited partners (following the repayment of debt and other liabilities of NPI) if the property was sold at a price equal to its appraised value. The General Partner did not deduct certain amounts that would be payable upon an immediate sale of the partnership's property, such as prepayment penalties on the mortgage debt of the property. The estimated prepayment penalty would have been \$6,994,277. The General Partner calculated the equity of the partnership by (i) adding to the appraised value the value of any other non-real estate assets of NPI that would not be included in the appraisal; and (ii) deducting all liabilities, including mortgage debt, debt owed to the General Partner or its affiliates, accounts payable and accrued expenses and certain other costs. The amount of liabilities deducted includes an estimate of \$227,200 for expenses attributable to the property that would be incurred prior to the transactions but payable after the transactions. This calculation, which is summarized below, resulted in per unit cash merger consideration of \$57.24.

Appraised value of Lakeside Apartments	\$ 48,800,000
Plus: Cash and cash equivalents	46,404
Plus: Other assets	389,694
Less: Mortgage debt, including accrued interest	(29,367,278)
Less: Loans from affiliates of the general partner	(14,610,059)
Less: Payables owed to the General Partner and/or affiliates	(279,301)
Less: Incentive Compensation Fee allocable to General Partner	(840,600)
Less: Accounts payable and accrued expenses owed to third parties	(953,665)
Less: Other liabilities	(208,049)
Less: Estimated trailing payables	(227,200)
Net partnership equity	\$ 2,749,946
Percentage of net partnership equity allocable to limited partners	100%
Net partnership equity allocable to limited partners	\$ 2,749,946
Total number of Units	48,039

Cash consideration per unit	\$	57.24
-----------------------------	----	-------

The number of OP Units offered per NPI Unit was calculated by dividing the per unit cash merger consideration by the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the mergers.

## **Table of Contents**

Although there is no public market for OP Units, after a one-year holding period, each OP Unit is generally redeemable for cash in an amount equal to the value of one share of Aimco common stock at the time, subject to Aimco's right to acquire each OP Unit in exchange for one share of Aimco common stock (subject to antidilution adjustments). Therefore, the General Partner considers the trading price of Aimco common stock to be a reasonable estimate of the fair market value of an OP Unit. As of October 25, 2010, the average closing price of Aimco common stock over the preceding ten consecutive trading days was \$22.96, which would have resulted in OP Unit consideration of 2.49 OP Units per NPI Unit.

## **Conflicts of Interest**

The General Partner is indirectly wholly owned by Aimco. Therefore, it has a conflict of interest with respect to the mergers. The General Partner has fiduciary duties to its sole stockholder, which is wholly owned by 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 its duties to its sole stockholder, 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. The General Partner's desire to seek the best possible terms for NPI's limited partners conflicts with Aimco's interest in obtaining the best possible terms for Aimco OP.

## **Waiver and Release and Additional Consideration**

The parties to a going private transaction such as the proposed transaction are often subject to claims alleging that the transaction is unfair to unaffiliated security holders. Litigation in these situations can arise even if the transaction is ultimately found to be fair to the unaffiliated security holders. In order to attempt to reduce the probability of any such claims, and the related costs of defending against any such claims, Aimco OP has decided to offer unaffiliated limited partners, in addition to the merger consideration, an additional payment of \$9.42 per NPI Unit in exchange for executing a waiver and release of potential claims the limited partner may have against the Releasees (as defined below). The amount of \$9.42 per unit was determined by dividing \$100,000 by the number of outstanding NPI Units held by unaffiliated limited partners. This \$100,000 amount represents Aimco OP's estimate of the value of such a release in potentially reducing its costs to defend against such claims. Unaffiliated limited partners may elect to receive the additional consideration by completing the election form, executing the waiver and release that is attached to the election form and returning the election form and the executed waiver and release in accordance with the instructions provided. In executing the waiver and release, the limited partner, on behalf of himself, his heirs, estate, executor, administrator, successors and assigns, will release Aimco OP and its predecessors, successors and assigns and its present and former parents, subsidiaries, affiliates, investors, insurers, reinsurers, officers, directors, employees, agents, administrators, auditors, attorneys, accountants, information and solicitation agents, investment bankers, and other representatives, including, but not limited to, Aimco and the General Partner (collectively, the Releasees), from any and all claims and causes of action, whether brought individually, on behalf of a class, or derivatively, demands, rights, or liabilities, including, but not limited to, claims for negligence, gross negligence, fraud, breach of fiduciary duty (including, but not limited to, duties of care, loyalty or candor), mismanagement, corporate waste, misrepresentation, whether intentional or negligent, misstatements and omissions to disclose, breach of contract, violations of any state or federal statutes, rules or regulations, whether known claims or unknown claims, whether past claims, present claims or future claims through and including the date of the consummation of the merger, including, but not limited to, those claims that have arisen or arise, directly or indirectly, out of or relate, directly or indirectly, to (a) the merger agreement and the transactions contemplated thereby (excluding only such unaffiliated limited partner's rights, if any, under the merger agreement), (b) any other circumstance, agreement, activity, action, omission, event or matter occurring or existing on or prior to the date of the consummation of the mergers, (c) the ownership of any limited partnership interest in NPI, including, but not limited to, any and all claims related to the management of NPI or the properties owned by NPI (whether currently or previously), the payment of management fees or other monies to the General Partner and to affiliates of NPI and prior sales of properties, or



(d) the purchase, acquisition, holding, sale or voting of one or more limited partnership interests in NPI (collectively, the Released Claims ).

The waiver and release do not apply to claims limited partners may have under the federal securities laws.

## **Table of Contents**

Each unaffiliated limited partner who elects to execute the waiver and release and to receive the additional cash payment will expressly waive and relinquish, to the fullest extent permitted by law and consistent with the release, the provisions, rights and benefits of Section 1542 of the Civil Code of California, or Section 1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Each unaffiliated limited partner who elects to execute the waiver and release and to receive the additional cash payment will waive any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, that is similar, comparable or equivalent to Section 1542. Each unaffiliated limited partner who elects to execute the waiver and release and to receive the additional cash payment will acknowledge and agree that he may later discover facts in addition to or different from those which he or she now knows or believes to be true with respect to the subject matter of the Released Claims, but such unaffiliated limited partner will be deemed to have fully, finally and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, that now exist or may arise in the future through and including the date of the consummation of the merger under any theory of law or equity now existing, including, but not limited to, conduct that is negligent, intentional, with malice, or a breach of any duty, law or rule, without regard to the subsequent discovery of the existence of such different or additional facts.

Each unaffiliated limited partner who elects to execute the waiver and release and to receive the additional cash payment will agree that the release is intended to include the Released Claims which such unaffiliated limited partner may have and which such unaffiliated limited partner does not know or suspect to exist in its favor against the Releasees, and that the release extinguishes those claims. Each unaffiliated limited partner who elects to execute the waiver and release and to receive the additional cash payment will represent and warrant to the Releasees that such unaffiliated limited partner has not assigned or otherwise transferred or subrogated any interest in the Released Claims.

## **Future Plans for the Property**

After the transactions, Aimco OP will be the sole limited partner in New NPI, and will own all of the outstanding New NPI Units. The General Partner will continue to be the General Partner of New NPI after the transactions, and NPI's partnership agreement in effect immediately prior to the mergers will be adopted as the partnership agreement of New NPI, with the following changes: (i) references therein to the California Act will be amended to refer to the Delaware Act; (ii) a description of the merger will be added; and (iii) the name of the partnership will be National Property Investors III, LP. Aimco OP intends to retain the New NPI Units after the mergers. After the mergers, Aimco will evaluate the capital improvement needs of Lakeside Apartments, and anticipates making certain routine capital expenditures with respect to the property during the remainder of 2010.

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

For a discussion of the material United States federal income tax consequences of the transactions, see Material United States Federal Income Tax Matters - United States Federal Income Tax Consequences Relating to the Transactions.

## **Regulatory Matters**

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

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

## **Table of Contents**

### **Accounting Treatment of the Transactions**

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

### **Appraisal Rights**

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

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

The costs of planning and implementing the mergers, including the cash merger consideration and the preparation of this information statement/prospectus, will be borne by Aimco OP without regard to whether the merger is effectuated. The estimated amount of these costs is approximately \$854,229 (assuming all limited partners elect to receive the cash merger consideration and all limited partners unaffiliated with Aimco OP elect to receive an additional cash payment in exchange for executing a waiver and release). Aimco OP is paying for the costs of the mergers with funds on hand or from drawings under its revolving credit facility. The revolving credit facility is pursuant to Aimco OP's Amended and Restated Senior Secured Credit Agreement, as amended, with a syndicate of financial institutions, with Bank of America, N.A. as administrative agent, swing line lender and L/C issuer. As of September 30, 2010, the Credit Agreement consisted of \$300.0 million of revolving loan commitments. Borrowings under the revolving credit facility bear interest based on a pricing grid determined by leverage (either at LIBOR plus 4.25% with a LIBOR floor of 1.50% or, at Aimco OP's option, a base rate equal to the Prime rate plus a spread of 3.00%). The revolving credit facility matures May 1, 2013, and may be extended for an additional year, subject to certain conditions, including payment of a 35.0 basis point fee on the total revolving commitments. The amount available under the revolving credit facility at September 30, 2010, was \$258.7 million (after giving effect to \$41.3 million outstanding for undrawn letters of credit issued under the revolving credit facility). The proceeds of revolving loans are generally permitted to be used to fund working capital and for other corporate purposes.

### **Approvals Required**

Under applicable law, the amendment of the partnership agreement of NPI and the transactions contemplated thereby must be approved by the General Partner and a majority in interest of the limited partners. The General Partner has determined that the amendment and the transactions contemplated thereby, including the mergers, are advisable and in the best interests of NPI and its limited partners and has approved the amendment and the transactions. As of October 25, 2010, there were issued and outstanding 48,039 NPI Units, and Aimco OP and its affiliates owned 37,419

of those units, or approximately 77.89% of the outstanding NPI Units. As more fully described herein, 21,380 of the 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, 16,039 NPI Units or approximately 33.39% of the outstanding NPI Units, in favor of the amendment and the transactions. As a result, affiliates of the General Partner will vote a total of 28,901 NPI Units, or approximately 60.16% of the outstanding NPI Units, in favor of the amendment and the

**Table of Contents**

transactions. 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 amendment and the transactions on or about \_\_\_\_\_, 2010. **As a result, approval of the amendment and the transactions contemplated thereby is assured and your consent is not required.**

**Table of Contents**

**THE MERGER AGREEMENT**

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

**The Mergers**

The proposed amendment to NPI's partnership agreement authorizes NPI to enter into an agreement and plan of merger with New NPI, the Aimco Subsidiary and Aimco OP, which contemplates the following transactions:

*Merger of NPI with and into New NPI.* First, NPI will be merged with and into New NPI with New NPI as the surviving entity. In this merger, 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. All interests in New NPI outstanding immediately prior to the merger will be cancelled in the merger. NPI's partnership agreement in effect immediately prior to the merger 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 merger will be added; and (iii) the name of the partnership will be National Property Investors III, LP.

*Merger of the Aimco Subsidiary with and into New NPI.* Second, the Aimco Subsidiary will be merged with and into New NPI, with New NPI as the surviving entity. In the merger, each NPI Unit outstanding immediately prior to consummation of the merger will be converted into the right to receive, at the election of the holder, either \$57.24 in cash or equivalent value in OP Units (calculated by dividing \$57.24 by the average closing price of Aimco common stock, as reported on the NYSE, over the ten consecutive trading days ending on the second trading day immediately prior to the consummation of the merger); *provided, however*, that if Aimco OP determines that the law of the state or other jurisdiction in which a limited partner resides would prohibit the issuance of Aimco OP Units in that state or other jurisdiction (or that registration or qualification in that state or jurisdiction would be prohibitively costly), then such limited partner will only be entitled to receive \$57.24 in cash for each NPI Unit.

In this second merger, Aimco OP's interest in the Aimco Subsidiary will be converted into New NPI Units. After the merger, Aimco OP will be the sole limited partner in New NPI, and will own all of the outstanding New NPI Units. The General Partner of NPI immediately prior to the merger will continue to serve as the general partner of the surviving entity. The agreement of limited partnership of New NPI, as in effect immediately prior to the consummation of the merger, will be the agreement of limited partnership of the surviving entity after the merger, until thereafter amended in accordance with the provisions thereof and applicable law.

**Conditions to Obligations to Complete the Mergers**

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

**Termination of the Merger Agreement**

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



**Table of Contents**

**Amendment**

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

**Governing Law**

The merger agreement i