

APARTMENT INVESTMENT & MANAGEMENT CO

Form 10-K

March 08, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

(Mark
One)

☐ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2005

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-13232
Apartment Investment and Management Company
(Exact name of registrant as specified in its charter)

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

84-1259577
*(I.R.S. Employer
Identification No.)*

4582 South Ulster Street Parkway, Suite 1100
Denver, Colorado
(Address of principal executive offices)

80237
(Zip Code)

Registrant's telephone number, including Area Code: (303) 757-8101
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Class A Common Stock	New York Stock Exchange
Class G Cumulative Preferred Stock	New York Stock Exchange
Class Q Cumulative Preferred Stock	New York Stock Exchange
Class R Cumulative Preferred Stock	New York Stock Exchange
Class T Cumulative Preferred Stock	New York Stock Exchange
Class U Cumulative Preferred Stock	New York Stock Exchange
Class V Cumulative Preferred Stock	New York Stock Exchange
Class Y Cumulative Preferred Stock	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: none

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes ☐ No ☐

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past

90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒ Accelerated ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant, was approximately \$3.9 billion as of June 30, 2005. As of February 28, 2006, there were 96,566,698 shares of Class A Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be issued in conjunction with the registrant's annual meeting of stockholders to be held May 10, 2006 are incorporated by reference into Part III of this Annual Report.

APARTMENT INVESTMENT AND MANAGEMENT COMPANY
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For the Fiscal Year Ended December 31, 2005

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FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements in certain circumstances. Certain information included in this Annual Report on Form 10-K (Annual Report) contains or may contain information that is forward-looking, including, without limitation, statements regarding the effect of acquisitions, our future financial performance and the effect of government regulations. Actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation: natural disasters such as hurricanes, national and local economic conditions; the general level of interest rates; energy costs; the terms of governmental regulations that affect us and interpretations of those regulations; the competitive environment in which we operate; financing risks, including the risk that our cash flows from operations may be insufficient to meet required payments of principal and interest; real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets; insurance risks; acquisition and development risks, including failure of such acquisitions and development projects to perform in accordance with projections; the timing of acquisitions and dispositions; litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; and possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us. In addition, our current and continuing qualification as a real estate investment trust involves the application of highly technical and complex provisions of the Internal Revenue Code and depends on our ability to meet the various requirements imposed by the Internal Revenue Code, through actual operating results, distribution levels and diversity of stock ownership. Readers should carefully review our financial statements and the notes thereto, as well as the section entitled Risk Factors described in Item 1A of this Annual Report and the other documents we file from time to time with the Securities and Exchange Commission.

PART I

Item 1. Business

The Company

Apartment Investment and Management Company, or Aimco, is a Maryland corporation incorporated on January 10, 1994. We are a self-administered and self-managed real estate investment trust, or REIT, engaged in the acquisition, ownership, management and redevelopment of apartment properties. As of December 31, 2005, we owned or managed a real estate portfolio of 1,370 apartment properties containing 240,484 apartment units located in 47 states, the District of Columbia and Puerto Rico. Based on apartment unit data compiled by the National Multi Housing Council, as of December 31, 2005 we were the largest REIT owner and operator of apartment properties in the United States. Our portfolio includes garden style, mid-rise and high-rise properties.

We own an equity interest in, and consolidate the majority of, the properties in our owned real estate portfolio. These properties represent the consolidated real estate holdings in our financial statements, which we refer to as consolidated properties. In addition, we have an equity interest in, but do not consolidate for financial statement purposes, certain properties that are accounted for under the equity method. These properties represent our investment in unconsolidated real estate partnerships in our financial statements, which we refer to as unconsolidated properties. Additionally, we manage (both property and asset) but do not own an equity interest in other properties, although in certain cases we may indirectly own generally less than one percent of the

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operations of such properties through a partnership syndication or other fund. Our equity holdings and managed properties are as follows as of December 31, 2005:

	Total Portfolio	
	Properties	Units
Consolidated properties	619	158,548
Unconsolidated properties	264	35,269
Property management for third parties	52	5,246
Asset management for third parties	435	41,421
Total	1,370	240,484

Through our wholly-owned subsidiaries, AIMCO-GP, Inc. and AIMCO-LP, Inc., we own a majority of the ownership interests in AIMCO Properties, L.P., which we refer to as the Aimco Operating Partnership. As of December 31, 2005, we held approximately a 90% interest in the common partnership units and equivalents of the Aimco Operating Partnership. We conduct substantially all of our business and own substantially all of our assets through the Aimco Operating Partnership. Interests in the Aimco Operating Partnership that are held by limited partners other than Aimco are referred to as OP Units. OP Units include common OP Units, partnership preferred units, or preferred OP Units, and high performance partnership units, or High Performance Units. Generally after a holding period of twelve months, holders of common OP Units may redeem such units for cash or, at the Aimco Operating Partnership's option, Aimco Class A Common Stock, which we refer to as Common Stock. At December 31, 2005, 95,732,200 shares of our Common Stock were outstanding and the Aimco Operating Partnership had 10,339,262 common OP Units and equivalents outstanding for a combined total of 106,071,462 shares of Common Stock and OP Units outstanding (excluding preferred OP Units).

Since our initial public offering in July 1994, we have completed numerous transactions, expanding our portfolio of owned or managed properties from 132 properties with 29,343 apartment units to 1,370 properties with 240,484 apartment units as of December 31, 2005. These transactions have included purchases of properties and interests in entities that own or manage properties, as well as corporate mergers.

Except as the context otherwise requires, we, our, us and the Company refer to Aimco, the Aimco Operating Partnership and their consolidated entities, collectively. As used herein, and except where the context otherwise requires, partnership refers to a limited partnership or a limited liability company and partner refers to a limited partner in a limited partnership or a member in a limited liability company.

Available Information

Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to any of those reports that we file with the Securities and Exchange Commission are available free of charge as soon as reasonably practicable through our website at www.aimco.com. The information contained on our website is not incorporated into this Annual Report. Our Common Stock is listed on the New York Stock Exchange under the symbol AIV. In 2005, our chief executive officer submitted his annual corporate governance listing standards certification to the New York Stock Exchange, which certification was unqualified.

Financial Information About Industry Segments

We operate in two reportable segments: real estate (owning and operating apartments) and investment management business (providing property management and other services relating to the apartment business to third parties and affiliates). For further information on these segments, see Note 17 of the consolidated financial statements in Item 8, and Management's Discussion and Analysis in Item 7.

Business Overview

Our principal objective is to increase long-term stockholder value, which we believe results from increasing asset values, increasing operating cash flows and long-term, predictable Funds From Operations, or FFO (as

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defined by the National Association of Real Estate Investment Trusts), per share of Common Stock, less capital spending for replacements. For a description of the meaning of FFO and its use and limitations as an operating measure, see the discussion titled "Funds From Operations" in Item 7.

We strive to meet our objectives by focusing on property operations, generation of fees, portfolio management, reinvestment in properties, increasing land values through entitlements, managing our cost of capital by using leverage that is largely long-term, non-recourse and property specific, and managing our general and administrative costs through increasing productivity.

Property Operations

We divide property operations into two business components: conventional and affordable. Our conventional operations, which are market-rate apartments with rents paid by the resident, include 526 properties with 151,613 units and also include our university communities portfolio (15 properties with 4,443 units). Aimco Capital conducts our affordable operations of 357 properties with 42,204 units, which typically are apartments with rents frequently subsidized or paid by a government agency.

Our property operations are characterized by diversification of product, location and price point. We operate a broad range of property types, from suburban garden-style to urban high-rise properties in 47 states, the District of Columbia and Puerto Rico at a broad range of average monthly rental rates, with most between \$500 and \$1,100 per month, and reaching as high as \$6,400 per month at some of our premier properties. This geographic diversification insulates us, to some degree, from inevitable downturns in any one market.

Conventional

Our conventional operations at the beginning of 2006 were organized into four divisions, each of which is supervised by a Division Vice President, or DVP, and were further sub-divided into 17 regional operating centers, or ROCs. As changes in our portfolio occur, we reevaluate this structure. A Regional Vice President, or RVP, supervises each ROC. The ROCs are generally smaller business units with specialized operational, financial and human resource leadership. We seek to improve the operating results from our property operations by, among other methods, combining centralized financial control and uniform operating procedures with localized property management decision-making and market knowledge. To manage our nationwide portfolio more efficiently and to increase the benefits from our local management expertise, we have given direct responsibility for operations to the RVP with oversight from extensive regular reviews with senior management. To enable the RVPs to focus on sales and service, as well as improve financial control and budgeting, we have dedicated a regional financial officer to support each RVP. In addition, our construction services group handles all work on site beyond routine maintenance, thus reducing the need for RVPs to spend time on oversight of construction projects. We continue to improve our corporate-level oversight of conventional property operations by developing better systems, standardizing business goals, operational measurements and internal reporting, and enhancing financial controls over field operations. Our objectives are to focus on the areas discussed below:

Customer Service. Our operating culture is to be focused on our customers. Our goal is to provide our residents with consistent service in clean, safe and attractive communities. We evaluate our performance through a customer satisfaction tracking system. In addition, we emphasize the quality of our on-site employees through recruiting, training and retention programs, which we believe contributes to improved customer service and leads to increased occupancy rates and enhanced performance.

Resident Selection and Retention. In apartment properties, neighbors are a part of the product, together with the location of the property and the physical quality of the apartment units. Part of our conventional operations strategy is to focus on resident acquisition and retention – attracting and retaining credit-worthy residents who are good neighbors. We have structured goals and coaching for all of our sales personnel, a tracking system for inquiries and a standardized renewal communication program. We have standardized residential financial stability requirements and have policies and monitoring practices to maintain our resident quality. We believe that the costs exceed the benefits when higher occupancy results from lowering of financial stability standards.

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Revenue Increases. We increase rents where feasible and seek to improve occupancy rates. We are also focused on the automation of on-site operations, as we believe that timely and accurate collection of property performance and resident profile data will enable us to maximize revenue through better property management and leasing decisions. We have standardized policies for new and renewal pricing with timely data and analyses by floor-plan, thereby enabling us to maximize our ability to modify pricing, even in challenging sub-markets.

Controlling Expenses. Cost controls are accomplished by local focus at the ROC level and by taking advantage of economies of scale at the corporate level. As a result of the size of our portfolio and our regional concentrations of properties, we have the ability to spread over a large property base fixed costs for general and administrative expenditures and certain operating functions, such as purchasing, insurance and information technology. We are expanding our local vendor consolidation program and implementing an electronic procurement system to provide better ongoing control over purchasing decisions and to take advantage of volume discounts. Additionally, we intend to focus on energy management and centralized media programs to control expenses.

Ancillary Services. We believe that our ownership and management of properties provide us with unique access to a customer base that allows us to provide additional services and thereby increase occupancy and rents, while also generating incremental revenue. We currently provide cable television, telephone services, appliance rental, and carport, garage and storage space rental at certain properties.

Aimco Capital

We are among the largest owners and operators of affordable properties in the United States. Aimco Capital was organized to focus on our affordable housing properties, the operations of which are most often subsidized or financed by the United States Department of Housing and Urban Development, or HUD, state housing agencies or tax credit financing, and is led by a management team dedicated to this sector. Aimco Capital operates our affordable properties through three ROCs. Affordable properties tend to have stable rents and occupancy due to government subsidies and thus are much less affected by market circumstances.

Aimco Capital also generates activity fees from transactions related to affordable holdings (including tax credit redevelopments, syndications, dispositions and refinancings), and asset management income from the financial management of our owned and operated affordable portfolio as well as two other large portfolios for which we provide asset management services only. We believe that Aimco Capital is well positioned as it has the national structure, knowledge and pipeline to grow as a more autonomous operation with dedicated capital.

Portfolio Management

Conventional

We view our conventional property portfolio in terms of core and non-core properties. Core properties are those properties that are located in markets where population and employment growth are expected to exceed national trends and where we believe there is potential for long-term growth at higher rates of return. During 2005, we made a decision to concentrate our core portfolio in markets located predominantly in coastal states as well as the Rocky Mountain region and Chicago. This reduced the number of markets in which we intend to remain from 38 to 27. We plan to exit certain Texas and Midwest markets where the average four-year growth rate is projected below average of the remainder of the core portfolio. At December 31, 2005, we had 272 conventional core properties, which generally we intend to hold and improve over the long-term. Within our core portfolio, the largest single market (Washington, D.C.) contributed approximately 10%, and the five largest markets (Washington, D.C., greater Los Angeles, New England, Philadelphia and Miami-Fort Lauderdale) together contributed approximately 38%, to income before depreciation and interest expense, or net operating income. At December 31, 2005, we had 254 conventional non-core properties, which we generally intend to hold for investment for the intermediate term. Non-core properties are those properties located within the 32 markets we intend to exit or in less favored locations within the 27 markets that comprise our core portfolio. We exited nine markets in 2005. During 2006, we expect to exit an additional five markets and over the next several years we expect to exit the remaining markets in which we hold our non-core properties.

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Portfolio management includes expanding our core portfolio through acquisitions of properties located in markets where our core portfolio is concentrated. We specifically seek investments in a variety of asset qualities and types at a purchase price below replacement cost. Currently, we acquire properties and property interests primarily in three ways:

the direct acquisition of a property or portfolio of properties;

acquisition of a portfolio of properties through a purchase from, or a merger or business combination with, an entity that owns or controls the property or portfolio being acquired; and

the purchase from third parties, subject to our fiduciary duties, of additional interests in partnerships where we own a general partnership interest.

In 2005, we completed direct acquisitions of six conventional core properties, containing approximately 1,006 residential units and six retail spaces for an aggregate purchase price of approximately \$284 million (including transaction costs) and acquired additional interests in 84 partnerships for approximately \$56 million (including transaction costs). These properties were located in New York City, New Jersey and Los Angeles.

Portfolio management also includes dispositions of properties located within markets we intend to exit, properties in less favored locations within the 27 markets that comprise our core portfolio or properties that do not meet our long-term investment criteria. Additionally, from time to time, we may dispose of certain core properties that are consistent with our long-term investment strategy but offer attractive returns, such as in sales to buyers who intend to convert the properties to condominiums. The sales of core and non-core properties partially fund our acquisitions and capital improvements on our existing properties. In 2005, we sold 71 non-core properties generating net cash proceeds to us, after repayment of existing debt, payment of transaction costs and distributions to limited partners, of \$262 million.

Aimco Capital

The portfolio management strategy for Aimco Capital is similar to that of our Conventional portfolio. Aimco Capital seeks to dispose of properties that are inconsistent with our long-term investment strategy and Aimco Capital's operations. During 2005, we sold 47 non-core properties from within the Aimco Capital portfolio, generating net cash proceeds to us, after repayment of existing debt, payment of transaction costs and distributions to limited partners, of \$70 million. At December 31, 2005 within the Aimco Capital portfolio, we had 357 properties, a majority of which are non-core properties that we generally intend to hold for investment for the intermediate term. During 2006, we intend to sell approximately the same number of Aimco Capital properties as we sold in 2005.

Entitlements

We have the opportunity to improve land values by seeking new entitlements for many properties. Entitlements provide us the opportunity to enhance the value of our existing portfolio by obtaining local governmental approvals to increase density and add dwelling or residential units to a site. Also we seek to add incremental value through redevelopment of existing units and excess land sales. We currently have 50 entitlement projects under way or under review. These properties are typically well located and in many cases were built 30 or more years ago. During 2005, we received final approval on the conceptual site plan for Springhill Lake in Greenbelt, Maryland, which includes doubling the density of the property from 2,899 units to 5,800 units.

Reinvestment in Properties

We believe that the physical condition and amenities of our apartment properties are important factors in our ability to maintain and increase rental rates. In 2005, we spent \$89.7 million, or \$597 per owned apartment unit, for Capital Replacements, which represent the share of expenditures that are deemed to replace the consumed portion of acquired capital assets. Additionally, we spent \$112.0 million for Capital Improvements, which are non-redevelopment capital expenditures that are made to enhance the value, profitability or useful life of an asset from its original purchase condition.

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In addition to maintenance and improvements of our properties, we focus on the redevelopment of certain properties each year. We believe redevelopment of certain properties in superior locations provides advantages over ground-up development, enabling us to generate rents comparable to new properties with relatively lower financial risk, in less time and with reduced delays associated with governmental permits and authorizations. We undertake two types of redevelopment projects: major projects, where a substantial number or all available units are vacated for significant renovations to the property; and moderate projects, where there is significant renovation, such as exteriors, common areas or unit improvements, typically done upon lease expirations without the need to vacate units on any wholesale or substantial basis. We have a specialized Redevelopment and Construction Services Group, which includes engineers, architects and construction managers, to oversee these projects. As of December 31, 2005, we had 59 projects at various stages of redevelopment. Of the 59 projects, 37 are conventional properties (two major projects and 35 moderate projects) and 22 are affordable properties. During 2005, redevelopment expenditures totaled \$203.5 million, of which our share totaled \$140.3 million, and we completed our two major projects as well as interior upgrades or new construction on 2,188 conventional units, of which 1,687 were leased at year-end for increased rental rates. Total redevelopment expenditures for our 35 active conventional moderate projects will be approximately \$228.9 million, of which approximately \$108.4 million remains to be spent. Total redevelopment expenditures for our 22 affordable redevelopments will be approximately \$142.0 million, of which approximately \$52.5 million remains to be spent, most of which will be funded by third-party tax credit equity and tax-exempt debt. In 2006, we plan to invest between \$150 and \$200 million in conventional redevelopment projects that will impact approximately 70 properties with nearly 30,000 units. Additionally, in 2006 redevelopment expenditures on affordable properties will be approximately \$80 million, predominantly funded by third-party tax credit equity, impacting 20 to 25 properties with more than 3,000 units.

Cost of Capital

We are focused on minimizing our cost of capital. We have a deliberate policy of using non-recourse property debt. The lower risk inherent in non-recourse property debt permits us to operate with higher debt leverage and a lower weighted average cost of capital. During 2005, we closed loans totaling \$971.5 million at an average interest rate of 5.06%, which included the refinancing of loans totaling \$415.2 million with prior interest rates averaging 7.33%. In 2006, we intend to further reduce our cost of capital through the redemption of \$286.8 million of preferred securities at a weighted average cost of 9.76%.

Productivity

Over the past several years, we have had growth in our general and administrative spending as a result of the building of our infrastructure in certain areas in which we had needs, including, operational systems, information technology and other automation, human resources, and expanded accounting, legal, and financial planning and analysis functions. We are focused on containing this spending going forward through enhanced productivity, process improvements and staff reductions.

Competition

In attracting and retaining residents to occupy our properties we compete with numerous other housing alternatives. Our properties compete directly with other rental apartments, as well as with condominiums and single-family homes that are available for rent or purchase in the markets in which our properties are located. Principal factors of competition include rent or price charged, attractiveness of the location and property and quality and breadth of services. The number of competitive properties in a particular area has a material effect on our ability to lease apartment units at our properties and on the rents we charge. Additionally, we compete with other real estate investors, including other apartment REITs, pension and investment funds, partnerships and investment companies in acquiring, redeveloping and managing apartment properties. This competition affects our ability to acquire properties we want to add to our portfolio and the price that we pay in such acquisitions.

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Taxation

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, which we refer to as the Code, commencing with our taxable year ended December 31, 1994, and intend to continue to operate in such a manner. Our current and continuing qualification as a REIT depends on our ability to meet the various requirements imposed by the Code, which are related to organizational structure, distribution levels, diversity of stock ownership and certain restrictions with regard to owned assets and categories of income. If we qualify for taxation as a REIT, we will generally not be subject to United States Federal corporate income tax on our taxable income that is currently distributed to stockholders. This treatment substantially eliminates the double taxation (at the corporate and stockholder levels) that generally results from investment in a corporation.

Even if we qualify as a REIT, we may be subject to United States Federal income and excise taxes in various situations, such as on our undistributed income. We also will be required to pay a 100% tax on any net income on non-arm's length transactions between us and a TRS (described below) and on any net income from sales of property that was property held for sale to customers in the ordinary course. We and our stockholders may be subject to state or local taxation in various state or local jurisdictions, including those in which we transact business or our stockholders reside. Any taxes imposed on us would reduce our operating cash flow and net income. The state and local tax laws may not conform to the United States Federal income tax treatment.

Certain of our operations (property management, asset management, risk, etc.) are conducted through taxable REIT subsidiaries, each of which we refer to as a TRS. A TRS is a C-corporation that has not elected REIT status and as such is subject to United States Federal corporate income tax. We use the TRS format to facilitate our ability to offer certain services and activities to our residents, which services and activities are not generally considered as qualifying REIT activities.

Regulation

General

Apartment properties are subject to various laws, ordinances and regulations, including regulations relating to recreational facilities such as swimming pools, activity centers and other common areas. Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions, as well as changes in laws affecting development, construction and safety requirements, may result in significant unanticipated expenditures, which would adversely affect our net income and cash flows from operating activities. In addition, future enactment of rent control or rent stabilization laws or other laws regulating multifamily housing may reduce rental revenue or increase operating costs in particular markets.

Environmental

Various Federal, state and local laws subject property owners or operators to liability for management, and the costs of removal or remediation, of certain hazardous substances present on a property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of the hazardous substances. The presence of, or the failure to manage or remedy properly, hazardous substances may adversely affect occupancy at affected apartment communities and the ability to sell or finance affected properties. In addition to the costs associated with investigation and remediation actions brought by government agencies, and potential fines or penalties imposed by such agencies in connection therewith, the presence of hazardous substances on a property could result in claims by private plaintiffs for personal injury, disease, disability or other infirmities. Various laws also impose liability for the cost of removal, remediation or disposal of hazardous substances through a licensed disposal or treatment facility. Anyone who arranges for the disposal or treatment of hazardous substances is potentially liable under such laws. These laws often impose liability whether or not the person arranging for the disposal ever owned or operated the disposal facility. In connection with the ownership, operation and management of properties, we could potentially be liable for environmental liabilities or costs associated with our properties or properties we acquire or manage in the future.

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We have been named as a defendant in lawsuits that have alleged personal injury and property damage as a result of the presence of mold. In addition, we are aware of lawsuits against owners and managers of multifamily properties asserting claims of personal injury and property damage caused by the presence of mold, some of which have resulted in substantial monetary judgments or settlements. We have only limited insurance coverage for property damage loss claims arising from the presence of mold and for personal injury claims related to mold exposure. We have implemented policies, procedures, third-party audits and training, and include a detailed moisture intrusion and mold assessment during acquisition due diligence. We believe these measures will prevent or eliminate mold exposure from our properties and will minimize the effects that mold may have on our residents. To date, we have not incurred any material costs or liabilities relating to claims of mold exposure or to abate mold conditions. Because the law regarding mold is unsettled and subject to change we can make no assurance that liabilities resulting from the presence of or exposure to mold will not have a material adverse effect on our consolidated financial condition or results of operations.

Insurance

Our primary lines of insurance coverage are property, general liability, and workers' compensation. We believe that our insurance coverages adequately insure our properties against the risk of loss attributable to fire, earthquake, hurricane, tornado, flood and other perils and adequately insure us against other risks. Our coverage includes deductibles, retentions and limits that are customary in the industry. We have established loss prevention, loss mitigation, claim handling, litigation management and loss reserving procedures to manage our exposure.

Employees

We currently have approximately 6,400 employees, of which approximately 5,200 are at the property level, performing various on-site functions, with the balance managing corporate and regional operations, including investment and debt transactions, legal, financial reporting, accounting, information systems, human resources and other support functions. Unions represent approximately 200 of our employees. We have never experienced a work stoppage and believe we maintain satisfactory relations with our employees.

Item 1A. Risk Factors

The risk factors noted in this section and other factors noted throughout this Annual Report, describe certain risks and uncertainties that could cause our actual results to differ materially from those contained in any forward-looking statement.

Failure to generate sufficient net operating income may limit our ability to pay dividends.

Our ability to make payments to our investors depends on our ability to generate net operating income in excess of required debt payments and capital expenditure requirements. Net operating income may be adversely affected by events or conditions beyond our control, including:

the general economic climate;

competition from other apartment communities and other housing options;

local conditions, such as loss of jobs or an increase in the supply of apartments, that might adversely affect apartment occupancy or rental rates;

changes in governmental regulations and the related cost of compliance;

increases in operating costs (including real estate taxes) due to inflation and other factors, which may not be offset by increased rents;

changes in tax laws and housing laws, including the enactment of rent control laws or other laws regulating multifamily housing;

changes in interest rates and the availability of financing; and

the relative illiquidity of real estate investments.

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If we are not able successfully to acquire, operate, redevelop and expand properties, our results of operations will be adversely affected.

The selective acquisition, redevelopment and expansion of properties are components of our strategy. However, we may not be able to complete transactions successfully in the future. Although we seek to acquire, operate, redevelop and expand properties only when such activities increase our net income on a per share basis, such transactions may fail to perform in accordance with our expectations. When we redevelop or expand properties, we are subject to the risks that:

costs may exceed original estimates;

occupancy and rental rates at the property may be below our projections;

financing may not be available on favorable terms or at all;

redevelopment and leasing of the properties may not be completed on schedule; and

we may experience difficulty or delays in obtaining necessary zoning, land-use, building, occupancy and other governmental permits and authorizations.

Our existing and future debt financing could render us unable to operate, result in foreclosure on our properties or prevent us from making distributions on our equity.

Our strategy is generally to incur debt to increase the return on our equity while maintaining acceptable interest coverage ratios. For the year ended December 31, 2005, we had a ratio of free cash flow (net operating income less spending for capital replacements) to combined interest expense and preferred stock dividends of 1.4:1. Our organizational documents do not limit the amount of debt that we may incur, and we have significant amounts of debt outstanding. Payments of principal and interest may leave us with insufficient cash resources to operate our properties or pay distributions required to be paid in order to maintain our qualification as a REIT. We are also subject to the risk that our cash flow from operations will be insufficient to make required payments of principal and interest, and the risk that existing indebtedness may not be refinanced or that the terms of any refinancing will not be as favorable as the terms of existing indebtedness. If we fail to make required payments of principal and interest on secured debt, our lenders could foreclose on the properties securing such debt, which would result in loss of income and asset value to us. As of December 31, 2005, substantially all of the properties that we owned or controlled were encumbered by debt.

Increases in interest rates would increase our interest expense.

As of December 31, 2005, we had approximately \$2,010.5 million of variable-rate indebtedness outstanding. Of the total debt subject to variable interest rates, floating rate tax-exempt bond financing was \$726.1 million. Floating rate tax-exempt bond financing is benchmarked against the BMA Index, which since 1981 has averaged 68.0% of 30-day LIBOR. If this relationship continues, an increase in the 30-day LIBOR, of 1% (0.68% in tax-exempt interest rates) would result in our income before minority interests and cash flows being reduced by \$17.8 million on an annual basis. This would be offset by variable rate interest income earned on certain assets, including cash and cash equivalents and notes receivable, as well as interest that is capitalized on a portion of this variable rate debt incurred in connection with our redevelopment activities. Considering these offsets, the same increase in the 30-day LIBOR would result in our income before minority interests being reduced by \$8.9 million on an annual basis.

Covenant restrictions may limit our ability to make payments to our investors.

Some of our debt and other securities contain covenants that restrict our ability to make distributions or other payments to our investors unless certain financial tests or other criteria are satisfied. Our credit facility provides, among other things, that we may make distributions to our investors during any four consecutive fiscal quarters in an aggregate amount that does not exceed the greater of 95% of our Funds From Operations for such period or such amount as may be necessary to maintain our REIT status. Our outstanding classes of preferred stock

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prohibit the payment of dividends on our Common Stock if we fail to pay the dividends to which the holders of the preferred stock are entitled.

We depend on distributions and other payments from our subsidiaries that they may be prohibited from making to us.

All of our properties are owned, and all of our operations are conducted, by the Aimco Operating Partnership and our other subsidiaries. As a result, we depend on distributions and other payments from our subsidiaries in order to satisfy our financial obligations and make payments to our investors. The ability of our subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory or contractual limitations. As an equity investor in our subsidiaries, our right to receive assets upon their liquidation or reorganization will be effectively subordinated to the claims of their creditors. To the extent that we are recognized as a creditor of such subsidiaries, our claims may still be subordinate to any security interest in or other lien on their assets and to any of their debt or other obligations that are senior to our claims.

We may be subject to litigation associated with partnership acquisitions that could increase our expenses and prevent completion of beneficial transactions.

We have engaged in, and intend to continue to engage in, the selective acquisition of interests in partnerships that own apartment properties. In some cases, we have acquired the general partner of a partnership and then made an offer to acquire the limited partners' interests in the partnership. In these transactions, we may be subject to litigation based on claims that we, as the general partner, have breached our fiduciary duty to our limited partners or that the transaction violates the relevant partnership agreement or state law. Although we intend to comply with our fiduciary obligations and the relevant partnership agreements, we may incur additional costs in connection with the defense or settlement of this type of litigation. In some cases, this type of litigation may adversely affect our desire to proceed with, or our ability to complete, a particular transaction. Any litigation of this type could also have a material adverse effect on our financial condition or results of operations.

The marketplace for insurance coverage is uncertain and in some cases insurance is becoming more expensive and more difficult to obtain.

The insurance market is characterized by volatility with respect to premiums, deductibles and coverage. Although we make use of many alternative methods of risk financing that enable us to insulate ourselves to some degree from variations in coverage and cost, sustained deterioration in insurance marketplace conditions may have a negative effect on our operating results.

The FBI has issued alerts regarding potential terrorist threats involving apartment buildings.

From time to time, the Federal Bureau of Investigation, or FBI, and the United States Department of Homeland Security issue alerts regarding potential terrorist threats involving apartment buildings. Threats of future terrorist attacks, such as those announced by the FBI and the Department of Homeland Security, could have a negative effect on rent and occupancy levels at our properties. The effect that future terrorist activities or threats of such activities could have on our business is uncertain and unpredictable. If we incur a loss at a property as a result of an act of terrorism, we could lose all or a portion of the capital we have invested in the property, as well as the future revenue from the property.

We depend on our senior management.

Our success depends upon the retention of our senior management, including Terry Considine, our chief executive officer and president. There are no assurances that we would be able to find qualified replacements for the individuals who make up our senior management if their services were no longer available. The loss of services of one or more members of our senior management team could have a material adverse effect on our business, financial condition and results of operations. We do not currently maintain key-man life insurance for any of our employees. The loss of any member of senior management could adversely affect our ability to pursue effectively our business strategy.

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Affordable housing regulations may limit the opportunities at some of our properties, reducing our revenue and, in some cases, causing us to sell properties that we might otherwise continue to own.

We own an equity interest in certain affordable properties and manage for third parties and affiliates other properties that benefit from governmental programs intended to provide housing to people with low or moderate incomes. These programs, which are usually administered by HUD or state housing finance agencies, typically provide mortgage insurance, favorable financing terms or rental assistance payments to the property owners. As a condition of the receipt of assistance under these programs, the properties must comply with various requirements, which typically limit rents to pre-approved amounts. If permitted rents on a property are insufficient to cover costs, a sale of the property may become necessary, which could result in a loss of management fee revenue. We usually need to obtain the approval of HUD in order to manage, or acquire a significant interest in, a HUD-assisted property. We may not always receive such approval.

Laws benefiting disabled persons may result in our incurrence of unanticipated expenses.

Under the Americans with Disabilities Act of 1990, or ADA, all places intended to be used by the public are required to meet certain Federal requirements related to access and use by disabled persons. Likewise, the Fair Housing Amendments Act of 1988, or FHAA, requires apartment properties first occupied after March 13, 1990 to be accessible to the handicapped. These and other Federal, state and local laws may require modifications to our properties, or restrict renovations of the properties. Noncompliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although we believe that our properties are substantially in compliance with present requirements, we may incur unanticipated expenses to comply with the ADA and the FHAA.

We may fail to qualify as a REIT.

If we fail to qualify as a REIT, we will not be allowed a deduction for dividends paid to our stockholders in computing our taxable income, and we will be subject to Federal income tax at regular corporate rates, including any applicable alternative minimum tax. This would substantially reduce our funds available for payment to our investors. Unless entitled to relief under certain provisions of the Code, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. In addition, our failure to qualify as a REIT would trigger the following consequences:

we would be obligated to repurchase certain classes of our preferred stock; and

we would be in default under our primary credit facilities and certain other loan agreements.

We believe that we operate, and have always operated, in a manner that enables us to meet the requirements for qualification as a REIT for Federal income tax purposes. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, investment, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Our ability to satisfy the asset tests depends upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to manage successfully the composition of our income and assets on an ongoing basis. Moreover, the proper classification of an instrument as debt or equity for Federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements. Accordingly, there can be no assurance that the Internal Revenue Service, or the IRS, will not contend that our interests in subsidiaries or other issuers constitutes a violation of the REIT requirements. Moreover, future economic, market, legal, tax or other considerations may cause us to fail to qualify as a REIT, or our Board of Directors may determine to revoke our REIT status.

REIT distribution requirements limit our available cash.

As a REIT, we are subject to annual distribution requirements, which limit the amount of cash we retain for other business purposes, including amounts to fund our growth. We generally must distribute annually at least

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90% of our net REIT taxable income, excluding any net capital gain, in order for our distributed earnings not to be subject to corporate income tax. We intend to make distributions to our stockholders to comply with the requirements of the Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Code.

Limits on ownership of shares in our charter may result in the loss of economic and voting rights by purchasers that violate those limits.

Our charter limits ownership of our Common Stock by any single stockholder (applying certain beneficial ownership rules under Federal securities laws) to 8.7% of our outstanding shares of Common Stock, or 15% in the case of certain pension trusts, registered investment companies and Mr. Considine. Our charter also limits ownership of our Common Stock and preferred stock by any single stockholder to 8.7% of the value of the outstanding Common Stock and preferred stock, or 15% in the case of certain pension trusts, registered investment companies and Mr. Considine. The charter also prohibits anyone from buying shares of our capital stock if the purchase would result in us losing our REIT status. This could happen if a transaction results in fewer than 100 persons owning all of our shares of capital stock or results in five or fewer persons (applying certain attribution rules of the Code) owning 50% or more of the value of all of our shares of capital stock. If anyone acquires shares in excess of the ownership limit or in violation of the ownership requirements of the Code for REITs:

the transfer will be considered null and void;

we will not reflect the transaction on our books;

we may institute legal action to enjoin the transaction;

we may demand repayment of any dividends received by the affected person on those shares;

we may redeem the shares;

the affected person will not have any voting rights for those shares; and

the shares (and all voting and dividend rights of the shares) will be held in trust for the benefit of one or more charitable organizations designated by us.

We may purchase the shares of capital stock held in trust at a price equal to the lesser of the price paid by the transferee of the shares or the then current market price. If the trust transfers any of the shares of capital stock, the affected person will receive the lesser of the price paid for the shares or the then current market price. An individual who acquires shares of capital stock that violate the above rules bears the risk that the individual:

may lose control over the power to dispose of such shares;

may not recognize profit from the sale of such shares if the market price of the shares increases;

may be required to recognize a loss from the sale of such shares if the market price decreases; and

may be required to repay to us any distributions received from us as a result of his or her ownership of the shares.

Our charter may limit the ability of a third party to acquire control of us.

The 8.7% ownership limit discussed above may have the effect of precluding acquisition of control of us by a third party without the consent of our Board of Directors. Our charter authorizes our Board of Directors to issue up to 510,587,500 shares of capital stock. As of December 31, 2005, 426,157,976 shares were classified as Common Stock, of which 95,732,200 were outstanding, and 84,429,524 shares were classified as preferred stock, of which 38,324,762 were outstanding. Under our charter, our Board of Directors has the authority to classify and reclassify any of our

unissued shares of capital stock into shares of capital stock with such preferences, rights, powers and restrictions as our Board of Directors may determine. The authorization and issuance of a new class

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of capital stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders' best interests.

Maryland business statutes may limit the ability of a third party to acquire control of us.

As a Maryland corporation, we are subject to various Maryland laws that may have the effect of discouraging offers to acquire us and increasing the difficulty of consummating any such offers, even if an acquisition would be in our stockholders' best interests. The Maryland General Corporation Law restricts mergers and other business combination transactions between us and any person who acquires beneficial ownership of shares of our stock representing 10% or more of the voting power without our Board of Directors' prior approval. Any such business combination transaction could not be completed until five years after the person acquired such voting power, and generally only with the approval of stockholders representing 80% of all votes entitled to be cast and 66²/₃% of the votes entitled to be cast, excluding the interested stockholder, or upon payment of a fair price. Maryland law also provides generally that a person who acquires shares of our capital stock that represent 10% or more of the voting power in electing directors will have no voting rights unless approved by a vote of two-thirds of the shares eligible to vote. Additionally, Maryland law provides, among other things, that the board of directors has broad discretion in adopting stockholders' rights plans and has the sole power to fix the record date, time and place for special meetings of the stockholders. In addition, Maryland law provides that corporations that:

have at least three directors who are not employees of the entity or related to an acquiring person; and

are subject to the reporting requirements of the Securities Exchange Act of 1934, may elect in their charter or bylaws or by resolution of the board of directors to be subject to all or part of a special subtitle that provides that:

the corporation will have a staggered board of directors;

any director may be removed only for cause and by the vote of two-thirds of the votes entitled to be cast in the election of directors generally, even if a lesser proportion is provided in the charter or bylaws;

the number of directors may only be set by the board of directors, even if the procedure is contrary to the charter or bylaws;

vacancies may only be filled by the remaining directors, even if the procedure is contrary to the charter or bylaws; and

the secretary of the corporation may call a special meeting of stockholders at the request of stockholders only on the written request of the stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting, even if the procedure is contrary to the charter or bylaws.

To date, we have not made any of the elections described above.

Item 1.B. *Unresolved Staff Comments*

None.

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Our properties are located in 47 states, the District of Columbia and Puerto Rico. As of December 31, 2005, our conventional properties are operated through 17 regional operating centers and a university communities group. Affordable property operations are managed through Aimco Capital and are operated through three regional operating centers. The following table sets forth information on all of our property operations as of December 31, 2005 and 2004:

Regional Operating Center(1)	December 31, 2005		December 31, 2004	
	Number of Properties	Number of Units	Number of Properties	Number of Units
Conventional:				
Atlanta, GA	41	10,712	31	8,644
Austin, TX	25	5,566	24	5,388
Boston, MA	16	5,745	16	5,745
Chicago, IL	32	8,784	36	9,697
Columbus, OH	39	10,139	30	6,099
Columbia, SC			61	14,414
Dallas, TX	31	7,945	36	8,867
Denver, CO	33	7,487	34	7,572
Houston, TX	37	9,776	37	9,776
Indianapolis, IN	32	11,947	37	11,191
Los Angeles, CA	36	10,622	38	10,468
Michigan			26	9,507
Orlando, FL	31	8,600		
Philadelphia, PA	15	7,180	16	7,451
Phoenix, AZ	36	10,002	36	10,001
Rockville, MD	29	12,156	38	14,024
South Florida	15	5,862	15	5,862
Tampa, FL	21	5,926		
Tampa/ Orlando, FL			54	14,931
Tidewater, VA	28	7,716		
University Communities	15	4,443	16	4,277
Total conventional owned and managed	512	150,608	581	163,914
Affordable (Aimco Capital):				
Central	131	13,721		
Midwest			63	8,324
Northeast	104	14,769	108	16,280
Southeast			109	10,025
West	71	7,607	86	8,872
Total affordable owned and managed	306	36,097	366	43,501
Owned but not managed	65	7,112	59	7,245

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Property management for third parties	52	5,246	72	7,841
Asset management for third parties	435	41,421	421	41,233
Total	1,370	240,484	1,499	263,734

(1) As our portfolio changes due to property acquisitions and dispositions, we are continually evaluating the organization of our regional operating centers, or ROCs. During 2005, the Orlando/ Tampa ROC was separated into two ROCs, Tidewater was added and the Michigan and Columbia ROCs were combined into other ROCs. Subsequent to December 31, 2005, we combined the Austin and Dallas ROCs and added a ROC in New York. Additionally, the properties within University Communities have been moved into various ROCs depending on the location of the property.

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At December 31, 2005, we owned an equity interest in and consolidated 619 properties containing 158,548 apartment units, which we refer to as consolidated. These consolidated properties contain, on average, 256 apartment units, with the largest property containing 2,899 apartment units. These properties offer residents a range of amenities, including swimming pools, clubhouses, spas, fitness centers, tennis courts and saunas. Many of the apartment units offer features such as vaulted ceilings, fireplaces, washer and dryer hook-ups, cable television, balconies and patios. Additional information on our consolidated properties is contained in Schedule III, Real Estate and Accumulated Depreciation in this Annual Report. At December 31, 2005, we held an equity interest in and did not consolidate 264 properties containing 35,269 apartment units, which we refer to as unconsolidated. In addition, we provided property management services for third parties owning 52 properties containing 5,246 apartment units, and asset management services for third parties owning 435 properties containing 41,421 apartment units, although in certain cases we may indirectly own generally less than one percent of the operations of such properties through a partnership syndication or other fund.

Substantially all of our consolidated properties are encumbered by mortgage indebtedness. At December 31, 2005, our consolidated properties were encumbered by aggregate mortgage indebtedness totaling \$5,667.2 million (not including \$33.7 million of mortgage indebtedness included within liabilities related to assets held for sale), having an aggregate weighted average interest rate of 5.99%. Such mortgage indebtedness was secured by 596 properties with a combined net book value of \$8,673.2 million. Included in the 596 properties, we had a total of 50 mortgage loans, with an aggregate principal balance outstanding of \$795.5 million, that were each secured by property and cross-collateralized with certain (but not all) other mortgage loans within this group of 50 mortgage loans. See Note 6 of the consolidated financial statements in Item 8 for additional information about our indebtedness.

Item 3. *Legal Proceedings*

See the information under the caption Legal Matters in Note 9 of the consolidated financial statements in Item 8 for information regarding legal proceedings, which information is incorporated by reference in this Item 3.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of security holders during the fourth quarter of 2005.

Table of Contents**PART II****Item 5. *Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our Common Stock has been listed and traded on the NYSE under the symbol AIV since July 22, 1994. The following table sets forth the quarterly high and low sales prices of our Common Stock, as reported on the NYSE, and the dividends declared for the periods indicated:

Quarter Ended	High	Low	Dividends Declared (per share)
2005			
December 31, 2005(1)	\$ 39.80	\$ 34.93	\$ 1.20
September 30, 2005	44.14	37.57	0.60
June 30, 2005	41.30	36.24	0.60
March 31, 2005	39.39	34.17	0.60
2004			
December 31, 2004	39.25	34.60	0.60
September 30, 2004	36.95	30.85	0.60
June 30, 2004	31.50	26.45	0.60
March 31, 2004	36.00	30.18	0.60

(1) On December 28, 2005, our Board of Directors declared a quarterly cash dividend of \$0.60 per common share for the quarter ended December 31, 2005, that was paid on January 31, 2006, to stockholders of record on December 31, 2005. Our Board of Directors declared the dividend a month early in order to offset gains from 2005 property sales otherwise subject to REIT excise tax. Our Board of Directors anticipates that dividend declarations for the remainder of 2006 will occur on a schedule consistent with prior years.

On February 28, 2006, the closing price of our Common Stock was \$44.31 per share, as reported on the NYSE and there were 96,566,698 shares of Common Stock outstanding, held by 3,459 stockholders of record. The number of holders does not include individuals or entities who beneficially own shares but whose shares are held of record by a broker or clearing agency, but does include each such broker or clearing agency as one recordholder.

As a REIT, we are required to distribute annually to holders of common stock at least 90% of our real estate investment trust taxable income, which, as defined by the Code and United States Department of Treasury regulations, is generally equivalent to net taxable ordinary income. We measure our economic profitability and intend to pay regular dividends to our stockholders based on Funds From Operations, less Capital Replacements during the relevant period. Future payment of dividends are at the discretion of our Board of Directors and will depend on numerous factors including our financial condition, capital requirements, the annual distribution requirements under the provisions of the Code applicable to REITs and such other factors as our Board of Directors deems relevant.

From time to time, we issue shares of Common Stock in exchange for common and preferred OP Units tendered to the Aimco Operating Partnership for redemption in accordance with the terms and provisions of the agreement of limited partnership of the Aimco Operating Partnership. Such shares are issued based on an exchange ratio of one share for each common OP Unit or the applicable conversion ratio for preferred OP Units. The shares are generally issued in exchange for OP Units in private transactions exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof. During the three and twelve months ended December 31, 2005, approximately 4,800 and 425,000 shares of Common Stock were issued in exchange for common OP Units. During the three and twelve months ended December 31, 2005, approximately 700 and 1,100 shares of Common Stock were

issued in exchange for preferred OP Units.

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The following table summarizes repurchases of our equity securities in the quarter ended December 31, 2005 (1):

Fiscal period		Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs (in millions)
October 1	October 31, 2005	0	N/A	0	8.0
November 1	November 30, 2005	0	N/A	0	8.0
December 1	December 31, 2005	0	N/A	0	8.0
Total		0	N/A	0	

(1) Our Board of Directors has, from time to time, authorized us to repurchase shares of our outstanding capital stock. In April 2005, our Board of Directors replaced the existing authorization with a new authorization to repurchase up to a total of eight million shares of our Common Stock. These repurchases may be made from time to time in the open market or in privately negotiated transactions, subject to applicable law. During 2005, we did not repurchase any shares of our Common Stock.

Dividend Payments. Our Credit Agreement includes customary covenants, including a restriction on dividends and other restricted payments, but permits dividends during any four consecutive fiscal quarters in an aggregate amount of up to 95% of our Funds From Operations for such period or such amount as may be necessary to maintain our REIT status.

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The following selected financial data is based on our audited historical financial statements. This information should be read in conjunction with such financial statements, including the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included herein or in previous filings with the Securities and Exchange Commission.

For the Years Ended December 31,

2005 2004(1) 2003(1) 2002(1) 2001(1)

(Dollar amounts in thousands, except per share data)

OPERATING DATA:

Total revenues	\$ 1,521,523	\$ 1,376,077	\$ 1,307,906	\$ 1,193,224	\$ 1,103,842
Total expenses	(1,222,082)	(1,074,010)	(919,753)	(759,956)	(742,064)
Operating income	299,441	302,067	388,153	433,268	361,778
Income (loss) from continuing operations	(27,897)	53,975	61,668	138,221	86,912
Income from discontinued operations, net	98,879	213,479	97,189	30,825	20,440
Cumulative effect of change in accounting principle		(3,957)			
Net income	70,982	263,497	158,857	169,046	107,352
Net income attributable to preferred stockholders	87,948	88,804	93,565	93,558	90,331
Net income (loss) attributable to common stockholders	(16,966)	174,693	65,292	75,488	17,021

OTHER INFORMATION:

Total consolidated properties (end of period)	619	676	679	728	557
Total consolidated apartment units (end of period)	158,548	169,932	174,172	187,506	157,256
Total unconsolidated properties (end of period)	264	330	441	511	569
Total unconsolidated apartment units (end of period)	35,269	44,728	62,823	73,924	91,512
Units managed for others (end of period)(2)	46,667	49,074	50,565	56,722	31,520
Earnings (loss) per common share - basic:					
Income (loss) from continuing operations (net of income attributable to preferred stockholders)	\$ (1.23)	\$ (0.37)	\$ (0.34)	\$ 0.52	\$ (0.05)
Net income (loss) attributable to common stockholders	\$ (0.18)	\$ 1.88	\$ 0.70	\$ 0.88	\$ 0.23

Earnings (loss) per common
share diluted:

Income (loss) from continuing operations (net of income attributable to preferred stockholders)	\$	(1.23)	\$	(0.37)	\$	(0.34)	\$	0.51	\$	(0.05)
Net income (loss) attributable to common stockholders	\$	(0.18)	\$	1.88	\$	0.70	\$	0.87	\$	0.23
Dividends declared per common share	\$	3.00	\$	2.40	\$	2.84	\$	3.28	\$	3.16

BALANCE SHEET

INFORMATION:

Real estate, net of accumulated depreciation	\$	8,751,707	\$	8,228,451	\$	7,633,103	\$	7,464,431	\$	5,576,054
Total assets		10,016,751		10,072,241		10,087,394		10,309,101		8,300,672
Total indebtedness		6,284,243		5,618,831		4,839,462		5,224,147		3,882,641
Stockholders' equity		2,716,103		3,008,160		2,860,657		3,163,387		2,710,615

- (1) Certain reclassifications have been made to conform to the 2005 presentation. These reclassifications primarily represent presentation changes related to discontinued operations resulting from the 2002 adoption of Statement of Financial Accounting Standards No. 144.
- (2) In 2005, 2004, 2003 and 2002, includes approximately 41,421, 41,233, 39,428 and 45,187 units, respectively, for which we provide asset management services only, although in certain cases we may indirectly own generally less than one percent of the operations of such properties through a partnership syndication or other fund.

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Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Executive Overview

We are a self-administered and self-managed real estate investment trust, or REIT, engaged in the ownership, acquisition, management and redevelopment of apartment properties. Our property operations are characterized by diversification of product, location and price point. As of December 31, 2005, we owned or managed 1,370 apartment properties containing 240,484 units located in 47 states, the District of Columbia and Puerto Rico. Our primary sources of income and cash are rents associated with apartment leases.

The key financial indicators that we use in managing our business and in evaluating our financial condition and operating performance are: Funds From Operations, or FFO; FFO less spending for Capital Replacements, or AFFO; same store property operating results; net operating income; net operating income less spending for Capital Replacements, or Free Cash Flow; financial coverage ratios; and leverage as shown on our balance sheet. These terms are defined and described in the sections captioned Funds From Operations and Capital Expenditures below. The key macro-economic factors and non-financial indicators that affect our financial condition and operating performance are: rates of job growth; single-family and multifamily housing starts; and interest rates.

Because our operating results depend primarily on income from our properties, the supply and demand for apartments influences our operating results. Additionally, the level of expenses required to operate and maintain our properties, the pace and price at which we redevelop, acquire and dispose of our apartment properties, and the volume and timing of fee transactions affect our operating results. Our cost of capital is affected by the conditions in the capital and credit markets and the terms that we negotiate for our equity and debt financings.

Our focus in 2005 has been to increase revenue and implement cost management and productivity initiatives, which includes centralizing purchasing, restructuring business processes, using technology to increase efficiency and implementing structured monthly reporting to identify issues and improve effectiveness of spending. We believe that our efforts are having their intended effect, are resulting in a positive trend in certain operating results and are the foundation for improved long-term operating results. These initiatives and others have also resulted in improved asset quality, and we will continue to seek opportunities to reinvest in our properties through capital expenditures and to manage our portfolio through property sales and acquisitions.

For 2006, our focus will include the following: continue to improve operations so that customer satisfaction and occupancy increase to bring improved profitability; upgrade the quality of our portfolio through portfolio management and redevelopment; increase efficiency through improved business processes and automation; improve balance sheet flexibility; minimize our cost of capital in the face of rising interest rates; and monetize a portion of the value inherent in our properties with increased entitlements.

The following discussion and analysis of the results of our operations and financial condition should be read in conjunction with the financial statements.

Results of Operations

Overview

2005 compared to 2004

We reported net income of \$71.0 million and net loss attributable to common stockholders of \$17.0 million for the year ended December 31, 2005, compared to net income of \$263.5 million and net income attributable to common stockholders of \$174.7 million for the year ended December 31, 2004, decreases of \$192.5 million and \$191.7 million, respectively. These decreases were principally due to the following items, all of which are discussed in further detail within this section:

- a decrease in income from discontinued operations, primarily related to lower net gains on dispositions of real estate;

- a decrease in net gain on disposition of real estate related to unconsolidated entities and other, primarily related to a 2004 gain on sale of land;

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an increase in depreciation and amortization expense;

an increase in interest expense; and

an increase in general and administrative expenses.

These decreases were partially offset by an increase in net operating income associated with property operations, which included increases related to acquisition, newly consolidated and same store properties.

2004 compared to 2003

We reported net income of \$263.5 million and net income attributable to common stockholders of \$174.7 million for the year ended December 31, 2004, compared to net income of \$158.9 million and net income attributable to common stockholders of \$65.3 million for the year ended December 31, 2003, increases of \$104.6 million and \$109.4 million, respectively. These increases were principally due to the following items, all of which are discussed in further detail within this section:

an increase in net gain on disposition of real estate (including the gain recognized in discontinued operations and the gain related to unconsolidated entities and other); and

an increase in activity fees and asset management revenues.

These increases were partially offset by:

an overall decline in net operating income, which included a decline in same store net operating results, partially offset by increases related to acquisition and newly consolidated properties;

an increase in general and administrative expenses;

an increase in interest expense; and

an increase in depreciation and amortization expense.

The following paragraphs discuss these and other items affecting the results of our operations in more detail.

Rental Property Operations

Our operating income is primarily generated from the operations of our consolidated properties. The principal components within our total consolidated property operations are: consolidated same store properties, which consist of all conventional properties that were owned (and not classified as held for sale) and managed by us, stabilized and consolidated for all comparable periods presented; and other consolidated entities, which primarily include acquisition, newly consolidated, affordable and redevelopment properties.

The following table summarizes the overall performance of our consolidated properties for the years ended December 31, 2005, 2004 and 2003 (in thousands):

	Year Ended December 31,		
	2005	2004	2003
Rental and other property revenues	\$ 1,459,646	\$ 1,308,815	\$ 1,249,716
Property operating expenses	705,505	632,512	553,482
Net operating income	\$ 754,141	\$ 676,303	\$ 696,234

For the year ended December 31, 2005 compared to the year ended December 31, 2004, net operating income for our consolidated property operations increased by \$77.8 million, or 11.5%. This increase was principally due to a \$39.3 million increase in consolidated same store net operating income (see further discussion of same store results

under the heading "Conventional Same Store Property Operating Results"); a \$21.3 million increase related to operations of acquisition properties, which were principally comprised of Palazzo East at Park La Brea and five other properties purchased in 2005 and The Palazzo at Park La Brea and 10 other properties purchased in 2004; an \$18.0 million increase related to operations of newly consolidated properties, which are properties that had been previously unconsolidated and accounted for by the equity method

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(21 properties first consolidated in 2005 and 42 properties first consolidated in 2004, which includes 24 properties that were consolidated due to the adoption of FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*, or FIN 46,); a \$3.9 million increase related to operations of our affordable properties; and a \$2.7 million increase related to the completion of certain redevelopment properties. These increases were offset by \$6.4 million of increased property management expenses and \$3.3 million of higher net casualty losses in 2005 as compared to 2004, primarily relating to greater hurricane and tropical storm damage that occurred in 2005.

For the year ended December 31, 2004, compared to the year ended December 31, 2003, net operating income for our consolidated property operations decreased by \$19.9 million, or 2.9%. This decrease was principally due to a \$40.3 million decrease in consolidated same store net operating income (see further discussion of same store results under the heading *Conventional Same Store Property Operating Results*). Additionally, there was a \$6.6 million decrease related to net casualty losses and other costs primarily resulting from hurricanes and tropical storms in the third quarter of 2004, which damaged over 100 of our properties and \$4.0 million in higher property management expenses. These decreases were offset by an \$18.2 million increase related to operations of newly consolidated properties, which are properties that had been previously unconsolidated and accounted for by the equity method (42 properties first consolidated in 2004 and 12 properties that were first consolidated after the first quarter of 2003) and a \$16.0 million increase related to operations of acquisition properties, which were principally comprised of The Palazzo at Park La Brea and 10 other properties purchased in 2004, and three properties purchased in 2003.

Conventional Same Store Property Operating Results

Same store operating results is a key indicator we use to assess the performance of our property operations and to understand the period over period operations of a consistent portfolio of properties. We define *same store* properties as conventional properties (i) that we manage, (ii) in which our ownership interest exceeds 10%, (iii) the operations of which have been stabilized for all periods presented and (iv) that have not been classified as held for sale. Our share reflects Aimco's ownership share before minority interest in the Aimco Operating Partnership. To ensure comparability, the information for all periods shown is based on our ownership in the most current period presented in each table. The following tables summarize the conventional rental property operations on a *same store* basis (which is not in accordance with generally accepted accounting principles, or GAAP) and reconcile them to consolidated rental property operations (which is in accordance with GAAP) described in the above comparative discussions (dollars in thousands):

	Year Ended December 31,		
	2005	2004	Change
Our share of same store revenues	\$ 999,383	\$ 941,731	6.1%
Less: Our share of same store expenses	443,112	418,221	6.0%
Our share of same store net operating income	556,271	523,510	6.3%
Adjustments to reconcile same store net operating income to real estate segment net operating income(1)	197,870	152,793	29.5%
Real estate segment net operating income	\$ 754,141	\$ 676,303	11.5%

Same store statistics:

Properties	458	458	
Apartment units	131,491	131,491	
Average physical occupancy	92.2%	89.3%	2.9%
Average rent/unit/month	\$ 762	\$ 746	2.1%

- (1) Includes: (i) minority partners' share of consolidated, less our share of unconsolidated, property revenues and property operating expenses (at 2005 ownership); (ii) property revenues and property operating expenses related to consolidated properties other than same store properties (e.g., affordable, acquisition and

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redevelopment properties); and (iii) eliminations and other adjustments and reclassifications made in accordance with GAAP.

For the year ended December 31, 2005, compared to the year ended December 31, 2004, our share of same store net operating income increased \$32.8 million, or 6.3%. Revenues increased \$57.7 million, or 6.1%, primarily due to higher occupancy (up 2.9%), higher average rent (up \$16 per unit) and lower bad debt. Expenses increased by \$24.9 million, or 6.0%, primarily due to: an increase of \$9.1 million in compensation expense related to increased staffing levels to support our initiatives to improve customer service; a \$7.2 million increase in utilities due primarily to higher natural gas rates; a \$5.5 million increase in real estate taxes; and \$2.4 million of increases primarily related to turnover expenses associated with our efforts to increase occupancy.

	Year Ended December 31,		
	2004	2003	Change
Our share of same store revenues	\$ 1,005,095	\$ 1,011,323	(0.6)%
Less: Our share of same store expenses	441,413	417,281	5.8%
Our share of same store net operating income	563,682	594,042	(5.1)%
Adjustments to reconcile same store net operating income to real estate segment net operating income(1)	112,621	102,192	10.2%
Real estate segment net operating income	\$ 676,303	\$ 696,234	(2.9)%

Same store statistics:

Properties	524	524	
Apartment units	147,070	147,070	
Average physical occupancy	90.3%	91.9%	(1.6)%
Average rent/unit/month	\$ 721	\$ 721	

(1) Includes: (i) minority partners' share of consolidated, less our share of unconsolidated, property revenues and property operating expenses (at 2004 ownership); (ii) property revenues and property operating expenses related to consolidated properties other than same store properties (e.g., affordable, acquisition and redevelopment properties); and (iii) eliminations and other adjustments and reclassifications made in accordance with GAAP.

For the year ended December 31, 2004, compared to the year ended December 31, 2003, our share of same store net operating income decreased \$30.4 million, or 5.1%. Revenues decreased \$6.2 million, or 0.6%, primarily due to lower occupancy (down 1.6%), offset by higher utility reimbursements from residents and lower bad debt expense. Expenses increased by \$24.1 million, or 5.8%, primarily due to: an increase of \$20.0 million in compensation and benefit expense related to a new employee health plan, merit increases and increased staffing levels; an increase of \$4.3 million in utilities due to the increase in the cost of natural gas; and an increase of \$3.9 million in marketing and administrative expenses associated with our efforts to increase occupancy. These increases were partially offset by a decrease in property taxes related to successful appeals and changes in estimates related to assessments.

Property Management

We earn income from property management primarily from certain unconsolidated real estate partnerships for which we are the general partner. The income is primarily in the form of fees generated through property management and other associated activities. Reported revenue from property management decreases as we consolidate real estate partnerships because it is eliminated in consolidation. We expect this trend to continue as we increase our ownership in more of these partnerships or otherwise determine that consolidation is required by GAAP. Additionally, our revenue decreases as properties within our unconsolidated real estate partnerships are sold. Offsetting the revenue

earned in property management are the direct expenses associated with property management.

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The following table summarizes the overall performance of our property management business for the years ended December 31, 2005, 2004 and 2003 (in thousands):

	Year Ended December 31,		
	2005	2004	2003
Property management revenues, primarily from affiliates	\$ 24,528	\$ 32,461	\$ 37,992
Property management expenses	7,292	9,789	8,419
Net operating income from property management	\$ 17,236	\$ 22,672	\$ 29,573

For the year ended December 31, 2005, compared to the year ended December 31, 2004, net operating income from property management decreased by \$5.4 million, or 24.0%. For the year ended December 31, 2004, compared to the year ended December 31, 2003, net operating income from property management decreased by \$6.9 million, or 23.3%. In both periods the decreases were principally due to an increase in the number of consolidated real estate partnerships (resulting from increased ownership and GAAP consolidation requirements), which required elimination of fee income and associated property-operating expense related to such partnerships and the sales of properties within our unconsolidated partnerships (35 properties in 2005, 53 properties in 2004 and 37 properties in 2003) that had previously generated property management revenues.

Activity Fees and Asset Management

Activity fees are generated from transactional activity including tax credit syndications and redevelopments, dispositions, and refinancings. These transactions occur on varying timetables, thus the income varies from period to period. The majority of these fees are earned in connection with transactions related to affordable properties within the Aimco Capital portfolio. We have a large number of affiliated real estate partnerships for which we have identified a pipeline of transactional opportunities. As a result, we view activity fees as a predictable part of our core business strategy. Asset management revenue is from the financial management of partnerships, rather than management of day-to-day property operations. Asset management revenue includes deferred asset management fees that are recognized once a transaction or improvement in operations has occurred thereby generating available cash. Activity and asset management expenses are the direct expenses associated with transactional activities and asset management.

The following table summarizes the operating results of our transactional and asset management activities for the years ended December 31, 2005, 2004 and 2003 (in thousands):

	Year Ended December 31,		
	2005	2004	2003
Activity fees and asset management revenues, primarily from affiliates	\$ 37,349	\$ 34,801	\$ 20,198
Activity and asset management expenses	10,606	11,802	8,367
Net operating income from activity fees and asset management	\$ 26,743	\$ 22,999	\$ 11,831

Included in the activity fees and asset management revenues, primarily from affiliates for the years ended December 31, 2005, 2004 and 2003, were \$33.3 million, \$30.3 million and \$18.9 million, respectively, of fees related to affordable properties within the Aimco Capital portfolio.

For the year ended December 31, 2005, compared to the year ended December 31, 2004, net operating income from activity fees and asset management increased \$3.7 million, or 16.3%. This overall increase was principally a result of increased activity fees related to syndication and developer activities of \$6.0 million and \$3.7 million, respectively, as well as a \$1.2 million decrease in expenses associated with these activities. Additionally, we received \$3.1 million in promote distributions from an unconsolidated partnership, as a result of us, as general partner, achieving financial returns to the limited partners in excess of established targets. These increases were offset by a \$5.2 million decrease in asset management fees and decreases of \$3.3 million and \$1.9 million in activity fees related to disposition and refinancing activities, respectively.

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For the year ended December 31, 2004, compared to the year ended December 31, 2003, net operating income from activity fees and asset management increased by \$11.2 million, or 94.4%. This overall increase was principally a result of increased activity fees related to disposition, refinancing and developer activities of \$7.3 million, \$2.3 million and \$3.0 million, respectively, due to a greater number of transactions in 2004 than in 2003. Additionally, there was an increase of \$2.9 million related to the recognition of deferred asset management fees resulting from closed transactions and improved operations. These increases were offset by a \$2.1 million decrease in syndication fees and \$3.4 million in higher expenses associated with these activities.

Depreciation and Amortization

For the year ended December 31, 2005, compared to the year ended December 31, 2004, depreciation and amortization increased \$71.5 million, or 21.0%. This increase was principally due to: \$34.6 million of additional depreciation on certain real estate assets where the depreciation was adjusted prospectively (see Impairment of Long-Lived Assets in Note 2 of the consolidated financial statements in Item 8); \$13.8 million and \$8.3 million of additional depreciation related to newly consolidated and acquisition properties, respectively; and \$11.0 million from the completion of certain redevelopment properties. Additionally, \$4.3 million of the increase was due to a change in estimated useful lives that apply to capitalized payroll and certain indirect costs (see Capital Expenditures and Related Depreciation in Note 2 of the consolidated financial statements in Item 8).

For the year ended December 31, 2004, compared to the year ended December 31, 2003, depreciation and amortization increased \$32.5 million, or 10.5%. This increase was principally due to \$8.5 million and \$7.2 million of additional depreciation related to the newly consolidated and acquisition properties, respectively, as well as \$9.9 million from the completion of certain redevelopment properties. Additionally, \$5.9 million of the increase resulted from additional depreciation on certain real estate assets where the depreciation was adjusted prospectively (see Impairment of Long-Lived Assets in Note 2 of the consolidated financial statements in Item 8).

General and Administrative Expenses

For the year ended December 31, 2005, compared to the year ended December 31, 2004, general and administrative expenses increased \$15.4 million, or 19.9%. This increase was principally due to \$14.1 million in higher compensation related to increased staffing levels, increased health care costs, and transition costs associated with the chief financial and chief accounting officer positions. Additionally, at the end of 2005 there was \$0.6 million in severance costs related to the restructuring of regional operating centers as a result of property dispositions.

For the year ended December 31, 2004, compared to the year ended December 31, 2003, general and administrative expenses increased \$29.1 million, or 60.3%. This increase was principally due to: \$15.5 million in higher compensation related to increased staffing levels, merit increases and variable compensation; \$7.7 million related to increased health insurance costs and the effect of a favorable change in 2003 related to our accrual for insurance claims incurred but not reported (IBNR); \$3.2 million in increased amortization of restricted stock and stock option compensation; and \$3.1 million in legal costs and compliance costs primarily related to the internal control reporting requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

Other Expenses (Income), Net

Other expenses (income), net includes income tax provision/benefit, franchise taxes, risk management activities related to our unconsolidated partnerships and partnership expenses.

For the year ended December 31, 2005 compared to the year ended December 31, 2004, other expenses (income), net changed \$8.2 million from expense of \$1.9 million in 2004 to income of \$6.3 million in 2005. This change was principally due to an \$11.4 million higher income tax benefit recognized in 2005 as compared to 2004, reflecting increased losses of our taxable REIT subsidiaries (see further discussion in Note 10 of the consolidated financial statements in Item 8). In the year ended December 31, 2005, there was a tax benefit of \$18.6 million recorded, as compared to \$7.2 million in the year ended December 31, 2004. Additionally, we had higher income associated with our risk management activities, primarily due to better workers compensation

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claim experience as a result of more focused loss prevention measures. These increases in other income were partially offset by \$3.8 million of higher partnership expenses primarily related to increases in professional fees.

For the year ended December 31, 2004, compared to the year ended December 31, 2003, other expenses (income), net changed \$8.9 million from income of \$7.0 million in 2003 to expense of \$1.9 million in 2004. This change was principally due to a \$10.8 million lower income tax benefit recognized in 2004 as compared to 2003, due primarily to an \$8.0 million benefit related to the reversal of a deferred income tax asset valuation allowance in 2003 (see further discussion in Note 10 of the consolidated financial statements in Item 8). In the year ended December 31, 2004, there was a tax benefit of \$7.2 million recorded, as compared to \$18.0 million in the year ended December 31, 2003.

Interest Income

Interest income consists primarily of interest and accretion on general partner notes receivable from our unconsolidated real estate partnerships. Transactions that result in accretion occur on varying timetables and thus the income generated may vary from period to period.

For the year ended December 31, 2005, as compared to the year ended December 31, 2004, interest income decreased \$0.9 million, or 2.7%. This decrease was principally a result of \$3.8 million in lower accretion income, partially offset by higher interest income from money market and interest-bearing accounts due to increased interest rates and higher cash balances.

For the year ended December 31, 2004, as compared to the year ended December 31, 2003, interest income increased \$7.6 million, or 30.9%. This increase was principally a result of \$5.0 million in higher interest due from general partner notes receivable, and \$3.0 million in higher accretion income.

Interest Expense

For the year ended December 31, 2005, compared to the year ended December 31, 2004, interest expense, which includes the amortization of deferred financing costs, increased \$25.8 million, or 7.5%. This increase was principally due to: \$16.0 million and \$5.0 million resulting from interest on the additional debt related to acquisition and newly consolidated properties, respectively; \$17.7 million due to increased borrowings and increased interest rates on corporate and variable rate property debt and other items. These increases were partially offset by: \$4.8 million in lower amortization of loan costs, primarily due to corporate debt restructuring in 2004; \$8.5 million in higher capitalized interest due to increased redevelopment activity; and a \$2.1 million decrease related to the redemption of mandatorily redeemable preferred securities in 2004 and early 2005.

For the year ended December 31, 2004, compared to the year ended December 31, 2003, interest expense increased \$24.8 million, or 7.8%. This increase was principally due to: \$9.9 million resulting from interest on the additional debt related to the newly consolidated properties; \$9.6 million resulting from interest on the additional debt related to acquisition properties; and a \$4.7 million decrease in capitalized interest due to redevelopment properties being placed in service. Additionally, an \$8.8 million increase related to the credit facility and term loan (of which \$1.8 million was associated with the write-off of deferred loan costs related to the November 2004 modification of the credit facility and term loan and \$0.8 million related to the payoff of the indebtedness incurred to complete the acquisition of Casden Properties, Inc) due to higher average principal balances along with a higher weighted average interest rate. The November 2004 modification reduced the spread over LIBOR by an average of 1.25%, which has favorably impacted interest expense related to our revolving credit facility and \$300 million term loan. These increases were partially offset by lower weighted average effective interest rates on mortgage debt due to refinancings that occurred in 2003 and 2004.

Deficit Distributions to Minority Partners

When real estate partnerships consolidated in our financial statements make cash distributions to partners in excess of the carrying amount of the minority interest, we record a charge equal to the amount of such distribution, even though there is no economic effect or cost.

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For the year ended December 31, 2005, as compared to the year ended December 31, 2004, deficit distributions to minority partners decreased \$5.9 million, or 33.1%. For the year ended December 31, 2004, as compared to the year ended December 31, 2003, deficit distributions to minority partners decreased \$2.4 million, or 11.6%. The decrease in both periods was due to reduced levels of distributions being made by the consolidated real estate partnerships as a result of lower refinancing activity and decreased operating results, as well as our increased ownership of such partnerships.

Gain on Dispositions of Real Estate Related to Unconsolidated Entities and Other

Gain on dispositions of real estate related to unconsolidated entities and other includes our share of gain related to dispositions of real estate within our unconsolidated real estate partnerships, gain on dispositions of land and other non-depreciable assets and costs related to asset disposal activities.

For the year ended December 31, 2005, as compared to the year ended December 31, 2004, gain on dispositions of real estate related to unconsolidated entities and other decreased \$52.8 million. For the year ended December 31, 2004, as compared to the year ended December 31, 2003, gain on dispositions of real estate related to unconsolidated entities and other increased \$66.1 million. The change in both periods was principally due to a \$34.6 million gain on the sale of a parcel of land located in Florida and a \$17.4 million gain from the sale of one of our unconsolidated core properties, both of which occurred in 2004.

Changes in the level of gains recognized from period to period reflect the changing level of our disposition activity from period to period. Additionally, gains on properties sold are determined on an individual property basis or in the aggregate for a group of properties that are sold in a single transaction, and are not comparable period to period.

Minority Interest in Consolidated Real Estate Partnerships

Minority interest in consolidated real estate partnerships reflects minority partners' share of operating results of consolidated real estate partnerships. This includes the minority partners' share of property management fees, interest on notes and other amounts eliminated in consolidation that we charge to such partnerships. For the years ended December 31, 2005, 2004 and 2003, such minority interests had a favorable effect on our consolidated operating results.

For the year ended December 31, 2005, as compared to the year ended December 31, 2004, the benefit from minority interest in consolidated real estate partnerships decreased \$10.3 million. For the year ended December 31, 2004, as compared to the year ended December 31, 2003, the benefit from minority interest in consolidated real estate partnerships increased \$16.6 million. The change in both periods was driven by property operating results. During 2005 as compared to 2004 our property operating results improved, thereby reducing the benefit from minority interest. When comparing 2004 to 2003 our property operating results declined, thereby increasing the benefit from minority interest.

Income from Discontinued Operations, Net

For properties accounted for as held for sale, the results of operations for properties sold during the period or designated as held for sale at the end of the period are generally required to be classified as discontinued operations for all periods presented (see Note 2 of the consolidated financial statements in Item 8 for further policy information). The property-specific components of net earnings that are classified as discontinued operations include all property-related revenues and operating expenses, depreciation expense recognized prior to the classification as held for sale, property-specific interest expense to the extent there is secured debt on the property and the associated minority interest. In addition, any impairment losses on assets held for sale, and the net gain on the eventual disposal of properties held for sale are reported as discontinued operations.

For the years ended December 31, 2005, 2004, and 2003, income from discontinued operations, net totaled \$98.9 million, \$213.5 million and \$97.2 million, respectively, which includes a loss from operations of \$2.0 million in 2005 and income from operations of \$9.2 million and \$21.4 million in 2004 and 2003, respectively. In 2005, the income from operations included the operating results of 91 properties and one

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partnership that were sold or classified as held for sale during 2005. In 2004 and 2003, the income from operations included the operating results of 145 properties and one partnership and 217 properties and one partnership, respectively, that were sold or classified as held for sale in 2003, 2004 and 2005. Due to varying number of properties and the timing of sales, the income from operations is not comparable year to year.

During 2005, we sold 83 properties and one partnership, resulting in a net gain on sale of approximately \$100.9 million (which is net of \$4.5 million of related income taxes). Additionally, we recognized \$3.8 million in impairment losses on assets sold or held for sale in 2005 and \$14.9 million of net recoveries of deficit distributions to minority partners. During 2004, we sold 54 properties, resulting in a net gain on sale of approximately \$233.4 million (which is net of \$16.0 million of related income taxes). Additionally, we recognized \$7.3 million in impairment losses on assets sold or held for sale in 2004 and \$3.7 million of net recoveries of deficit distributions to minority partners. During 2003, we sold 72 properties, resulting in a net gain on sale of approximately \$89.7 million (which is net of \$12.1 million of related taxes). Additionally, we recognized \$9.0 million in impairment losses on assets sold or held for sale in 2003 and \$8.3 million of net recoveries of deficit distributions to minority partners.

Changes in the level of gains recognized from period to period reflect the changing level of our disposition activity from period to period. Additionally, gains on properties sold are determined on an individual property basis or in the aggregate for a group of properties that are sold in a single transaction, and are not comparable period to period. See Note 14 of the consolidated financial statements in Item 8 for more details on discontinued operations.

Cumulative Effect of Change in Accounting Principle

On March 31, 2004, we recorded a \$4.0 million cumulative effect of change in accounting principle related to the adoption of FIN 46. This charge is attributable to our recognition of cumulative losses allocable to minority interest that would otherwise have resulted in minority interest deficits. See Note 2 of the consolidated financial statements in Item 8 for further information.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP, which requires us to make estimates and assumptions. We believe that the following critical accounting policies involve our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Impairment of Long-Lived Assets

Real estate and other long-lived assets to be held and used are stated at cost, less accumulated depreciation and amortization, unless the carrying amount of the asset is not recoverable. If events or circumstances indicate that the carrying amount of a property may not be recoverable, we make an assessment of its recoverability by comparing the carrying amount to our estimate of the undiscounted future cash flows, excluding interest charges, of the property. If the carrying amount exceeds the aggregate undiscounted future cash flows, we recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property.

Real estate investments are subject to varying degrees of risk. Several factors may adversely affect the economic performance and value of our real estate investments. These factors include:

the general economic climate;

competition from other apartment communities and other housing options;

local conditions, such as loss of jobs or an increase in the supply of apartments, that might adversely affect apartment occupancy or rental rates;

changes in governmental regulations and the related cost of compliance;

increases in operating costs (including real estate taxes) due to inflation and other factors, which may not be offset by increased rents;

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changes in tax laws and housing laws, including the enactment of rent control laws or other laws regulating multifamily housing;

changes in market capitalization rates; and

the relative illiquidity of such investments.

Any adverse changes in these and other factors could cause an impairment in our long-lived assets, including real estate and investments in unconsolidated real estate partnerships. Based on periodic tests of recoverability of long-lived assets, for the year ended December 31, 2005, we recorded impairment losses of \$3.4 million related to properties to be held and used. For the years ended December 31, 2004 and 2003, we determined that the carrying amount for our properties to be held and used was recoverable and, therefore, we did not record any impairment losses related to such properties.

Notes Receivable and Interest Income Recognition

Notes receivable from unconsolidated real estate partnerships consist primarily of notes receivable from partnerships in which we are the general partner. The ultimate repayment of these notes is subject to a number of variables, including the performance and value of the underlying real estate property and the claims of unaffiliated mortgage lenders. Our notes receivable include loans extended by us that we carry at the face amount plus accrued interest, which we refer to as par value notes, and loans extended by predecessors whose positions we generally acquired at a discount, which we refer to as discounted notes.

We record interest income on par value notes as earned in accordance with the terms of the related loan agreements. We discontinue the accrual of interest on such notes when the notes are impaired, as discussed below, or when there is otherwise significant uncertainty as to the collection of interest. We record income on such nonaccrual loans using the cost recovery method, under which we apply cash receipts first to the recorded amount of the loan; thereafter, any additional receipts are recognized as income.

We recognize interest income on discounted notes receivable based upon whether the amount and timing of collections are both probable and reasonably estimable. We consider collections to be probable and reasonably estimable when the borrower has entered into certain closed or pending transactions (which include real estate sales, refinancings, foreclosures and rights offerings) that provide a reliable source of repayment. In such instances, we recognize accretion income, on a prospective basis using the effective interest method over the estimated remaining term of the loans, equal to the difference between the carrying amount of the discounted notes and the estimated collectible value. We record income on all other discounted notes using the cost recovery method. For the year ended December 31, 2005, if we had not been able to complete certain transactions, our accretion income would have been lower by \$2.5 million. Accretion income recognized in any given period is based on our ability to complete transactions to monetize the notes receivable and the difference between the carrying value and the estimated collectible value of the notes; therefore, accretion income varies on a period by period basis and could be lower or higher than in prior periods.

Allowance for Losses on Notes Receivable

We assess the collectibility of notes receivable on a periodic basis, which assessment consists primarily of an evaluation of cash flow projections of the borrower to determine whether estimated cash flows are sufficient to repay principal and interest in accordance with the contractual terms of the note. We recognize impairments on notes receivable when it is probable that principal and interest will not be received in accordance with the contractual terms of the loan. The amount of the impairment to be recognized generally is based on the fair value of the partnership's real estate that represents the primary source of loan repayment. In certain instances where other sources of cash flow are available to repay the loan, the impairment is measured by discounting the estimated cash flows at the loan's original effective interest rate.

During the years ended December 31, 2005 and 2004, we recorded \$1.4 million and \$1.8 million in net recovery of impairment losses on notes receivable. During the year ended December 31, 2003, we identified and recorded \$2.2 million in net impairment losses on notes receivable. We will continue to evaluate the collectibility

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of these notes, and we will adjust related allowances in the future due to changes in market conditions and other factors.

Capitalized Costs

We capitalize costs, including certain indirect costs, incurred in connection with our capital expenditure activities, including redevelopment and construction projects, other tangible property improvements, and replacements of existing property components. Included in these capitalized costs are payroll costs associated with time spent by site employees in connection with the planning, execution and control of all capital expenditure activities at the property level. We characterize as indirect costs an allocation of certain department costs, including payroll, at the regional operating center and corporate levels that clearly relate to capital expenditure activities. We capitalize interest, property taxes and insurance during periods in which redevelopment and construction projects are in progress. Costs incurred in connection with capital expenditure activities are capitalized where the costs of the improvements or replacements exceed \$250. We charge to expense as incurred costs that do not relate to capital expenditure activities, including ordinary repairs, maintenance, resident turnover costs and general and administrative expenses. See Note 2 Capital Expenditures and Related Depreciation of the consolidated financial statements in Item 8 for further policy information.

For the years ended December 31, 2005, 2004 and 2003, for continuing and discontinued operations, we capitalized \$18.1 million, \$9.5 million and \$14.5 million of interest costs, respectively, and \$53.3 million, \$46.7 million and \$45.4 million of site payroll and indirect costs, respectively.

Funds From Operations

Funds From Operations, or FFO, is a non-GAAP financial measure that we believe, when considered with the financial statements determined in accordance with GAAP, is helpful to investors in understanding our performance because it captures features particular to real estate performance by recognizing that real estate generally appreciates over time or maintains residual value to a much greater extent than do other depreciable assets such as machinery, computers or other personal property. The Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT, defines FFO as net income (loss), computed in accordance with GAAP, excluding gains from sales of depreciable property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO on the same basis. We compute FFO for all periods presented in accordance with the guidance set forth by NAREIT's April 1, 2002 White Paper, which we refer to as the White Paper. We calculate FFO (diluted) by subtracting redemption related preferred stock issuance costs and dividends on preferred stock and adding back dividends/distributions on dilutive preferred securities and interest expense on dilutive mandatorily redeemable convertible preferred securities. FFO should not be considered an alternative to net income or net cash flows from operating activities, as determined in accordance with GAAP, as an indication of our performance or as a measure of liquidity. FFO is not necessarily indicative of cash available to fund future cash needs. In addition, although FFO is a measure used for comparability in assessing the performance of real estate investment trusts, there can be no assurance that our basis for computing FFO is comparable with that of other real estate investment trusts.

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For the years ended December 31, 2005, 2004 and 2003, our FFO is calculated as follows (in thousands):

	2005	2004	2003
Net income (loss) attributable to common stockholders(1)	\$ (16,966)	\$ 174,693	\$ 65,292
Adjustments:			
Depreciation and amortization(2)	412,075	340,536	308,080
Depreciation and amortization related to non-real estate assets	(17,700)	(18,349)	(20,370)
Depreciation of rental property related to minority partners interest(3)	(37,389)	(40,581)	(23,626)
Depreciation of rental property related to unconsolidated entities	20,661	22,360	25,817
Gain on dispositions of real estate related to unconsolidated entities and other	(16,489)	(69,241)	(3,178)
Gain on dispositions of non-depreciable assets	2,481	38,977	
Deficit distributions to minority partners(4)	11,952	17,865	20,216
Cumulative effect of change in accounting principle		3,957	
Discontinued operations:			
Gain on dispositions of real estate, net of minority partners interest(3)	(105,417)	(249,376)	(101,849)
Depreciation of rental property, net of minority partners interest(3)	20,280	37,946	55,790
Recovery of deficit distributions to minority partners, net(4)	(14,941)	(3,722)	(8,273)
Income tax arising from disposals	4,481	16,015	12,134
Minority interest in Aimco Operating Partnership's share of above adjustments	(28,381)	(10,289)	(29,910)
Preferred stock dividends	86,825	85,315	85,920
Redemption related preferred stock issuance costs	1,123	3,489	7,645
Funds From Operations	\$ 322,595	\$ 349,595	\$ 393,688
Preferred stock dividends	(86,825)	(85,315)	(85,920)
Redemption related preferred stock issuance costs	(1,123)	(3,489)	(7,645)
Dividends/distributions on dilutive preferred securities	168	2,798	11,330
Interest expense on mandatorily redeemable convertible preferred securities			987
Funds From Operations attributable to common stockholders diluted	\$ 234,815	\$ 263,589	\$ 312,440
Weighted average number of common shares, common share equivalents and dilutive preferred securities outstanding:			
Common shares and equivalents(5)	94,465	93,252	92,968
Dilutive preferred securities	74	1,106	3,639
Total	94,539	94,358	96,607

Notes:

- (1) Represents the numerator for earnings per common share, calculated in accordance with GAAP.
- (2) Includes amortization of management contracts where we are the general partner. Such management contracts were established in certain instances where we acquired a general partner interest in either a consolidated or an unconsolidated partnership. Because the recoverability of these management contracts depends primarily on the operations of the real estate owned by the limited partnerships, we believe it is

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consistent with the White Paper to add back such amortization, as the White Paper directs the add-back of amortization of assets uniquely significant to the real estate industry.

- (3) Minority partners' interest, means minority interest in our consolidated real estate partnerships.
- (4) In accordance with GAAP, deficit distributions to minority partners are charges recognized in our income statement when cash is distributed to a non-controlling partner in a consolidated real estate partnership in excess of the positive balance in such partner's capital account, which is classified as minority interest on our balance sheet. We record these charges for GAAP purposes even though there is no economic effect or cost. Deficit distributions to minority partners occur when the fair value of the underlying real estate exceeds its depreciated net book value because the underlying real estate has appreciated or maintained its value. As a result, the recognition of expense for deficit distributions to minority partners represents, in substance, either (a) our recognition of depreciation previously allocated to the non-controlling partner or (b) a payment related to the non-controlling partner's share of real estate appreciation. Based on White Paper guidance that requires real estate depreciation and gains to be excluded from FFO, we add back deficit distributions and subtract related recoveries in our reconciliation of net income to FFO.
- (5) Represents the denominator for earnings per common share—diluted, calculated in accordance with GAAP, plus additional common share equivalents that are dilutive for FFO.

Liquidity and Capital Resources

Liquidity is the ability to meet present and future financial obligations either through the sale or maturity of existing assets or by the acquisition of additional funds through working capital management. Both the coordination of asset and liability maturities and effective working capital management are important to the maintenance of liquidity. Our primary source of liquidity is cash flow from our operations. Additional sources are proceeds from property sales and proceeds from refinancings of existing mortgage loans and borrowings under new mortgage loans.

Our principal uses for liquidity include normal operating activities, payments of principal and interest on outstanding debt, capital expenditures, dividends paid to stockholders and distributions paid to partners, and acquisitions of, and investments in, properties. We use our cash provided by operating activities to meet short-term liquidity needs. In the event that the cash provided by operating activities is not sufficient to cover our short-term liquidity demands, we have additional means, such as short-term borrowing availability and proceeds from property sales and refinancings, to help us meet our short-term liquidity demands. We use our revolving credit facility for general corporate purposes and to fund investments on an interim basis. We expect to meet our long-term liquidity requirements, such as debt maturities and property acquisitions, through long-term borrowings, both secured and unsecured, the issuance of debt or equity securities (including OP Units), the sale of properties and cash generated from operations.

At December 31, 2005, we had \$161.7 million in cash and cash equivalents, an increase of \$56.4 million from December 31, 2004, which cash is principally from sales and refinancing transactions that has yet to be distributed or applied to the outstanding balance of the revolving credit facility (see Note 8 to the consolidated financial statements in Item 8). At December 31, 2005, we had \$284.8 million of restricted cash, primarily consisting of reserves and escrows held by lenders for bond sinking funds, capital expenditures, property taxes and insurance. In addition, cash, cash equivalents and restricted cash are held by partnerships that are not presented on a consolidated basis. The following discussion relates to changes in cash due to operating, investing and financing activities, which are presented in our Consolidated Statements of Cash Flows in Item 8.

Operating Activities

For the year ended December 31, 2005, our net cash provided by operating activities of \$355.5 million was primarily from operating income from our consolidated properties, which is affected primarily by rental rates, occupancy levels and operating expenses related to our portfolio of properties. Cash provided by operating activities decreased \$10.0 million compared with the year ended December 31, 2004, driven by changes in operating assets and liabilities. The changes in operating assets and liabilities were primarily due to cash used to

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reduce current liabilities related to interest and real estate tax accruals, offset by decreases in accounts receivable related to improved collections, and decreases in prepaid expense and restricted cash balances.

Investing Activities

For the year ended December 31, 2005, our net cash used in investing activities of \$50.0 million primarily resulted from investments in our existing real estate assets through capital spending as well as the acquisition of Palazzo East at Park La Brea and five other properties (see Note 3 to the consolidated financial statements in Item 8 for further information on acquisitions), partially offset by proceeds received from sales of properties.

Although we hold all of our properties for investment, we sell properties when they do not meet our investment criteria or are located in areas that we believe do not justify our continued investment when compared to alternative uses for our capital. During the year ended December 31, 2005, we sold 83 consolidated properties and 35 unconsolidated properties. These properties were sold for an aggregate sales price of \$960.0 million, of which \$764.0 million related to the consolidated properties. The sale of the consolidated properties generated proceeds totaling \$718.4 million, after the payment of transaction costs. Our share of the total net proceeds from the sale of the 118 properties, after repayment of existing debt, payment of transaction costs and distributions to limited partners, was \$331.8 million, of which \$36.4 million related to the unconsolidated properties and was included in our distributions received from investments in unconsolidated real estate partnerships. Sales proceeds were used to repay a portion of our outstanding short-term indebtedness and for other corporate purposes.

We are currently marketing for sale certain properties that are inconsistent with our long-term investment strategy. Additionally, from time to time, we may market certain properties that are consistent with our long-term investment strategy but offer attractive returns, such as sales to buyers who intend to convert the properties to condominiums. Gross sales proceeds from 2006 dispositions are expected to be \$750 million to \$950 million, and we plan to use our share of the net proceeds from such dispositions to reduce debt, fund capital expenditures on existing assets, fund property and partnership acquisitions, redeem preferred securities and for other operating needs and corporate purposes.

Capital Expenditures

We classify all capital spending as Capital Replacements (which we refer to as CR), Capital Improvements (which we refer to as CI), casualties or redevelopment. Non-redevelopment and non-casualty capitalizable expenditures are apportioned between CR and CI based on the useful life of the capital item under consideration and the period we have owned the property (i.e., the portion that was consumed during our ownership of the item represents CR; the portion of the item that was consumed prior to our ownership represents CI).

For the year ended December 31, 2005, we spent a total of \$89.7 million on CR. These are expenditures that represent the share of expenditures that are deemed to replace the consumed portion of acquired capital assets. For the year ended December 31, 2005, we spent a total of \$112.0 million, \$23.9 million and \$140.3 million, respectively, on CI, casualties and redevelopment. CI expenditures represent all non-redevelopment and non-casualty capital expenditures that are made to enhance the value, profitability or useful life of an asset from its original purchase condition. Casualty expenditures represent capitalized costs incurred in connection with casualty losses and are associated with the restoration of the asset. A portion of the restoration costs may be reimbursed by insurance carriers subject to deductibles associated with each loss. Redevelopment expenditures represent expenditures that substantially upgrade the property.

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The table below details our share of actual spending, on both consolidated and unconsolidated real estate partnerships, for CR, CI, casualties and redevelopment for the year ended December 31, 2005 on a per unit and total dollar basis (based on approximately 150,200 ownership equivalent units (excluding non-managed units) weighted for the portion of the period that we owned the property), and reconciles it to our Consolidated Statement of Cash Flows for the same period (in thousands, except per unit amounts).

	Actual Cost	Cost Per Unit
Capital Replacements Detail:		
Building interiors	\$ 14,453	\$ 96
Includes: hot water heaters, kitchen/bath		
Building exteriors	13,932	93
Includes: roofs, exterior painting, electrical, plumbing		
Landscaping and grounds	7,509	50
Includes: parking lot improvements, pool improvements		
Turnover related	38,047	253
Includes: carpet, vinyl, tile, appliance, and fixture replacements		
Capitalized site payroll and indirect costs	15,719	105
Our share of Capital Replacements	\$ 89,660	\$ 597
Capital Replacements:		
Conventional	\$ 83,197	
Affordable	6,463	
Our share of Capital Replacements	89,660	
Capital Improvements:		
Conventional	91,228	
Affordable	20,736	
Our share of Capital Improvements	111,964	
Casualties:		
Conventional	22,537	
Affordable	1,380	
Our share of casualties	23,917	
Redevelopment:		
Conventional	137,311	
Affordable	3,021	
Our share of redevelopment	140,332	
Our share of capital expenditures	365,873	
Plus minority partners share of consolidated spending	90,113	

Less our share of unconsolidated spending	(12,104)
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Total capital expenditures per Consolidated Statement of Cash Flows	\$	443,882
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Included in the above spending for CI, casualties and redevelopment, was approximately \$33.2 million of our share of capitalized site payroll and indirect costs related to these activities for the year ended December 31, 2005.

We funded all of the above capital expenditures with cash provided by operating activities, working capital, property sales and borrowings under the revolving credit facility.

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Financing Activities

For the year ended December 31, 2005, net cash used in financing activities of \$249.2 million primarily related to payments on our secured notes payable, payment of our dividends, and redemptions of the Class D Cumulative Preferred Stock and Trust Based Convertible Preferred Securities, which we refer to as TOPRS, partially offset by proceeds from borrowings.

Mortgage Debt

At December 31, 2005 and 2004, we had \$5.7 billion in consolidated mortgage debt outstanding, which included \$33.7 million and \$419.8 million, respectively, of mortgage debt classified within liabilities related to assets held for sale. During the year ended December 31, 2005, we refinanced or closed mortgage loans on 68 consolidated properties generating \$591.1 million of proceeds from borrowings with a weighted average interest rate of 5.02%. Our share of the net proceeds after repayment of existing debt, payment of transaction costs and distributions to limited partners, was \$254.1 million. In addition, we closed mortgage loans on 15 unconsolidated properties, with a weighted average interest rate of 4.95%. Our share of the net proceeds from these 15 mortgage loans totaled \$26.4 million. We used our total net proceeds from all loans closed of \$280.5 million for corporate purposes. We intend to continue to refinance mortgage debt to generate proceeds in amounts exceeding our scheduled amortizations and maturities.

During the year ended December 31, 2005, we closed five mortgage loans totaling \$130.3 million, with an initial weighted average interest rate of 3.27%, to finance our consolidated acquisitions.

Revolving Credit Facility and Term Loans

We have an Amended and Restated Senior Secured Credit Agreement with a syndicate of financial institutions, which we refer to as the Credit Agreement. On June 16, 2005, we amended our Credit Agreement, to provide for \$100.0 million in additional term loan borrowings. The additional term loan matures on November 2, 2009 and bears interest at a rate of either LIBOR plus 1.75% or a base rate (determined by reference to the federal funds rate or Bank of America's prime rate) plus 0.25%. The proceeds from the additional term loan were used to repay outstanding revolving loans.

The aggregate amount of commitments and loans under the Credit Agreement is \$850.0 million, comprised of \$450.0 million of revolving loan commitments and \$400.0 million in term loans. The term loans mature on November 2, 2009 and the revolving loans mature on November 2, 2007. At December 31, 2005, the term loans had an outstanding principal balance of \$400.0 million and a weighted average interest rate of 6.18% (based on LIBOR plus 2.00% for the original \$300.0 million and LIBOR plus 1.75% for the additional \$100.0 million). At December 31, 2005, the revolving loans had an outstanding principal balance of \$217.0 million and a weighted average interest rate of 6.26% (based on various weighted average LIBOR and base rate borrowings outstanding with various maturities). The amount available under the revolving credit facility at December 31, 2005 was \$208.3 million (after giving effect to \$24.7 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. For more information, see Note 8 of the consolidated financial statements in Item 8.

Equity Transactions

During the year ended December 31, 2005, we redeemed all outstanding shares of Class D Cumulative Preferred Stock for \$31.3 million in cash.

As of December 31, 2005, under our shelf registration statement, which was declared effective in April 2004, we had available for issuance approximately \$877 million of debt and equity securities and the Aimco Operating Partnership had available for issuance \$500 million of debt securities. From time to time we may issue preferred securities in both public offerings and private placements to generate proceeds to be used to redeem higher cost preferred securities, to finance acquisitions of real estate interests and for other corporate purposes.

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Our Board of Directors has, from time to time authorized us to repurchase shares of our outstanding capital stock. In April 2005, our Board of Directors replaced the existing authorization with a new authorization to repurchase up to a total of eight million shares of our Common Stock. These repurchases may be made from time to time in the open market or in privately negotiated transactions, subject to applicable law. During 2005, we did not repurchase any shares of our Common Stock.

Contractual Obligations

This table summarizes information contained elsewhere in this Annual Report regarding payments due under contractual obligations and commitments as of December 31, 2005 (amounts in thousands):

	Total	Less than One Year	1-3 Years	3-5 Years	More than 5 Years
Scheduled long-term debt maturities	\$ 5,667,243	\$ 541,445	\$ 933,325	\$ 599,105	\$ 3,593,368
Secured credit facility and term loans	617,000		217,000	400,000	
Long-term liabilities related to assets held for sale	33,676	1,261	2,816	3,271	26,328
Redevelopment and other construction commitments	99,591	96,704	2,887		
Leases for space occupied	43,743	7,784	14,663	9,925	11,371
Development fee payments(1)	12,500	10,000	2,500		
Total	\$ 6,473,753	\$ 657,194	\$ 1,173,191	\$ 1,012,301	\$ 3,631,067

(1) The development fee payments above were established in connection with the acquisition of Casden Properties, Inc. and our commitment as it relates to the Casden Development Company, LLC. We agreed to pay \$2.5 million per quarter for five years (up to an aggregate amount of \$50.0 million) to Casden Development Company, LLC as a retainer on account for redevelopment services on our assets.

In addition, we may enter into commitments to purchase goods and services in connection with the operations of our properties. Those commitments generally have terms of one year or less and reflect expenditure levels comparable to our historical expenditures.

Future Capital Needs

In addition to the items set forth in Contractual Obligations above, we expect to fund any future acquisitions, additional redevelopment projects and capital improvements principally with proceeds from property sales (including tax-free exchange proceeds), short-term borrowings, debt and equity financings and operating cash flows.

In 2006, we plan to invest between \$150 and \$200 million in conventional redevelopment projects that will impact approximately 70 properties with nearly 30,000 units. Additionally, in 2006 redevelopment expenditures on affordable properties will be approximately \$80 million, predominantly funded by third-party tax credit equity, impacting 20 to 25 properties with more than 3,000 units.

Off-Balance Sheet Arrangements

We own general and limited partner interests in unconsolidated real estate partnerships, in which our total ownership interests range typically from less than 1% up to 50%. However, based on the provisions of the relevant partnership agreements, we are not deemed to have control of these partnerships sufficient to require or permit consolidation for accounting purposes (see Note 2 of the consolidated financial statements in Item 8). There are no lines of credit, side agreements, or any other derivative financial instruments related to or between our unconsolidated

real estate partnerships and us and no material exposure to financial guarantees. Accordingly, our maximum risk of loss related to these unconsolidated real estate partnerships is limited to the aggregate carrying amount of our investment in the unconsolidated real estate partnerships and any outstanding notes

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receivable as reported in our consolidated financial statements. See Note 4 of the consolidated financial statements in Item 8 for additional information on our unconsolidated real estate partnerships.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our primary market risk exposure relates to changes in interest rates. We are not subject to any foreign currency exchange rate risk or commodity price risk, or any other material market rate or price risks. We use predominantly long-term, fixed-rate non-recourse mortgage debt in order to avoid the refunding and repricing risks of short-term borrowings. We use short-term debt financing and working capital primarily to fund short-term uses and acquisitions and generally expect to refinance such borrowings with cash from operating activities, property sales proceeds, long-term debt or equity financings.

We had \$2,010.6 million of floating rate debt outstanding at December 31, 2005 including debt classified within liabilities related to assets held for sale. Of the total floating rate debt, the major components were floating rate tax-exempt bond financing (\$726.1 million), floating rate secured notes (\$667.5 million), revolving loans (\$217.0 million), and term loans (\$400.0 million). Historically, changes in tax-exempt interest rates have been at a ratio of less than 1:1 with changes in taxable interest rates. Floating rate tax-exempt bond financing is benchmarked against the BMA Index, which since 1981 has averaged 68.0% of 30-day LIBOR. If this relationship continues, an increase in the 30-day LIBOR, of 1% (0.68% in tax-exempt interest rates) would result in our income before minority interests and cash flows being reduced by \$17.8 million on an annual basis. This would be offset by variable rate interest income earned on certain assets, including cash and cash equivalents and notes receivable, as well as interest that is capitalized on a portion of this variable rate debt incurred in connection with our redevelopment activities. Considering these offsets, the same increase in the 30-day LIBOR would result in our income before minority interests being reduced by \$8.9 million on an annual basis. Comparatively, if the 30-day LIBOR had increased by 1% in 2004, our income before minority interests would have been reduced by \$6.0 million on an annual basis. The potential reduction of income before minority interests was greater in 2005 as compared to 2004 primarily due to higher floating rate balances resulting from additional borrowings, primarily related to the additional \$100 million term loan, revolving loans and secured notes.

We believe that the fair value of our floating rate secured tax-exempt bond debt and floating rate secured long-term debt as of December 31, 2005 approximate their carrying values. The fair value for our fixed-rate debt agreements was estimated based on the market rate for debt with the same or similar terms. The combined carrying amount of our fixed-rate secured tax-exempt bonds and fixed-rate secured notes payable at December 31, 2005 was \$4.3 billion compared to the estimated fair value of \$4.4 billion (see Note 2 to the consolidated financial statements in Item 8). If market rates for our fixed-rate debt were higher by 1%, the estimated fair value of our fixed-rate debt would have decreased from \$4.4 billion to \$4.1 billion. If market rates for our fixed-rate debt were lower by 1%, the estimated fair value of our fixed-rate debt would have increased from \$4.4 billion to \$4.8 billion.

Item 8. Financial Statements and Supplementary Data

The independent registered public accounting firm's report, consolidated financial statements and schedule listed in the accompanying index are filed as part of this report and incorporated herein by this reference. See Index to Financial Statements on page F-1 of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

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Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of such period, our disclosure controls and procedures are adequate.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*.

Based on their assessment, management concluded that, as of December 31, 2005, our internal control over financial reporting is effective.

Our independent registered public accounting firm has issued an audit report on management's assessment of our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f)) under the Exchange Act) during fourth quarter 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors of Apartment Investment and Management Company

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Apartment Investment and Management Company (the Company) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Apartment Investment and Management Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Apartment Investment and Management Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Apartment Investment and Management Company as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005, and our report dated March 6, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
March 6, 2006

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Item 9B. *Other Information*

None.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

The information required by this item is presented under the captions Board of Directors and Officers, Corporate Governance Matters Code of Ethics and Other Matters Section 16(a) Beneficial Ownership Reporting Compliance in the proxy statement for our 2006 annual meeting of stockholders and is incorporated herein by reference.

Item 11. *Executive Compensation*

The information required by this item is presented under the captions Corporate Governance Matters Compensation of Directors, Corporate Governance Matters Compensation and Human Resources Committee Interlocks and Insider Participation, Compensation and Human Resources Committee Report to Stockholders, Summary Compensation Table, Option/ SAR Grants in Last Fiscal Year, Aggregated Option/ SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/ SAR Values, Employment Arrangements and Stock Price Performance Graph in the proxy statement for our 2006 annual meeting of stockholders and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this item is presented under the captions Security Ownership of Certain Beneficial Owners and Management and Securities Authorized for Issuance Under Equity Compensation Plans in the proxy statement for our 2006 annual meeting of stockholders and is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions*

The information required by this item is presented under the caption Certain Relationships and Related Transactions in the proxy statement for our 2006 annual meeting of stockholders and is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

The information required by this item is presented under the caption Principal Accountant Fees and Services in the proxy statement for our 2006 annual meeting of stockholders and is incorporated herein by reference.

PART IV

Item 15. *Exhibits, Financial Statement Schedules*

(a)(1) The financial statements listed in the Index to Financial Statements on Page F-1 of this report are filed as part of this report and incorporated herein by reference.

(a)(2) The financial statement schedule listed in the Index to Financial Statements on Page F-1 of this report is filed as part of this report and incorporated herein by reference.

(a)(3) The Exhibit Index is incorporated herein by reference.

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INDEX TO EXHIBITS(1)(2)

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of December 3, 2001, by and among Apartment Investment and Management Company, Casden Properties, Inc. and XYZ Holdings LLC (Exhibit 2.1 to Aimco's Current Report on Form 8-K, filed December 6, 2001, is incorporated herein by this reference)
3.1	Charter (Exhibit 3.1 to Aimco's Annual Report on Form 10-K for the year ended December 31, 2004, is incorporated herein by this reference)
3.2	Bylaws (Exhibit 3.2 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001, is incorporated herein by this reference)
10.1	Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 29, 1994 as amended and restated as of October 1, 1998 (Exhibit 10.8 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998, is incorporated herein by this reference)
10.2	First Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of November 6, 1998 (Exhibit 10.9 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998, is incorporated herein by this reference)
10.3	Second Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of December 30, 1998 (Exhibit 10.1 to Amendment No. 1 to Aimco's Current Report on Form 8-K/ A, filed February 11, 1999, is incorporated herein by this reference)
10.4	Third Amendment to Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of February 18, 1999 (Exhibit 10.12 to Aimco's Annual Report on Form 10-K for the year ended December 31 1998, is incorporated herein by this reference)
10.5	Fourth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of March 25, 1999 (Exhibit 10.2 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999, is incorporated herein by this reference)
10.6	Fifth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of March 26, 1999 (Exhibit 10.3 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999, is incorporated herein by this reference)
10.7	Sixth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of March 26, 1999 (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999, is incorporated herein by this reference)
10.8	Seventh Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of September 27, 1999 (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999, is incorporated herein by this reference)
10.9	Eighth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of December 14, 1999 (Exhibit 10.9 to Aimco's Annual Report on Form 10-K for the year ended December 31, 1999, is incorporated herein by reference)
10.10	

- Ninth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of December 21, 1999 (Exhibit 10.10 to Aimco's Annual Report on Form 10-K for the year ended December 31, 1999, is incorporated hereby by reference)
- 10.11 Tenth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of December 21, 1999 (Exhibit 10.11 to Aimco's Annual Report on Form 10-K for the year ended December 31, 1999, is incorporated herein by reference)
- 10.12 Eleventh Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of January 13, 2000 (Exhibit 10.12 to Aimco's Annual Report on Form 10-K for the year ended December 31, 1999, is incorporated herein by reference)
- 10.13 Twelfth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of April 19, 2000 (Exhibit 10.2 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000, is incorporated herein by this reference)

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Exhibit No.	Description
10.14	Thirteenth Amendment to the Third and Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of August 7, 2000 (Exhibit 10.1 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended June 30, 2000, is incorporated herein by this reference)
10.15	Fourteenth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of September 12, 2000 (Exhibit 10.1 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended September 30, 2000, is incorporated herein by this reference)
10.16	Fifteenth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of September 15, 2000 (Exhibit 10.2 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended September 30, 2000, is incorporated herein by this reference)
10.17	Sixteenth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of September 15, 2000 (Exhibit 10.3 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended September 30, 2000, is incorporated herein by this reference)
10.18	Seventeenth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of November 10, 2000 (Exhibit 10.4 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended September 30, 2000, is incorporated herein by this reference)
10.19	Eighteenth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of November 16, 2000 (Exhibit 10.19 to Aimco's Annual Report on Form 10-K/ A for the fiscal year 2000, is incorporated herein by this reference)
10.20	Nineteenth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of February 28, 2001 (Exhibit 10.20 to Aimco's Annual Report on Form 10-K/ A for the fiscal year 2000, is incorporated herein by this reference)
10.21	Twentieth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of March 19, 2001 (Exhibit 10.21 to Aimco's Annual Report on Form 10-K/ A for the fiscal year 2000, is incorporated herein by this reference)
10.22	Twenty-first Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of May 10, 2001 (Exhibit 10.1 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended June 30, 2001, is incorporated herein by this reference)
10.23	Twenty-second Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of June 20, 2001 (Exhibit 10.2 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended June 30, 2001, is incorporated herein by this reference)
10.24	Twenty-third Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 20, 2001 (Exhibit 10.3 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended June 30, 2001, is incorporated herein by this reference)
10.25	Twenty-fourth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of August 1, 2001 (Exhibit 10.4 to the

- Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended June 30, 2001, is incorporated herein by this reference)
- 10.26 Twenty-fifth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 2, 2001 (Exhibit 10.5 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended June 30, 2001, is incorporated herein by this reference)
- 10.27 Twenty-sixth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 2, 2001 (Exhibit 10.6 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended June 30, 2001, is incorporated herein by this reference)

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Exhibit No.	Description
10.28	Twenty-seventh Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 2, 2001 (Exhibit 10.7 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended June 30, 2001, is incorporated herein by this reference)
10.29	Twenty-eighth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of March 25, 2002 (Exhibit 10.1 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended March 31, 2002, is incorporated herein by this reference)
10.30	Twenty-ninth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of March 11, 2002 (Exhibit 10.2 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended March 31, 2002, is incorporated herein by this reference)
10.31	Thirtieth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of April 1, 2002 (Exhibit 10.3 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended March 31, 2002, is incorporated herein by this reference)
10.32	Thirty-first Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of April 10, 2002 (Exhibit 10.4 to the Quarterly Report on Form 10-Q of AIMCO Properties, L.P. for the quarterly period ended March 31, 2002, is incorporated herein by this reference)
10.33	Thirty-second Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of May 14, 2002 (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002, is incorporated herein by this reference)
10.34	Thirty-third Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of November 27, 2002 (Exhibit 10.34 to Aimco's Annual Report on Form 10-K for the year ended December 31, 2002, is incorporated herein by this reference)
10.35	Thirty-fourth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of April 29, 2003 (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003, is incorporated herein by this reference)
10.36	Thirty-fifth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of April 30, 2003 (Exhibit 10.2 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003, is incorporated herein by this reference)
10.37	Thirty-sixth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 16, 2003 (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003, is incorporated herein by this reference)
10.38	Thirty-seventh Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 24, 2003 (Exhibit 10.2 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003, is incorporated herein by this reference)
10.39	Thirty-eighth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of January 30, 2004 (Exhibit 10.39 to

- Aimco's Annual Report on Form 10-K for the year ended December 31, 2003, is incorporated herein by this reference)
- 10.40 Thirty-ninth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of March 17, 2004 (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004, is incorporated herein by this reference)
- 10.41 Fortieth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of June 18, 2004 (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, is incorporated herein by this reference)
- 10.42 Forty-first Amendment to Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of September 24, 2004 (Exhibit 4.1 to AIMCO Properties, L.P.'s Current Report on Form 8-K dated September 24, 2004, is incorporated herein by this reference)

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Exhibit No.	Description
10.43	Forty-second Amendment to Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of September 30, 2004 (Exhibit 4.2 to AIMCO Properties, L.P.'s Current Report on Form 8-K dated September 24, 2004, is incorporated herein by this reference)
10.44	Forty-third Amendment to Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of September 30, 2004 (Exhibit 4.1 to AIMCO Properties, L.P.'s Current Report on Form 8-K dated September 29, 2004, is incorporated herein by this reference)
10.45	Forty-fourth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of December 21, 2004 (Exhibit 4.1 to AIMCO Properties, L.P.'s Current Report on Form 8-K dated September 29, 2004, is incorporated herein by this reference)
10.46	Forty-fifth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of February 18, 2005 (Exhibit 4.1 to AIMCO Properties, L.P.'s Current Report on Form 8-K dated February 18, 2005, is incorporated herein by this reference)
10.47	Forty-sixth Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of February 28, 2005 (Exhibit 4.1 to AIMCO Properties, L.P.'s Current Report on Form 8-K dated February 28, 2005, is incorporated herein by this reference)
10.48	Forty-seventh Amendment to the Third Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of May 31, 2005 (Exhibit 4.1 to AIMCO Properties, L.P.'s Current Report on Form 8-K dated May 31, 2005, is incorporated herein by this reference)
10.49	Amended and Restated Secured Credit Agreement, dated as of November 2, 2004, by and among Aimco, AIMCO Properties, L.P., AIMCO/ Bethesda Holdings, Inc., and NHP Management Company as the borrowers and Bank of America, N.A., Keybank National Association, and the Lenders listed therein (Exhibit 4.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004, is incorporated herein by this reference)
10.50	First Amendment to Amended and Restated Secured Credit Agreement, dated as of June 16, 2005, by and among Aimco, AIMCO Properties, L.P., AIMCO/ Bethesda Holdings, Inc., and NHP Management Company as the borrowers and Bank of America, N.A., Keybank National Association, and the Lenders listed therein (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated June 16, 2005, is incorporated herein by this reference)
10.51	Master Indemnification Agreement, dated December 3, 2001, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., XYZ Holdings LLC, and the other parties signatory thereto (Exhibit 2.3 to Aimco's Current Report on Form 8-K, filed December 6, 2001, is incorporated herein by this reference)
10.52	Tax Indemnification and Contest Agreement, dated December 3, 2001, by and among Apartment Investment and Management Company, National Partnership Investments, Corp., and XYZ Holdings LLC and the other parties signatory thereto (Exhibit 2.4 to Aimco's Current Report on Form 8-K, filed December 6, 2001, is incorporated herein by this reference)
10.53	Limited Liability Company Agreement of AIMCO JV Portfolio #1, LLC dated as of December 30, 2003 by and among AIMCO BRE I, LLC, AIMCO BRE II, LLC and

- SRV-AJVP#1, LLC (Exhibit 10.54 to Aimco's Annual Report on Form 10-K for the year ended December 31, 2003, is incorporated herein by this reference)
- 10.54 Employment Contract executed on July 29, 1994 by and between AIMCO Properties, L.P. and Terry Considine (Exhibit 10.44C to Aimco's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by this reference)*
- 10.55 Apartment Investment and Management Company 1997 Stock Award and Incentive Plan (October 1999) (Exhibit 10.26 to Aimco's Annual Report on Form 10-K for the year ended December 31, 1999, is incorporated herein by this reference)*
- 10.56 Form of Restricted Stock Agreement (1997 Stock Award and Incentive Plan) (Exhibit 10.11 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997, is incorporated herein by this reference)*
- 10.57 Form of Incentive Stock Option Agreement (1997 Stock Award and Incentive Plan) (Exhibit 10.42 to Aimco's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by this reference)*

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Exhibit No.	Description
10.58	The 1996 Stock Incentive Plan for Officers, Directors and Key Employees of Ambassador Apartments, Inc., Ambassador Apartments, L.P., and Subsidiaries, as amended March 20, 1997 (Exhibit 10.42 to Ambassador Apartments, Inc. Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated herein by this reference)*
21.1	List of Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Agreement re: disclosure of long-term debt instruments

(1) Schedule and supplemental materials to the exhibits have been omitted but will be provided to the Securities and Exchange Commission upon request.

(2) The file reference number for all exhibits is 001-13232, and all such exhibits remain available pursuant to the Records Control Schedule of the Securities and Exchange Commission.

* Management contract or compensatory plan or arrangement

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 8th day of March 2006.

Apartment Investment and
Management Company

/s/ Terry Considine

Terry Considine
*Chairman of the Board,
Chief Executive Officer and President*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Terry Considine	Chairman of the Board, Chief Executive Officer and President	March 8, 2006
Terry Considine	(principal executive officer)	
/s/ Thomas M. Herzog	Executive Vice President and Chief Financial Officer	March 8, 2006
Thomas M. Herzog	(principal financial officer)	
/s/ Robert Y. Walker, IV	Senior Vice President and Chief Accounting Officer	March 8, 2006
Robert Y. Walker, IV	(principal accounting officer)	
/s/ James N. Bailey	Director	March 8, 2006
James N. Bailey		
/s/ Richard S. Ellwood	Director	March 8, 2006
Richard S. Ellwood		
/s/ J. Landis Martin	Director	March 8, 2006
J. Landis Martin		
/s/ Thomas L. Rhodes	Director	March 8, 2006
Thomas L. Rhodes		
/s/ Michael A. Stein	Director	March 8, 2006

Michael A. Stein

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**APARTMENT INVESTMENT AND MANAGEMENT COMPANY
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<u>Notes to Consolidated Financial Statements</u>	F-8
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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto	

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors Apartment Investment and Management Company

We have audited the accompanying consolidated balance sheets of Apartment Investment and Management Company as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the accompanying Index to Financial Statements. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Apartment Investment and Management Company at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with United States generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, in 2004 the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Apartment Investment and Management Company's internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 6, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
March 6, 2006

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY
CONSOLIDATED BALANCE SHEETS

As of December 31, 2005 and 2004

(In thousands, except share data)

	2005	2004
ASSETS		
Real estate:		
Land	\$ 2,299,039	\$ 2,090,737
Buildings and improvements	8,690,782	7,984,874
Total real estate	10,989,821	10,075,611
Less accumulated depreciation	(2,238,114)	(1,847,160)
Net real estate	8,751,707	8,228,451
Cash and cash equivalents	161,730	105,343
Restricted cash	284,834	289,135
Accounts receivable	57,479	75,044
Accounts receivable from affiliates	43,070	39,216
Deferred financing costs	67,498	68,175
Notes receivable from unconsolidated real estate partnerships	177,218	165,289
Notes receivable from non-affiliates	23,760	31,716
Investment in unconsolidated real estate partnerships	167,799	207,839
Other assets	216,863	243,317
Deferred income tax assets, net	9,835	
Assets held for sale	54,958	618,716
Total assets	\$ 10,016,751	\$ 10,072,241
LIABILITIES AND STOCKHOLDERS EQUITY		
Secured tax-exempt bond financing	\$ 1,076,569	\$ 1,101,225
Secured notes payable	4,590,674	4,133,887
Mandatorily redeemable preferred securities		15,019
Term loans	400,000	300,000
Credit facility	217,000	68,700
Total indebtedness	6,284,243	5,618,831
Accounts payable	34,381	34,663
Accrued liabilities and other	421,225	400,974
Deferred income	47,138	43,808
Security deposits	38,789	35,070
Deferred income tax liabilities, net		20,139
Liabilities related to assets held for sale	39,464	426,755
Total liabilities	6,865,240	6,580,240

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Minority interest in consolidated real estate partnerships	217,679	211,804
Minority interest in Aimco Operating Partnership	217,729	272,037
Stockholders' equity:		
Preferred Stock, perpetual	860,250	891,500
Preferred Stock, convertible	150,000	150,000
Class A Common Stock, \$.01 par value, 426,157,976 shares authorized, 95,732,200 and 94,853,696 shares issued and outstanding, at December 31, 2005 and 2004, respectively	957	949
Additional paid-in capital	3,105,961	3,070,073
Unearned restricted stock	(24,255)	(19,740)
Notes due on common stock purchases	(25,911)	(36,725)
Distributions in excess of earnings	(1,350,899)	(1,047,897)
Total stockholders' equity	2,716,103	3,008,160
Total liabilities and stockholders' equity	\$ 10,016,751	\$ 10,072,241

See notes to consolidated financial statements.

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY
CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2005, 2004 and 2003

(In thousands, except per share data)

	2005	2004	2003
REVENUES:			
Rental and other property revenues	\$ 1,459,646	\$ 1,308,815	\$ 1,249,716
Property management revenues, primarily from affiliates	24,528	32,461	37,992
Activity fees and asset management revenues, primarily from affiliates	37,349	34,801	20,198
Total revenues	1,521,523	1,376,077	1,307,906
OPERATING EXPENSES:			
Property operating expenses	705,505	632,512	553,482
Property management expenses	7,292	9,789	8,419
Activity and asset management expenses	10,606	11,802	8,367
Depreciation and amortization	412,075	340,536	308,080
General and administrative expenses	92,918	77,501	48,357
Other expenses (income), net	(6,314)	1,870	(6,952)
Total operating expenses	1,222,082	1,074,010	919,753
Operating income	299,441	302,067	388,153
Interest income	31,451	32,310	24,679
Recovery of (provision for) losses on notes receivable	1,365	1,765	(2,183)
Interest expense	(367,860)	(342,059)	(317,260)
Deficit distributions to minority partners	(11,952)	(17,865)	(20,216)
Equity in losses of unconsolidated real estate partnerships	(3,139)	(1,768)	(6,428)
Impairment losses related to real estate partnerships	(6,120)	(3,426)	(4,122)
Gain on dispositions of real estate related to unconsolidated entities and other	16,489	69,241	3,178
Income (loss) before minority interests, discontinued operations and cumulative effect of change in accounting principle	(40,325)	40,265	65,801
Minority interests:			
Minority interest in consolidated real estate partnerships	6,581	16,922	286
Minority interest in Aimco Operating Partnership, preferred	(7,226)	(7,858)	(9,312)
Minority interest in Aimco Operating Partnership, common	13,073	4,646	4,893
Total minority interests	12,428	13,710	(4,133)

Income (loss) from continuing operations	(27,897)	53,975	61,668
Income from discontinued operations, net	98,879	213,479	97,189
Income before cumulative effect of change in accounting principle	70,982	267,454	158,857
Cumulative effect of change in accounting principle		(3,957)	
Net income	70,982	263,497	158,857
Net income attributable to preferred stockholders	87,948	88,804	93,565
Net income (loss) attributable to common stockholders	\$ (16,966)	\$ 174,693	\$ 65,292
Earnings (loss) per common share basic:			
Loss from continuing operations (net of preferred dividends)	\$ (1.23)	\$ (0.37)	\$ (0.34)
Income from discontinued operations	1.05	2.29	1.04
Cumulative effect of change in accounting principle		(0.04)	
Net income (loss) attributable to common stockholders	\$ (0.18)	\$ 1.88	\$ 0.70
Earnings (loss) per common share diluted:			
Loss from continuing operations (net of preferred dividends)	\$ (1.23)	\$ (0.37)	\$ (0.34)
Income from discontinued operations	1.05	2.29	1.04
Cumulative effect of change in accounting principle		(0.04)	
Net income (loss) attributable to common stockholders	\$ (0.18)	\$ 1.88	\$ 0.70
Weighted average common shares outstanding	93,894	93,118	92,850
Weighted average common shares and equivalents outstanding	93,894	93,118	92,850
Dividends declared per common share	\$ 3.00	\$ 2.40	\$ 2.84

See notes to consolidated financial statements.

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2005, 2004 and 2003 (In thousands)

	Preferred Stock		Class A Common Stock		Additional Paid-In Capital		Unearned Restricted Stock	Notes Due on Common Stock Purchases	Distri- butions in Excess of Earnings	Total
	Shares Issued	Amount	Shares Issued	Amount						
BALANCE DECEMBER 31, 2002	35,725	\$ 945,012	93,770	\$ 938	\$ 3,050,057	\$ (7,079)	\$ (48,964)	\$ (776,577)		\$ 3,163,387
Net proceeds from issuances of Preferred Stock	6,000	150,000			(5,192)					144,808
Conversion of Aimco Operating Partnership units to Class A Common Stock			338	3	12,032					12,035
Conversion of Preferred Operating Partnership units to Class A Common Stock			22		884					884
Redemption of Preferred Stock	(9,600)	(239,770)			7,645				(7,645)	(239,770)
Class A Common Stock received under Casden indemnification agreement and other activity			(585)	(6)	(25,520)					(25,526)
Conversion of mandatorily redeemable convertible preferred securities to Class A Common Stock			1		50					50
Repayment of notes receivable from officers								10,518		10,518
Purchase of stock by officers and awards of restricted stock, net of forfeitures			265	3	9,968	(7,781)	(1,600)			590
Stock options exercised			72	1	2,343					2,344

Amortization of stock option fair value and unearned restricted stock					892	4,088			4,980
Class A Common Stock issued as consideration for acquisition of interest in real estate	4				153				153
Net income								158,857	158,857
Dividends paid Class A Common Stock								(285,054)	(285,054)
Dividends paid Preferred Stock								(87,599)	(87,599)
BALANCE									
DECEMBER 31, 2003	32,125	855,242	93,887	939	3,053,312	(10,772)	(40,046)	(998,018)	2,860,657
Net proceeds from issuances/exchanges of Preferred Stock	18,805	372,500			(12,828)				359,672
Conversion of Aimco Operating Partnership units to Class A Common Stock			735	7	23,315				23,322
Conversion of Preferred Operating Partnership units to Class A Common Stock			8		259				259
Conversion of mandatorily redeemable convertible preferred securities to Class A Common Stock			2		100				100
Repurchase of Class A Common Stock			(397)	(4)	(12,594)				(12,598)
Redemption/exchange of Preferred Stock	(11,355)	(186,242)			3,638			(3,489)	(186,093)
Repayment of notes receivable from officers							4,639		4,639
Casden note receivable and legal settlement fair value contingent consideration adjustment					(4,848)				(4,848)
Purchase of stock by officers and awards of			550	6	16,234	(13,871)	(1,318)		1,051

restricted and unrestricted stock, net of forfeitures									
Stock options exercised	69	1		1,882					1,883
Amortization of stock option fair value and unearned restricted stock				1,603	4,903				6,506
Net income							263,497		263,497
Dividends paid Class A Common Stock							(225,903)		(225,903)
Dividends paid Preferred Stock							(83,984)		(83,984)
BALANCE DECEMBER 31, 2004	39,575	1,041,500	94,854	949	3,070,073	(19,740)	(36,725)	(1,047,897)	3,008,160
Conversion of Aimco Operating Partnership units to Class A Common Stock			425	4	16,849				16,853
Conversion of Preferred Operating Partnership units to Class A Common Stock			1		41				41
Preferred Stock issuance costs					(409)				(409)
Redemption of Preferred Stock	(1,250)	(31,250)			1,123			(1,123)	(31,250)
Repayment of notes receivable from officers							12,255		12,255
Purchase of stock by officers and awards of restricted and unrestricted stock, net of forfeitures and other			379	4	14,874	(12,655)	(1,441)		782
Stock options exercised			65		2,315				2,315
Purchase of Oxford warrants					(1,050)				(1,050)
Class A Common Stock issued as consideration for acquisition of interest in real estate			8		310				310
Amortization of stock option fair value and					1,835	8,140			9,975

unearned restricted stock										
Net income							70,982		70,982	
Dividends paid Class A Common Stock							(226,815)		(226,815)	
Dividends declared Class A Common Stock							(57,439)		(57,439)	
Dividends paid Preferred Stock							(86,582)		(86,582)	
Dividends declared Preferred Stock							(2,025)		(2,025)	
BALANCE										
DECEMBER 31, 2005	38,325	\$ 1,010,250	95,732	\$ 957	\$ 3,105,961	\$ (24,255)	\$ (25,911)	\$ (1,350,899)	\$ 2,716,103	

See notes to consolidated financial statements.

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2005, 2004 and 2003
(In thousands)

	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 70,982	\$ 263,497	\$ 158,857
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	412,075	340,536	308,080
Deficit distributions to minority partners, net	11,952	17,865	20,216
Equity in losses of unconsolidated real estate partnerships	3,139	1,768	6,428
Gain on dispositions of real estate related to unconsolidated entities and other	(16,489)	(69,241)	(3,178)
Impairment losses related to real estate partnerships	6,120	3,426	4,122
Deferred income tax provision (benefit)	(19,146)	706	(11,215)
Cumulative effect of change in accounting principle		3,957	
Minority interest in Aimco Operating Partnership	(5,847)	3,212	4,419
Minority interest in consolidated real estate partnerships	(6,581)	(16,922)	(286)
Stock-based compensation expense	9,975	6,506	4,980
Amortization of deferred loan costs and other	1,700	5,484	(5,002)
Discontinued operations:			
Depreciation and amortization	22,789	42,194	65,135
Recovery of deficit distributions to minority partners	(14,941)	(3,722)	(8,273)
Gain on dispositions of real estate, net of minority partners interest	(105,417)	(249,376)	(101,849)
Impairment losses on real estate assets sold or held for sale	3,836	7,289	8,991
Minority interest in consolidated real estate partnerships	(1,499)	102	2,638
Minority interest in Aimco Operating Partnership	11,159	25,512	13,248
Changes in operating assets and operating liabilities:			
Accounts receivable	11,450	(2,067)	5,763
Other assets	17,542	(11,406)	5,630
Accounts payable, accrued liabilities and other	(57,250)	(3,797)	(14,825)
Total adjustments	284,567	102,026	305,022
Net cash provided by operating activities	355,549	365,523	463,879
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of real estate	(243,996)	(280,002)	(126,046)
Capital expenditures	(443,882)	(301,937)	(245,528)

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Proceeds from dispositions of real estate	718,434	971,568	697,642
Change in funds held in escrow from tax-free exchanges	(4,571)	5,489	(21,643)
Purchases of non-real estate related corporate assets	(14,405)	(28,270)	(23,621)
Proceeds from sale of investments and other assets	4,629		6,730
Cash from newly consolidated properties	4,186	14,765	5,835
Purchases of general and limited partnership interests and other assets	(111,372)	(104,441)	(51,356)
Originations of notes receivable from unconsolidated real estate partnerships	(38,336)	(76,157)	(71,969)
Proceeds from repayment of notes receivable	28,556	79,599	60,576
Cash paid in connection with merger/acquisition related costs	(6,910)	(15,861)	(16,383)
Distributions received from investments in unconsolidated real estate partnerships	57,706	72,160	64,046
Net cash (used in) provided by investing activities	(49,961)	336,913	278,283

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from secured notes payable borrowings	721,414	501,611	445,793
Principal repayments on secured notes payable	(735,816)	(728,084)	(755,786)
Proceeds from tax-exempt bond financing		69,471	14,505
Principal repayments on tax-exempt bond financing	(78,648)	(188,577)	(77,793)
Net borrowings (paydowns) on term loans and revolving credit facility	248,300	(66,687)	29,376
Proceeds from other borrowings		38,871	
Payment of loan costs	(11,242)	(17,576)	(19,516)
Proceeds from issuance (redemption) of mandatorily redeemable preferred securities	(15,019)	(98,875)	97,250
Contributions from minority interest	34,990	44,292	100,684
Payment of distributions to minority interest	(78,739)	(119,056)	(107,964)
Proceeds from issuance of Class A Common Stock, High Performance Units and exercise of options/warrants and other	2,454	3,164	4,552
Proceeds from issuance of preferred stock, net		359,672	144,808
Redemptions of preferred stock	(31,250)	(186,093)	(239,770)
Principal repayments received on notes due on Class A Common Stock purchases	12,255	4,639	10,518
Repurchase of Class A Common Stock, redemption of OP Units and warrant purchase	(4,503)	(18,410)	(1,287)
Payment of Class A Common Stock dividends	(226,815)	(225,903)	(285,054)
Payment of preferred stock dividends	(86,582)	(83,984)	(87,599)

Net cash used in financing activities	(249,201)	(711,525)	(727,283)
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,387	(9,089)	14,879
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	105,343	114,432	99,553
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CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 161,730	\$ 105,343	\$ 114,432
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See notes to consolidated financial statements.

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2005, 2004 and 2003
(In thousands)

	2005	2004	2003
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	\$ 399,511	\$ 372,703	\$ 372,815
Dividends declared	65,679		
Non Cash Transactions Associated with the Acquisition of Real Estate and Interests in Unconsolidated Real Estate Partnerships:			
Secured debt assumed in connection with purchase of real estate	38,740	83,114	45,009
Issuance of OP Units for interests in unconsolidated real estate partnerships and acquisitions of real estate	125	2,609	841
Non Cash Transactions Associated with Merger:			
Real estate			(63,535)
Investments in and notes receivable, primarily from unconsolidated real estate partnerships			(2,163)
Restricted cash			11,979
Other assets			3,349
Accounts payable, accrued and other liabilities			49,770
Deferred income tax payable, net			600
Non Cash Transactions Associated with Consolidation of Real Estate Partnerships:			
Real estate, net	201,492	231,932	152,248
Investments in and notes receivable primarily from affiliated entities	(72,341)	(40,178)	(52,478)
Restricted cash and other assets	16,942	47,744	9,972
Secured debt	112,521	204,243	101,962
Accounts payable, accrued and other liabilities	17,326	21,394	7,030
Minority interest in consolidated real estate partnerships	6,834	29,439	6,585
Other:			
Conversion of Common OP Units for Class A Common Stock	16,853	23,322	12,035
Conversion of Preferred OP Units for Class A Common Stock	41	259	884
Origination of notes receivable from officers for Class A Common Stock purchases	1,441	1,528	1,600
Exchanges of preferred stock		150,000	
Tenders payable for purchase of limited partner interests	950	2,799	10,037

See notes to consolidated financial statements.

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**APARTMENT INVESTMENT AND MANAGEMENT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005**

Note 1 Organization

Apartment Investment and Management Company, or Aimco, is a Maryland corporation incorporated on January 10, 1994. We are a self-administered and self-managed real estate investment trust, or REIT, engaged in the acquisition, ownership, management and redevelopment of apartment properties. As of December 31, 2005, we owned or managed a real estate portfolio of 1,370 apartment properties containing 240,484 apartment units located in 47 states, the District of Columbia and Puerto Rico. Based on apartment unit data compiled by the National Multi Housing Council, as of December 31, 2005, we were the largest REIT owner and operator of apartment properties in the United States.

As of December 31, 2005, we:

owned an equity interest in and consolidated 158,548 units in 619 properties (which we refer to as consolidated), of which 157,638 units were also managed by us;

owned an equity interest in and did not consolidate 35,269 units in 264 properties (which we refer to as unconsolidated), of which 29,182 units were also managed by us; and

provided services or managed, for third-party owners, 46,667 units in 487 properties, primarily pursuant to long-term agreements (including 41,421 units in 435 properties for which we provide asset management services only, and not also property management services), although in certain cases we may indirectly own generally less than one percent of the operations of such properties through a partnership syndication or other fund.

Through our wholly-owned subsidiaries, AIMCO-GP, Inc. and AIMCO-LP, Inc., we own a majority of the ownership interests in AIMCO Properties, L.P., which we refer to as the Aimco Operating Partnership. As of December 31, 2005, we held approximately a 90% interest in the common partnership units and equivalents of the Aimco Operating Partnership. We conduct substantially all of our business and own substantially all of our assets through the Aimco Operating Partnership. Interests in the Aimco Operating Partnership that are held by limited partners other than Aimco are referred to as OP Units. OP Units include common OP Units, partnership preferred units, or preferred OP Units, and high performance partnership units, or High Performance Units. The Aimco Operating Partnership's income is allocated to holders of common OP Units based on the weighted average number of common OP Units outstanding during the period. The Aimco Operating Partnership records the issuance of common OP Units and the assets acquired in purchase transactions based on the market price of Aimco's Class A Common Stock at the date of execution of the purchase contract. The holders of the common OP Units receive distributions, prorated from the date of issuance, in an amount equivalent to the dividends paid to holders of Aimco Class A Common Stock. Holders of common OP Units may redeem such units for cash or, at the Aimco Operating Partnership's option, Aimco Class A Common Stock, which we refer to as Common Stock. During 2005, 2004 and 2003, the weighted average ownership interest in the Aimco Operating Partnership held by the common OP Unit holders was 10%, 10%, and 11%, respectively. Preferred OP Units entitle the holders thereof to a preference with respect to distributions or upon liquidation. At December 31, 2005, 95,732,200 shares of our Common Stock were outstanding and the Aimco Operating Partnership had 10,339,262 common OP Units and equivalents outstanding for a combined total of 106,071,462 shares of Common Stock and OP Units outstanding (excluding preferred OP Units).

Except as the context otherwise requires, we, our, us and the Company refer to Aimco, the Aimco Operating Partnership and their consolidated entities, collectively.

Table of Contents**Note 2 Basis of Presentation and Summary of Significant Accounting Policies*****Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of Aimco, the Aimco Operating Partnership, and their consolidated entities. As used herein, and except where the context otherwise requires, partnership refers to a limited partnership or a limited liability company and partner refers to a limited partner in a limited partnership or a member in a limited liability company. Interests held in consolidated real estate partnerships by limited partners other than us are reflected as minority interest in consolidated real estate partnerships. All significant intercompany balances and transactions have been eliminated in consolidation. The assets of consolidated real estate partnerships owned or controlled by Aimco or the Aimco Operating Partnership generally are not available to pay creditors of Aimco or the Aimco Operating Partnership.

FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, or FIN 46, addresses the consolidation by business enterprises of variable interest entities. As a result of the adoption of FIN 46, as of March 31, 2004, we consolidate all variable interest entities for which we are the primary beneficiary. Generally, a variable interest entity, or VIE, is an entity with one or more of the following characteristics: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support; (b) as a group, the holders of the equity investment at risk lack (i) the ability to make decisions about an entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. FIN 46 requires a VIE to be consolidated in the financial statements of the entity that is determined to be the primary beneficiary of the VIE. The primary beneficiary generally is the entity that will receive a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both.

Upon adoption of FIN 46, we determined that we were the primary beneficiary of 27 previously unconsolidated and five previously consolidated VIEs. These VIEs consisted of partnerships that are engaged, directly or indirectly, in the ownership and management of 29 apartment properties with 3,478 units. The initial consolidation of the previously unconsolidated entities as of March 31, 2004 resulted in an increase in our consolidated total assets (primarily real estate), liabilities (primarily indebtedness) and minority interest of approximately \$113.5 million, \$90.6 million and \$26.8 million, respectively. We recorded a charge of approximately \$4.0 million for the cumulative effect on retained earnings resulting from the adoption of FIN 46. This charge is attributable to our recognition of cumulative losses allocable to minority interests that would otherwise have resulted in minority interest deficits.

As of December 31, 2005, we were the primary beneficiary of, and therefore consolidated, 46 VIEs, which owned 40 apartment properties with 5,816 units. Real estate with a carrying value of \$378.2 million collateralized the debt of those VIEs. The creditors of the consolidated VIEs do not have recourse to our general credit. As of December 31, 2005, we also held variable interests in 107 VIEs for which we were not the primary beneficiary. Those 107 VIEs consist primarily of partnerships, in which we acquired an interest prior to the adoption of FIN 46, that are engaged, directly or indirectly, in the ownership and management of 112 apartment properties with 10,812 units. We are involved with those VIEs as a non-controlling equity holder, lender, management agent, or through other contractual relationships. Our maximum exposure to loss as a result of our involvement with unconsolidated VIEs is limited to our recorded investments in and receivables from those VIEs totaling \$30.8 million at December 31, 2005. We may be subject to additional losses to the extent of any financial support that we voluntarily provide in the future.

Generally, we consolidate real estate partnerships and other entities that are not VIEs when we own, directly or indirectly, a majority voting interest in the entity. In June 2005, the Financial Accounting Standards Board, or FASB, ratified Emerging Issues Task Force Issue 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*, or EITF 04-5. EITF 04-5 provides an accounting model to be used by a general partner, or group of general partners, to determine whether the general partner(s) controls a limited partnership or similar entity in light of certain rights held by the limited partners and provides additional guidance on what constitutes

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substantive kick-out rights and substantive participating rights. EITF 04-5 was effective after June 29, 2005 for general partners of (a) all newly formed limited partnerships and (b) existing limited partnerships for which the partnership agreements have been modified. We consolidated four limited partnerships in the fourth quarter of 2005 based on EITF 04-5 requirements. The consolidation of these partnerships had an immaterial effect on our consolidated financial statements. As discussed in Note 19, we are required to apply EITF 04-5 to all existing limited partnerships and similar entities where we are the general partner as of January 1, 2006.

Acquisition of Real Estate Assets and Related Depreciation and Amortization

We capitalize the purchase price and incremental direct costs associated with the acquisition of properties as the cost of the assets acquired. In accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*, or SFAS 141, we allocate the cost of acquired properties to land, building, furniture, fixtures and equipment and intangibles, such as the value of above and below market leases, and origination costs associated with the in-place leases. In order to allocate purchase price on these various components we perform the following procedures for properties we acquire:

1. Determine the as-if vacant fair value of the physical property acquired (this value assumes the property goes dark);
2. Allocate the as-if vacant fair value among land, building, improvements (based on real estate valuation techniques), and furniture, fixtures and equipment; and
3. Compute the difference between the purchase price of the property and the as-if vacant fair value and allocate such difference to leases in-place (based on the nature of our business, customer relationship value is assumed to be zero), which will represent the total intangible assets. The fair value of the leases in-place are comprised of:
 - a. The value of the above and/or below market leases in-place. Above-market and below-market in-place lease values are computed based on the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over the period, including estimated lease renewals for below-market leases, that the leases are expected to remain in effect.
 - b. Avoided leasing commissions and other costs that were incurred to execute leases.
 - c. The value associated with lost rents during the absorption period (estimates of lost rental revenue during the expected lease-up periods based on current market demand).

The values of the above and below market leases are amortized over the remaining terms of the associated lease, including estimated lease renewals for below-market leases, to rental income. For the values associated with avoided leasing commissions and other costs that were incurred to execute leases and the value associated with lost rents during the absorption period, amortization expense is recorded over the expected terms of the associated leases. If a resident vacates the unit prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off.

Depreciation for all tangible real estate assets is calculated using the straight-line method over their estimated useful lives. Acquired buildings and improvements are depreciated over a composite life of 14 to 52 years, based on the age, condition and other physical characteristics of the property. As discussed under *Impairment of Long Lived Assets* below, we may adjust depreciation of properties that are expected to be disposed of prior to the end of their useful lives. Furniture, fixtures and equipment associated with acquired properties are depreciated over five years.

Capital Expenditures and Related Depreciation

We capitalize costs, including certain indirect costs, incurred in connection with our capital expenditure activities, including redevelopment and construction projects, other tangible property improvements, and replacements of existing property components. Included in these capitalized costs are payroll costs associated with time spent by site employees in connection with the planning, execution and control of all capital

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expenditure activities at the property level. We characterize as indirect costs an allocation of certain department costs, including payroll, at the regional operating center and corporate levels that clearly relate to capital expenditure activities. We capitalize interest, property taxes and insurance during periods in which redevelopment and construction projects are in progress. Costs incurred in connection with capital expenditure activities are capitalized where the costs of the improvements or replacements exceed \$250. We charge to expense as incurred costs that do not relate to capital expenditure activities, including ordinary repairs, maintenance, resident turnover costs and general and administrative expenses.

We depreciate capitalized costs using the straight-line method over the estimated useful life of the related component or improvement, which is five, 15 or 30 years. Prior to July 1, 2005, we recorded capitalized site payroll costs and most capitalized indirect costs separately from other costs of the related capital projects. We depreciated capitalized site payroll costs over five years and capitalized indirect costs associated with capital replacement and improvement projects over five or 15 years. Capitalized indirect costs associated with redevelopment projects, together with other costs of the redevelopment projects, were depreciated over the estimated useful lives of those projects, predominantly 30 years.

Effective July 1, 2005, we refined the estimated useful lives for the capitalized site payroll and indirect costs that were recorded separately from other costs of the related capital projects. All capitalized site payroll and indirect costs incurred after June 30, 2005 are allocated proportionately, based on direct costs, among capital projects and depreciated over the estimated useful lives of such projects. This change in estimate is also being applied prospectively to the June 30, 2005 carrying amounts, net of accumulated depreciation, of previously incurred site payroll and indirect costs. Those amounts, based on the periods the costs were incurred, were allocated among capital projects that were completed in the corresponding periods in proportion to the original direct costs of such projects and are being depreciated over the remaining useful lives of the projects. We anticipate that these refinements will result in generally higher depreciation expense in foreseeable future accounting periods. For the year ended December 31, 2005, these changes in estimated useful lives resulted in decreased net income of approximately \$4.6 million, and resulted in a decrease in basic and diluted earnings per share of \$0.05.

Certain homogeneous items that are purchased in bulk on a recurring basis, such as carpeting and appliances, are depreciated using group methods that reflect the average estimated useful life of the items in each group. Except in the case of property casualties, where the net book value of lost property is written off in the determination of casualty gains or losses, we generally do not recognize any loss in connection with the replacement of an existing property component because normal replacements are considered in determining the estimated useful lives used in connection with our composite and group depreciation methods.

For the years ended December 31, 2005, 2004 and 2003, for continuing and discontinued operations, we capitalized \$18.1 million, \$9.5 million and \$14.5 million of interest costs, respectively, and \$53.3 million, \$46.7 million and \$45.4 million of site payroll and indirect costs, respectively.

Asset Retirement Obligations

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*, or FIN 47. FIN 47 clarifies the accounting for legal obligations to perform asset retirement activity in which the timing and/or method of settlement are conditional on future events. FIN 47 requires the fair value of such conditional asset retirement obligations to be recorded as incurred, if the fair value of the liability can be reasonably estimated. We have determined that FIN 47 applies to certain obligations that we have based on laws that require property owners to remove or remediate hazardous substances in certain circumstances. We adopted the provisions of FIN 47 as of December 31, 2005 and determined that asset retirement obligations that are required to be recognized under FIN 47 are immaterial to our financial condition and results of operations. See Note 9 for further discussion of asset retirement obligations.

Impairment of Long-Lived Assets

We apply the provisions of Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, or SFAS 144, to determine whether our real estate and other long-

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lived assets are impaired. Such assets to be held and used are stated at cost, less accumulated depreciation and amortization, unless the carrying amount of the asset is not recoverable. If events or circumstances indicate that the carrying amount of a property may not be recoverable, we make an assessment of its recoverability by comparing the carrying amount to our estimate of the undiscounted future cash flows, excluding interest charges, of the property. If the carrying amount exceeds the aggregate undiscounted future cash flows, we recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property. Based on periodic tests of recoverability of long-lived assets, for the year ended December 31, 2005, we recorded impairment losses of \$3.4 million related to properties to be held and used. For the years ended December 31, 2004 and 2003, we determined that the carrying amounts of our properties to be held and used were recoverable and, therefore, we did not record any impairment losses related to such properties.

Our tests of recoverability address real estate assets that do not currently meet all conditions to be classified as held for sale, but are expected to be disposed of prior to the end of their estimated useful lives. If an impairment loss is not required to be recorded in accordance with SFAS 144, the recognition of depreciation is adjusted prospectively, as necessary, to reduce the carrying value of the real estate to its estimated disposition value over the remaining period that the real estate is expected to be held and used. These depreciation adjustments decreased net income by \$31.9 million and \$6.4 million, and resulted in a decrease in basic and diluted earnings per share of \$0.34 and \$0.07, for the years ended December 31, 2005 and 2004, respectively.

Cash Equivalents

We consider highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash includes capital replacement reserves, tax-free exchange funds, completion repair reserves, bond sinking fund amounts and tax and insurance escrow accounts held by lenders.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are generally comprised of amounts receivable from residents, amounts receivable from non-affiliated real estate partnerships for which we provide property management and other services and other miscellaneous receivables from non-affiliated entities. We evaluate collectibility of accounts receivable from residents and establish an allowance, after the application of security deposits and other anticipated recoveries, for accounts greater than 30 days past due for current residents and all receivables due from former residents. Accounts receivable from residents are stated net of allowances for doubtful accounts of approximately \$2.3 million and \$2.4 million as of December 31, 2005 and 2004, respectively.

We evaluate collectibility of accounts receivable from non-affiliated entities and establish an allowance for amounts that are considered to be uncollectible. Accounts receivable relating to non-affiliated entities are stated net of allowances for doubtful accounts of approximately \$4.2 million and \$4.5 million as of December 31, 2005 and 2004, respectively.

Accounts Receivable and Allowance for Doubtful Accounts from Affiliates

Accounts receivable from affiliates are generally comprised of receivables related to property management and other services provided to unconsolidated real estate partnerships in which we have an ownership interest. We evaluate collectibility of accounts receivable balances from affiliates on a periodic basis, and establish an allowance for the amounts deemed to be uncollectible. Accounts receivable from affiliates are stated net of allowances for doubtful accounts of approximately \$4.7 million and \$4.4 million as of December 31, 2005 and 2004, respectively.

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Deferred Costs

We defer lender fees and other direct costs incurred in obtaining financing and amortize the cost over the terms of the related loan agreements. Amortization of these costs is included in interest expense.

We defer leasing commissions and other direct costs incurred in connection with successful leasing efforts and amortize the costs over the terms of the related leases. Amortization of these costs is included in property operating expenses.

Advertising Costs

We generally expense all advertising costs as incurred to property operating expense. For the years ended December 31, 2005, 2004 and 2003, for both continuing and discontinued operations, total advertising expense was \$36.1 million, \$33.1 million and \$28.7 million, respectively.

Notes Receivable from Unconsolidated Real Estate Partnerships and Related Interest Income and Provision for Losses

Notes receivable from unconsolidated real estate partnerships consist primarily of notes receivable from partnerships in which we are the general partner. The ultimate repayment of these notes is subject to a number of variables, including the performance and value of the underlying real estate property and the claims of unaffiliated mortgage lenders. Our notes receivable include loans extended by us that we carry at the face amount plus accrued interest, which we refer to as par value notes, and loans extended by predecessors whose positions we generally acquired at a discount, which we refer to as discounted notes.

We record interest income on par value notes as earned in accordance with the terms of the related loan agreements. We discontinue the accrual of interest on such notes when the notes are impaired, as discussed below, or when there is otherwise significant uncertainty as to the collection of interest. We record income on such nonaccrual loans using the cost recovery method, under which we apply cash receipts first to the recorded amount of the loan; thereafter, any additional receipts are recognized as income.

We recognize interest income on discounted notes receivable based upon whether the amount and timing of collections are both probable and reasonably estimable. We consider collections to be probable and reasonably estimable when the borrower has entered into certain closed or pending transactions (which include real estate sales, refinancings, foreclosures and rights offerings) that provide a reliable source of repayment. In such instances, we recognize accretion income, on a prospective basis using the effective interest method over the estimated remaining term of the loans, equal to the difference between the carrying amount of the discounted notes and the estimated collectible value. We record income on all other discounted notes using the cost recovery method.

We assess the collectibility of notes receivable on a periodic basis, which assessment consists primarily of an evaluation of cash flow projections of the borrower to determine whether estimated cash flows are sufficient to repay principal and interest in accordance with the contractual terms of the note. We recognize impairments on notes receivable when it is probable that principal and interest will not be received in accordance with the contractual terms of the loan. The amount of the impairment to be recognized generally is based on the fair value of the partnership's real estate that represents the primary source of loan repayment. In certain instances where other sources of cash flow are available to repay the loan, the impairment is measured by discounting the estimated cash flows at the loan's original effective interest rate.

Investments in Unconsolidated Real Estate Partnerships

We own general and limited partner interests in real estate partnerships that own apartment properties. We generally account for investments in real estate partnerships that we do not consolidate under the equity method. Under the equity method, our share of the earnings or losses of the entity for the periods being presented is included in equity in earnings (losses) from unconsolidated real estate partnerships, except for our share of impairments and property disposition gains related to such entities, which we report separately in the consolidated statements of income. Certain investments in real estate partnerships that were acquired in business

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combinations were determined to have insignificant value at the acquisition date and are accounted for under the cost method. Any distributions received from such partnerships are recognized as income when received.

Intangible Assets

At December 31, 2005 and 2004, other assets included goodwill of \$81.9 million and \$88.1 million, respectively, associated with our real estate segment. We account for goodwill and other intangible assets in accordance with the requirements of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, or SFAS 142. SFAS 142 does not permit amortization of goodwill and other intangible assets with indefinite lives, but requires an annual impairment test of such assets. The impairment test compares the fair value of reporting units with their carrying amounts, including goodwill. Based on the application of the goodwill impairment test set forth in SFAS 142, we determined that our goodwill was not impaired in 2005, 2004 or 2003. As discussed in Note 10, we reduced goodwill by \$6.2 million in 2005 in connection with the recognition of deferred income tax assets that were acquired in connection with business combinations in prior years.

Other assets also includes intangible assets for purchased management contracts with finite lives that we amortize on a straight-line basis over terms ranging from five to twenty years and intangible assets for in-place leases as discussed under *Acquisition of Real Estate Assets and Related Depreciation and Amortization*.

Capitalized Software Costs

Purchased software and other costs related to software developed for internal use are capitalized during the application development stage and are amortized using the straight-line method over the estimated useful life of the software, generally five years. We write off the costs of software development projects when it is no longer probable that the software will be completed and placed in service. For the years ended December 31, 2005, 2004 and 2003, we capitalized software development costs totaling \$9.9 million, \$18.1 million and \$18.9 million, respectively. During 2005 and 2004, we wrote off \$0.5 million and \$1.1 million of software development costs. At December 31, 2005 and 2004, other assets included \$40.2 million and \$43.4 million of net capitalized software, respectively.

Minority Interest in Consolidated Real Estate Partnerships

We report unaffiliated partners' interests in consolidated real estate partnerships as minority interest in consolidated real estate partnerships. Minority interest in consolidated real estate partnerships represents the minority partners' share of the underlying net assets of our consolidated real estate partnerships. When these consolidated real estate partnerships make cash distributions to partners in excess of the carrying amount of the minority interest, we generally record a charge equal to the amount of such excess distribution, even though there is no economic effect or cost. We report this charge in the consolidated statements of income as deficit distributions to minority partners. We allocate the minority partners' share of partnership losses to minority partners to the extent of the carrying amount of the minority interest. We generally record a charge when the minority partners' share of partnership losses exceed the carrying amount of the minority interest, even though there is no economic effect or cost. We report this charge in the consolidated statements of income within minority interest in consolidated real estate partnerships. We do not record charges for distributions or losses in certain limited instances where the minority partner has a legal obligation and financial capacity to contribute additional capital to the partnership. For the years ended December 31, 2005, 2004, and 2003, we recorded charges for partnership losses resulting from depreciation of approximately \$9.5 million, \$5.2 million, and \$1.5 million, respectively, that were not allocated to minority partners because the losses exceeded the carrying amount of the minority interest.

Minority interest in consolidated real estate partnerships consists primarily of equity interests held by limited partners in consolidated real estate partnerships that have finite lives. The terms of the related partnership agreements generally require the partnership to be liquidated following the sale of the partnership's real estate. As the general partner in these partnerships, we ordinarily control the execution of real estate sales and other events that could lead to the liquidation, redemption or other settlement of minority interests. The aggregate carrying value of minority interests in consolidated real estate partnerships is approximately \$217.7 million at Decem-

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ber 31, 2005. The aggregate fair value of these interests varies based on the fair value of the real estate owned by the partnerships. Based on the number of classes of finite-life minority interests, the number of properties in which there is direct or indirect minority ownership, complexities in determining the allocation of liquidation proceeds among partners and other factors, we believe it is impracticable to determine the total required payments to the minority interests in an assumed liquidation at December 31, 2005. As a result of real estate depreciation that is recognized in our financial statements and appreciation in the fair value of real estate that is not recognized in our financial statements, we believe that the aggregate fair value of our minority interests exceeds their aggregate carrying value. As a result of our ability to control real estate sales and other events that require payment of minority interests and our expectation that proceeds from real estate sales will be sufficient to liquidate related minority interests, we anticipate that the eventual liquidation of these minority interests will not have an adverse impact on our financial condition.

Revenue Recognition

Our properties have operating leases with apartment residents with terms generally of twelve months or less. We recognize rental revenue related to these leases, net of any concessions, on a straight-line basis over the term of the lease. We recognize revenues from property management, asset management, syndication, development and other services when the related fees are earned and are realized or realizable.

Stock-Based Compensation

Effective January 1, 2003, we adopted the accounting provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, or SFAS 123, as amended by Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123*, or SFAS 148, and applied the prospective method set forth in SFAS 148 with respect to the transition. Under this method, we apply the fair value recognition provisions of SFAS 123 to all employee awards granted, modified, or settled on or after January 1, 2003, which has resulted in recognition of compensation expense related to stock options based on the fair value of the stock options. For stock options granted prior to January 1, 2003, we apply Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, or APB 25, and related interpretations. Under APB 25, because the exercise price of our employee stock options equaled the market price of the underlying stock on the date of grant, no compensation expense related to such options has been recognized. We recognize compensation expense for stock options accounted for under SFAS 123 and restricted stock awards ratably over the period the awards vest. Compensation expense is reversed as forfeitures occur.

For purposes of the pro forma disclosures below, the estimated fair values for all awards made prior to January 1, 2003 are amortized over the respective vesting period for each such option and are shown as expense as if SFAS 123 had been applied to all such awards. Pro forma information regarding net income and earnings per share is required by SFAS 123, which also requires that the information be determined as if we had accounted for our employee stock options granted subsequent to December 31, 1994 under the fair value method. The fair value for our options granted over the last three years was estimated at the date of grant using a Black-Scholes valuation model. The estimated fair value of our stock options and underlying assumptions are as follows:

	2005	2004	2003
Weighted average fair value of options granted during the year	\$3.57	\$2.24	\$2.26
Assumptions:			
Risk free interest rate	4.1%	3.5%	3.5%
Expected dividend yield	6.31%	7.5%	9.0%
Volatility factor of the expected market price of our Common Stock	0.190	0.191	0.195
Weighted average expected life of options	5.0 years	5.0 years	5.0 years

The Black-Scholes valuation model was developed for use in estimating the fair value of traded options and does not take into account vesting requirements or restrictions on transferability. In addition, the valuation model

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requires the input of highly subjective assumptions including the expected stock price volatility. Our employee stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate.

The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested awards in each period presented. Our pro forma information for the years ended December 31, 2005, 2004 and 2003 is as follows (in thousands, except per share data):

	2005	2004	2003
Net income (loss) attributable to common stockholders, as reported	\$ (16,966)	\$ 174,693	\$ 65,292
Add: Stock-based employee compensation expense included in reported net income:			
Restricted stock awards	8,140	4,903	4,088
Stock options	1,835	1,603	892
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards:			
Restricted stock awards	(8,140)	(4,903)	(4,088)
Stock options	(3,422)	(4,289)	(4,744)
Add: Additional minority interest in Aimco Operating Partnership	161	276	435
Pro forma net income (loss) attributable to common stockholders	\$ (18,392)	\$ 172,283	\$ 61,875
Basic earnings (loss) per common share:			
Reported	\$ (0.18)	\$ 1.88	\$ 0.70
Pro forma	\$ (0.20)	\$ 1.85	\$ 0.67
Diluted earnings (loss) per common share:			
Reported	\$ (0.18)	\$ 1.88	\$ 0.70
Pro forma	\$ (0.20)	\$ 1.85	\$ 0.67

The effects of applying SFAS 123 in calculating pro forma income attributable to common stockholders and pro forma basic and diluted earnings per share may not necessarily be indicative of the effects of applying SFAS 123 to future years' earnings. As discussed in Note 19, we will change our method of accounting for share-based compensation in 2006.

Discontinued Operations

In accordance with SFAS 144, we classify certain properties and related liabilities as held for sale (see Note 14). The operating results of such properties are presented in discontinued operations in both current periods and all comparable periods presented. Depreciation is not recorded on properties held for sale; however, depreciation expense recorded prior to classification as held for sale is included in discontinued operations. The net gain on sale and any impairment losses are presented in discontinued operations when recognized.

Derivative Financial Instruments

We primarily use long-term, fixed-rate and self-amortizing non-recourse debt to avoid, among other things, risk related to fluctuating interest rates. For our variable-rate debt, we are sometimes required by our lenders to limit our exposure to interest rate fluctuations by entering into interest rate swap or cap agreements. The interest rate swap agreements moderate our exposure to interest rate risk by converting the variable-rate debt to a fixed rate. The interest rate cap agreements effectively limit our exposure to interest rate risk by providing a ceiling on the underlying

variable interest rate. The fair values of these instruments are reflected as assets or liabilities in the balance sheet, and periodic changes in fair value are included in interest expense. In 2005, we entered into a

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natural gas commodity swap agreement to limit our exposure to increases in the price of natural gas purchases for certain properties. These instruments are not material to our financial position and results of operations.

Insurance

We believe that our insurance coverages insure our properties adequately against the risk of loss attributable to fire, earthquake, hurricane, tornado, flood, and other perils. In addition, we reinsure substantial portions of our property, workers compensation, health, and general liability insurance coverage. Losses are accrued based upon our estimates of the aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and based on our experience.

Income Taxes

We have elected to be taxed as a REIT, as defined under the Internal Revenue Code of 1986, as amended. As a REIT, we generally will not be subject to United States Federal income taxes at the corporate level on our net income that is distributed to our stockholders if we distribute at least 90% of our REIT taxable income to our stockholders. If our taxable income exceeds our dividends in a tax year, REIT tax rules allow us to throw back dividends from the subsequent tax year in order to avoid current taxation on undistributed income. Throwing back of dividends can result in excise taxes. REITs are also subject to a number of other organizational and operational requirements. If we fail to qualify as a REIT in any taxable year, our taxable income will be subject to United States Federal income tax at regular corporate rates (including any applicable alternative minimum tax). Even if we qualify as a REIT, we may be subject to certain state and local income taxes and to United States Federal income tax. We also will be required to pay a 100% tax on non-arms length transactions between us and a taxable REIT subsidiary and on any net income from sales of property that was property held for sale to customers in the ordinary course.

Certain of our operations (property management, asset management, risk, etc.) are conducted through taxable REIT subsidiaries, which are subsidiaries of the Aimco Operating Partnership and each of which we refer to as a TRS. A TRS is a C-corporation that has not elected REIT status and as such is subject to United States Federal corporate income tax. We use the TRS format to facilitate our ability to offer certain services and activities to our residents, which services and activities are not generally considered to be qualifying REIT activities.

For our taxable REIT subsidiaries, deferred income taxes result from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for Federal income tax purposes, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. We reduce deferred tax assets by recording a valuation allowance when we determine based on available evidence that it is more likely than not that the assets will not be realized.

Earnings per Share

We calculate earnings per share based on the weighted average number of shares of Common Stock, common stock equivalents and dilutive convertible securities outstanding during the period (see Note 15).

Fair Value of Financial Instruments

The aggregate fair value of our cash and cash equivalents, receivables, payables and short-term secured debt as of December 31, 2005 approximates their carrying value due to their relatively short-term nature. We further believe that the fair value of our variable rate secured tax-exempt bond debt and secured long-term debt also approximate their carrying value. For notes receivable, fixed rate secured tax-exempt bond debt and secured long-term debt, fair values have been based on estimates using present value techniques. Present value calculations vary significantly depending on the assumptions used, including the discount rate and estimates of future cash flows. We estimate fair value for our fixed rate debt agreements based on the market rate for debt with the same or similar terms. In many cases, the fair value estimates may not be realized in immediate settlement of the instruments. The estimated combined fair value of our notes receivable at December 31, 2005 and December 31, 2004, was approximately \$211 million and \$201 million, respectively. See Note 5 for further details on notes

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receivable. The estimated combined fair value of our secured tax-exempt bonds and secured notes payable, including amounts within liabilities related to assets held for sale, at December 31, 2005 and December 31, 2004, was approximately \$5.8 billion and \$5.9 billion, respectively. The combined carrying value of our secured tax-exempt bonds and secured notes payable, including amounts within liabilities related to assets held for sale, at both December 31, 2005 and December 31, 2004, was approximately \$5.7 billion. See Note 6 for further details on secured tax-exempt bonds and secured notes payable.

Concentration of Credit Risk

Financial instruments that potentially could subject us to significant concentrations of credit risk consist principally of notes receivable. Concentrations of credit risk with respect to notes receivable are limited due to the large number of partnerships comprising our partnership base, and the geographic diversity of the underlying properties.

Use of Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts included in the financial statements and accompanying notes thereto. Actual results could differ from those estimates.

Reclassifications

Certain items included in the 2004 and 2003 financial statements amounts have been reclassified to conform to the 2005 presentation.

Note 3 Acquisitions

Real Estate Acquisitions

During 2005, we completed acquisitions of six properties (including Palazzo East at Park La Brea), containing approximately 1,006 residential units and six retail spaces for an aggregate purchase price of approximately \$283.6 million, including transaction costs. Of the six properties acquired, four are located in the New York City area, one in Los Angeles, and one in New Jersey. The purchases were funded with cash, new debt and the assumption of existing debt.

During 2004, we completed acquisitions of 11 properties (including The Palazzo at Park La Brea), containing approximately 1,880 residential units (and some ground floor retail space) for an aggregate purchase price of approximately \$361 million. Of the 11 properties acquired, six are located in the New York City area, one in Los Angeles, two in Massachusetts, one in Florida and one in the Chicago area. The purchases were funded with cash, tax-free exchange funds, new debt and the assumption of existing debt.

Acquisitions of Partnership Interests

During 2005 and 2004, we acquired limited partnership interests in 84 partnerships and 147 partnerships, respectively, in which our affiliates served as general partner. In connection with such acquisitions in both consolidated and unconsolidated real estate partnerships, during 2005 we paid approximately \$56.0 million, including transaction costs, of which \$55.6 million was in cash and the remainder in OP Units, and during 2004 we paid approximately \$50.0 million, including transaction costs, of which \$47.8 million was in cash and the remainder in OP Units. The 2005 and 2004 amounts were approximately \$60.6 million and \$89.2 million, respectively, in excess of the carrying amount of minority interest in such limited partnerships, which excess we generally assigned to real estate.

Note 4 Investments in Unconsolidated Real Estate Partnerships

We owned general and limited partner interests in unconsolidated real estate partnerships owning approximately 264, 330 and 441 properties at December 31, 2005, 2004 and 2003, respectively. We acquired these

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interests through various transactions, including large portfolio acquisitions and offers to individual limited partners. Our total ownership interests in these unconsolidated real estate partnerships ranges typically from less than 1% to 50%.

The following table provides selected combined financial information for unconsolidated real estate partnerships as of and for the years ended December 31, 2005, 2004 and 2003 (in thousands):

	2005	2004	2003
Real estate, net of accumulated depreciation	\$ 763,219	\$ 1,004,501	\$ 1,441,739
Total assets	954,970	1,255,434	1,809,990
Secured and other notes payable	932,454	1,146,141	1,704,963
Total liabilities	1,248,450	1,545,250	2,256,370
Partners deficit	(293,480)	(289,816)	(446,380)
Rental and other property revenues	311,429	320,687	538,759
Property operating expenses	(177,970)	(201,248)	(328,759)
Depreciation expense	(63,056)	(72,577)	(110,978)
Interest expense	(84,252)	(99,120)	(157,513)
Gain on sale	106,465	100,669	85,718
Net income	82,123	50,778	40,782

The decrease in the amounts in the above table from year to year was primarily due to dispositions of real estate owned by the unconsolidated real estate partnerships and our purchase of additional interests in, and resulting consolidation of, various partnerships previously accounted for under the equity method.

As a result of our acquisition of interests in unconsolidated real estate partnerships, the investment in these partnerships at December 31, 2005 and 2004 of \$167.8 million and \$207.8 million, respectively, is approximately \$236.0 million and \$272.3 million, respectively, in excess of our share of the underlying historical partners deficit of the partnerships. The excess of the cost of the investments acquired over the equity in the underlying historical partners deficit is primarily ascribed to the fair values of land and buildings owned by the unconsolidated real estate partnerships. We amortize the excess basis related to the buildings over the estimated useful lives of the buildings. Such amortization is recorded as a component of equity in losses of unconsolidated real estate partnerships.

Note 5 Notes Receivable

The following table summarizes our notes receivable at December 31, 2005 and 2004 (in thousands):

	2005			2004		
	Unconsolidated Real Estate Partnerships	Non- Affiliates	Total	Unconsolidated Real Estate Partnerships	Non- Affiliates	Total
Par value notes	\$ 89,658	\$ 22,681	\$ 112,339	\$ 81,217	\$ 31,217	\$ 112,434
Discounted notes	92,451	1,079	93,530	91,221	499	91,720
Allowance for loan losses	(4,891)		(4,891)	(7,149)		(7,149)
Total notes receivable	\$ 177,218	\$ 23,760	\$ 200,978	\$ 165,289	\$ 31,716	\$ 197,005
Face value of discounted notes	\$ 130,342	\$	\$ 130,342	\$ 132,654	\$ 1,249	\$ 133,903

Included in notes receivable from unconsolidated real estate partnerships at December 31, 2005 and 2004, are \$28.8 million and \$31.3 million, respectively, in notes that were secured by interests in real estate or interests in real estate partnerships. We earn interest on these secured notes receivable at various annual interest rates ranging between 6.0% and 12.0% and averaging 10.3%.

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Included in the notes receivable from non-affiliates at December 31, 2005 and 2004, are \$6.4 million and \$9.1 million, respectively, in notes that were secured by interests in real estate or interests in real estate partnerships. We earn interest on these secured notes receivable at various annual interest rates ranging between 4.0% and 7.3% and averaging 6.1%.

Additionally, included in notes receivable from non-affiliates at December 31, 2005 and 2004 are notes receivable from Alan I. Casden for an aggregate of \$2.5 million and \$9.4 million, respectively. The notes were part of the settlement of litigation involving NAPICO that was underway prior to the March 2002 acquisition of Casden Properties, Inc. (which we refer to as the Casden Transactions) in which we acquired NAPICO. The notes were secured by certain shares of Common Stock and certain cash settlement proceeds. In 2004, we entered into an agreement with respect to certain proceeds to be received by Alan I. Casden and his right to deliver Common Stock at an agreed-upon value of \$47 per share in satisfaction of the Notes. Pursuant to this agreement, in 2004 we received \$20 million in cash as payment in full on three notes due in 2004, 2005 and 2006. In 2005, we received cash payments of \$7.0 million in satisfaction of the note due in 2007 and in partial satisfaction of the note due in 2008. In 2006, we will receive a final payment of \$2.5 million in satisfaction of the note due in 2008. This transaction resolved a contingency based on the price of our Common Stock related to the Casden Transactions. In accordance with SFAS 141, in 2004 we recorded a \$4.8 million charge to additional paid-in capital, representing the difference between the \$29.1 million fair value of the consideration to be paid pursuant to the settlement and the \$33.9 million book value of the notes.

Interest income from total non-impaired par value and certain discounted notes for the years ended December 31, 2005, 2004 and 2003 totaled \$19.2 million, \$20.5 million and \$15.5 million, respectively. For the years ended December 31, 2005, 2004, and 2003, we recognized accretion income on certain discounted notes of approximately \$2.5 million, \$6.3 million and \$3.3 million, respectively.

The activity in the allowance for loan losses in total for both par value notes and discounted notes for the years ended December 31, 2005 and 2004, is as follows (in thousands):

	2005	2004
Balance at beginning of year	\$ (7,149)	\$ (10,122)
Additional provisions for losses on notes receivable	(577)	(2,061)
Recoveries of losses on notes receivable	1,942	3,826
Net reductions due to consolidation of real estate partnerships and property dispositions	893	1,208
Balance at end of year	\$ (4,891)	\$ (7,149)

During the years ended December 31, 2005 and 2004, we determined that an allowance for loan losses of \$2.4 million and \$3.7 million, respectively, was required on certain of our par value notes that had carrying values of \$6.5 million and \$17.1 million, respectively. The average recorded investment in the impaired par value notes for the years ended December 31, 2005 and 2004 was \$6.7 million and \$11.8 million, respectively. The remaining \$105.8 million in par value notes receivable at December 31, 2005 is estimated to be collectible and, therefore, interest income on these par value notes is recognized as it is earned.

As of December 31, 2005 and 2004, we determined that an allowance for loan losses of \$2.5 million and \$3.4 million, respectively, was required on certain of our discounted notes that had carrying values of \$5.0 million and \$6.0 million, respectively. The average recorded investment in the impaired discounted notes for the years ended December 31, 2005 and 2004 was \$5.0 million and \$5.9 million, respectively.

Table of Contents**Note 6 Secured Tax-Exempt Bond Financings and Secured Notes Payable**

The following table summarizes our secured tax-exempt bond financings at December 31, 2005 and 2004, the majority of which is non-recourse to us (in thousands):

	Weighted Average Interest Rate 2005	Principal Outstanding	
		2005	2004
Fixed rate secured tax-exempt bonds payable	5.67%	\$ 350,519	\$ 369,410
Variable rate secured tax-exempt bonds payable	3.56	726,050	731,815
Total		\$ 1,076,569	\$ 1,101,225

Fixed rate secured tax-exempt bonds payable mature at various dates through October 2045. Variable rate secured tax-exempt bonds payable mature at various dates through June 2034. Principal and interest on these bonds are generally payable in semi-annual installments or in monthly interest-only payments with balloon payments due at maturity. Certain of our tax-exempt bonds at December 31, 2005 are remarketed periodically by a remarketing agent to maintain a variable yield. If the remarketing agent is unable to remarket the bonds, then the remarketing agent can put the bonds to us. We believe that the likelihood of this occurring is remote. At December 31, 2005, our secured tax-exempt bond financings were secured by 81 properties with a combined net book value of \$1,661.0 million.

The following table summarizes our secured notes payable at December 31, 2005 and 2004, the majority of which are non-recourse to us (in thousands):

	Weighted Average Interest Rate 2005	Principal Outstanding	
		2005	2004
Conventional fixed rate secured notes payable	6.62%	\$ 3,923,178	\$ 3,730,973
Conventional variable rate secured notes payable	5.10	564,708	335,544
Secured notes credit facility	5.08	102,788	67,370
Total		\$ 4,590,674	\$ 4,133,887

Fixed rate secured notes payable mature at various dates through August 2053. Variable rate secured notes payable mature at various dates through August 2011. Principal and interest are generally payable monthly or in monthly interest-only payments with balloon payments due at maturity. At December 31, 2005, our secured notes payable were secured by 515 properties with a combined net book value of \$7,012.2 million.

We have a secured revolving credit facility that provides for borrowings of up to \$250 million primarily to be used for financing properties that we generally intend to hold for the intermediate term, as well as properties that are designated for redevelopment. In addition to the amounts in the above table, there were approximately \$4 million and \$10 million of notes that were provided through this facility that are obligations of unconsolidated real estate partnerships and not included within secured notes payable at December 31, 2005 and 2004, respectively. The interest rate on the notes provided through this facility is the Fannie Mae Discounted Mortgage-Backed Security index plus 0.85%, which interest rate resets monthly. Each such loan under this facility is treated as a separate borrowing and is

collateralized by a specific property, and none of the loans is cross-collateralized or cross-defaulted. This facility matures in September 2007, but can be terminated and repaid in full without penalty.

Our consolidated debt instruments generally contain covenants common to the type of facility or borrowing, including financial covenants establishing minimum debt service coverage ratios and maximum leverage ratios. At December 31, 2005, we were in material compliance with all financial covenants pertaining to our consolidated debt instruments.

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As of December 31, 2005, the scheduled principal amortization and maturity payments for our secured tax-exempt bonds and secured notes payable are as follows (in thousands):

	Amortization	Maturities	Total
2006	\$ 131,907	\$ 409,538	\$ 541,445
2007	137,659	275,002	412,661
2008	142,996	377,668	520,664
2009	148,938	113,265	262,203
2010	153,173	183,729	336,902
Thereafter			3,593,368
			\$ 5,667,243

Note 7 Mandatorily Redeemable Preferred Securities

In connection with the Insignia merger in 1998, we assumed the obligations under Trust Based Convertible Preferred Securities, which we refer to as TOPRS, with an aggregate liquidation amount of \$149.5 million. Prior to 2005, approximately \$134.5 million of these securities were converted, resulting in \$15.0 million remaining as of December 31, 2004, which also represented the redemption value. On January 11, 2005, we redeemed for cash all outstanding TOPRS for a total redemption price of \$50 per security, or \$15.0 million, plus any accrued and unpaid distributions through the redemption date. For the years ended December 31, 2005, 2004 and 2003, \$30,000, \$1.0 million and \$1.0 million, respectively, of distributions have been recorded in interest expense.

Note 8 Term Loans and Credit Facility

On November 2, 2004, we entered into an Amended and Restated Senior Secured Credit Agreement, which we refer to as the Credit Agreement, with a syndicate of financial institutions. In addition to Aimco, the Aimco Operating Partnership and an Aimco subsidiary are also borrowers under the Credit Agreement. The Credit Agreement replaced our previous two separate credit agreements.

The Credit Agreement includes customary financial covenants, including the maintenance of specified ratios with respect to total indebtedness to gross asset value, total secured indebtedness to gross asset value, aggregate recourse indebtedness to gross asset value, variable rate debt to total indebtedness, debt service coverage and fixed charge coverage; the maintenance of a minimum adjusted tangible net worth; and limitations regarding the amount of cross-collateralized debt. The Credit Agreement includes other customary covenants, including a restriction on distributions and other restricted payments, but permits distributions during any four consecutive fiscal quarters in an aggregate amount of up to 95% of our funds from operations for such period or such amount as may be necessary to maintain our REIT status. The Credit Agreement also permits us to repurchase our Common Stock using up to 80% of sales proceeds in any trailing four-quarter period.

The original aggregate commitment under the Credit Agreement was \$750 million, comprised of \$450 million of revolving loan commitments and a \$300 million term loan tranche. The revolving loans bear interest at a rate equal to (i) the LIBOR rate plus a margin that can range from 1.50% to 2.00% (for LIBOR loans) or (ii) the base rate plus a margin that can range from 0% to 0.25% (for base rate loans), in each case, depending on our leverage ratio. The original \$300 million term loan bears interest at a rate equal to (i) the LIBOR rate plus 2.00% (for LIBOR loans) or (ii) the base rate plus 0.25% (for base rate loans). The default rate of interest for the loan is equal to the applicable rate described above plus 3%. The revolving loans mature on November 2, 2007, and the term loan matures on November 2, 2009.

On June 16, 2005, we amended the Credit Agreement to provide for \$100.0 million in additional term loan borrowings from a syndicate of financial institutions. The additional \$100.0 million term loan matures on November 2, 2009 and bears interest at a rate of either LIBOR plus 1.75% or a base rate (determined by reference to the federal funds rate or Bank of America's prime rate) plus 0.25%. The proceeds from the additional term loan were

used to repay outstanding revolving loans.

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The lenders under the Credit Agreement may accelerate any outstanding loans if, among other things: we fail to make payments when due (subject to applicable grace periods); material defaults occur under other debt agreements; certain bankruptcy or insolvency events occur; material judgments are entered against us; we fail to comply with certain covenants, such as the requirement to deliver financial information or the requirement to provide notices regarding material events (subject to applicable grace periods in some cases); indebtedness is incurred in violation of the covenants; or prohibited liens arise.

At December 31, 2005, the outstanding principal balance of the term loans was \$400.0 million at a weighted average interest rate of 6.18%. At December 31, 2005, the outstanding principal balance of the revolving loans was \$217.0 million at a weighted average interest rate of 6.26% (based on various weighted average LIBOR and base rate borrowings outstanding with various maturities). The amount available under the revolving facility at December 31, 2005 was \$208.3 million (after giving effect to \$24.7 million outstanding for undrawn letters of credit issued under the revolving facility). As of December 31, 2005, we were in compliance with all financial covenant requirements.

Note 9 Commitments and Contingencies

Commitments

In connection with the Casden Transactions, we made commitments to:

invest up to \$50 million for a 20% limited liability company interest in Casden Properties LLC. As of December 31, 2005, we had invested \$44.8 million. Casden Properties LLC intends to pursue new development opportunities in Southern California and other markets. We have an option, but not an obligation, to purchase at completion all multifamily rental projects developed by Casden Properties LLC; and

pay \$2.5 million per quarter for five years (for an aggregate amount of \$50 million) to Casden Properties LLC as a retainer on account for redevelopment services on our assets. As of December 31, 2005, \$37.5 million has been paid.

In connection with our redevelopment and capital improvement activities, we have commitments of approximately \$99.6 million related to construction projects that are due to be completed by early 2007. Additionally, there are times we may enter into certain commitments for future purchases of goods and services in connection with the operations of our properties. Those commitments generally have terms of one year or less and reflect expenditure levels comparable to our historical expenditures.

Tax Credit Syndication

We are required to manage certain consolidated real estate partnerships in compliance with various laws, regulations and contractual provisions that apply to our syndication of historic and low-income housing tax credits. In some instances, noncompliance with applicable requirements could result in projected tax benefits not being realized and require a refund or reduction of investor capital contributions, which are reported as minority interests in our consolidated balance sheet. The remaining compliance period for our tax credit syndication arrangements range from less than one year to 15 years. At December 31, 2005, we do not anticipate that any material refunds or reductions of investor capital contributions will be required in connection with these arrangements.

Legal Matters

In addition to the matters described below, we are a party to various legal actions and administrative proceedings arising in the ordinary course of business, some of which are covered by liability insurance, and none of which we expect to have a material adverse effect on our consolidated financial condition or results of operations.

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Limited Partnerships

In connection with our acquisitions of interests in real estate partnerships, we are sometimes subject to legal actions, including allegations that such activities may involve breaches of fiduciary duties to the partners of such real estate partnerships or violations of the relevant partnership agreements. We may incur costs in connection with the defense or settlement of such litigation. We believe that we comply with our fiduciary obligations and relevant partnership agreements. Although the outcome of any litigation is uncertain, we do not expect any such legal actions to have a material adverse affect on our consolidated financial condition or results of operations.

Environmental

Various Federal, state and local laws subject property owners or operators to liability for management, and the costs of removal or remediation, of certain hazardous substances present on a property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of the hazardous substances. The presence of, or the failure to manage or remedy properly, hazardous substances may adversely affect occupancy at affected apartment communities and the ability to sell or finance affected properties. In addition to the costs associated with investigation and remediation actions brought by government agencies, and potential fines or penalties imposed by such agencies in connection therewith, the presence of hazardous substances on a property could result in claims by private plaintiffs for personal injury, disease, disability or other infirmities. Various laws also impose liability for the cost of removal, remediation or disposal of hazardous substances through a licensed disposal or treatment facility. Anyone who arranges for the disposal or treatment of hazardous substances is potentially liable under such laws. These laws often impose liability whether or not the person arranging for the disposal ever owned or operated the disposal facility. In connection with the ownership, operation and management of properties, we could potentially be liable for environmental liabilities or costs associated with our properties or properties we acquire or manage in the future.

We have determined that our legal obligations to remove or remediate hazardous substances may be conditional asset retirement obligations as defined in FIN 47. Except in limited circumstances where the asset retirement activities are expected to be performed in connection with a planned construction project or property casualty, we believe that the fair value of our asset retirement obligations cannot be reasonably estimated due to significant uncertainties in the timing and manner of settlement of those obligations. Asset retirement obligations that are reasonably estimable as of December 31, 2005 are immaterial to our consolidated financial condition and results of operations.

Mold

We have been named as a defendant in lawsuits that have alleged personal injury and property damage as a result of the presence of mold. In addition, we are aware of lawsuits against owners and managers of multifamily properties asserting claims of personal injury and property damage caused by the presence of mold, some of which have resulted in substantial monetary judgments or settlements. We have only limited insurance coverage for property damage loss claims arising from the presence of mold and for personal injury claims related to mold exposure. We have implemented policies, procedures, third-party audits and training, and include a detailed moisture intrusion and mold assessment during acquisition due diligence. We believe these measures will prevent or eliminate mold exposure from our properties and will minimize the effects that mold may have on our residents. To date, we have not incurred any material costs or liabilities relating to claims of mold exposure or to abate mold conditions. Because the law regarding mold is unsettled and subject to change we can make no assurance that liabilities resulting from the presence of or exposure to mold will not have a material adverse effect on our consolidated financial condition or results of operations.

Unclaimed Property and Use Taxes

Based on inquiries from several states, we are reviewing our historic forfeiture of unclaimed property pursuant to applicable state and local laws. We are also reviewing our historic filing of use tax returns in certain state and local jurisdictions that impose such taxes. At this time, we do not have sufficient information available

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to determine the extent or potential effect of any non-compliance on our consolidated financial condition or results of operations.

National Union Litigation

National Program Services, Inc. and Vito Gruppuso (collectively NPS) were insurance agents who sold to us property insurance issued by National Union Fire Insurance Company of Pittsburgh, Pennsylvania (National Union). The financial failure of NPS resulted in defaults under two agreements by which NPS indemnified us from losses relating to the matters described below. As a result of such defaults, we had a \$16.7 million insurance-related receivable that was subsequently reduced to \$6.7 million following our settlement with Lumbermens Mutual Casualty Company (Lumbermens) and an insurance agency. In addition, we have pending litigation against National Union, First Capital Group, a New York based insurance wholesaler, NPS and other agents of National Union, for a refund of at least \$10 million of the prepaid premium plus other damages. Trial is set for May 30, 2006. The contingent liabilities arising from the NPS defaults also resulted in litigation against us by Cananwill, Inc. (Cananwill), a premium funding company, regarding an alleged balance due of \$5.7 million on a premium finance agreement that funded premium payments made to National Union. We are also plaintiffs in litigation against Cananwill and Combined Specialty Insurance Company, formerly known as Virginia Surety Company, Inc., alleging Cananwill's conversion of \$1.6 million of unearned premium belonging to us and misapplication of such funds to the alleged debt asserted in the lawsuit initiated by Cananwill. The matter in which we are plaintiffs has been stayed by the court pending resolution of the action filed by Cananwill against us. The previously disclosed litigation brought by WestRM - West Risk Markets, Ltd. (WestRM) against XL Reinsurance America, Inc. (XL), Greenwich Insurance Company (Greenwich) and Lumbermens in which we have been made a third party defendant continues. Summary judgment has been entered against defendants XL and Greenwich. Similarly, the previously disclosed litigation brought by Highlands Insurance Company (Highlands) against Cananwill, XL, Greenwich and us also continues. In those cases in which we are a defendant, we believe that we have meritorious defenses to assert, and we will vigorously defend ourselves against claims brought against us. In addition, we will vigorously prosecute our own claims. Although the outcome of any claim or matter in litigation is uncertain, we do not believe that we will incur any material loss in connection with the insurance-related receivable or that the ultimate outcome of these separate but related matters will have a material adverse effect on our consolidated financial condition or results of operations.

FLSA Litigation

The Aimco Operating Partnership and NHP Management Company (NHPMN), our subsidiary, are defendants in a lawsuit alleging that they willfully violated the Fair Labor Standards Act (FLSA) by failing to pay maintenance workers overtime for all hours worked in excess of forty per week. The complaint, filed in the United States District Court for the District of Columbia, attempts to bring a collective action under the FLSA and seeks to certify state subclasses in California, Maryland, and the District of Columbia. Specifically, the plaintiffs contend that the Aimco Operating Partnership and NHPMN failed to compensate maintenance workers for time that they were required to be on-call. Additionally, the complaint alleges the Aimco Operating Partnership and NHPMN failed to comply with the FLSA in compensating maintenance workers for time that they worked in excess of 40 hours in a week. In June 2005, the court conditionally certified the collective action on both the on-call and overtime issues, which allows the plaintiffs to provide notice of the collective action to all non-exempt maintenance workers from August 7, 2000 through the present. Notices have been sent out to all current and former hourly maintenance workers. The opt-in period has not yet closed. When it does, the Aimco Operating Partnership and NHPMN will have the opportunity to move to decertify the collective action. Because the court denied plaintiffs' motion to certify state subclasses, on September 26, 2005, the plaintiffs filed a class action with the same allegations in the Superior Court of California (Contra Costa County), and on November 5, 2005 in Montgomery County Maryland Circuit Court. Although the outcome of any litigation is uncertain, we do not believe that the ultimate outcome will have a material adverse effect on our consolidated financial condition or results of operations.

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The Central Regional Office (the Regional Office) of the United States Securities and Exchange Commission (the Commission) conducted a formal investigation relating to certain matters. We believe the areas of investigation included our miscalculated monthly net rental income figures in third quarter 2003, forecasted guidance, accounts payable, rent concessions, vendor rebates, capitalization of payroll and certain other costs, and tax credit transactions. On December 19, 2005, we announced that the Regional Office informed us that its investigation has been recommended for termination and no enforcement action has been recommended to the Commission.

Operating Leases

We are obligated under office space and equipment non-cancelable operating leases. In addition, we sublease certain of our office space to tenants under non-cancelable subleases. Approximate minimum annual rentals under operating leases and approximate minimum payments to be received under annual subleases are as follows (in thousands):

	Operating Lease Obligations	Sublease Receivables
2006	\$ 7,784	\$ 1,485
2007	7,622	1,508
2008	7,041	1,086
2009	5,508	597
2010	4,417	597
Thereafter	11,371	
Total	\$ 43,743	\$ 5,273

Substantially all of the office space and equipment subject to the operating leases described above are for the use of our corporate offices and regional operating centers. Rent expense recognized totaled \$7.4 million, \$5.8 million, and \$6.1 million for the years ended December 31, 2005, 2004 and 2003, respectively. Sublease receipts that offset rent expense totaled approximately \$0.7 million, \$0.9 million and \$1.1 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Note 10 Income Taxes

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities of the taxable REIT subsidiaries for financial reporting purposes and the amounts used for

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income tax purposes. Significant components of our deferred tax liabilities and assets are as follows (in thousands):

	December 31, 2005	December 31, 2004
Deferred tax liabilities:		
Partnership differences	\$ 53,347	\$ 50,109
Depreciation	6,330	3,745
Interest income		809
Deferred gains		13,070
Other	178	130
Total deferred tax liabilities	\$ 59,855	\$ 67,863
Deferred tax assets:		
Net operating, capital and other loss carryforwards	\$ 34,046	\$ 10,432
Receivables	5,856	7,350
Accrued liabilities	6,942	11,184
Accrued interest expense	6,519	5,215
Intangibles management contracts	9,880	10,922
Tax credit carryforwards	7,878	5,703
Other	442	
Total deferred tax assets	71,563	50,806
Valuation allowance for deferred tax assets	(1,873)	(3,082)
Deferred tax assets, net of valuation allowance	69,690	47,724
Net deferred income tax assets (liabilities)	\$ 9,835	\$ (20,139)

During the year ended December 31, 2005, we identified approximately \$12.2 million in previously unrecorded net deferred tax assets that were acquired in connection with business combinations in prior years. We recorded adjustments to recognize these net assets and reduce goodwill and real estate acquired in the corresponding business combinations by \$6.2 million and \$6.0 million, respectively. At December 31, 2005 and 2004, we maintained a \$1.9 million valuation allowance for deferred tax assets primarily related to alternative minimum tax credits totaling approximately \$1.9 million. At December 31, 2004, we also maintained a \$1.2 million valuation allowance for certain low income housing credits and rehabilitation credits. That allowance was reversed in 2005 based on our determination that it is more likely than not that the credits will be realized.

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Significant components of the provision (benefit) for income taxes are as follows and are classified within other expenses (income), net in continuing operations and income from discontinued operations, net in our statements of income for 2005, 2004 and 2003 (in thousands):

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
Current:			
Federal	\$ 3,412	\$ 7,345	\$ 4,556
State	1,590	748	840
Total current	5,002	8,093	5,396
Deferred:			
Federal	(17,303)	634	(10,065)
State	(1,843)	72	(1,150)
Total deferred	(19,146)	706	(11,215)
Total provision (benefit)	\$ (14,144)	\$ 8,799	\$ (5,819)
Classification:			
Continuing operations	\$ (18,625)	\$ (7,216)	\$ (17,953)
Discontinued operations	\$ 4,481	\$ 16,015	\$ 12,134

Consolidated income (loss) subject to tax, consisting of pretax income of our taxable REIT subsidiaries and gains on certain property sales that are subject to income tax under section 1374 of the Internal Revenue Code, is \$(36.9) million for 2005, \$20.5 million for 2004, and (\$4.0) million for 2003. The reconciliation of income tax attributable to continuing and discontinued operations computed at the U.S. statutory rate to income tax expense (benefit) is shown below (dollars in thousands):

	Year Ended December 31, 2005		Year Ended December 31, 2004		Year Ended December 31, 2003	
	Amount	Percent	Amount	Percent	Amount	Percent
Tax at U.S. statutory rates on consolidated income (loss) subject to tax	\$ (12,922)	35.0%	\$ 7,174	35.0%	\$ (1,396)	35.0%
State income tax, net of Federal tax benefit	(253)	0.7%	818	4.0%	(306)	7.6%
Effect of permanent differences	(69)	0.2%	314	1.5%	2,202	(55.2%)
Increase (decrease) valuation allowance	(900)	2.4%	493	2.4%	(6,319)	158.4%
	\$ (14,144)	38.3%	\$ 8,799	42.9%	\$ (5,819)	145.8%

During the quarter ended March 31, 2003, in an effort to streamline business processes and operational efficiencies of our property management and services businesses, we contributed all of the capital stock of NHP Management Company to AIMCO/ Bethesda Holdings, Inc. (both of which are wholly-owned taxable REIT subsidiaries). In connection with this transaction, we reversed a valuation allowance related to future deductions and tax loss carryforwards of NHP Management Company and thereby recognized approximately \$8.0 million of deferred tax benefits within other expenses (income), net. This deferred tax benefit increased net income by approximately \$7.1 million, net of minority interest, and resulted in an increase in basic and diluted earnings per share of \$0.08 for the year ended December 31, 2003.

Income taxes paid totaled approximately \$4.8 million, \$2.7 million, and \$3.8 million in the years ended December 31, 2005, 2004 and 2003, respectively.

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At December 31, 2005, we had net operating loss carryforwards (NOLs) of approximately \$87.0 million for income tax purposes that expire in years 2020 to 2023. Subject to certain separate return limitations, we may use these NOLs to offset all or a portion of taxable income generated by our taxable REIT subsidiaries. Additionally, at December 31, 2005, we had low income housing and rehabilitation tax credit carryforwards of approximately \$6.0 million for income tax purposes that expire in years 2012 to 2024.

For income tax purposes, dividends paid to holders of Common Stock primarily consist of ordinary income, return of capital, capital gains, qualified dividends and unrecaptured Sec. 1250 gains, or a combination thereof. For the years ended December 31, 2005, 2004 and 2003, dividends per share held for the entire year were estimated to be taxable as follows:

	2005(1)		2004		2003	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Ordinary income	\$ 0.21	7%	\$ 0.04	2%	\$ 0.80	26%
Return of capital						
Capital gains	1.44	48%	1.77	74%	0.77	25%
Qualified dividends	0.24	8%	0.03	1%		
Unrecaptured Sec. 1250 gain	1.11	37%	0.56	23%	1.49	49%
	\$ 3.00	100%	\$ 2.40	100%	\$ 3.06	100%

(1) On December 28, 2005, our Board of Directors declared a quarterly cash dividend of \$0.60 per common share for the quarter ended December 31, 2005, that was paid on January 31, 2006, to stockholders of record on December 31, 2005, which was one month earlier than the typical declaration. Pursuant to certain provisions within the Internal Revenue Code, this dividend is deemed paid by Aimco and received by the shareholders, in 2005.

Note 11 Transactions Involving Minority Interest in Aimco Operating Partnership***Preferred OP Units***

Various classes of preferred OP Units of the Aimco Operating Partnership are outstanding. Depending on the terms of each class, these preferred OP Units are convertible into common OP Units or redeemable for Common Stock and are paid distributions varying from 5.9% to 9.6% per annum per unit, or equal to the dividends paid on Common Stock based on the conversion terms. As of December 31, 2005, a total of 3.3 million preferred OP Units were outstanding with a redemption value of \$90.2 million, which were redeemable into approximately 2.4 million shares of Common Stock. As of December 31, 2004, a total of 3.3 million preferred OP Units were outstanding with a redemption value of \$90.5 million, which were redeemable into approximately 2.5 million shares of Common Stock.

During the years ended December 31, 2005 and 2004, approximately 1,700 and 10,400 preferred OP Units were tendered for redemption in exchange for approximately 1,100 and 7,900 shares of Common Stock, respectively. During the years ended December 31, 2005 and 2004, there were approximately 12,800 and 1,600 preferred OP Units tendered for redemption in exchange for cash, respectively.

Common OP Units

We completed tender offers for limited partnership interests resulting in the issuance of approximately 3,000 and 82,000 common OP Units in 2005 and 2004, respectively.

During the years ended December 31, 2005 and 2004, approximately 77,000 and 160,000 common OP Units, respectively, were redeemed in exchange for cash, and approximately 425,000 and 735,000 common OP Units, respectively, were redeemed in exchange for shares of Common Stock.

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High Performance Partnership Units

As of December 31, 2005 and 2004, there were 2,379,084 Class I High Performance Partnership Units of the Aimco Operating Partnership outstanding. Also outstanding were 5,000 Class VI High Performance Partnership Units, or the Class VI Units, for which the valuation period began on January 1, 2003 and ended on December 31, 2005, 4,109 Class VII High Performance Partnership Units, or the Class VII Units, for which the valuation period began on January 1, 2004 and will end on December 31, 2006 and 5,000 Class VIII High Performance Partnership Units, or the Class VIII Units, for which the valuation period began on January 1, 2005 and will end on December 31, 2007. At December 31, 2005, we did not meet the required measurement benchmarks for the Class VI Units, Class VII Units or Class VIII Units and, therefore, we have not recorded any additional minority interest in Aimco Operating Partnership for such High Performance Partnership Units in the consolidated financial statements as of December 31, 2005 and such High Performance Partnership Units have no dilutive effect.

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At December 31, 2005 and 2004, we had the following classes of preferred stock outstanding classified as equity:

				Balance	
				2005	2004
Perpetual:	Redemption Date(1)	Conversion Price	Annual Dividend Rate Per Share (paid quarterly)	(in thousands)	(in thousands)
Class D Cumulative Preferred Stock, \$.01 par value, 4,200,000 shares authorized, zero and 1,250,002 shares issued and outstanding(2)	02/19/2003		8.75%	\$	\$ 31,250
Class G Cumulative Preferred Stock, \$.01 par value, 4,050,000 shares authorized, 4,050,000 shares issued and outstanding	07/15/2008		9.375%	101,000	101,000
Class Q Cumulative Preferred Stock, \$.01 par value, 2,530,000 shares authorized, 2,530,000 shares issued and outstanding	03/19/2006		10.10%	63,250	63,250
Class R Cumulative Preferred Stock, \$.01 par value, 6,940,000 shares authorized, 6,940,000 shares issued and outstanding	07/20/2006		10.00%	173,500	173,500
Class T Cumulative Preferred Stock, \$.01 par value, 6,000,000 shares authorized, 6,000,000 shares issued and outstanding	07/31/2008		8.00%	150,000	150,000
Class U Cumulative Preferred Stock, \$.01 par value, 8,000,000 shares authorized, 8,000,000 shares issued and outstanding	03/24/2009		7.75%	200,000	200,000
Class V Cumulative Preferred Stock, \$.01 par value, 3,450,000 shares authorized, 3,450,000 shares issued and outstanding	09/29/2009		8.00%	86,250	86,250

Class Y Cumulative
Preferred Stock, \$.01 par
value, 3,450,000 shares
authorized, 3,450,000 shares
issued and outstanding

12/21/2009

7.875%

86,250

86,250

860,250

891,500

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Convertible(3):	Redemption Date(1)	Conversion Price	Annual Dividend Rate Per Share (paid quarterly)	Balance	
				2005 (in thousands)	2004 (in thousands)
Class W Cumulative Convertible Preferred Stock, \$.01 par value, 1,904,762 shares authorized, 1,904,762 shares issued and outstanding	09/30/2007	\$ 52.50	8.10%	100,000	100,000
Class X Cumulative Convertible Preferred Stock, \$.01 par value, 2,000,000 shares authorized, 2,000,000 shares issued and outstanding	03/31/2006	\$ 52.50	8.50%	50,000	50,000
				150,000	150,000
Total				\$ 1,010,250	\$ 1,041,500

(1) All classes of preferred stock are redeemable, at our option, on and after the dates specified.

(2) On January 21, 2005, we redeemed for cash the remaining 1.25 million shares outstanding of the Class D Cumulative Preferred Stock, or the Class D Preferred Stock, for a total redemption price of \$25.0425 per share, which included a redemption price of \$25.0 per share, and \$0.0425 per share of accumulated and unpaid dividends through January 21, 2005. This redemption resulted in \$1.1 million of related preferred stock issuance costs being deducted from net income to arrive at net loss attributable to common stockholders and thereby increased by \$0.01 our loss per basic and diluted common share for the year ended December 31, 2005.

(3) The articles supplementary set forth the relative rights and preferences of each class of securities and as shown above, the dividend rate on each class of convertible securities is the rate specified in the articles supplementary for each class. Such rate can be increased to the rate of the dividends paid on the number of shares of Common Stock into which a share of such preferred security is convertible. The initial conversion price of each class was in excess of the fair market value of a share of Common Stock on the respective dates on which the purchasers of each class agreed to purchase such securities.

All classes of preferred stock are pari passu with each other and are senior to Common Stock. The holders of each class of preferred stock are generally not entitled to vote on matters submitted to stockholders. Dividends on all shares of preferred stock are subject to declaration by our Board of Directors. All of the above outstanding classes of

preferred stock have a liquidation preference per share of \$25, with the exception of the Class W Preferred Stock, which has a liquidation preference per share of \$52.50.

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The dividends paid on each class of preferred stock classified as equity for the years ended December 31, 2005, 2004, and 2003 are as follows (in thousands, except per share data):

Class of Preferred Stock	2005		2004		2003	
	Amount Per Share(1)	Total Amount Paid	Amount Per Share(1)	Total Amount Paid	Amount Per Share(1)	Total Amount Paid
Perpetual:						
Class C	\$	\$	\$	\$	\$ 1.60(7)	\$ 3,840
Class D	0.59(2)	736	4.87(4)	6,090	3.21(8)	8,677
Class G	2.34	9,492	2.34	9,492	2.34	9,492
Class H					2.01(7)	4,011
Class Q	2.53	6,388	2.53	6,388	2.53	6,389
Class R	2.50	17,350	2.50	17,350	2.50	17,350
Class S					0.23(9)	908
Class T	2.00	12,000	2.00	12,000	0.42(10)	2,501
Class U	1.94	15,500	1.08(5)	8,655		
Class V	2.09(3)	7,207	(3)			
Class Y	1.61(3)	5,547	(3)			
		74,220		59,975		53,168
Convertible:						
Class L					1.81(7)	4,532
Class M					2.42(11)	2,903
Class N			2.59(6)	10,361	2.25	9,000
Class O			4.73(6)	9,000	4.73	9,000
Class P			1.16(6)	4,648	2.25	8,996
Class W	4.25(3)	8,100	(3)			
Class X	2.13(3)	4,262	(3)			
		12,362		24,009		34,431
Total		\$ 86,582		\$ 83,984		\$ 87,599

(1) Amounts per share are calculated based on the number of preferred shares outstanding either at the end of each year or as of conversion or redemption date, as noted.

(2) For the period from January 1, 2005 to the date of redemption.

(3) For the period from the date of issuance to December 31, 2005. No dividends were paid during 2004 as preferred shares were issued during the third and fourth quarters of 2004.

(4)

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Total amount paid includes dividends paid on 2.7 million shares of Class D Preferred Stock until November 5, 2004, when 1.5 million shares were redeemed for cash.

- (5) For the period from the date of issuance to December 31, 2004.
- (6) For the period from January 1, 2004 to the date of redemption. For Class N Preferred Stock, includes a 2%, or \$0.50 redemption premium per share, on 2,000,000 shares.
- (7) For the period from January 1, 2003 to the date of redemption.
- (8) Total amount paid includes dividends paid on all 4.2 million shares of Class D Preferred Stock until August 18, 2003, when 1.5 million shares were redeemed for cash.
- (9) For the period from the date of issuance to July 1, 2003 when Statement of Financial Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* required the Class S Cumulative Redeemable Preferred Stock to be reclassified from equity to liabilities.

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(10) For the period from the date of issuance to December 31, 2003.

(11) For the period from January 1, 2003 to the date of redemption. Additionally, the amount per share includes a scheduled increase in the dividend from \$2.13 per share to \$2.31 per share starting after January 13, 2003 and a 2%, or \$0.50 redemption premium per share.

Common Stock

During 2005 and 2004, we issued approximately 37,000 shares and 45,000 shares, respectively, of Common Stock to certain non-executive officers at market prices. In exchange for the shares purchased, the officers executed notes payable totaling \$1.4 million and \$1.5 million, respectively. These notes, which are 25% recourse to the borrowers, have a 10-year maturity and bear interest either at a fixed rate of 6% annually or a floating rate based on the one-month LIBOR plus 3.85%, which is subject to an annual interest rate cap of typically 7.25%. Total payments on such notes from officers in 2005 and 2004 were \$12.3 million and \$4.6 million, respectively.

In addition, in 2005 and 2004, we issued approximately 393,000 and 532,000 restricted shares of Common Stock, respectively, to certain officers and employees. The restricted stock was recorded at the fair market value of the Common Stock on the date of issuance. These shares of restricted Common Stock may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of and are subject to a risk of forfeiture prior to the expiration of the applicable vesting period (typically ratably over a period of three or five years). Certain shares of restricted stock issued during 2005 are subject to accelerated vesting upon the achievement of a specified calendar year performance measure target. As of December 31, 2005, achievement of the specified target is not considered probable.

There were no shares of stock repurchased during the year ended December 31, 2005. On February 18, 19 and 24, 2004, we purchased on the open market 30,000, 60,000 and 20,000 shares of Common Stock, respectively, at an average price per share of approximately \$32.03, \$32.17 and \$31.26, respectively. Additionally, on February 24, 2004, we completed the purchase of 287,272 shares of Common Stock in a privately negotiated transaction at a price of \$31.60 per share.

Registration Statements

As of December 31, 2005, under our shelf registration statement, which was declared effective in April 2004, we had available for issuance approximately \$876.6 million of debt and equity securities, and the Aimco Operating Partnership had available for issuance \$500.0 million of debt securities.

Note 13 Employee Benefit and Stock Plans

401K Plan

We provide a 401(k) defined-contribution employee savings plan. Employees who have completed 30 days of service and are age 18 or older are eligible to participate. Our matching contributions are made in the following manner: (1) a 100% match on the first 3% of the participant's contribution; (2) a 50% match on the next 2% of the participant's contribution. We incurred costs in connection with this plan of approximately \$4.1 million, \$3.2 million and \$2.4 million in 2005, 2004 and 2003, respectively.

Stock Award and Incentive Plan and Stock Warrants

We adopted the Apartment Investment and Management Company 1997 Stock Award and Incentive Plan, or the 1997 Plan to attract and retain officers, key employees and independent directors. The 1997 Plan reserves for issuance a maximum of 20,000,000 shares, which may be in the form of incentive stock options, non-qualified stock options and restricted stock, or other types of awards as authorized under the 1997 Plan. At December 31, 2005, there were approximately 4,200,000 shares available for issuance. The 1997 Plan is administered by the Compensation and Human Resources Committee of the Board of Directors. In the case of incentive stock options, the exercise price of the options granted may not be less than the fair market value of the Common Stock at the date of grant. The term of the incentive and non-qualified options is ten years from the date of grant. The options

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typically vest over a period of one to five years from the date of grant. Terms may be modified at the discretion of the Compensation and Human Resources Committee of the Board of Directors.

The 1997 Plan also authorizes grants of restricted stock awards as part of our equity compensation plan. For the years ended December 31, 2005, 2004 and 2003, we granted restricted stock awards of approximately 393,000, 532,000 and 235,000 shares, respectively, with weighted average fair values per share of \$38.46, \$29.56, and \$38.09, respectively. Compensation cost related to these awards is being recognized ratably over the applicable vesting period (typically three or five years). Dividends paid on restricted stock awards (whether vested or unvested) are charged to distributions in excess of earnings. We evaluate quarterly the previously paid dividends on restricted stock awards that are forfeited to determine whether a reclassification between distributions in excess of earnings and compensation expense should be recorded. Dividends paid on restricted stock awards that were forfeited were immaterial for the years ended December 31, 2005, 2004 and 2003.

On December 2, 1997, we issued warrants, which we refer to as the Oxford Warrants, exercisable through December 31, 2006 to purchase up to an aggregate of 500,000 shares of Common Stock at \$41 per share. The Oxford Warrants were issued to affiliates of Oxford Realty Financial Group, Inc., a Maryland corporation, or Oxford, in connection with the amendment of certain agreements pursuant to which we manage properties formerly controlled by Oxford or its affiliates. During the year ended December 31, 2005, we purchased from the holders thereof all outstanding Oxford Warrants for an aggregate purchase price of \$1.05 million, which was determined to be fair value.

The following table summarizes the option and warrant activity for the years ended December 31, 2005, 2004 and 2003 (in thousands, except price data):

	2005		2004		2003	
	Options and Warrants	Weighted Average Exercise Price	Options and Warrants	Weighted Average Exercise Price	Options and Warrants	Weighted Average Exercise Price
Outstanding at beginning of year	11,338	\$ 38.87	10,607	\$ 39.59	9,269	\$ 40.13
Granted	383	38.14	1,219	32.19	1,757	36.37
Exercised	(65)	38.22	(69)	29.11	(72)	37.46
Forfeited	(102)	39.98	(419)	37.81	(347)	37.67
Warrants purchased	(500)	41.00				
Outstanding at end of year	11,054	\$ 38.78	11,338	\$ 38.87	10,607	\$ 39.59
Exercisable at end of year	8,177	\$ 39.30	7,132	\$ 39.47	5,844	\$ 38.46
Weighted average fair value of options granted during the year		\$ 3.57		\$ 2.24		\$ 2.26

As of December 31, 2005, outstanding and exercisable options have the following ranges of exercise prices and remaining weighted average contractual terms (in thousands, except for price data):

	Range of Exercise Price			
	\$20.75 to \$36.35	\$36.48 to \$39.94	\$40.00 to \$49.05	Total
Outstanding:				
Number of options	2,840	5,158	3,056	11,054

Weighted average exercise price	\$34.51	\$37.55	\$44.83	\$38.78
Weighted average remaining term	7.46 years	2.98 years	5.79 years	4.91 years
Exercisable:				
Number of options	1,148	4,752	2,277	8,177
Weighted average exercise price	\$35.14	\$37.51	\$45.12	\$39.30

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In accordance with SFAS 144 we report as discontinued operations real estate assets that meet the definition of a component of an entity and have been sold or meet the criteria to be classified as held for sale under SFAS 144. We included all results of these discontinued operations, less applicable income taxes, in a separate component of income on the consolidated statements of income under the heading discontinued operations. This treatment resulted in certain reclassifications of 2004 and 2003 financial statement amounts.

At December 31, 2005, we had eight properties with an aggregate of 1,756 units classified as held for sale. For the years ended December 31, 2005, 2004 and 2003, discontinued operations includes the results of operations of these properties. During the year ended December 31, 2005, we sold 83 properties with an aggregate of 16,835 units and our interest in one partnership. For the years ended December 31, 2005, 2004, and 2003, discontinued operations includes the results of operations of these 83 properties and one partnership for periods prior to the date of sale. During 2004, we sold 54 properties with an aggregate of 12,248 units. For the years ended December 31, 2004 and 2003, discontinued operations includes the results of operations of these 54 properties for periods prior to the date of sale. During 2003, we sold 72 properties with an aggregate of 18,291 units. For the year ended December 31, 2003, discontinued operations includes the results of operations of these 72 properties for periods prior to the date of sale.

The following is a summary of the components of income from discontinued operations for the years ended December 31, 2005, 2004, and 2003 (dollars in thousands):

	2005	2004	2003
Rental and other property revenues	\$ 99,332	\$ 199,722	\$ 303,595
Property operating expense	(56,263)	(98,637)	(140,423)
Depreciation and amortization	(22,789)	(42,194)	(65,135)
Other (expenses) income, net	(1,703)	(1,788)	(1,367)
Operating income	18,577	57,103	96,670
Interest income	292	315	449
Interest expense	(22,371)	(48,119)	(73,041)
Minority interest in consolidated real estate partnerships	1,499	(102)	(2,638)
Income (loss) before gain on dispositions of real estate, impairment losses, deficit distributions to minority partners, income tax and minority interest in Aimco Operating Partnership	(2,003)	9,197	21,440
Gain on dispositions of real estate, net of minority partners interest	105,417	249,376	101,849
Impairment losses on real estate assets sold or held for sale	(3,836)	(7,289)	(8,991)
Recovery of deficit distributions to minority partners	14,941	3,722	8,273
Income tax arising from disposals	(4,481)	(16,015)	(12,134)
Minority interest in Aimco Operating Partnership	(11,159)	(25,512)	(13,248)
Income from discontinued operations	\$ 98,879	\$ 213,479	\$ 97,189

We are currently marketing for sale certain real estate properties that are inconsistent with our long-term investment strategy. We expect that all properties classified as held for sale will sell within one year from the date classified as held for sale. Assets classified as held for sale of \$55.0 million at December 31, 2005 include real estate net book value of \$53.0 million and restricted cash and other assets of \$2.0 million. Liabilities related to assets classified as held for sale of \$39.5 million at December 31, 2005 include mortgage debt of \$33.7 million. Assets

classified as held for sale of \$618.7 million at December 31, 2004 include real estate net book value of \$608.5 million, represented by 145 properties with 30,839 units that were classified as assets held for sale during 2004 and 2005. Liabilities related to assets classified as held for sale of \$426.8 million at December 31, 2004 include mortgage debt of \$419.8 million. The estimated proceeds, less anticipated costs to sell, for certain of these assets were less than the related net book value, and therefore we recorded impairment losses of \$3.8 million, \$7.3 million and \$9.0 million for the years ended December 31, 2005, 2004 and 2003, respectively.

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We are also marketing for sale certain other properties that do not meet all of the criteria to be classified as held for sale.

Note 15 Earnings per Share

We calculate earnings per share based on the weighted average number of shares of Common Stock, common stock equivalents and dilutive convertible securities outstanding during the period. The following table illustrates the calculation of basic and diluted earnings per share for the years ended December 31, 2005, 2004 and 2003 (in thousands, except per share data):

	2005	2004	2003
Numerator:			
Income (loss) from continuing operations	\$ (27,897)	\$ 53,975	\$ 61,668
Less net income attributable to preferred stockholders	(87,948)	(88,804)	(93,565)
Numerator for basic and diluted earnings per share Loss from continuing operations	\$ (115,845)	\$ (34,829)	\$ (31,897)
Income from discontinued operations	\$ 98,879	\$ 213,479	\$ 97,189
Cumulative effect of change in accounting principle	\$	\$ (3,957)	\$
Net income	\$ 70,982	\$ 263,497	\$ 158,857
Less net income attributable to preferred stockholders	(87,948)	(88,804)	(93,565)
Numerator for basic and diluted earnings per share Net income (loss) attributable to common stockholders	\$ (16,966)	\$ 174,693	\$ 65,292
Denominator:			
Denominator for basic earnings per share weighted average number of shares of Common Stock outstanding	93,894	93,118	92,850
Effect of dilutive securities:			
Dilutive potential common shares			
Denominator for diluted earnings per share	93,894	93,118	92,850
Earnings (loss) per common share:			
Basic earnings (loss) per common share:			
Loss from continuing operations (net of income attributable to preferred stockholders)	\$ (1.23)	\$ (0.37)	\$ (0.34)
Income from discontinued operations	1.05	2.29	1.04
Cumulative effect of change in accounting principle		(0.04)	
Net income (loss) attributable to common stockholders	\$ (0.18)	\$ 1.88	\$ 0.70
Diluted earnings (loss) per common share:			
Loss from continuing operations (net of income attributable to preferred stockholders)	\$ (1.23)	\$ (0.37)	\$ (0.34)
Income from discontinued operations	1.05	2.29	1.04
Cumulative effect of change in accounting principle		(0.04)	

Net income (loss) attributable to common stockholders	\$	(0.18)	\$	1.88	\$	0.70
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The Class W Cumulative Convertible Preferred Stock and the Class X Cumulative Convertible Preferred Stock are convertible into Common Stock (see Note 12). All of our convertible preferred stock is anti-dilutive on an as converted basis. Therefore, we deduct all of the dividends payable on the convertible preferred stock to arrive at the numerator and no additional shares are included in the denominator when calculating basic and

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diluted earnings per common share. We have excluded from diluted earnings per share the common share equivalents related to approximately 12.6 million, 12.4 million and 11.8 million of vested and unvested stock options, shares issued for non-recourse notes receivable, and restricted stock awards for the years ended December 31, 2005, 2004 and 2003, respectively, because their effect would be anti-dilutive. For purposes of calculating diluted earnings per share in accordance with Statement of Financial Accounting Standards No. 128, *Earnings per Share*, we treat the dilutive impact of the unvested portion of restricted shares as common stock equivalents.

Note 16 Unaudited Summarized Consolidated Quarterly Information

Summarized unaudited consolidated quarterly information for 2005 and 2004 is provided below (amounts in thousands, except per share amounts).

Year Ended December 31, 2005	Quarter(1)			
	First	Second	Third	Fourth
Total revenues	\$ 361,606	\$ 372,299	\$ 386,758	\$ 400,860
Total operating expenses	(288,783)	(293,201)	(315,927)	(324,171)
Operating income	72,823	79,098	70,831	76,689
Loss from continuing operations	(2,248)	(1,258)	(7,873)	(16,518)
Income from discontinued operations	4,280	28,824	34,225	31,550
Net income	2,032	27,566	26,352	15,032
Earnings (loss) per common share basic:				
Loss from continuing operations (net of income attributable to preferred stockholders)	\$ (0.27)	\$ (0.24)	\$ (0.31)	\$ (0.41)
Net income (loss) attributable to common stockholders	\$ (0.22)	\$ 0.06	\$ 0.05	\$ (0.07)
Earnings (loss) per common share diluted:				
Loss from continuing operations (net of income attributable to preferred stockholders)	\$ (0.27)	\$ (0.24)	\$ (0.31)	\$ (0.41)
Net income (loss) attributable to common stockholders	\$ (0.22)	\$ 0.06	\$ 0.05	\$ (0.07)
Weighted average common shares outstanding	93,448	93,807	94,041	94,282
Weighted average common shares and common share equivalents outstanding	93,448	93,807	94,041	94,282

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Year Ended December 31, 2004	Quarter(1)			
	First	Second	Third	Fourth
Total revenues	\$ 329,266	\$ 337,731	\$ 349,111	\$ 359,969
Total operating expenses	(248,242)	(259,081)	(271,740)	(294,947)
Operating income	81,024	78,650	77,371	65,022
Income from continuing operations	3,004	1,107	25,576	24,288
Income from discontinued operations	14,981	12,879	137,632	47,987
Income before cumulative effect of change in accounting principle	17,985	13,986	163,208	72,275
Cumulative effect of change in accounting principle	(3,957)			
Net income	14,028	13,986	163,208	72,275
Earnings (loss) per common share basic:				
Income (loss) from continuing operations (net of income attributable to preferred stockholders)	\$ (0.18)	\$ (0.22)	\$ 0.01	\$ 0.02
Net income (loss) attributable to common stockholders	\$ (0.06)	\$ (0.08)	\$ 1.49	\$ 0.53
Earnings (loss) per common share diluted:				
Income (loss) from continuing operations (net of income attributable to preferred stockholders)	\$ (0.18)	\$ (0.22)	\$ 0.01	\$ 0.02
Net income (loss) attributable to common stockholders	\$ (0.06)	\$ (0.08)	\$ 1.48	\$ 0.53
Weighted average common shares outstanding	92,811	93,065	93,247	93,347
Weighted average common shares and common share equivalents outstanding	92,811	93,065	93,394	93,678

(1) Certain reclassifications have been made to 2005 and 2004 quarterly amounts to conform to the full year 2005 presentation, primarily related to treatment of discontinued operations.

Note 17 Business Segments

We have two reportable segments: real estate (owning and operating apartments) and investment management business (providing property management and other services relating to the apartment business to third parties and affiliates). We own and operate properties throughout the United States and Puerto Rico that generate rental and other property related income through the leasing of apartment units to a diverse base of residents. We separately evaluate the performance of each of our properties. However, because each of our properties has similar economic characteristics, the properties have been aggregated into a single apartment communities, or real estate, segment. All real estate revenues are from external customers and no revenues are generated from transactions with other segments. No single resident or related group of residents contributed 10% or more of total revenues during the years ended December 31, 2005, 2004 or 2003.

Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information*, or SFAS 131, requires that segment disclosures present the measure(s) used by the chief operating decision maker for purposes of assessing such segments performance. Our chief operating decision maker is

comprised of several members of our executive management team who use several generally accepted industry financial measures to assess the performance of the business including net operating income, free cash flow, funds from operations, and adjusted funds from operations. In 2005 and 2004, the chief operating decision maker emphasized net operating income as a key measurement of segment profit or loss. Accordingly, below we disclose net operating income for each of our segments. Net operating income is defined as segment revenues (after the elimination of intersegment revenues) less direct segment operating expenses. In 2003, we reported free cash flow as the primary basis for measurement of segment profit or loss. Certain reclassifications have been made to 2004 and 2003 amounts to conform to the 2005 presentation. These reclassifications primarily represent presentation changes related to discontinued operations.

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The following table presents revenues and net operating income for the years ended December 31, 2005, 2004 and 2003, from these segments, and reconciles net operating income of reportable segments to operating income as reported (in thousands):

	For the Years Ended December 31,		
	2005	2004	2003
Revenues:			
Real estate segment	\$ 1,459,646	\$ 1,308,815	\$ 1,249,716
Investment management segment:			
Gross revenues	141,649	144,304	141,942
Elimination of intersegment revenues	(79,772)	(77,042)	(83,752)
Net revenues after elimination	61,877	67,262	58,190
Total revenues of reportable segments	\$ 1,521,523	\$ 1,376,077	\$ 1,307,906
Net operating income:			
Real estate segment	\$ 754,141	\$ 676,303	\$ 696,234
Investment management segment	43,979	45,671	41,404
Total net operating income of reportable segments	798,120	721,974	737,638
Reconciliation of net operating income of reportable segments to operating income:			
Depreciation and amortization	(412,075)	(340,536)	(308,080)
General and administrative expenses	(92,918)	(77,501)	(48,357)
Other (expenses) income, net	6,314	(1,870)	6,952
Operating income	\$ 299,441	\$ 302,067	\$ 388,153

	December 31, 2005	December 31, 2004
(In thousands)		
ASSETS:		
Total assets for reportable segments(1)	\$ 9,644,320	\$ 9,707,005
Corporate and other assets	372,431	365,236
Total consolidated assets	\$ 10,016,751	\$ 10,072,241

(1) Total assets for reportable segments include assets associated with both the real estate and investment management business segments, as well as our investment in unconsolidated real estate partnerships.

Our capital expenditures primarily relate to the real estate segment and totaled \$443.9 million, \$301.9 million and \$245.5 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Note 18 Transactions with Affiliates

We earn revenue from affiliated real estate partnerships. These revenues include fees for property management services, partnership and asset management services, risk management services and transactional services such as syndication and acquisition, development, refinancing, construction supervisory and disposition. In addition, we are reimbursed for our costs in connection with the management of the unconsolidated real estate partnerships. These fees and reimbursements for the years ended December 31, 2005, 2004 and 2003 totaled \$73.6 million, \$89.6 million and \$93.1 million, respectively. The total accounts receivable due from affiliates was \$43.1 million, net of allowance for doubtful accounts of \$4.7 million, at December 31, 2005, and \$39.2 million, net of allowance for doubtful accounts of \$4.4 million, at December 31, 2004.

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Additionally, we earn interest income on notes from real estate partnerships in which we are the general partner and hold either par value or discounted notes. Interest income earned on par value notes from unconsolidated real estate partnerships totaled \$17.4 million, \$16.8 million, and \$14.3 million for the years ended December 31, 2005, 2004 and 2003, respectively. Accretion income earned on discounted notes from unconsolidated real estate partnerships totaled \$0.7 million, \$6.2 million, and \$2.7 million for the years ended December 31, 2005, 2004 and 2003, respectively. See Note 5 for additional information on notes receivable from unconsolidated real estate partnerships.

Note 19 Recent Accounting Developments

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, or SFAS 123R, which supersedes the existing SFAS 123, which we adopted in 2003 using the prospective method of transition as described therein. SFAS 123R requires all share-based employee compensation, including grants of employee stock options, to be recognized in the financial statements based on fair value and requires a modified prospective application method of adoption. Under this method, the provisions of SFAS 123R will be applied prospectively to new and modified awards granted on or after the required effective date. In addition, compensation cost is required to be recognized over the remaining vesting period for the unvested portion of outstanding awards granted prior to the effective date. The measurement and recognition provisions of SFAS 123R that apply to our stock option plans are similar to those currently being followed by us for awards granted on or after January 1, 2003. The primary change in expense recognition requirements, which also applies to our unvested restricted stock awards, relates to the treatment of forfeitures. Under SFAS 123R, expected forfeitures are required to be estimated in determining periodic compensation cost, whereas we currently recognize forfeitures as they occur. Upon adoption of SFAS 123R, we will estimate forfeitures of unvested awards of stock options and restricted stock and record a cumulative effect of a change in accounting principle to reflect the compensation expense that would not have been recognized in prior periods had forfeitures been estimated prior to the date of adoption. We are required to adopt SFAS 123R as of January 1, 2006. Upon adoption, our periodic compensation cost will increase over the remaining vesting period for stock options granted prior to January 1, 2003, for which no cost is currently being recognized. Based on preliminary estimates of such additional compensation cost, we do not anticipate that the adoption of SFAS 123R will have a material effect on our consolidated financial condition or results of operations.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, *Accounting Changes and Error Corrections*, or SFAS 154, which replaces APB Opinion No. 20 and Statement of Financial Accounting Standards No. 3, and changes the requirements for the accounting for and reporting of a change in accounting principle. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, although early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date SFAS 154 was issued. We do not anticipate that the adoption of SFAS 154 will have a material effect on our consolidated financial condition or results of operations.

As discussed under *Principles of Consolidation* in Note 2, we applied EITF 04-5 after June 29, 2005 to newly formed limited partnerships and to existing limited partnerships for which the partnership agreement was modified. EITF 04-5 is effective on January 1, 2006 for general partners in all other limited partnerships. We are analyzing the effects of EITF 04-5 on our investments in limited partnerships where we are a general partner and have tentatively identified certain unconsolidated partnerships that will be consolidated upon adoption of EITF 04-5. We plan to adopt EITF 04-5 using a transition method that does not involve retrospective application, but potentially involves an adjustment to opening retained earnings for the cumulative effect of the change in accounting principle. A charge to opening retained earnings will be required if we consolidate partnerships with deficits in partners' equity that we were not required to recognize using the equity method of accounting for our investments in such partnerships. After adoption, we may be required to recognize losses for deficit distributions to minority partners in newly consolidated partnerships that would not be recognized using the equity method. We have not yet fully determined the effects that the adoption of EITF 04-5 will have on our financial condition or results of operations, but we anticipate that it will result in consolidation of additional partnerships.

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Note 20 Subsequent Events

Redemption of Class Q Cumulative Preferred Stock

On February 17, 2006, we announced that we would redeem for cash all 2.53 million outstanding shares of 10.10% Class Q Cumulative Preferred Stock on March 19, 2006. The total redemption price of \$25.035 per share, or \$63.3 million, includes the redemption price of \$25.00 per share and \$0.035 per share of accumulated and unpaid dividends through March 19, 2006.

Sale of a Portion of the Flamingo South Beach Property

On February 17, 2006, we closed the sale of a portion of the Flamingo South Beach property known as the South Tower. The South Tower sale price was \$163.5 million and included 562 residential units and our rights to the property's marina. Additionally, the buyer paid non-refundable funds of \$5 million for the option to purchase the 614-unit North Tower for \$169 million between September 1, 2006 and February 28, 2007 (subject to the right to extend for up to six months subject to certain conditions), and the option to purchase the 513-unit Central Tower, along with the remainder of improvements on the property, for \$267.5 million between December 1, 2007 and May 31, 2008 (subject to the right to extend for up to four months subject to certain conditions and provided that the buyer has previously purchased the North Tower). The sales agreement also provides us with profit participation if certain thresholds are met. We will receive, through one of our taxable REIT subsidiaries, the first \$19.8 million in proceeds in the proposed condominium conversion after certain development fees and certain returns on the buyer's equity have been achieved, plus 20% of the buyer's net profits thereafter. At December 31, 2005, the South Tower had a net book value of approximately \$80 million and related property debt of approximately \$77 million.

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Schedule III
APARTMENT INVESTMENT AND MANAGEMENT COMPANY
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2005
(In Thousands Except Unit Data)

Property Type	(1) Date	Location	Year Built	Number of Units	(2) Initial Cost		(3) Cost Capitalized Subsequent to Acquisition		December 31, 2005		Accumulated Depreciation (AD)
					Land	Buildings and Improvements	Land	Buildings and Improvements	Buildings and Improvements Total		
High Rise	Dec-97	Oak Park, IL	1987	237	\$ 2,664	\$18,815	\$ 2,358	\$ 2,664	\$21,173	\$23,837	\$(5,830)
High Rise	Mar-05	New York, NY	1900	17	4,250	752	56	4,250	808	5,058	(30)
High Rise	May-04	New York, NY	1910	72	11,773	4,535	467	11,773	5,002	16,775	(275)
High Rise	Jan-04	New York, NY	1900	47	8,751	2,914	839	8,751	3,752	12,503	(238)
High Rise	Mar-05	New York, NY	1900	36	8,430	1,866	314	8,430	2,180	10,610	(75)
High Rise	Jul-04	New York, NY	1900	20	2,659	1,006	66	2,659	1,072	3,730	(69)
Mid-Rise	Mar-03	New York, NY	1904	34	5,635	1,609	224	5,635	1,833	7,468	(269)
High Rise	Mar-05	New York, NY	1900	40	6,319	2,224	281	6,319	2,505	8,825	(76)
High Rise	Jan-04	New York, NY	1900	13	1,966	608	160	1,966	767	2,734	(44)
High Rise	Jan-04	New York, NY	1900	20	3,137	1,002	156	3,137	1,157	4,295	(78)
High Rise	Mar-05	New York, NY	1900	36	6,230	2,168	228	6,230	2,396	8,626	(75)
Garden	Dec-97	Memphis, TN	1984	584	1,749	10,479	6,326	1,749	16,805	18,554	(6,841)
High Rise	Mar-02	Lombard, IL	1971	101	530	1,934	511	530	2,445	2,975	(347)
Garden	Nov-96	League City, TX	1985	264	1,155	7,172	2,425	1,155	9,598	10,753	(2,556)
High Rise	Mar-02	Pittston, PA	1981	121	670	2,240	232	670	2,472	3,142	(457)
Garden	Jul-00	Omaha, NE	1973	204	959	8,526	742	959	9,268	10,227	(4,289)
Garden	May-98	Deland, FL	1987	224	1,507	9,075	1,433	1,507	10,508	12,015	(3,372)
Garden	Oct-97	Tempe, AZ	1967	200	1,092	6,208	1,476	1,092	7,684	8,776	(2,497)
Garden	Dec-99	Battle Creek, MI	1981	586	2,732	16,325	5,768	2,732	22,093	24,825	(4,643)

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Garden	Dec-99	Battle Creek, MI	1987	76	496	3,555	328	496	3,883	4,378	(905)
Garden	Nov-96	Houston, TX	1972	360	1,760	9,325	7,899	1,760	17,224	18,984	(3,746)
Garden	Jul-00	Hermitage, TN	1972	350	1,797	14,451	4,176	1,797	18,627	20,424	(7,383)
Mid-Rise	Mar-02	Chicago, IL	1983	104	1,070	4,292	761	1,070	5,053	6,123	(626)
Garden	Mar-02	Corpus Christi, TX	1980	70	240	968	330	240	1,298	1,538	(256)
High Rise	Nov-04	Arvada, CO	1977	88	641	3,314	1,805	641	5,118	5,760	(139)
Garden	Dec-95	Atlanta, GA	1968	221	2,771	8,366	23,267	2,771	31,633	34,404	(6,284)
High Rise	Mar-02	East Moline, IL	1977	189	205	1,162	506	205	1,668	1,873	(244)
Garden	Mar-05	Jacksonville, FL	1974	356	918	9,171	7,226	918	16,397	17,315	(7,769)
Garden	Dec-97	Arvada, CO	1972	120	353	3,807	3,594	353	7,401	7,754	(3,031)
Garden	Oct-01	Richmond, VA	1979	232	2,428	7,874	823	2,428	8,697	11,125	(2,794)
High Rise	Oct-02	Newark, NJ	1920	60	362	2,887	510	362	3,397	3,758	(1,773)
High Rise	Oct-02	Newark, NJ	1920	56	363	2,818	414	363	3,232	3,595	(1,692)
Mid-Rise	Aug-98	Plantation, FL	1980	210	1,807	10,385	1,466	1,807	11,851	13,658	(3,344)
Garden	Oct-02	Naperville, IL	1984	320	1,812	16,911	1,249	1,812	18,160	19,972	(6,894)
Garden	Sep-00	Jackson, MI	1973	112	1,042	3,705	1,354	1,042	5,059	6,101	(1,489)
Mid-Rise	Apr-02	Jamaica, NY	1982	212	1,765	12,309	1,767	1,765	14,076	15,841	(3,028)
Mid-Rise	Oct-99	Parsippany ,NJ	1980	251	746	8,516	1,033	746	9,549	10,295	(4,716)
High Rise	Mar-02	Bangor, ME	1979	121	1,140	4,595	556	1,140	5,150	6,290	(530)
High Rise	Apr-01	Denver, CO	1920	117	3,525	9,045	690	3,525	9,734	13,259	(1,903)
Garden	Mar-02	Boise, ID	1978	66	275	1,102	235	275	1,337	1,612	(239)
Garden	Oct-99	Houston ,TX	1963	127	770	4,250	1,284	770	5,534	6,304	(1,444)
High Rise	Sep-04	Miami, FL	2000	471	22,680	41,847	1,630	22,680	43,476	66,156	(1,250)

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December 31, 2005											
Property	(1)		Year	Number of Units	(2)		(3)		Buildings and Land	Accumulated Depreciation	Total
	Date	Location			Initial Cost	Buildings and Land	Cost Capitalized Subsequent to Acquisition	Buildings and Land			
Type	Consolidated		Built		Land	Improvements	Land	Improvements			(Additions)
Investment	Jan-03	Nashua, NH	1984	412	3,352	39,831	783	3,352	40,614	43,966	(4,900)
Investment	Aug-02	Framingham, MA	1971	425	18,915	35,945	5,589	18,915	41,534	60,450	(5,400)
Investment	Oct-00	Indianapolis, IN	1978	202	1,411	5,139	1,264	1,411	6,403	7,814	(1,600)
Investment	Jun-05	San Francisco, CA	1976	146	241	19,548	708	241	20,256	20,498	(5,900)
Rise	Mar-02	Hillsdale, MI	1980	198	1,380	5,524	1,156	1,380	6,679	8,059	(1,100)
Investment	Apr-01	West Lafayette, IN	1968	252	5,460	5,291	1,887	5,460	7,178	12,638	(2,600)
Rise	Mar-02	Falmouth, KY	1979	48	230	919	139	230	1,057	1,287	(1,100)
Investment	May-99	Durham, NC	1986	345	2,222	12,641	2,278	2,222	14,918	17,140	(4,400)
Investment	Oct-00	Columbia, MD	1983	135	4,166	3,520	1,166	4,166	4,686	8,852	(1,000)
Investment	Jul-00	Marietta, GA	1972	326	11,298	2,363	28,672	11,298	31,034	42,332	(2,400)
Investment	May-98	Austin, TX	1978	146	1,096	6,423	755	1,096	7,178	8,274	(2,500)
Investment	Oct-02	Indianapolis, IN	1983	240	1,850	6,430	599	1,850	7,029	8,879	(1,500)
Investment	Sep-00	Indianapolis, IN	1985	96	1,767	3,379	1,021	1,767	4,400	6,168	(700)
Rise	Mar-02	New Haven, CT	1981	145	1,152	4,657	1,216	1,152	5,873	7,025	(900)
Rise	Oct-05	Columbus, OH	1972	64	666	6,203	11	666	6,214	6,881	(1,600)
Investment	Apr-02	Columbus, OH	1968	251	582	9,701	1,574	582	11,274	11,856	(4,900)
Rise	Mar-02	Dayton, OH	1980	230	1,813	6,411	11,404	1,813	17,815	19,629	(1,500)
Investment	Oct-05	Statesboro, GA	1973	42	23	1,187	2	23	1,189	1,212	(700)
Investment	Dec-98	Laffayette, IN	1982	181	979	5,556	1,492	979	7,048	8,027	(2,600)
Rise	Apr-01	Denver, CO	1890	158	3,447	20,589	1,159	3,447	21,748	25,194	(4,000)
Investment	Jul-94	Boulder, CO	1972	221	755	7,730	15,896	755	23,626	24,381	(8,600)
Investment	May-98	San Antonio, TX	1982	396	3,135	17,813	2,331	3,135	20,144	23,280	(6,600)
Investment	Jul-94	St. Petersburg, FL	1971	477	1,437	12,725	3,586	1,437	16,310	17,747	(10,000)
Investment	Oct-97	Houston, TX	1984	84	337	1,976	848	337	2,823	3,160	(1,000)
Investment	Oct-98	Daytona Beach, FL	1985	208	1,008	5,507	2,022	1,008	7,530	8,537	(2,300)
Investment	Nov-96	Lake Jackson, TX	1980	104	592	2,741	1,253	592	3,993	4,585	(1,200)
Investment	Oct-00	Lansing, MI	1974	308	3,146	9,586	1,999	3,146	11,585	14,731	(2,900)
Investment	Oct-99	Houston, TX	1970	380	2,459	13,868	1,936	2,459	15,804	18,264	(4,300)
Investment	Oct-99	Houston, TX	1970	351	2,033	11,855	2,524	2,033	14,379	16,412	(3,600)
Investment	Nov-96	Tomball, TX	1978	206	969	5,976	2,490	969	8,466	9,435	(1,800)

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n	Jan-00	Marietta, GA	1987	320	2,084	13,212	2,241	2,084	15,454	17,537	(6,6
n	Mar-02	Los Angeles, CA	1990	280	27,603	41,244	2,832	27,603	44,077	71,679	(4,9
n	Dec-97	Colorado Springs, CO	1974	200	460	2,917	10,389	460	13,307	13,766	(2,4
n	May-98	Austin, TX	1984	200	1,370	8,361	980	1,370	9,341	10,712	(2,8
n	May-98	Arlington Heights, IL	1985	182	2,245	12,936	1,409	2,245	14,345	16,590	(4,9
n	May-98	Naperville, IL	1990	200	2,709	15,346	1,223	2,709	16,568	19,277	(5,4
n	Apr-01	Indianapolis, IN	1967	476	4,546	9,136	3,248	4,546	12,385	16,931	(3,4
n	Mar-01	Burke, VA	1986	360	4,689	22,607	2,446	4,689	25,053	29,742	(6,0
Rise	Jun-04	Clearlake, CA	2003	80	1,545	9,405	396	1,545	9,801	11,346	(1,0
Rise	Dec-98	Minneapolis, MN	1928/1998	332	11,708	73,334	40,607	11,708	113,941	125,649	(21,8
Rise	Oct-02	Washington, D.C.	1978	170	750	6,719	474	750	7,193	7,943	(1,7
n	Dec-99	Fort Wayne, IN	1979	1,989	13,659	73,115	17,233	13,659	90,348	104,007	(23,9
n	Jan-03	Littleton, CO	1966	90	1,306	6,092	485	1,306	6,577	7,883	(1,7
n	Mar-02	Saugus, CA	1984	130	7,300	6,602	1,001	7,300	7,603	14,903	(1,2
n	May-98	San Antonio, TX	1985	212	1,307	7,012	769	1,307	7,781	9,089	(2,4
n	Dec-96	Tampa, FL	1973	357	1,600	6,870	11,202	1,600	18,072	19,672	(5,5
n	Jul-00	East Lansing, MI	1972	143	810	8,890	1,430	810	10,319	11,129	(3,7
n	Mar-02	Los Angeles, CA	1982	88	1,800	4,143	97	1,800	4,241	6,041	(6
Rise	May-04	Bristol, MA	1974	240	15,239	7,850	1,956	15,239	9,806	25,045	(5
Rise	Mar-02	St. Louis, MO	1983	209	1,710	6,896	2,237	1,710	9,133	10,843	(1,4
n	Mar-02	Davenport, IA	1980	96	585	2,351	816	585	3,167	3,752	(5

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Garden	Jun-98	Bradenton, FL	1986	166	1,121	6,360	1,336	1,121	7,696	8,817	(2,124)
Garden	Oct-99	Towson, MD	1966	383	2,329	19,680	4,538	2,329	24,218	26,547	(11,389)
Mid-Rise	Sep-03	New York, NY	1880	70	35,489	9,499	1,765	35,489	11,264	46,753	(1,477)
Garden	Oct-02	North Charleston, SC	1986	192	730	7,420	305	730	7,725	8,455	(3,199)
Garden	Jan-00	Tampa, FL	1978	463	1,570	13,518	2,334	1,570	15,851	17,421	(6,250)
Garden	Dec-96	Katy, TX	1982	316	1,742	7,010	2,873	1,742	9,883	11,625	(4,002)
Garden	Oct-02	Richmond, VA	1987	192	1,039	8,842	931	1,039	9,773	10,812	(3,549)
Garden	Nov-96	Houston, TX	1983	196	940	7,900	1,357	940	9,257	10,197	(2,314)
Garden	Oct-05	The Woodlands, TX	1981	150	512	5,393		512	5,393	5,906	(2,224)
Garden	Jul-94	Las Vegas, NV	1983	670	3,190	12,589	6,389	3,190	18,978	22,168	(9,573)
Garden	Mar-04	Quincy, IL	1976	200	676	5,715	4,526	676	10,241	10,917	(1,269)
Garden	Jul-94	Amarillo, TX	1984	282	1,049	5,691	2,663	1,049	8,354	9,403	(3,410)
Garden	May-98	Greeley, CO	1986	288	2,848	16,160	1,464	2,848	17,624	20,472	(5,738)
Garden	Apr-01	Naperville, IL	1982	240	8,512	10,832	1,604	8,512	12,436	20,948	(2,833)
Garden	May-97	Naperville, IL	1986	400	5,165	29,430	2,844	5,165	32,273	37,439	(9,231)
Garden	May-98	Fort Collins, CO	1986	248	2,727	15,459	1,279	2,727	16,738	19,465	(5,256)
Garden	Nov-96	Houston, TX	1983	270	700	5,072	2,842	700	7,914	8,614	(2,436)
Garden	Oct-05	Dallas, TX	1984	180	1,983	11,730	19	1,983	11,749	13,732	(4,630)
Garden	Jan-00	Denver, CO	1974	328	1,702	13,694	1,255	1,702	14,949	16,651	(5,337)
Garden	Mar-02	Simi Valley, CA	1985	397	24,595	18,818	2,770	24,595	21,588	46,183	(3,784)
Garden	Mar-02	Loveland, CO	1983	50	350	1,401	274	350	1,675	2,025	(283)
Garden	Mar-02	Stroudsburg, PA	1982	80	400	1,610	241	400	1,851	2,251	(291)
Mid-Rise	Mar-02	West Hollywood, CA	1982	130	15,382	10,215	983	15,382	11,198	26,580	(1,876)
Garden	Mar-04	Trenton, TN	1982	38	42	1,394	14	42	1,407	1,450	(67)
Garden	May-98	Nashville, TN	1985	300	2,588	14,954	2,514	2,588	17,468	20,057	(5,763)

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December 31, 2005											
Property	(1) Date	Location	Year Built	Number of Units	(2) Initial Cost		(3) Cost Capitalized Subsequent to		Buildings and Improvements Total	Accumulated Depreciation (Add)	
					Buildings and Improvements	Land	Buildings and Improvements	Land			
					Land	Improvements	Land	Improvements			
Use	May-98	Phoenix, AZ	1982	316	2,180	12,661	1,869	2,180	14,530	16,710	(4,9
	Nov-96	League City, TX	1984	176	939	5,831	1,363	939	7,194	8,133	(1,9
	Dec-96	Savannah, GA	1984	200	1,083	5,696	1,986	1,083	7,682	8,765	(2,5
	Mar-02	Gadsden, AL	1979	101	540	2,178	995	540	3,173	3,713	(5
	Apr-00	Plainsboro, NJ	1975	288	2,215	16,804	2,490	2,215	19,294	21,509	(7,0
	Oct-02	Blue Ash, OH	1985	336	4,365	13,517	631	4,365	14,147	18,512	(4,6
	Oct-00	Indianapolis, IN	1979	372	3,175	10,426	1,809	3,175	12,235	15,411	(3,1
Use	Apr-01	Jacksonville, FL	1989	256	3,476	6,690	1,361	3,476	8,051	11,527	(1,9
	Mar-02	Jackson, MS	1983	104	575	2,304	1,107	575	3,412	3,987	(4
	Mar-02	North Hollywood, CA	1984	17	394	1,579	87	394	1,665	2,060	(2
	Dec-97	Temple Terrace, FL	1967	252	2,095	3,943	10,865	2,095	14,808	16,904	(4,2
Use	Aug-99	Altamonte Springs, FL	1979	234	1,666	9,353	2,206	1,666	11,559	13,225	(3,5
	Oct-99	Indian Harbor, FL	1963	200	1,200	5,740	1,143	1,200	6,882	8,082	(3,5
	Jul-94	Dunwoody, GA	1980	318	1,838	10,513	3,937	1,838	14,450	16,287	(5,7
	May-98	San Antonio, TX	1973	226	1,053	5,981	1,032	1,053	7,013	8,066	(2,9
	Use	Mar-02	Fort Wayne, IN	1980	167	800	3,203	132	800	3,335	4,135
Use	Mar-02	East Haven, CT	1981	241	2,800	11,188	1,573	2,800	12,761	15,561	(1,7
Use	Nov-96	Houston, TX	1983	146	1,070	9,790	1,092	1,070	10,883	11,953	(3,4
	Mar-02	West Warwick, RI	1978	100	550	2,294	1,013	550	3,306	3,856	(5
	Dec-97	Elmhurst, IL	1986	372	5,534	30,830	9,418	5,534	40,249	45,782	(8,4
	Oct-99	Columbia, SC	1971	323	1,122	9,666	1,599	1,122	11,265	12,388	(5,0
	Dec-97	Evanston, IL	1988	189	3,232	25,546	1,368	3,232	26,914	30,146	(6,4
	Jan-01	Dearborn, MI	1973	244	6,480	11,177	3,888	6,480	15,065	21,545	(3,9
	Jan-00	Plano, TX	1978	256	3,078	5,199	2,721	3,078	7,919	10,997	(3,2
	Oct-99	Baton Rouge, LA	1981	204	1,264	8,927	212	1,264	9,139	10,403	(4,1
	Jul-94	Chandler, AZ	1986	352	1,830	15,738	4,963	1,830	20,702	22,532	(8,0
	May-98	Marietta, GA	1987	720	6,568	37,283	4,508	6,568	41,792	48,360	(14,1

	May-98	Austin, TX	1986	344	2,645	15,011	9,307	2,645	24,318	26,963	(7,2
se	Oct-00	Darien, IL	1975	240	11,763	15,174	1,964	11,763	17,139	28,902	(2,9
	Mar-01	Phoenix, AZ	1970	219	2,078	13,752	1,141	2,078	14,893	16,972	(2,7
	Oct-98	Jacksonville, FL	1982	240	1,331	7,617	1,564	1,331	9,181	10,512	(2,8
	Dec-97	Bradenton, FL	1984	200	1,276	7,170	1,684	1,276	8,854	10,131	(2,7
	Sep-98	Temple Terrace, FL	1986	256	1,643	9,446	2,468	1,643	11,914	13,557	(3,4
	Nov-96	Clute, TX	1981	360	1,257	7,584	3,208	1,257	10,792	12,049	(3,5
se	Sep-97	Miami Beach, FL	1960/2005	1,688	48,000	76,799	258,106	48,000	334,904	382,905	(50,8
	Jul-00	Salt Lake City, UT	1973	450	3,865	21,817	3,620	3,865	25,437	29,303	(9,1
	Jan-03	Waukegan, IL	1974	245	2,129	12,316	228	2,129	12,545	14,674	(1,3
	Jan-00	Plainsboro, NJ	1973	776	7,119	48,588	10,056	7,119	58,644	65,763	(19,1
	Mar-02	Orange, TX	1983	70	420	1,993	206	420	2,199	2,619	(3
	Dec-97	Alexandria, VA	1947	2,113	15,419	96,062	15,877	15,419	111,939	127,359	(36,3
	Oct-97	Tempe, AZ	1976	487	2,458	13,927	5,030	2,458	18,957	21,415	(6,5
	Jul-94	Carrollton, TX	1982	274	1,125	6,083	3,255	1,125	9,338	10,463	(3,4
	May-98	Franklin, TN	1987	468	3,936	22,832	7,668	3,936	30,501	34,437	(9,0
	Oct-97	Jacksonville, FL	1988	352	2,289	12,982	2,051	2,289	15,033	17,322	(4,8
se	Mar-02	Hyattsville, MD	1979	151	970	3,887	669	970	4,557	5,527	(9
se	Mar-02	Gary, IN	1980	198	1,090	4,370	696	1,090	5,066	6,156	(7
	Mar-04	Clinton, TN	1981	80	266	2,225	195	266	2,421	2,687	(6
	Mar-04	Hillsborough, NC	1980	64	433	1,666	125	433	1,791	2,224	(3
	Aug-02	Framingham, MA	1964	207	12,351	13,168	885	12,351	14,053	26,404	(2,0
se	Mar-02	Ranger, TX	1984	50	325	1,334	741	325	2,075	2,400	(2
se	Oct-02	New York, NY	1980	205	1,009	7,876	1,568	1,009	9,445	10,454	(2,2

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Property Type	(1) Date	Location	Year Built	Number of Units	(2) Initial Cost		(3) Cost Capitalized Subsequent to Acquisition		December 31, 2005		
					Buildings and Improvements		Buildings and Improvements		Buildings and Improvements Total	Accumulated Depreciation	(AD)
					Land	Improvements	Land	Improvements			
Apartment	Sep-03	Cincinnati, OH	1978	290	1,023	17,618	11,564	1,023	29,182	30,205	(3,582)
Apartment	Apr-00	Little Rock, AR	1985	154	753	5,938	478	753	6,416	7,170	(2,596)
Apartment	Jan-00	Ft. Collins, CO	1982	188	1,116	9,089	867	1,116	9,956	11,072	(3,589)
Mid-Rise	Aug-02	Framingham, MA	1958	72	4,577	4,058	324	4,577	4,381	8,958	(861)
Apartment	Dec-99	Columbia, MD	1974	325	2,715	16,771	3,120	2,715	19,891	22,606	(4,450)
Apartment	Jul-94	Chandler, AZ	2000	324	2,303	713	27,294	2,303	28,007	30,310	(3,981)
Apartment	Jan-00	Phoenix, AZ	1985	336	2,196	13,969	1,415	2,196	15,383	17,579	(6,090)
Apartment	Dec-96	Carrollton, TX	1983	365	1,873	9,848	4,039	1,873	13,887	15,760	(4,292)
Apartment	Mar-02	North Hollywood, CA	1983	30	1,010	1,691	111	1,010	1,802	2,812	(287)
Apartment	Oct-02	Dallas, TX	1986	309	1,731	9,896	866	1,731	10,762	12,493	(4,460)
Apartment	Nov-96	Houston, TX	1984	332	1,311	7,122	3,011	1,311	10,133	11,444	(3,228)
Apartment	Mar-04	Maineville, OH	1985	24	266	1,180	288	266	1,468	1,733	(331)
Apartment	Mar-04	Maineville, OH	1985	48	384	1,330	216	384	1,547	1,931	(53)
Apartment	Sep-00	Plantation, FL	1988	280	9,776	10,643	2,017	9,776	12,660	22,436	(3,062)
Apartment	Mar-01	Melbourne, FL	1987	162	4,108	3,563	1,444	4,108	5,007	9,115	(1,573)
Apartment	Dec-97	Rochester, NY	1968	114	475	2,786	905	475	3,691	4,166	(1,277)
Apartment	Nov-96	Houston, TX	1984	176	934	5,021	2,366	934	7,386	8,320	(1,723)
Apartment	May-98	Phoenix, AZ	1983	252	1,610	9,141	1,278	1,610	10,419	12,030	(3,699)
Apartment	Dec-00	Arlington, TX	1982	180	785	4,900	527	785	5,427	6,212	(2,101)
Apartment	Mar-02	Hemet, CA	1983	80	700	2,802	341	700	3,143	3,843	(533)
Apartment	Jan-01	Alta Loma, CA	1986	232	1,200	6,428	2,196	1,200	8,625	9,825	(1,716)
Apartment	Oct-00	Escondido, CA	1986	196	1,009	7,314	440	1,009	7,754	8,763	(2,817)
Apartment	Oct-00	Livermore, CA	1988	167	829	8,977	737	829	9,714	10,543	(2,329)
Apartment	Mar-01	Montclair, CA	1985	144	690	4,149	474	690	4,623	5,312	(960)

arden	Mar-02	Texas City, TX	1983	50	668	859	278	668	1,137	1,804	(198)
arden	Oct-00	Anaheim, CA	1986	196	1,779	8,232	717	1,779	8,949	10,728	(3,172)
arden	Apr-00	Mt. Pleasant, SC	1983	240	1,460	8,886	4,997	1,460	13,884	15,344	(2,241)
arden	Jul-98	Escondido, CA	1985	334	3,043	17,615	3,899	3,043	21,514	24,557	(6,212)
arden	Apr-00	Belleville, MI	1976	120	433	5,166	760	433	5,926	6,360	(3,268)
arden	Oct-02	Melbourne, FL	1985	216	984	8,050	628	984	8,678	9,662	(1,571)
arden	May-98	Tampa, FL	1983	267	1,361	7,765	1,866	1,361	9,631	10,993	(2,981)
arden	Oct-97	East Lansing, MI	1966	261	1,470	8,340	2,556	1,470	10,895	12,365	(3,584)
own Home	Jan-03	Woodridge, IL	1968	176	3,181	13,126	552	3,181	13,678	16,859	(3,842)
arden	Dec-96	Fort Worth, TX	1985	500	6,248	9,246	4,573	6,248	13,820	20,067	(4,953)
arden	Sep-04	Atlanta, GA	1984	219	1,357	6,778	4,146	1,357	10,924	12,281	(2,248)
igh Rise	Mar-02	Huntington, WV	1977	133	550	2,204	458	550	2,663	3,213	(351)
arden	Mar-02	Los Angeles, CA	1989	315	33,755	47,216	3,258	33,755	50,474	84,230	(6,067)
arden	Nov-94	Nashville, TN	1985	288	2,872	16,069	10,154	2,872	26,223	29,095	(12,390)
arden	Oct-97	Austin, TX	1983	327	1,367	7,764	11,713	1,367	19,478	20,845	(4,419)
arden	Apr-05	East Lansing, MI	1986	168	750	8,079	288	750	8,366	9,116	(2,780)
id-Rise	Sep-03	Baltimore, MD	1979	165	857	4,207	690	857	4,896	5,753	(2,433)
arden	Mar-02	Pasadena, CA	1983	41	914	1,548	132	914	1,680	2,595	(292)
arden	Sep-00	Gaithersburg, MD	1986	336	17,859	13,149	1				