

APARTMENT INVESTMENT & MANAGEMENT CO

Form 10-K

February 23, 2012

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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, 2011

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)

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Maryland
(State or other jurisdiction of
incorporation or organization)

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

4582 South Ulster Street, Suite 1100

Denver, Colorado
(Address of principal executive offices)

80237
(Zip Code)

(303) 757-8101

Registrant's Telephone Number, Including Area Code:

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 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

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, non-accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

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The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was approximately \$3.0 billion as of June 30, 2011. As of February 21, 2012, there were 121,143,631 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 April 30, 2012, are incorporated by reference into Part III of this Annual Report.

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY

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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 contains or may contain information that is forward-looking within the meaning of the federal securities laws, including, without limitation, statements regarding our ability to maintain current or meet projected occupancy, rental rates and property operating results and the effect of acquisitions and redevelopments. Actual results may differ materially from those described in these forward-looking statements and, in addition, will be affected by a variety of risks and factors, some of which are beyond our control, including, without limitation: financing risks, including the availability and cost of financing and the risk that our cash flows from operations may be insufficient to meet required payments of principal and interest; earnings may not be sufficient to maintain compliance with debt covenants; real estate risks, including fluctuations in real estate values and the general economic climate in the markets in which we operate and competition for residents in such markets; national and local economic conditions, including the pace of job growth and the level of unemployment; the terms of governmental regulations that affect us and interpretations of those regulations; the competitive environment in which we operate; the timing of acquisitions and dispositions; insurance risk, including the cost of insurance; natural disasters and severe weather such as hurricanes; litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; energy costs; 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 ownership and operation of a diversified portfolio of apartment properties.

Through our wholly-owned subsidiaries, AIMCO-GP, Inc. and AIMCO-LP Trust, we own a majority of the ownership interests in AIMCO Properties, L.P., which we refer to as 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 are referred to as OP Units. OP Units include common partnership units, high performance partnership units and partnership preferred units, which we refer to as common OP Units, HPUs and preferred OP Units, respectively. We also refer to HPUs as common OP Unit equivalents. At December 31, 2011, after eliminations for units held by consolidated entities, the Aimco Operating Partnership had 129,153,692 common OP Units and equivalents outstanding. At December 31, 2011 we owned 120,916,294 of the common OP Units (93.6% of the common OP Units and equivalents of the Aimco Operating Partnership) and we had outstanding an equal number of shares of our Common Stock.

As of December 31, 2011, our portfolio of owned and/or managed properties consists of 518 properties with 93,694 apartment 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. 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.

Business Overview

Our business activities are defined by a commitment to our core values of integrity, respect, collaboration, performance culture and a focus on our customers. These values and our corporate mission, to consistently provide quality apartment homes in a respectful environment delivered by a team of people who care, continually shape our culture. In all our dealings with residents, team members, business partners and stockholders, we aim to be the best owner and operator of apartment communities and an outstanding corporate citizen.

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Our principal financial objective is to provide predictable and attractive returns to our stockholders. Our business plan to achieve this objective is to:

operate our nationwide portfolio of desirable apartment homes with valued amenities and consistent customer service in an efficient manner that realizes the benefits of our local management expertise;

improve our diversified portfolio of apartments averaging B/B+ in quality (defined under the Portfolio Management heading below) with properties concentrated in the largest markets in the United States (also defined under the Portfolio Management heading below) by selling properties with lower projected returns and reinvesting those proceeds through the purchase of other properties or additional investment in properties already in our portfolio, including increased ownership or redevelopment; and

provide financial leverage primarily by the use of non-recourse, long-dated, fixed-rate property debt and perpetual preferred equity, a combination which helps to limit our refunding and re-pricing risk and provides a hedge against increases in interest rates, capitalization rates and inflation.

Our business is organized around two core activities: Property Operations and Portfolio Management. We continue to simplify our business, including winding down the portion of our business that generates transaction-based activity fees and reducing the personnel and related costs involved in those activities. Our core activities, along with our leverage strategy, are described in more detail below.

Property Operations

Our owned real estate portfolio is comprised of two business components: conventional and affordable property operations, which also comprise our reportable segments. Our conventional property operations consist of market-rate apartments with rents paid by the resident and included 198 properties with 62,834 units in which we held an average ownership of 93% as of December 31, 2011. Our affordable property operations consist of apartments with rents that are generally paid, in whole or part, by a government agency and consisted of 172 properties with 20,612 units in which we held an average ownership of 59% as of December 31, 2011. Affordable properties tend to have relatively more stable rents and higher occupancy due to government rent payments and thus are much less affected by market fluctuations. Our conventional and affordable properties generated 87% and 13%, respectively, of our proportionate property net operating income (as defined in Item 7) during the year ended December 31, 2011. For the three months ended December 31, 2011, our conventional portfolio monthly rents averaged \$1,143 and provided 64% operating margins. These average rents increased about 9% from average rents of \$1,049 for the three months ended December 31, 2010, approximately half of which resulted from rent growth and approximately half from the sale of properties with lower average rents.

Our property operations currently are organized into two geographic areas, the West and East (as described in Item 2). To manage our nationwide portfolio more efficiently and to increase the benefits from our local management expertise, we have given direct responsibility for operations within each area to an area operations leader with regular senior management reviews. To enable the area operations leaders to focus on sales and service, as well as to improve financial control and budgeting, we have dedicated an area financial officer to support each area operations leader, and with the exception of routine maintenance, our specialized Construction Services group manages all on-site capital spending, thus reducing the need for the area operations leaders to spend time on oversight of construction projects.

We seek to improve our property operations by: employing service-oriented, well-trained employees; upgrading systems; standardizing business processes, 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 focused on our residents. 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 operational performance.

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Resident Selection and Retention. In apartment properties, neighbors are a meaningful part of the product, together with the location of the property and the physical quality of the apartment units. Part of our property 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.

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Revenue Management. For our conventional properties, we have a centralized revenue management system that leverages people, processes and technology to work in partnership with our area operational management teams to develop rental rate pricing. We seek to increase revenue and net operating income by optimizing the balance between rental and occupancy rates, as well as taking into consideration the cost of preparing an apartment unit for a new tenant. We are also focused on careful measurements 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, as well as the automation of certain aspects of on-site operations, to enable our on-site employees to focus more of their time on customer service. We have standardized policies for new and renewal pricing with timely data and analyses by floor-plan, thereby enabling us to respond quickly to changing supply and demand for our product and maximize rental revenue.

Controlling Expenses. Cost controls are accomplished by local focus at the area level; taking advantage of economies of scale at the corporate level; and through electronic procurement.

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.

Maintaining and Improving Property Quality. 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 2011, for properties included in continuing operations, we invested \$83.3 million, or \$1,077 per owned apartment unit, in Capital Replacements, which represent the share of additions that are deemed to replace the consumed portion of acquired capital assets. Additionally, for properties included in continuing operations, we invested \$72.7 million, or \$939 per owned apartment unit, in Capital Improvements, which are non-redevelopment capital additions that are made to enhance the value, profitability or useful life of an asset from its original purchase condition.

Portfolio Management

Portfolio management involves the ongoing allocation of investment capital to meet our geographic and product type goals. We target geographic balance in Aimco's diversified portfolio in order to optimize risk-adjusted returns and to avoid the risk of undue concentration in any particular market. We also seek to balance the portfolio by product type, with both high quality properties in excellent locations and also high land value properties that support redevelopment activities.

Our geographic allocation strategy focuses on the largest markets in the United States (as measured by total apartment value, which is the estimated total market value of apartment properties in a particular market) to reduce volatility in and our dependence on particular areas of the country. We believe these markets are deep, relatively liquid and possess desirable long-term growth characteristics. They are primarily coastal markets, and also include several Sun Belt cities and Chicago, Illinois. We may also invest in other markets on an opportunistic basis. We expect that increased geographic focus will also add to our investment knowledge and increase operating efficiencies based on local economies of scale.

Our portfolio strategy also focuses on asset type and quality. Our target allocation of capital to conventional properties is approximately 90% of our Net Asset Value, which is the estimated fair value of our assets, net of liabilities and preferred equity, with the balance of the allocation to affordable properties. For conventional properties, we focus on the ownership of primarily B/B+ properties. We measure conventional property quality based on average rents of our units compared to local market average rents as reported by a third-party provider of commercial real estate performance and analysis, with A-quality properties earning rents greater than 125% of local market average, B-quality properties earning rents 90% to 125% of local market average and C-quality properties earning rents less than 90% of local market average. We classify as B/B+ those properties earning rents ranging from 100% to 125% of local market average. Although some companies and analysts within the multifamily real estate industry use property class ratings of A, B and C, some of which are tied to local market rent averages, the metrics used to classify property quality as well as the timing for which local market rents are calculated may vary from company to company. Accordingly, our rating system for measuring property quality is neither broadly nor consistently used in the multifamily real estate industry.

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Portfolio management involves strategic portfolio and capital allocation decisions such as transactions to buy or sell properties, or modify our ownership interest in properties, including the use of partnerships and joint ventures, or to increase our investment in existing properties through redevelopment. We generally seek to sell properties with lower projected returns, which are often in markets less desirable than our target markets, and reinvest those proceeds through the purchase of other properties or additional investment in properties already in our portfolio. The purpose of these transactions is to adjust our investments to reflect decisions regarding target allocations to geographic markets and between conventional and affordable properties.

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 lower financial risk, in less time and with reduced delays associated with governmental permits and authorizations. We believe redevelopment also provides superior risk adjusted returns with lower volatility compared to ground-up development. Redevelopment work may also include seeking entitlements from local governments, which enhance the value of our existing portfolio by increasing density, that is, the right to add residential units to a site. We have historically undertaken a range of redevelopment projects: from those in which a substantial number of all available units are vacated for significant renovations to the property, to those in which 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 to oversee these projects.

During 2011, we increased our allocation of capital to our target markets by acquiring for \$63.9 million interests in five properties in coastal California, disposing of 25 conventional properties located outside of our target markets or in less desirable locations within our target markets, investing \$33.3 million in redevelopment of conventional properties included in continuing operations, and acquiring for \$22.3 million the noncontrolling interests in 15 conventional properties owned by our consolidated partnerships. As of December 31, 2011, our conventional portfolio included 198 properties with 62,834 units in 33 markets. As of December 31, 2011, conventional properties comprised 90% of our Net Asset Value and conventional properties in our target markets comprised 90% of the Net Asset Value attributable to our conventional properties. Our top five markets by net operating income contribution include the metropolitan areas of Washington, D.C.; Los Angeles, California; Boston, Massachusetts; Philadelphia, Pennsylvania; and Chicago, Illinois.

As with conventional properties, we also seek to dispose of affordable properties that are inconsistent with our long-term investment and operating strategies. During 2011, we sold 35 properties from our affordable portfolio. As of December 31, 2011, our affordable portfolio included 172 properties with 20,612 units and our affordable properties comprised 10% of our Net Asset Value.

Leverage Strategy

Our leverage strategy seeks to balance increasing financial returns with the risks inherent with leverage. At December 31, 2011, approximately 86% of our leverage consisted of property-level, non-recourse, long-dated, fixed-rate, amortizing debt and 14% consisted of perpetual preferred equity, a combination which helps to limit our refunding and re-pricing risk. At December 31, 2011, we had no outstanding corporate level debt.

Our leverage strategy limits refunding risk on our property-level debt. At December 31, 2011, the weighted average maturity of our property-level debt was 8.0 years, with 3.7% of our unpaid principal balance maturing in 2012 (of which 32% has been rate-locked and 40% has been extended by two years in connection with our refinancing activity), and on average 5.7% of our unpaid principal balance maturing per year from 2013 through 2016. Long duration, fixed-rate liabilities provide a hedge against increases in interest rates, capitalization rates and inflation. Approximately 96% of our property-level debt is fixed-rate.

During 2011, we expanded our revolving credit facility from \$300.0 million to \$500.0 million, providing additional liquidity for short-term or unexpected cash requirements. As of December 31, 2011, we had the capacity to borrow \$469.5 million pursuant to our revolving credit facility, net of \$30.5 million for undrawn letters of credit backed by the revolving credit facility. The revolving credit facility matures in December 2014, and may be extended for two additional one-year periods, subject to certain conditions.

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 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

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breadth of services. The number of competitive properties relative to demand in a particular area has a material effect on our ability to lease apartment units at our properties and on the rents we charge. In certain markets there exists an oversupply of single family homes and condominiums and a reduction of households, both of which affect the pricing and occupancy of our rental apartments.

We also compete with other real estate investors, including other apartment REITs, pension and investment funds, partnerships and investment companies in acquiring, redeveloping, managing, obtaining financing for and disposing of 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; finance or refinance properties in our portfolio and the cost of such financing; and dispose of properties we no longer desire to retain in our portfolio and the timing and price for which we dispose of such properties.

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 relate 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 an 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. In addition, we could also be subject to the alternative minimum tax, or AMT, on our items of tax preference. The state and local tax laws may not conform to the United States Federal income tax treatment. Any taxes imposed on us reduce our operating cash flow and net income.

Certain of our operations or a portion thereof, including property management, asset management and risk management 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 TRS entities to facilitate our ability to offer certain services and activities to our residents and investment partners that cannot be offered directly by a REIT. We also use TRS entities to hold investments in certain properties.

The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 extends the 2001 and 2003 tax rates for taxpayers that are taxable as individuals, trusts and estates through 2012, including the maximum 35% tax rate on ordinary income and the maximum 15% tax rate for long-term capital gains and qualified dividend income. Dividends paid by REITs will generally not constitute qualified dividend income eligible for the 15% tax rate for stockholders that are taxable as individuals, trusts and estates and will generally be taxable at the higher ordinary income tax rates.

Regulation

General

Apartment properties and their owners are subject to various laws, ordinances and regulations, including those related to real estate broker licensing and 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, such as legislation that has been considered in New York, or other laws regulating multifamily housing may reduce rental revenue or increase operating costs in particular markets.

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Dodd-Frank Wall Street Reform and Consumer Protection Act

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Act, was signed into federal law. The provisions of the Act include new regulations for over-the-counter derivatives and substantially increased regulation and risk of liability for credit rating agencies, all of which could increase our cost of capital. The Act also includes provisions concerning corporate governance and executive compensation which, among other things, require additional executive compensation disclosures and enhanced independence requirements for board compensation committees and related advisors, as well as provide explicit authority for the Securities and Exchange Commission to adopt proxy access, all of which could result in additional expenses in order to maintain compliance. The Act is wide-ranging, and the provisions are broad with significant discretion given to the many and varied agencies tasked with adopting and implementing the Act. The majority of the provisions of the Act do not go into effect immediately and may be adopted and implemented over many months or years. As such, we cannot predict the full impact of the Act on our 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 potentially hazardous materials present on a property. These materials may include lead-based paint, asbestos, polychlorinated biphenyls, and petroleum-based fuels, among other miscellaneous materials. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such materials. 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. These and other risks related to environmental matters are described in more detail in Item 1A, Risk Factors.

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, terrorism and other perils, and adequately insure us against other risk. Our coverage includes deductibles, retentions and limits that are customary in the industry. We have established loss prevention, loss mitigation, claims handling and litigation management procedures to manage our exposure.

Employees

At December 31, 2011, we had approximately 2,640 employees, of which approximately 1,970 were at the property level, performing various on-site functions, with the balance managing corporate and area operations, including investment and debt transactions, legal, financial reporting, accounting, information systems, human resources and other support functions. As of December 31, 2011, unions represented approximately 100 of our employees. We have never experienced a work stoppage and believe we maintain satisfactory relations with our employees.

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 2011, our chief executive officer submitted his annual corporate governance listing standards certification to the New York Stock Exchange, which certification was unqualified.

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.

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

We are 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 and other collateral securing such debt, which would result in loss of income and asset value to us. As of December 31, 2011, substantially all of the properties that we owned or controlled were encumbered by debt. 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.

Disruptions in the financial markets could affect our ability to obtain financing and the cost of available financing and could adversely affect our liquidity.

Our ability to obtain financing and the cost of such financing depends on the overall condition of the United States credit markets. In recent years, the United States credit markets (outside of multi-family) experienced significant liquidity disruptions, which caused the spreads on debt financings to widen considerably and made obtaining financing, both non-recourse property debt and corporate borrowings, such as our revolving credit facility, more difficult. Additionally, Federal Home Loan Mortgage Corporation, or Freddie Mac, and Federal National Mortgage Association, or Fannie Mae, have historically provided significant capital in the secondary credit markets at a relatively low cost. Freddie Mac and Fannie Mae are currently under conservatorship of the Housing Finance Agency, and their future role in the housing finance market is uncertain. Any significant reduction in Freddie Mac's or Fannie Mae's level of involvement in the secondary credit markets may adversely affect the pricing at which we may obtain non-recourse property debt financing.

If our ability to obtain financing is adversely affected, we may be unable to satisfy scheduled maturities on existing financing through other sources of liquidity, which could result in lender foreclosure on the properties securing such debt and loss of income and asset value, each of which would adversely affect our liquidity.

Increases in interest rates would increase our interest expense and reduce our profitability.

As of December 31, 2011, on a consolidated basis, we had approximately \$220.2 million of variable-rate indebtedness outstanding and \$37.0 million of variable rate preferred stock outstanding. Of the total debt subject to variable interest rates, floating rate tax-exempt bond financing was approximately \$179.0 million. Floating rate tax-exempt bond financing is benchmarked against the Securities Industry and Financial Markets Association Municipal Swap Index, or SIFMA, rate, which since 1992 has averaged 75% of the 30-day LIBOR rate. If this historical relationship continues, we estimate that an increase in 30-day LIBOR of 100 basis points (75 basis points for tax-exempt interest rates) with constant credit risk spreads would result in net income and net income attributable to Aimco common stockholders being reduced (or the amounts of net loss and net loss attributable to Aimco common stockholders being increased) by \$1.9 million on an annual basis.

At December 31, 2011, we had approximately \$389.0 million in cash and cash equivalents, restricted cash and notes receivable, a portion of which bear interest at variable rates indexed to LIBOR-based rates, and which may mitigate the effect of an increase in variable rates on our variable-rate indebtedness and preferred stock discussed above.

Failure to generate sufficient net operating income may adversely affect our liquidity, limit our ability to fund necessary capital expenditures or adversely affect our ability to pay dividends.

Our ability to fund necessary capital expenditures on our properties depends on, among other things, our ability to generate net operating income in excess of required debt payments. If we are unable to fund capital expenditures on our properties, we may not be able to preserve the competitiveness of our properties, which could adversely affect our net operating income.

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. Our net operating income and liquidity may be adversely affected by events or conditions beyond our control, including:

the general economic climate;

an inflationary environment in which the costs to operate and maintain our properties increase at a rate greater than our ability to increase rents, which we can only do upon renewal of existing leases or at the inception of new leases;

competition from other apartment communities and other housing options;

local conditions, such as loss of jobs, unemployment rates 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;

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

changes in interest rates and the availability of financing.

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 revolving 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, subject to certain non-cash adjustments, or such amount as may be necessary to maintain our REIT status. Our outstanding classes of preferred stock 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.

Because real estate investments are relatively illiquid, we may not be able to sell properties when appropriate.

Real estate investments are relatively illiquid and cannot always be sold quickly. REIT tax rules also restrict our ability to sell properties. Thus, we may not be able to change our portfolio promptly in response to changes in economic or other market conditions. Our ability to dispose of properties in the future will depend on prevailing economic and market conditions, including the cost and availability of financing. This could have a material adverse effect on our financial condition or results of operations.

Competition could limit our ability to lease apartments or increase or maintain rents.

Our apartment properties compete for residents with other housing alternatives, including other rental apartments and condominiums, and, to a lesser degree, single-family homes that are available for rent, as well as new and existing condominiums and single-family homes for sale. Competitive residential housing in a particular area could adversely affect our ability to lease apartments and to increase or maintain rental rates. Recent challenges in the credit and housing markets have increased housing inventory that competes to some extent with our apartment properties.

Our subsidiaries may be prohibited from making distributions and other payments 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 the Aimco Operating Partnership and our other 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 cash flows 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.

Redevelopment and construction risks could affect our profitability.

We are currently redeveloping, and we intend to continue to redevelop, certain of our properties. These activities are subject to the following risks:

we may be unable to obtain, or experience delays in obtaining, necessary zoning, occupancy, or other required governmental or third party permits and authorizations, which could result in increased costs or the delay or abandonment of opportunities;

we may incur costs that exceed our original estimates due to increased material, labor or other costs, such as litigation;

we may be unable to complete construction and lease up of a property on schedule, resulting in increased construction and financing costs and a decrease in expected rental revenues;

occupancy rates and rents at a property may fail to meet our expectations for a number of reasons, including changes in market and economic conditions beyond our control and the development by competitors of competing communities;

we may be unable to obtain financing with favorable terms, or at all, for the proposed development of a property, which may cause us to delay or abandon an opportunity;

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we may abandon opportunities that we have already begun to explore for a number of reasons, including changes in local market conditions or increases in construction or financing costs, and, as a result, we may fail to recover expenses already incurred in exploring those opportunities;

we may incur liabilities to third parties during the redevelopment process; and

loss of a key member of a project team could adversely affect our ability to deliver redevelopment projects on time and within our budget.

Although we are insured for certain risks, the cost of insurance, increased claims activity or losses resulting from casualty events may affect our operating results and financial condition.

We are insured for a portion of our consolidated properties' exposure to casualty losses resulting from fire, earthquake, hurricane, tornado, flood and other perils, which insurance is subject to deductibles and self-insurance retention. We recognize casualty losses or gains based on the net book value of the affected property and the amount of any related insurance proceeds. In many instances, the actual cost to repair or replace the property may exceed its net book value and any insurance proceeds. We also insure certain unconsolidated properties for a portion of their exposure to such losses. With respect to our consolidated properties, we recognize the uninsured portion of losses as part of casualty losses in the periods in which they are incurred. In addition, we are self-insured for a portion of our exposure to third-party claims related to our employee health insurance plans, workers' compensation coverage and general liability exposure. With respect to our insurance obligations to unconsolidated properties and our exposure to claims of third parties, we establish reserves at levels that reflect our known and estimated losses. The ultimate cost of losses and the impact of unforeseen events may vary materially from recorded reserves, and variances may adversely affect our operating results and financial condition. We purchase insurance to reduce our exposure to losses and limit our financial losses on large individual risks. The availability and cost of insurance are determined by market conditions outside our control. No assurance can be made that we will be able to obtain and maintain insurance at the same levels and on the same terms as we do today. If we are not able to obtain or maintain insurance in amounts we consider appropriate for our business, or if the cost of obtaining such insurance increases materially, we may have to retain a larger portion of the potential loss associated with our exposures to risks.

Natural disasters and severe weather may affect our operating results and financial condition.

Natural disasters and severe weather such as hurricanes may result in significant damage to our properties. The extent of our casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. When we have geographic concentration of exposures, a single catastrophe (such as an earthquake) or destructive weather event (such as a hurricane) affecting a region may have a significant negative effect on our financial condition and results of operations. We cannot accurately predict natural disasters or severe weather, or the number and type of such events that will affect us. As a result, our operating and financial results may vary significantly from one period to the next. Although we anticipate and plan for losses, there can be no assurance that our financial results will not be adversely affected by our exposure to losses arising from natural disasters or severe weather in the future that exceed our previous experience and assumptions.

We depend on our senior management.

Our success depends upon the retention of our senior management, including Terry Considine, our chief executive officer. We have a succession planning and talent development process that is designed to identify potential replacements and develop our team members to provide depth in the organization and a bench of talent on which to draw. However, 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.

If we are not successful in our acquisition of properties, our results of operations could be adversely affected.

The selective acquisition of properties is a component of our strategy. However, we may not be able to complete transactions successfully in the future. Although we seek to acquire properties when such acquisitions increase our property net operating income, Funds From Operations, Adjusted Funds From Operations or Net Asset Value, such transactions may fail to perform in accordance with our expectations. In particular, following acquisition, the value and operational performance of a property may be diminished if obsolescence or neighborhood changes occur before we are able to redevelop or sell the property.

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We may be subject to litigation associated with partnership transactions 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 controlled by us 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.

Government housing regulations may limit the opportunities at some of our properties and failure to comply with resident qualification requirements may result in financial penalties and/or loss of benefits, such as rental revenues paid by government agencies. Additionally, the government may cease to operate government housing programs which would result in a loss of benefits.

We own consolidated and unconsolidated equity interests in certain properties and manage 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 the U.S. Department of Housing and Urban Development, or HUD, or state housing finance agencies, typically provide one or more of the following: mortgage insurance; favorable financing terms; tax-exempt interest; tax-credit equity; 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 and limit our choice of residents to those with incomes at or below certain levels. Failure to comply with these requirements may result in financial penalties or loss of benefits. We are usually required to obtain the approval of HUD in order to acquire or dispose of a significant interest in or manage a HUD-assisted property. We may not always receive such approval.

Additionally, there is no guarantee that the government will continue to operate these programs or that the programs will be operated in a manner that generates benefits consistent with those received in the past. Any cessation of or change in the administration of benefits from these government housing programs may result in our loss or reduction in the amount of the benefits we receive under these programs, including rental subsidies. During 2011, 2010 and 2009, for continuing and discontinued operations, our rental revenues include \$124.3 million, \$136.3 million and \$150.0 million, respectively, of subsidies from government agencies. Of the 2011 subsidy amounts, \$110.5 million related to properties included in continuing operations, approximately 5.0% of which related to properties benefitting from housing assistance contracts that expire in 2012, which we anticipate renewing, and the remainder related to properties benefitting from housing assistance contracts that expire after 2012 and have a weighted average term of 10.2 years. Any loss or reduction in the amount of these benefits may adversely affect our liquidity and results of operations.

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. The Fair Housing Amendments Act of 1988, or FHAA, requires apartment properties first occupied after March 13, 1991, to comply with design and construction requirements for disabled access. For those projects receiving Federal funds, the Rehabilitation Act of 1973 also has requirements regarding disabled access. These and other Federal, state and local laws may require modifications to our properties, or affect 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, the FHAA and the Rehabilitation Act of 1973 in connection with the ongoing operation or redevelopment of our properties.

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Potential liability or other expenditures associated with potential environmental contamination may be costly.

Various Federal, state and local laws subject property owners or operators to liability for management, and the costs of removal or remediation, of certain potentially hazardous materials present on a property, including lead-based paint, asbestos, polychlorinated biphenyls, petroleum-based fuels, and other miscellaneous materials. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such materials. The presence of, or the failure to manage or remedy properly, these materials 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 improper management of these materials 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 certain materials through a licensed disposal or treatment facility. Anyone who arranges for the disposal or treatment of these materials 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 responsible for environmental liabilities or costs associated with our properties or properties we acquire or manage in the future.

Moisture infiltration and resulting mold remediation may be costly.

Although we are proactively engaged in managing moisture intrusion and preventing the presence of mold at our properties, it is not unusual for mold to be present at some units within the portfolio. We have implemented policies, procedures and training, and include a detailed moisture intrusion and mold assessment during acquisition due diligence. We believe these measures will manage mold exposure at 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. We have only limited insurance coverage for property damage claims arising from the presence of mold and for personal injury claims related to mold exposure. 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.

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 distribution 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 place us in default under our primary credit facilities.

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 do 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 generally limit the amount of cash we retain for other business purposes, including amounts to fund our growth. We generally must distribute annually at least 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 properties or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Code.

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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 the Federal securities laws) to 8.7% (or up to 12.0% upon a waiver from our Board of Directors) 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.

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The 8.7% ownership limit discussed above may have the effect of delaying or 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, 2011, 480,887,260 shares were classified as Common Stock, of which 120,916,294 were outstanding, and 29,700,240 shares were classified as preferred stock, of which 24,906,727 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, conversion or other rights, voting power restrictions, limitations as to dividends, qualifications or terms or conditions of redemptions as our Board of Directors may determine. The authorization and issuance of a new class 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.

The Maryland General Corporation Law 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, specifically the Maryland Business Combination Act, restricts mergers and other business combination transactions between us and any person who acquires, directly or indirectly, 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

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of stockholders representing 80% of all votes entitled to be cast and 66 2/3% of the votes entitled to be cast, excluding the interested stockholder, or upon payment of a fair price. The Maryland General Corporation Law, specifically the Maryland Control Share Acquisition Act, provides generally that a person who acquires shares of our capital stock representing 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, the Maryland General Corporation 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. To date, we have not adopted a shareholders' rights plan. In addition, the Maryland General Corporation Law provides that corporations that:

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

has a class of equity securities registered under the Securities Exchange Act of 1934, as amended, 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 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our portfolio includes garden style, mid-rise and high-rise properties located in 36 states, the District of Columbia and Puerto Rico. Our geographic allocation strategy focuses on the largest markets in the United States, which are grouped according to the East and West areas into which our property operations team is organized. The following table sets forth information on all of our properties as of December 31, 2011:

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	September 30, Number of Properties	September 30, Number of Units	September 30, Average Ownership
Conventional:			
Los Angeles	14	4,645	86%
Orange County	4	1,213	94%
San Diego	10	2,286	94%
East Bay	2	413	85%
San Jose	1	224	100%
San Francisco	7	1,208	100%
Seattle	2	239	84%
Houston	5	2,237	84%
Denver	8	2,177	82%
Phoenix	12	3,017	86%
Dallas Fort Worth	1	368	100%
Chicago	13	3,993	96%
West	79	22,020	90%
Washington Northern Virginia Maryland	17	8,015	88%
Boston	11	4,129	100%
Philadelphia	7	3,888	94%
Manhattan	22	957	100%
Suburban New York New Jersey	2	1,162	81%
Miami	5	2,474	100%
Palm Beach Fort Lauderdale	3	1,076	100%
Orlando	7	2,315	100%
Tampa	6	1,755	96%
Jacksonville	4	1,643	100%
Atlanta	5	1,295	87%
East	89	28,709	94%
Total target markets	168	50,729	92%
Opportunistic and other markets	30	12,105	95%
Total conventional owned and managed	198	62,834	93%
Affordable owned and managed	172	20,612	59%
Property management	1	64	
Asset management	147	10,184	
Total	518	93,694	85%

At December 31, 2011, we owned an equity interest in and consolidated 331 properties containing 79,093 apartment units, which we refer to as consolidated properties. These consolidated properties contain, on average, 239 apartment units, with the largest property containing 2,113 apartment units. These properties offer residents a range of amenities, including swimming pools, clubhouses, spas, fitness centers, dog parks and open spaces. Many of the apartment units offer features such as vaulted ceilings, fireplaces, washer and dryer connections, 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 on Form 10-K. At December 31, 2011, we held an equity interest in and did not consolidate 39 properties containing 4,353 apartment units, which we refer to as unconsolidated properties.

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Substantially all of our consolidated properties are encumbered by property debt. At December 31, 2011, our consolidated properties were encumbered by, in aggregate, \$5,172.3 million of property debt with a weighted average interest rate and maturity of 5.50% and 8.0 years, respectively. Each of the non-recourse property debt instruments comprising this total is collateralized by one of 326 properties, without cross-collateralization, with an aggregate gross book value of \$8,871.9 million. Refer to Note 7 to the consolidated financial statements in Item 8 for additional information regarding our property debt.

Item 3. *Legal Proceedings*

None.

Item 4. *Mine Safety Disclosures*

Not applicable.

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 in the periods indicated:

Quarter Ended	September 30,		September 30,		September 30,
	High	Low	High	Low	Dividends Declared (per share)
2011					
December 31, 2011	\$ 27.26	\$ 20.08	\$ 27.26	\$ 20.08	\$ 0.12
September 30, 2011	28.12	21.92	28.12	21.92	0.12
June 30, 2011	27.67	24.50	27.67	24.50	0.12
March 31, 2011	26.33	23.38	26.33	23.38	0.12
2010					
December 31, 2010	\$ 26.24	\$ 21.22	\$ 26.24	\$ 21.22	\$ 0.10
September 30, 2010	22.82	18.12	22.82	18.12	0.10
June 30, 2010	24.21	18.14	24.21	18.14	0.10
March 31, 2010	19.17	15.01	19.17	15.01	0.00

Our Board of Directors determines and declares our dividends. In making a dividend determination, the Board of Directors considers a variety of factors, including: REIT distribution requirements; current market conditions; liquidity needs and other uses of cash, such as for deleveraging and accretive investment activities. In February 2012, our Board of Directors declared a cash dividend of \$0.18 per share on our Class A Common Stock for the quarter ended December 31, 2011. Our Board of Directors anticipates similar per share quarterly dividends for the remainder of 2012. However, the Board of Directors may adjust the dividend amount or the frequency with which the dividend is paid based on then prevailing facts and circumstances.

On February 21, 2012, the closing price of our Common Stock was \$24.97 per share, as reported on the NYSE, and there were 121,143,631 shares of Common Stock outstanding, held by 2,766 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.

During the three months ended December 31, 2011, we issued approximately 45,300 shares of 7.00% Class Z Cumulative Preferred Stock through our at-the-market offering program, for net proceeds per share of \$23.75 (reflecting an average price to the public of \$24.24 per share, less commissions and transaction costs). The offerings generated net proceeds of \$1.1 million.

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.

From time to time, we may 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, 2011, we did not issue any shares of Common Stock in exchange for common OP Units or preferred OP Units.

Our Board of Directors has, from time to time, authorized us to repurchase shares of our outstanding capital stock. There were no repurchases of our registered equity securities during the year ended December 31, 2011. As of December 31, 2011, we were authorized to repurchase approximately 19.3 million shares. This authorization has no expiration date. These repurchases may be made from time to time in the open

market or in privately negotiated transactions.

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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, subject to certain non-cash adjustments, or such amount as may be necessary to maintain our REIT status.

Performance Graph

The following graph compares cumulative total returns for our Common Stock, the MSCI US REIT Index and the Standard & Poor's 500 Total Return Index (the S&P 500). The MSCI US REIT Index is published by Morgan Stanley Capital International Inc., a provider of equity indices. The indices are weighted for all companies that fit the definitional criteria of the particular index and are calculated to exclude companies as they are acquired and add them to the index calculation as they become publicly traded companies. All companies of the definitional criteria in existence at the point in time presented are included in the index calculations. The graph assumes the investment of \$100 in our Common Stock and in each index on December 31, 2006, and that all dividends paid have been reinvested. The historical information set forth below is not necessarily indicative of future performance.

Index	September 30, 2006	September 30, 2007	September 30, For the Years Ended December 31, 2008	September 30, 2009	September 30, 2010	September 30, 2011
Aimco	100.00	69.02	37.13	53.04	87.30	78.91
MSCI US REIT	100.00	83.18	51.60	66.36	85.26	92.67
S&P 500	100.00	105.49	66.46	84.05	96.71	98.76

Source: (other than with respect to S&P 500) SNL Financial LC, Charlottesville, VA ©2012

The Performance Graph will not be deemed to be incorporated by reference into any filing by Aimco under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Aimco specifically incorporates the same by reference.

The information required by Item 5 with respect to securities authorized for issuance under equity compensation plans is incorporated by reference in Part III, Item 12 of this Annual Report.

Table of Contents**Item 6. Selected Financial Data**

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.

	September 30, 2011	September 30, 2010 (1)	September 30, 2009 (1)	September 30, 2008 (1)	September 30, 2007 (1)
For the Years Ended December 31,					
(dollar amounts in thousands, except per share data)					
OPERATING DATA:					
Total revenues	\$ 1,079,584	\$ 1,055,861	\$ 1,047,702	\$ 1,093,566	\$ 1,029,550
Total operating expenses (2)	(913,297)	(936,349)	(965,300)	(1,066,285)	(874,011)
Operating income (2)	166,287	119,512	82,402	27,281	155,539
Loss from continuing operations (2)	(142,100)	(163,530)	(197,505)	(117,872)	(49,724)
Income from discontinued operations, net (3)	83,936	73,906	152,705	744,874	175,230
Net (loss) income	(58,164)	(89,624)	(44,800)	627,002	125,506
Net loss (income) attributable to noncontrolling interests	1,077	17,896	(19,474)	(214,995)	(95,595)
Net income attributable to preferred stockholders	(45,852)	(53,590)	(50,566)	(53,708)	(66,016)
Net (loss) income attributable to Aimco common stockholders	(103,161)	(125,318)	(114,840)	351,314	(40,586)
Earnings (loss) per common share – basic and diluted:					
Loss from continuing operations attributable to Aimco common stockholders	\$ (1.25)	\$ (1.46)	\$ (1.74)	\$ (2.09)	\$ (1.40)
Net (loss) income attributable to Aimco common stockholders	\$ (0.86)	\$ (1.08)	\$ (1.00)	\$ 3.96	\$ (0.43)
BALANCE SHEET INFORMATION:					
Real estate (gross)	\$ 8,893,653	\$ 8,812,991	\$ 8,623,641	\$ 8,434,681	\$ 7,901,313
Total assets	6,871,862	7,378,566	7,906,468	9,441,870	10,617,681
Total indebtedness	5,172,320	5,181,538	5,213,198	5,569,639	5,190,046
Total equity	1,144,674	1,306,772	1,534,703	1,646,749	2,048,546
OTHER INFORMATION:					
Dividends declared per common share (4)	\$ 0.48	\$ 0.30	\$ 0.40	\$ 7.48	\$ 4.31
Total consolidated properties (end of period)	331	399	426	514	657
Total consolidated apartment units (end of period)	79,093	89,875	95,202	117,719	153,758
Total unconsolidated properties (end of period)	39	48	77	85	94
Total unconsolidated apartment units (end of period)	4,353	5,637	8,478	9,613	10,878

- (1) Certain reclassifications have been made to conform to the current financial statement presentation, including retroactive adjustments to reflect additional properties sold during 2011 as discontinued operations (see Note 16 to the consolidated financial statements in Item 8).
- (2) Total operating expenses, operating income and loss from continuing operations for the year ended December 31, 2008, include a \$91.1 million pre-tax provision for impairment losses on real estate development assets, which is discussed further in *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Item 7.

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- (3) Income from discontinued operations for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 includes \$108.2 million, \$94.9 million, \$222.0 million, \$800.3 million and \$116.5 million in gains on disposition of real estate, respectively. Income from discontinued operations for 2011, 2010 and 2009 is discussed further in *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Item 7.
- (4) Dividends declared per common share during the years ended December 31, 2008 and 2007, included \$5.08 and \$1.91, respectively, of per share dividends that were paid through the issuance of shares of Aimco Class A Common Stock.

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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. Our business activities are defined by a commitment to our core values of integrity, respect, collaboration, performance culture and a focus on our customers. These values and our corporate mission, to consistently provide quality apartment homes in a respectful environment delivered by a team of people who care, continually shape our culture. In all our dealings with residents, team members, business partners and stockholders, we aim to be the best owner and operator of apartment communities and an outstanding corporate citizen.

Our principal financial objective is to provide predictable and attractive returns to our stockholders. Our business plan to achieve this objective is to:

operate our nationwide portfolio of desirable apartment homes with valued amenities and extraordinary customer service in an efficient manner that realizes the benefits of our local management expertise;

improve our diversified portfolio of apartments averaging B/B+ in quality with properties concentrated in the largest markets in the United States by selling properties with lower projected returns and reinvesting those proceeds through the purchase of other properties or additional investment in properties already in our portfolio, including increased ownership or redevelopment; and

provide financial leverage primarily by the use of non-recourse, long-dated, fixed-rate property debt and perpetual preferred equity, a combination which helps to limit our refunding and re-pricing risk and provides a hedge against increases in interest rates, capitalization rates and inflation.

Our owned real estate portfolio is comprised of two business components: conventional and affordable property operations, which also comprise our reportable segments. Our conventional property operations consist of market-rate apartments with rents paid by the resident and included 198 properties with 62,834 units in which we held an average ownership of 93% as of December 31, 2011. Our affordable property operations consist of apartments with rents that are generally paid, in whole or part, by a government agency and consisted of 172 properties with 20,612 units in which we held an average ownership of 59% as of December 31, 2011. Affordable properties tend to have relatively more stable rents and higher occupancy due to government rent payments and thus are much less affected by market fluctuations. Our conventional and affordable properties generated 87% and 13%, respectively, of our proportionate property net operating income (defined in the Real Estate Operations discussion) during the year ended December 31, 2011.

Our property operations currently are organized into two geographic areas, the West and East, each of which has a dedicated area operations leader and area financial officer to manage our nationwide portfolio more efficiently and to increase the benefits from our local management expertise. We seek to improve our oversight of property operations by: upgrading systems; standardizing business processes, operational measurements and internal reporting; and enhancing financial controls over field operations.

For the three months ended December 31, 2011, our conventional portfolio monthly rents averaged \$1,143 and provided 64% operating margins. These average rents increased about 9% from average rents of \$1,049 for the three months ended December 31, 2010, approximately half of which resulted from rent growth and approximately half from the sale of properties with lower average rents. During the year ended December 31, 2011, on average, combined conventional new and renewal lease rates were 4.2% higher than expiring lease rates. Notwithstanding the economic challenges of the last several years, our diversified portfolio of conventional and affordable properties generated improved property operating results from 2008 to 2011. From 2008 to 2011, the net operating income of our same store properties and total real estate operations increased by 3.3% and 6.8%, respectively.

We upgrade the quality of our portfolio through the sale of properties with lower projected returns, which are often in markets less desirable than our target markets, and reinvest these proceeds through the purchase of other properties or additional investment in properties already in our portfolio, including increased ownership or redevelopment. Increasing our ownership in properties in our portfolio is attractive as we already operate these properties and know them well, and these acquisitions are especially accretive where we can eliminate overhead costs, as further described below. A portion of the proceeds from 2011 property sales was used to fund \$33.3 million of redevelopment spending on our conventional properties, the acquisition for \$22.3 million of the noncontrolling interests in 12 partnerships that own 15 conventional properties and the acquisition for \$63.9 million of interests in five conventional properties located in coastal California.

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We continue to work toward simplifying our business, including winding down the portion of our business that generates transaction-based activity fees. Revenues from transactional activities decreased from \$68.2 million during 2008 to \$9.2 million during 2011. Also as part of our effort to simplify our business, we are reducing the number of partnerships that own our conventional properties by acquiring the noncontrolling interests in these partnerships which allows us to reduce significant overhead and other costs associated with the separate accounting and reporting that is required for the partnerships, some of which are publicly registered. These and other simplification activities completed to date allowed us to reduce our offsite costs (including property management, investment management and general and administrative costs) from \$191.3 million in 2008 to \$101.7 million in 2011, with \$14.1 million of this reduction achieved in 2011.

Our leverage strategy seeks to balance increasing financial returns with the risks inherent with leverage. At December 31, 2011, approximately 86% of our leverage consisted of property-level, non-recourse, long-dated, fixed-rate, amortizing debt and 14% consisted of perpetual preferred equity, a combination which helps to limit our refunding and re-pricing risk. At December 31, 2011, we had no outstanding corporate level debt.

Our leverage strategy limits refunding risk on our property-level debt. At December 31, 2011, the weighted average maturity of our property-level debt was 8.0 years, with 3.7% of our unpaid principal balance maturing in 2012 (of which 32% has been rate-locked and 40% has been extended by two years in connection with our refinancing activity), and on average 5.7% of our unpaid principal balance maturing per year from 2013 through 2016. Long duration, fixed-rate liabilities provide a hedge against increases in interest rates, capitalization rates and inflation. Approximately 96% of our property-level debt is fixed-rate.

We measure our leverage using, among other things, the ratios of EBITDA Coverage of Interest and EBITDA Coverage of Interest and Preferred Dividends. EBITDA is calculated by adding to our Pro forma FFO (defined below), our proportionate share of interest expense, taxes, depreciation and amortization related to non-real estate assets, non-cash stock-based compensation, and dividends and distributions on our preferred equity instruments. Interest, as used in these ratios, represents our proportionate share of interest expense excluding debt prepayment penalties and amortization of deferred financing costs and reduced by interest income we receive on our investment in the subordinate tranches of a securitization that holds our property loans. For the year ended December 31, 2011, our EBITDA Coverage of Interest and EBITDA Coverage of Interest and Preferred Dividends ratios were 2.18:1 and 1.78:1, compared to ratios of 2.07:1 and 1.68:1, respectively, for the year ended December 31, 2010.

We also measure our leverage using the ratios of Debt to EBITDA and Debt and Preferred Equity to EBITDA. Debt, as used in these ratios, represents our proportionate share of debt, and Preferred Equity represents our preferred stock and the Preferred OP Units of the Aimco Operating Partnership. As of December 31, 2011, our ratios of Debt to EBITDA and Debt and Preferred Equity to EBITDA were 8.6:1 and 10.0:1.

Although our primary sources of leverage are property-level, non-recourse, long-dated, fixed-rate, amortizing debt and perpetual preferred equity, we also have a revolving credit facility to meet our short-term liquidity needs. During 2011, we expanded our revolving credit facility from \$300.0 million to \$500.0 million, providing additional liquidity for short-term or unexpected cash requirements. As of December 31, 2011, we had the capacity to borrow \$469.5 million pursuant to our revolving credit facility, net of \$30.5 million for undrawn letters of credit backed by the revolving credit facility. The revolving credit facility matures in December 2014, and may be extended for two additional one-year periods, subject to certain conditions.

In connection with and as defined in our revolving credit facility, we have agreed to Debt Service and Fixed Charge Coverage covenants. For the year ended December 31, 2011, our Debt Service and Fixed Charge Coverage ratios were 1.61:1 and 1:37.1, compared to covenants in place during the year of 1.40:1 and 1:20.1, respectively, and ratios of 1.57:1 and 1.33:1, respectively, for the year ended December 31, 2010.

Key Financial Indicators

The key financial indicators that we use in managing our business and in evaluating our financial condition and operating performance are: Net Asset Value; Pro forma Funds From Operations; Adjusted Funds From Operations; property net operating income, which is rental and other property revenues less direct property operating expenses, including real estate taxes; proportionate property net operating income; same store property operating results; Free Cash Flow, which is net operating income less spending for Capital Replacements; Free Cash Flow internal rate of return; financial coverage ratios; and leverage as shown on our balance sheet. Pro forma Funds From Operations and Adjusted Funds From Operations are defined and further described in the section captioned Funds From Operations, Pro forma Funds From Operations and Adjusted Funds From Operations, and proportionate property net operating income is defined and further described in the section captioned Real Estate Operations. The key macro-economic factors and non-financial indicators that affect our financial condition and operating performance are: household formations; rates of job growth; single-family and multifamily housing starts; interest rates; and availability and cost of financing.

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2012 Goals

During 2012, we intend to build upon our 2011 results. As our 2011 leasing activity earns in, it is expected to contribute 2.1% to 2012 revenue growth, a significant improvement over the 0.4% contribution from 2010 that earned into our 2011 results. We expect our average conventional rents to increase about 10% in 2012, with rent increases coming from both rent growth and the sale of properties with lower rents. We will also remain highly focused on cost control.

We expect to continue to concentrate and upgrade our portfolio in our target markets through sales of properties outside these markets. We also expect to sell properties in our target markets that have lower projected returns. As part of this strategy, during 2012 we intend to sell more than 25 conventional properties with approximately 7,700 units (based on our average ownership) and more than 60 affordable properties with approximately 1,800 units (based on our average ownership). Proceeds from the sale of these properties will be partially used to increase our investment in our target markets by approximately \$120.0 million through the redevelopment of Pacific Bay Vistas (formerly Treetops), Lincoln Place and Madera Vista, three properties that are currently vacant, and we expect to invest between \$5.0 million and \$30.0 million in the redevelopment of five other properties. We also expect to use proceeds from property sales to invest \$200.0 million in other property acquisitions, the majority of which will be our acquisition of the noncontrolling interests in 11 consolidated partnerships that own 19 conventional properties.

Our acquisition of the noncontrolling interests discussed above will allow us to reduce overhead costs by eliminating the separate accounting, reporting and other costs associated with these partnerships. Additionally, we further intend to simplify our business during 2012 by selling NAPICO, a legacy asset management business, in a management-led buyout. In February 2012, we entered into an agreement to transfer asset management of NAPICO, and to sell our interests in the portfolio to the new asset manager upon satisfaction of certain conditions and regulatory approvals. We will provide a portion of the financing for the sale, which we expect to close later in 2012, at which time we will have liquidated all of our legacy asset management business. We expect these simplification efforts to result in further reductions in our offsite costs during 2012 and going forward.

During 2012, we will continue to work on strengthening our balance sheet. We are in the process of refinancing all of our 2012 property debt maturities (32% of which is already rate-locked and 40% of which has been extended by two years), and in 2012 we will continue to focus on refinancing our property debt maturing over the next several years to extend maturities and lock in current low interest rates. We expect a gradual reduction in leverage over time, as measured by improving coverage ratios, driven both by growth in net operating income and a reduction of property debt through scheduled amortization. Based on annualized projected fourth quarter 2012 EBITDA, we expect our EBITDA Coverage of Interest and EBITDA Coverage of Interest and Preferred Dividends ratios to be approximately 2.50:1 and 2.00:1, respectively, and we expect our 2012 year end Debt to EBITDA and Debt and Preferred Equity to EBITDA ratios to be approximately 7.5:1 and 9:1, respectively.

We believe the 2012 Goals described above are achievable; however, actual results may differ materially from those described and will be affected by a variety of risks and factors, some of which are beyond our control.

Results of Operations

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 and the pace and price at which we redevelop, acquire and dispose of our apartment properties affect our operating results.

The following discussion and analysis of the results of our operations and financial condition should be read in conjunction with the accompanying consolidated financial statements in Item 8.

Overview

2011 highlights

Highlights of our results of operations for the year ended December 31, 2011, are summarized below. Property operating information included in these highlights is based on proportionate property operating results, which is further described in the Real Estate Operations section.

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Conventional Same Store revenues and expenses for 2011 increased by 2.8% and decreased by 1.5%, respectively, resulting in a 5.3% increase in net operating income as compared to 2010.

Total Same Store revenues and expenses for 2011 increased by 2.9% and decreased by 1.8%, respectively, resulting in a 5.9% increase in net operating income, as compared to 2010.

Net operating income for our real estate portfolio (continuing operations) for the year ended December 31, 2011 increased 4.9%, as compared to 2010.

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As we continued the execution of our portfolio management strategy, we sold more properties during 2011 than in 2010, producing more proceeds available for accretive investments.

As part of our effort to simplify our business, we negotiated the termination of the property and asset management contracts for approximately 100 properties with approximately 11,400 units.

2011 compared to 2010

We reported net loss attributable to Aimco of \$57.1 million and net loss attributable to Aimco common stockholders of \$103.2 million for the year ended December 31, 2011, compared to net loss attributable to Aimco of \$71.7 million and net loss attributable to Aimco common stockholders of \$125.3 million for the year ended December 31, 2010, decreases in losses of \$14.6 million and \$22.1 million, respectively.

These decreases in net loss were principally due to an increase in net operating income of our properties included in continuing operations, reflecting improved operations, partially offset by an increase in interest expense, primarily due to prepayment penalties incurred in connection with a series of financing transactions completed in 2011 that extended maturities and reduced the effective interest rate on a number of non-recourse property loans.

2010 compared to 2009

We reported net loss attributable to Aimco of \$71.7 million and net loss attributable to Aimco common stockholders of \$125.3 million for the year ended December 31, 2010, compared to net loss attributable to Aimco of \$64.3 million and net loss attributable to Aimco common stockholders of \$114.8 million for the year ended December 31, 2009, increases in losses of \$7.5 million and \$10.5 million, respectively.

These increases in net loss were principally due to a decrease in income from discontinued operations, primarily related to a decrease in gains on dispositions of real estate due to fewer property sales in 2010 as compared to 2009, partially offset by an increase in net operating income of our properties included in continuing operations, reflecting improved operations.

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

Real Estate Operations

Our real estate portfolio is comprised of two business components: conventional real estate operations and affordable real estate operations, which also represent our two reportable segments. Our conventional real estate portfolio consists of market-rate apartments with rents paid by the resident and includes 198 properties with 62,834 units. Our affordable real estate portfolio consists of 172 properties with 20,612 units, with rents that are generally paid, in whole or part, by a government agency. Our conventional and affordable properties contributed 87% and 13%, respectively, of proportionate property net operating income amounts during the year ended December 31, 2011.

In accordance with accounting principles generally accepted in the United States of America, or GAAP, we consolidate certain properties in which we hold an insignificant economic interest and in some cases we do not consolidate other properties in which we have a significant economic interest. Due to the diversity of our economic ownership interests in our properties, our chief operating decision maker emphasizes as a key measurement of segment profit or loss proportionate property net operating income, which represents our share of the property net operating income of our consolidated and unconsolidated properties. Accordingly, the results of operations of our conventional and affordable segments discussed below are presented on a proportionate basis.

We do not include property management revenues, offsite costs associated with property management, or casualty related amounts in our assessment of segment performance. Accordingly, these items are not allocated to our segment results discussed below.

The tables and discussions below reflect the proportionate results of our conventional and affordable segments and the consolidated results related to our real estate operations not allocated to segments for the years ended December 31, 2011, 2010 and 2009 (in thousands). The tables and discussions below exclude the results of operations for properties included in discontinued operations as of December 31, 2011. Refer to Note 20 in the consolidated financial statements in Item 8 for further discussion regarding our reporting segments, including a reconciliation of these proportionate amounts to consolidated rental and other property revenues and property operating expenses.

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Conventional Real Estate Operations

Our conventional segment consists of conventional properties we classify as same store, redevelopment and other conventional properties. Same store properties are properties we own and manage that have reached and maintained a stabilized level of occupancy (greater than 90%) during the current and prior year comparable period. Redevelopment properties are those in which a substantial number of available units have been vacated for major renovations or have not been stabilized in occupancy for at least one year as of the earliest period presented, or for which other significant non-unit renovations are underway or have been complete for less than one year. Other conventional properties may include conventional properties that have significant rent control restrictions, acquisition properties and properties that are not multifamily, such as commercial properties or fitness centers. Consistent application of our definitions of same store and redevelopment properties resulted in these populations differing for the purpose of comparing 2011 to 2010 results and 2010 to 2009 results.

For the years ended December 31, 2011 and 2010, as presented below, our conventional same store portfolio and our other conventional portfolio consisted of 157 and 41 properties with 55,196 and 7,638 units, respectively. From December 31, 2010 to December 31, 2011, our conventional same store portfolio decreased on a net basis by one property and increased by 660 units. These changes consisted of:

the removal of 23 properties, with 6,142 units that were sold or classified as held for sale through December 31, 2011, and for which the results have been reclassified into discontinued operations;

the inclusion of 25 properties with 8,071 units for which redevelopment projects were completed primarily during 2009 but that did not meet the criteria to be classified as same store for comparative annual periods until 2011; and

the removal of four properties with 1,595 units that experienced significant casualty losses and were moved from the same store classification into the other conventional classification, partially offset by the reintroduction of one property with 326 units into the same store classification.

	September 30, 2011	September 30, Year Ended December 31, 2010	September 30, \$ Change	September 30, % Change
Rental and other property revenues:				
Conventional same store	\$ 734,287	\$ 714,611	\$ 19,676	2.8%
Other Conventional	72,122	74,599	(2,477)	(3.3%)
Total	806,409	789,210	17,199	2.2%
Property operating expenses:				
Conventional same store	265,495	269,436	(3,941)	(1.5%)
Other Conventional	34,763	34,136	627	1.8%
Total	300,258	303,572	(3,314)	(1.1%)
Property net operating income:				
Conventional same store	468,792	445,175	23,617	5.3%
Other Conventional	37,359	40,463	(3,104)	(7.7%)
Total	\$ 506,151	\$ 485,638	\$ 20,513	4.2%

For the year ended December 31, 2011, as compared to 2010, our conventional segment's proportionate property net operating income increased \$20.5 million, or 4.2%.

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Conventional same store proportionate property net operating income increased by \$23.6 million, or 5.3%. This increase was primarily attributable to a \$19.7 million, or 2.8%, increase in rental and other property revenues due to higher average rent (approximately \$27 per unit) and increases in miscellaneous income and utilities reimbursements, partially offset by a 42 basis point decrease in average daily occupancy. Rental rates on new leases transacted during the year ended December 31, 2011, were 3.8% higher than expiring lease rates and renewal rates were 4.6% higher than expiring lease rates. The increase in conventional same store property net operating income was also attributable to a \$3.9 million, or 1.5%, decrease in property operating expense, primarily due to reductions in contract services, marketing, insurance and personnel and related costs.

Our other conventional proportionate property net operating income decreased by \$3.1 million, or 7.7%, primarily due to a 3.3% decrease in revenue from a larger number of vacant units resulting from the timing of casualties at certain of our properties in 2011 as compared to 2010.

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	2010	Year Ended December 31, 2009	\$ Change	% Change
Rental and other property revenues:				
Conventional same store	\$ 602,960	\$ 603,947	\$ (987)	(0.2%)
Conventional redevelopment	116,588	110,586	6,002	5.4%
Other Conventional	69,662	68,697	965	1.4%
Total	789,210	783,230	5,980	0.8%
Property operating expenses:				
Conventional same store	227,621	230,430	(2,809)	(1.2%)
Conventional redevelopment	42,177	43,523	(1,346)	(3.1%)
Other Conventional	33,774	33,089	685	2.1%
Total	303,572	307,042	(3,470)	(1.1%)
Property net operating income:				
Conventional same store	375,339	373,517	1,822	0.5%
Conventional redevelopment	74,411	67,063	7,348	11.0%
Other Conventional	35,888	35,608	280	0.8%
Total	\$ 485,638	\$ 476,188	\$ 9,450	2.0%

For the year ended December 31, 2010, as compared to 2009, our conventional segment's proportionate property net operating income increased \$9.5 million, or 2.0%.

Conventional same store property net operating income increased by \$1.8 million, or 0.5%. This increase was attributable to a \$2.8 million, or 1.2%, decrease in expense primarily due to a reduction during 2010 of previously estimated real estate tax obligations resulting from successful appeals settled during the period and lower marketing expense, partially offset by an increase in insurance costs. This decrease in expense was partially offset by a \$1.0 million, or 0.2%, decrease in revenue, primarily due to lower average rent (approximately \$32 per unit). The decrease in average rent was partially offset by a 185 basis point increase in average daily occupancy and higher utility reimbursement and miscellaneous income and a decrease in bad debt expense. Rental rates on new leases transacted during the year ended December 31, 2010, were 2.3% lower than expiring lease rates and renewal rates were 1.5% higher than expiring lease rates.

The net operating income of our conventional redevelopment properties increased by \$7.3 million, or 11.0%, primarily due to a \$6.0 million, or 5.4%, increase in revenue resulting from higher average daily occupancy and an increase in utility reimbursement and miscellaneous income, and a \$1.3 million, or 3.1%, reduction in expense primarily related to marketing expenses, partially offset by higher insurance.

Our other conventional net operating income increased by \$0.3 million, or 0.8%, due to an increase in revenue of \$1.0 million, or 1.4%, offset by an increase in expense of \$0.7 million, or 2.1%.

Affordable Real Estate Operations

Our affordable segment consists of properties we classify as same store or other (primarily redevelopment properties). Our criteria for classifying affordable properties as same store or other are consistent with those for our conventional properties described above.

For the years ended December 31, 2011, 2010 and 2009, our affordable same store portfolio and other affordable portfolio consisted of 115 and 57 properties with 14,244 and 6,368 units, respectively. From December 31, 2010 to December 31, 2011, our affordable same store portfolio decreased due to the removal of 38 properties with 4,114 units that were sold or classified as held for sale through December 31, 2011, and for which the results have been reclassified into discontinued operations.

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	September 30, 2011	September 30, Year Ended December 31, 2010	September 30, Year Ended December 31, \$ Change	September 30, % Change
Rental and other property revenues:				
Affordable same store	\$ 108,387	\$ 104,222	\$ 4,165	4.0%
Other Affordable	14,511	13,710	801	5.8%
Total	122,898	117,932	4,966	4.2%
Property operating expenses:				
Affordable same store	45,300	47,102	(1,802)	(3.8%)
Other Affordable	5,725	5,510	215	3.9%
Total	51,025	52,612	(1,587)	(3.0%)
Property net operating income:				
Affordable same store	63,087	57,120	5,967	10.4%
Other Affordable	8,786	8,200	586	7.1%
Total	\$ 71,873	\$ 65,320	\$ 6,553	10.0%

For the year ended December 31, 2011, as compared to 2010, the proportionate property net operating income of our affordable segment increased \$6.6 million, or 10.0%.

Affordable same store property net operating income increased by \$6.0 million, or 10.4%, consisting of a \$4.2 million, or 4.0%, increase in revenue and a \$1.8 million, or 3.8%, decrease in expense. Affordable same store revenue increased primarily due to higher average rent (\$32 per unit) and higher average daily occupancy (26 basis points) at our affordable same store properties. The increase in average rent was partially due to retroactive rent increases awarded in 2011 under government subsidy programs at certain of our affordable properties, \$0.2 million of which relates to previous years. Affordable same store expenses decreased primarily due to reductions in personnel and related costs, insurance and real estate tax expenses, the majority of which relates to successful recoveries associated with appeals for 2010 and prior years. The increase in our affordable segment's proportionate property net operating income was also due to higher net operating income of our other affordable properties of \$0.6 million, or 7.1%.

	000000000 2010	000000000 Year Ended December 31, 2009	000000000 \$ Change	000000000 % Change
Rental and other property revenues:				
Affordable same store	\$ 104,222	\$ 101,827	\$ 2,395	2.4%
Other Affordable	13,710	12,695	1,015	8.0%
Total	117,932	114,522	3,410	3.0%
Property operating expenses:				
Affordable same store	47,102	46,349	753	1.6%
Other Affordable	5,510	5,989	(479)	(8.0%)
Total	52,612	52,338	274	0.5%

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Property net operating income:				
Affordable same store	57,120	55,478	1,642	3.0%
Other Affordable	8,200	6,706	1,494	22.3%
 Total	 \$ 65,320	 \$ 62,184	 \$ 3,136	 5.0%

The proportionate property net operating income of our affordable segment increased \$3.1 million, or 5.0%, during the year ended December 31, 2010, as compared to 2009. Affordable same store net operating income increased by \$1.6 million, or 3.0%, primarily due to a \$2.4 million, or 2.4%, increase in revenue due to higher average rent (\$22 per unit) and higher average daily occupancy (14 basis points). The net operating income of our other affordable properties increased by \$1.5 million, or 22.3%, primarily due to an 8.0% increase in revenue driven by higher average rent (\$23 per unit) and higher average occupancy.

Non-Segment Real Estate Operations

Real estate operations net operating income amounts not attributed to our conventional or affordable segments include property management revenues, offsite costs associated with property management, and casualty losses, reported in consolidated amounts, which we do not allocate to our conventional or affordable segments for purposes of evaluating segment performance (see Note 20 to the consolidated financial statements in Item 8).

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For the years ended December 31, 2011, 2010 and 2009, property management expenses, which includes offsite costs associated with managing properties we own (both our share and the share of such cost that we allocate to the limited partners in our consolidated partnerships) and offsite costs associated with properties we manage for third parties, totaled \$41.4 million, \$48.2 million and \$51.2 million, respectively. The decrease in property management expenses in 2011 as compared to 2010 was primarily due to the termination in early 2011 of our role as asset manager and property manager for approximately 100 properties with approximately 11,400 units. The decrease in property management expenses in 2010 as compared to 2009 was primarily due to reductions in personnel and related costs attributed to our restructuring activities.

For the years ended December 31, 2011 and 2010, casualty losses increased by \$3.9 million, from \$7.7 million to \$11.6 million, primarily due to \$5.2 million of losses in 2011 from severe snow storms in the Northeast that damaged several properties along with a \$1.6 million loss resulting from a severe wind storm in California during 2011 that damaged a property.

For the years ended December 31, 2010 and 2009, casualty losses decreased by \$3.9 million, from \$11.6 million to \$7.7 million, primarily due to losses incurred during 2009 resulting from properties damaged by Tropical Storm Fay, Hurricane Ike and other less severe storms and casualty events.

Asset Management and Tax Credit Revenues

We perform activities and services for consolidated and unconsolidated real estate partnerships, including portfolio strategy, capital allocation, joint ventures, tax credit syndication, acquisitions, dispositions and other transaction activities. These activities are conducted in part by our taxable subsidiaries, and the related net operating income may be subject to income taxes. In recent years, in an effort to simplify our business, we have reduced our role in transactional activities and accordingly the amount of earnings we generate from transactional activities has decreased. As we continue to work toward our simplification strategy, we expect the amounts of transactional fees to continue to diminish.

For the year ended December 31, 2011, compared to the year ended December 31, 2010, asset management and tax credit revenues increased \$3.0 million. This increase is primarily attributable to a \$2.1 million increase in general partner transactional fees, a \$2.0 million increase in income related to the syndication of low-income housing tax credit partnerships, and a \$1.3 million increase in asset management fees. The increase in asset management fees primarily related to the termination in early 2011 of our role as asset manager for approximately 100 properties, pursuant to which we agreed to receive a reduced payment on asset management and other fees owed to us, a portion of which was not previously recognized based on concerns regarding collectability. These increases in asset management and tax credit revenues during 2011 were partially offset by a \$2.4 million decrease in promote income, which is income earned in connection with the disposition of properties owned by our consolidated joint ventures.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, asset management and tax credit revenues decreased \$14.2 million. This decrease is attributable to an \$8.7 million decrease in income related to our affordable housing tax credit syndication business, \$3.8 million of which relates to the delivery in 2009 of historic property rehabilitation tax credits with no comparable activity in 2010, and the remainder of which is primarily due to a reduction in amortization of deferred tax credit income. Asset management and tax credit revenues also decreased by \$1.9 million due to the elimination of asset management fees related to properties we consolidated at the beginning of 2010, for which the benefit of these fees is now included in noncontrolling interests in consolidated real estate partnerships, a \$1.9 million decrease in disposition and other fees we earn in connection with transactional activities, and a \$1.7 million decrease in promote income.

Investment Management Expenses

Investment management expenses consist primarily of the costs of personnel that perform asset management and tax credit activities. For the year ended December 31, 2011, compared to the year ended December 31, 2010, investment management expenses decreased \$4.1 million. This decrease is primarily due to a \$1.7 million reduction in personnel and related costs and a \$2.4 million decrease in expenses, primarily related to our write off during 2010 of previously deferred costs related to tax credit projects we abandoned.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, investment management expenses decreased \$1.3 million. This decrease is primarily due to a \$4.3 million reduction in personnel and related costs from our organizational restructurings, partially offset by a \$3.0 million net increase in expenses, primarily related to our write off during 2010 of previously deferred costs related to tax credit projects we abandoned.

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Depreciation and Amortization

For the year ended December 31, 2011, compared to the year ended December 31, 2010, depreciation and amortization decreased \$19.7 million, or 5.0%, primarily due to properties that became fully depreciated in 2010 and adjustments of depreciation recognized during 2011 related to revisions of the estimated useful lives of certain real estate properties.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, depreciation and amortization decreased \$4.3 million, or 1.1%. This decrease was primarily due to depreciation adjustments recognized in 2009 to reduce the carrying amount of certain properties. This decrease was partially offset by an increase in depreciation primarily related to properties we consolidated during 2010 based on our adoption of revised accounting guidance regarding consolidation of variable interest entities (see Note 4 to our consolidated financial statements in Item 8) and completed redevelopments and other capital projects recently placed in service.

Provision for Operating Real Estate Impairment Losses

During the years ended December 31, 2011, 2010 and 2009, we recognized impairment losses totaling \$4.3 million, \$0.1 million, and \$0.8 million, respectively, related to properties classified as held for use. These impairments losses were recognized primarily due to reductions in the estimated period over which we expect to hold the properties, coupled with reductions in the estimated fair values of the assets as compared with their carrying amounts.

General and Administrative Expenses

In recent years, we have worked toward simplifying our business, including winding down the portion of our business that generates transaction-based activity fees and reducing the number of partnerships that own our conventional properties by acquiring the noncontrolling interests in these partnerships, which allows us to reduce significant overhead and other costs associated with these activities. These and other simplification activities, along with our scale reductions completed to date have allowed us to reduce our offsite costs, a portion of which is included in general and administrative expenses, by \$14.1 million, or 12.2%, in 2011, and by \$89.6 million or 46.8% since 2008. Our general and administrative expense as a percentage of total revenues has decreased from 5.4% in 2009, to 5.1% in 2010 and 4.7% in 2011.

For the year ended December 31, 2011, compared to the year ended December 31, 2010, general and administrative expenses decreased \$2.4 million, or 4.5%, primarily due to net reductions in personnel and related expenses.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, general and administrative expenses decreased \$3.3 million, or 5.8%, primarily attributable to net reductions in personnel and related expenses, partially offset by an increase in information technology outsourcing costs.

Other Expenses, Net

Other expenses, net includes franchise taxes, risk management activities, partnership administration expenses and certain non-recurring items.

For the year ended December 31, 2011, compared to the year ended December 31, 2010, other expenses, net increased by \$9.9 million. The net increase in other expense during 2011 as compared to 2010 was primarily attributable to the settlement of various litigation matters during 2010, which resulted in a net gain in our operations.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, other expenses, net decreased by \$4.5 million. During 2009, we settled certain litigation matters resulting in a net expense in our operations, and in 2010 we settled certain litigation matters that resulted in a net gain in our operations. The effect of the expense in 2009 and gain in 2010 resulted in a \$14.8 million decrease in other expenses, net from 2009 to 2010. This decrease was partially offset by an increase in the cost of our insurance (net of a reduction in the number of properties insured from 2009 to 2010).

Interest Income

Interest income consists primarily of interest on notes receivable (including those from unconsolidated real estate partnerships, which are classified within other assets in our consolidated balance sheets), accretion of discounts on certain notes receivable, interest on cash and restricted cash accounts and interest on investments in debt securities in a securitization of certain of our property loans.

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For the year ended December 31, 2011, compared to the year ended December 31, 2010, interest income decreased \$0.3 million, or 2.6%. This decrease in interest income was primarily due to our recognition of accretion income during 2010 on discounted notes that were repaid in advance of their maturity dates.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, interest income increased \$1.9 million, or 22.4%. Interest income increased during 2010 primarily due to an increase of accretion income related to a change in timing and amount of collection for certain of our discounted notes, including several notes that were repaid in advance of their maturity dates.

Provision for Losses on Notes Receivable

During the year ended December 31, 2011, we recognized \$0.5 million of net recoveries of previously recognized losses on notes receivable, primarily related to property sales during 2011 for which the net proceeds available for repayment of partnership loans exceeded the amounts previously anticipated. During the year ended December 31, 2010, we recognized a net provision for losses on notes receivable of \$0.9 million, primarily due to concerns regarding the collectability of the corresponding notes receivable.

During the year ended December 31, 2009, we recognized a net provision for losses on notes receivable of \$21.5 million, which consisted primarily of an impairment related to our interest in Casden Properties LLC, an entity organized to acquire, re-entitle and develop land parcels in southern California. Based upon the profit allocation agreement, we accounted for our investment as a note receivable. In connection with the preparation of our 2009 annual financial statements and as a result of declines in land values in Southern California, we determined our then recorded investment amount was not fully recoverable, and accordingly recognized an impairment loss of \$20.7 million (\$12.4 million net of tax).

Interest Expense

For the year ended December 31, 2011, compared to the year ended December 31, 2010, interest expense, which includes the amortization of deferred financing costs and prepayment penalties, increased by \$13.8 million. Property related interest expense increased by \$15.5 million, primarily due to our recognition during 2011 of \$20.7 million of prepayment penalties and the write off of \$2.3 million of deferred loan costs in connection with the completion of a series of financing transactions in which we reduced the weighted average interest rate and extended to ten years the maturity on over \$600.0 million of property loans, partially offset by a decrease in interest on our property debt primarily due to lower interest rates resulting from our refinancing activities. The series of financing transactions is discussed further in Note 3 to the consolidated financial statements in Item 8. Corporate level interest expense decreased by \$1.7 million primarily due to the repayment of our term loan during 2010.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, interest expense decreased by \$0.4 million. Corporate interest expense decreased \$7.6 million, primarily due to a decrease in the average outstanding balance on our term loan, which we repaid during July 2010. This decrease in corporate interest expense was partially offset by a \$7.2 million increase in property related interest expense, due to a \$2.8 million net increase related to properties newly consolidated and deconsolidated in 2010 (see Note 4 to our consolidated financial statements in Item 8 for further discussion of our adoption of ASU 2009-17) and an increase related to properties refinanced with higher average outstanding balances, partially offset by lower average rates.

Equity in Losses of Unconsolidated Real Estate Partnerships

Equity in earnings or losses of unconsolidated real estate partnerships includes our share of the net earnings or losses of our unconsolidated real estate partnerships, which may include impairment losses, gains or losses on the disposition of real estate properties or depreciation expense, which generally exceeds the net operating income recognized by such unconsolidated partnerships.

During the periods presented, the majority of the investments in unconsolidated real estate partnerships included in our consolidated balance sheets were entities that we consolidated in our financial statements even though we held a nominal economic interest in these entities. Accordingly, the equity in earnings and losses recognized by these entities were allocated to noncontrolling interests and had no significant effect on the amounts of net loss attributable to Aimco.

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Gain on Dispositions of Interests in Unconsolidated Real Estate and Other

Gain on dispositions of interests in unconsolidated real estate and other includes gains on disposition of interests in unconsolidated real estate partnerships, gains on dispositions of land and other non-depreciable assets and certain costs related to asset disposal activities, which vary from period to period.

During the years ended December 31, 2011 and 2010, we recognized \$2.4 million and \$10.6 million, respectively, in net gains on disposition of interests in unconsolidated real estate and other. These gains were primarily related to sales of investments held by consolidated partnerships in which we generally hold a nominal general partner interest. Based on our nominal economic interest in the consolidated partnerships that sold these investments, substantially all of these gains were allocated to the noncontrolling interests in these partnerships and had no significant effect on the amounts of net loss attributable to Aimco during the periods.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, gain on dispositions of interests in unconsolidated real estate and other decreased \$10.9 million. This decrease is primarily attributable to \$8.6 million of additional proceeds received in 2009 related to our disposition during 2008 of an interest in an unconsolidated real estate partnership and a \$4.0 million gain from the disposition of our interest in a group purchasing organization during 2009.

Income Tax Benefit

Certain of our operations or a portion thereof, including property management, asset management and risk management 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 TRS entities to facilitate our ability to offer certain services and activities to our residents and investment partners that cannot be offered directly by a REIT. We also use TRS entities to hold investments in certain properties. Income taxes related to the results of continuing operations of our TRS entities are included in income tax benefit in our consolidated statements of operations.

For the year ended December 31, 2011, compared to the year ended December 31, 2010, income tax benefit decreased by \$9.9 million, from \$17.1 million to \$7.2 million. This decrease was primarily due to decreases in the losses of our TRS entities.

For the year ended December 31, 2010, compared to the year ended December 31, 2009, income tax benefit decreased by \$3.4 million, from \$20.5 million to \$17.1 million. This decrease in income tax benefit was primarily due to the tax benefit we recognized in 2009 related to the impairment of our investment in Casden Properties, LLC, for which no similar benefit was recognized in 2010, and was partially offset by an increase in tax benefits related to increased losses of our TRS entities.

Income from Discontinued Operations, Net

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. The 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 and debt extinguishment gains and losses to the extent there is secured debt on the property. In addition, any impairment losses on assets held for sale and the net gain or loss on the eventual disposal of properties held for sale are reported in discontinued operations.

For the years ended December 31, 2011 and 2010, income from discontinued operations totaled \$83.9 million and \$73.9 million, respectively. The \$10.0 million increase in income from discontinued operations was principally due to a \$15.1 million increase in gain on dispositions of real estate, net of income taxes, primarily attributable to more properties sold in 2011 as compared to 2010, with the balance of the change resulting from decreases in operating income, net of interest expense, due to the timing of sales.

For the years ended December 31, 2010 and 2009, income from discontinued operations totaled \$73.9 million and \$152.7 million, respectively. The \$78.8 million decrease in income from discontinued operations was principally due to a \$128.2 million decrease in gain on dispositions of real estate, net of income taxes, primarily attributable to fewer properties sold in 2010 as compared to 2009, with the balance of the change resulting from decreases in operating income, net of interest expense, due to the timing of sales.

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During the year ended December 31, 2011, we sold 67 consolidated properties for gross proceeds of \$473.5 million and net proceeds of \$185.6 million, resulting in a net gain on sale of approximately \$101.2 million (which is net of \$7.0 million of related income taxes). During the year ended December 31, 2010, we sold 51 consolidated properties for gross proceeds of \$401.4 million and net proceeds of \$118.4 million, resulting in a net gain on sale of approximately \$86.1 million (which is net of \$8.8 million of related income taxes). During the year ended December 31, 2009, we sold 89 consolidated properties for gross proceeds of \$1.3 billion and net proceeds of \$432.7 million, resulting in a net gain on sale of approximately \$216.2 million (which is net of \$5.8 million of related income taxes).

The weighted average net operating income capitalization rates for our conventional and affordable property sales, which are calculated using our proportionate share of the trailing twelve month net operating income prior to sale, less a 3.5% management fee, divided by our proportionate share of gross proceeds, were 7.1% and 8.9%, respectively, for sales during the year ended December 31, 2011, 8.9% and 9.6%, respectively, for sales during the year ended December 31, 2010, and 8.7% and 7.9%, respectively, for sales during the year ended December 31, 2009.

For the years ended December 31, 2011, 2010 and 2009, income from discontinued operations includes the operating results of the properties sold or classified as held for sale as of December 31, 2011. Refer to Note 16 to our consolidated financial statements in Item 8 for further discussion of discontinued operations.

Noncontrolling Interests in Consolidated Real Estate Partnerships

Noncontrolling interests in consolidated real estate partnerships reflects the results of our consolidated real estate partnerships allocated to the non-Aimco owners in these partnerships. We adjust our total consolidated operating results in our consolidated financial statements to determine the portion of our consolidated operating results that corresponds to our ownership interest in all of our consolidated entities. The amounts of income or loss of our consolidated real estate partnerships that we allocate to the non-Aimco owners includes their share of property management fees, interest on notes and other amounts that we charge to these partnerships.

For the years ended December 31, 2011 and 2010, the non-Aimco owners' share of our operating results were losses of \$0.3 million and \$13.3 million, a \$13.0 million decrease in their share of net losses year over year. This decrease was primarily due to an \$8.6 million increase in their share of income from discontinued operations, which is primarily due to an increase in gains on the disposition of real estate from 2010 to 2011, and a \$4.4 million decrease in their share of loss from continuing operations.

For the year ended December 31, 2010, the non-Aimco owners' share of our operating results was a loss of \$13.3 million, as compared to net income of \$22.5 million during the year ended December 31, 2009, a variance of \$35.8 million. This change was substantially attributed to a decrease in their share of income from discontinued operations, which decreased primarily due to a reduction in gains on the dispositions of real estate from 2009 to 2010.

Noncontrolling Interests in Aimco Operating Partnership

Noncontrolling interests in Aimco Operating Partnership reflects the results of the Aimco Operating Partnership that are allocated to the non-Aimco owners of OP Units. We allocate the Aimco Operating Partnership's income or loss to the holders of common OP Units and equivalents based on the weighted average number of these units (including those held by Aimco) outstanding during the period. The amount of the Aimco Operating Partnership's income allocated to holders of the preferred OP Units is equal to the amount of distributions they receive.

For the years ended December 31, 2011 and 2010, the non-Aimco owners' share of the Aimco Operating Partnership's operating results represented losses of \$0.8 million and \$4.6 million, respectively, a decrease in their share of losses of \$3.8 million. The common noncontrolling interests share of our consolidated net losses decreased by \$2.1 million, primarily due to a decrease in our losses from continuing operations from 2010 to 2011. This was partially offset by an increase in the preferred noncontrolling interests' share of our earnings, which was primarily due to the effect on income attributed to preferred noncontrolling interests resulting from the repurchase of preferred OP Units in 2010 discussed below.

For the years ended December 31, 2010 and 2011, the non-Aimco owners' share of the Aimco Operating Partnership's operating results represented losses of \$4.6 million and \$3.1 million, respectively, an increase in their share of losses of \$1.5 million. This change is primarily attributable to the \$1.8 million excess of the carrying amount over the consideration paid in our repurchase of certain preferred OP Units during 2010, which is reflected as a reduction of income allocated to preferred noncontrolling interests in the Aimco Operating Partnership.

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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 estimated aggregate undiscounted future cash flows, we recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property.

If an impairment loss is not required to be recorded, the recognition of depreciation is adjusted prospectively, as necessary, to reduce the carrying amount of the real estate to its estimated disposition value over the remaining period that the real estate is expected to be held and used.

From time to time, we have non-revenue producing properties that we hold for future redevelopment. We assess the recoverability of the carrying amount of these redevelopment properties by comparing our estimate of undiscounted future cash flows based on the expected service potential of the redevelopment property upon completion to the carrying amount. In certain instances, we use a probability-weighted approach to determine our estimate of undiscounted future cash flows when alternative courses of action are under consideration.

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;

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

changes in interest rates and the availability of financing.

Any adverse changes in these and other factors could cause an impairment of our long-lived assets, including real estate and investments in unconsolidated real estate partnerships. As we execute our portfolio strategy over the next two years, we intend to sell more than 100 properties that do not align with our long-term investment strategy, including more than 85 properties targeted for sale during 2012. While there is no assurance that we will meet this disposition target, the size of our portfolio is likely to change as we continue to execute our portfolio management strategy. For any properties that are sold or meet the criteria to be classified as held for sale during 2012, the reduction in the estimated holding period for these properties may result in additional impairment losses.

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Based on periodic tests of recoverability of long-lived assets, for the years ended December 31, 2011, 2010 and 2009, we recorded impairment losses of \$4.3 million, \$0.1 million and \$0.8 million, respectively, related to properties classified as held for use. During the years ended December 31, 2011, 2010 and 2009, we recognized impairment losses of \$15.9 million, \$13.0 million and \$56.1 million, respectively, for properties included in discontinued operations, primarily due to reductions in the estimated holding periods for properties sold during these periods.

Provision for Losses on Notes Receivable

We assess the collectability of notes receivable on a periodic basis, which assessment consists primarily of an evaluation of the projected cash flow 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 update our projections of the cash flow of such borrowers annually, and more frequently for certain loans depending on facts and circumstances. We recognize provisions for losses on notes receivable when it is probable that principal and interest will not be received in accordance with the contractual terms of the loan. Factors that affect this assessment include the fair value of the partnership's real estate, pending transactions to refinance the partnership's senior obligations

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or sell the partnership's real estate, and market conditions (current and forecasted) related to a particular asset. In certain instances where other sources of cash flow are available to repay the loan, the provision is measured by discounting the estimated cash flows at the loan's original effective interest rate.

During the year ended December 31, 2011, we recognized a net recovery of previously recognized provisions for losses on notes receivable of \$0.5 million, as compared to \$0.9 million and \$21.5 million net provisions for losses on notes receivable during the years ended December 31, 2010 and 2009, respectively. As discussed in *Provision for Losses on Notes Receivable* within the preceding discussion of our Results of Operations, provisions for losses on notes receivable in 2009 includes an impairment loss of \$20.7 million (\$12.4 million net of tax) on our investment in Casden Properties LLC, which we account for as a note receivable. We will continue to evaluate the collectability 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 additions 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 additions activities at the property level. Indirect costs are allocations of certain department costs, including payroll, at the area operations and corporate levels that clearly relate to capital additions activities. We also capitalize interest, property taxes and insurance during periods in which redevelopment and construction projects are in progress. We charge to expense as incurred costs that do not relate to capital additions activities, including ordinary repairs, maintenance, resident turnover costs and general and administrative expenses (see *Capital Additions and Related Depreciation* in Note 2 to the consolidated financial statements in Item 8).

For the years ended December 31, 2011, 2010 and 2009, for continuing and discontinued operations, we capitalized to buildings and improvements \$14.0 million, \$11.6 million and \$9.8 million of interest costs, respectively, and \$25.7 million, \$25.3 million and \$40.0 million of site payroll and indirect costs, respectively. The reductions in capitalized payroll and indirect costs from 2009 to 2010 are primarily due to a reduced level of redevelopment activities.

Funds From Operations, Pro forma Funds From Operations and Adjusted 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 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, and impairment losses recognized with respect to, depreciable property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated on the same basis to determine FFO. We calculate FFO attributable to Aimco common stockholders (diluted) by subtracting, if dilutive, redemption or repurchase related preferred stock issuance costs and dividends on preferred stock and adding back dividends/distributions on dilutive preferred securities and premiums or discounts on preferred stock redemptions or repurchases.

In addition to FFO, we compute Pro forma FFO and Adjusted FFO, or AFFO, which are also non-GAAP financial measures we believe are helpful to investors in understanding our performance. Pro forma FFO represents FFO attributable to Aimco common stockholders (diluted), excluding preferred equity redemption related amounts (adjusted for noncontrolling interests). Preferred equity redemption related amounts (gains or losses) are items that periodically affect our operating results and we exclude these items from our calculation of Pro forma FFO because such amounts are not representative of our operating performance. AFFO represents Pro forma FFO reduced by Capital Replacements (also adjusted for noncontrolling interests).

FFO, Pro forma FFO and AFFO should not be considered alternatives to net income (loss) or net cash flows from operating activities, as determined in accordance with GAAP, as indications of our performance or as measures of liquidity. These non-GAAP measures are not necessarily indicative of cash available to fund future cash needs. In addition, although we use these non-GAAP measures for comparability in assessing our performance against other REITs, not all REITs compute these same non-GAAP measures and computation of AFFO is subject to definitions of capital spending, which are subjective. Accordingly, there can be no assurance that our basis for computing these non-GAAP measures is comparable with that of other REITs.

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For the years ended December 31, 2011, 2010 and 2009, our FFO, Pro forma FFO and AFFO are calculated as follows (in thousands):

	2011	2010	2009
Net (loss) income attributable to Aimco common stockholders (1)	\$ (103,161)	\$ (125,318)	\$ (114,840)
Adjustments:			
Depreciation and amortization	378,043	397,740	402,035
Depreciation and amortization related to non-real estate assets	(12,942)	(14,380)	(16,400)
Depreciation of rental property related to noncontrolling partners and unconsolidated entities (2)	(29,638)	(39,155)	(34,001)
(Gain) loss on dispositions of unconsolidated real estate and other, net of noncontrolling partners interests (2)	(2,158)	647	(13,300)
Operating real estate impairment losses, net of noncontrolling partners interest	3,868	65	443
Impairment losses related to unconsolidated real estate partnerships, net	4,042	203	
Discontinued operations:			
Gain on dispositions of real estate, net of noncontrolling partners interest (2)	(67,723)	(68,545)	(157,799)
Operating real estate impairment losses, net of noncontrolling partners interest and related income tax benefit (2)	12,360	11,851	54,540
Depreciation of rental property, net of noncontrolling partners interest (2)	13,557	28,959	81,096
Income tax expense arising from disposals and impairments, net	6,990	8,385	3,745
Common noncontrolling interests in Aimco Operating Partnership's share of above adjustments (3)	(20,868)	(22,731)	(23,937)
Amounts allocable to participating securities (4)	(556)	(738)	(1,234)
FFO attributable to Aimco common stockholders diluted	\$ 181,814	\$ 176,983	\$ 180,348
Preferred equity redemption related amounts (5)	(3,904)	(254)	(1,649)
Common noncontrolling interests in Aimco Operating Partnership's share of preferred redemption amounts (3)	266	18	123
Amounts allocable to participating securities (4)	16	1	13
Pro forma FFO attributable to Aimco common stockholders diluted	\$ 178,192	\$ 176,748	\$ 178,835
Capital Replacements, net of common noncontrolling interests in Aimco Operating Partnership and participating securities (3,4)	(73,802)	(60,181)	(64,454)
AFFO attributable to Aimco common stockholders diluted	\$ 104,390	\$ 116,567	\$ 114,381
Weighted average common shares outstanding diluted (earnings per share)	119,312	116,369	114,301
Dilutive common share equivalents	314	324	1,262
Weighted average common shares outstanding diluted (FFO)(6)	119,626	116,693	115,563

Notes:

- (1) Represents the numerator for calculating basic earnings per common share in accordance with GAAP (see Note 17 to the consolidated financial statements in Item 8).
- (2) Noncontrolling partners refers to noncontrolling partners in our consolidated real estate partnerships.
- (3) During the years ended December 31, 2011, 2010 and 2009, the Aimco Operating Partnership had outstanding 8,368,855, 8,377,645 and 8,878,859 common OP Units and equivalents that were owned by limited partners other than Aimco.

- (4) Amounts allocable to participating securities represent dividends declared and any amounts of undistributed earnings allocable to participating securities. See Note 17 to the consolidated financial statements in Item 8 for further information regarding participating securities.
- (5) In accordance with the Securities and Exchange Commission's July 31, 2003 interpretation of the Emerging Issues Task Force Topic D-42, Aimco includes preferred stock redemption related amounts in FFO. As a result, FFO for the years ended December 31, 2011, 2010 and 2009 includes redemption discounts, net of issuance costs, of \$3.9 million, \$0.3 million and \$1.6 million, respectively, which we exclude from our calculation of Pro forma FFO.
- (6) Represents the denominator for earnings per common share diluted, calculated in accordance with GAAP, plus common share equivalents that are dilutive for FFO, Pro forma FFO and AFFO.

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Liquidity and Capital Resources

Liquidity is the ability to meet present and future financial obligations. Our primary source of liquidity is cash flow from our operations. Additional sources are proceeds from property sales, proceeds from refinancings of existing property loans, borrowings under new property loans and borrowings under our revolving credit facility.

Our principal uses for liquidity include normal operating activities, payments of principal and interest on outstanding property debt, capital expenditures, dividends paid to stockholders and distributions paid to noncontrolling interest partners and acquisitions of, and investments in, properties. We use our cash and cash equivalents and our cash provided by operating activities to meet short-term liquidity needs. In the event that our cash and cash equivalents and cash provided by operating activities are not sufficient to cover our short-term liquidity needs, 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 needs. We may 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, primarily secured, the issuance of equity securities (including OP Units), the sale of properties and cash generated from operations.

The availability of credit and its related effect on the overall economy may affect our liquidity and future financing activities, both through changes in interest rates and access to financing. Currently, interest rates are low compared to historical levels and many lenders are active in the market. However, any adverse changes in the lending environment could negatively affect our liquidity. We believe we have mitigated much of this exposure through our reduction in short and intermediate term maturity risk through refinancing such loans with long-dated, fixed-rate property loans. However, if property financing options become unavailable for our further debt needs, we may consider alternative sources of liquidity, such as reductions in certain capital spending or proceeds from asset dispositions.

As further discussed in Item 7A, Quantitative and Qualitative Disclosures About Market Risk, we are subject to interest rate risk associated with certain variable rate liabilities and preferred stock. At December 31, 2011, we estimate that a 1.0 % increase in 30-day LIBOR with constant credit risk spreads would reduce our net income (or increase our net loss) attributable to Aimco common stockholders by approximately \$1.9 million on an annual basis. The effect of an increase in 30-day LIBOR may be mitigated by its effect in increasing income earned on our variable rate assets.

We use total rate of return swaps as a financing product to lower our cost of borrowing through conversion of fixed-rate debt to variable rate debt. The cost of financing through these arrangements is generally lower than the fixed rate on the debt. As of December 31, 2011, we had total rate of return swap positions with one financial institution with notional amounts totaling \$75.0 million.

During the year ended December 31, 2011, we received net cash receipts of \$10.2 million under the total return swaps, which positively affected our liquidity. During 2011, we reduced significantly the amount of debt subject to total rate of return swaps. Accordingly, we expect the amount of net cash we receive under total rate of return swap arrangements will decrease significantly from what we received during 2011.

The total rate of return swaps require specified loan-to-value ratios which may require us to pay down the debt or provide additional collateral, which may adversely affect our cash flows. At December 31, 2011, we had provided \$20.0 million of cash collateral pursuant to the swap agreements to satisfy the loan-to-value requirements. See Note 9 to the consolidated financial statements in Item 8 for additional information regarding these arrangements, including the maturity dates of the swaps.

As of December 31, 2011, we had the capacity to borrow \$469.5 million pursuant to our revolving credit facility, net of \$30.5 million for undrawn letters of credit backed by the revolving credit facility.

At December 31, 2011, we had \$91.1 million in cash and cash equivalents, a decrease of \$20.3 million from December 31, 2010. At December 31, 2011, we had \$186.7 million of restricted cash, a decrease of \$12.5 million from December 31, 2010. Restricted cash primarily consists of reserves and escrows held by lenders for bond sinking funds, capital additions, property taxes and insurance, and escrows related to tenant security deposits. 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.

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Operating Activities

For the year ended December 31, 2011, our net cash provided by operating activities of \$258.8 million was primarily related to operating income from our consolidated properties, which is affected primarily by rental rates, occupancy levels and operating expenses related to our portfolio of properties, and interest related to our non-recourse property debt. Cash provided by operating activities for the year ended December 31, 2011, increased \$1.3 million compared with the year ended December 31, 2010, primarily due to changes in working capital from 2010 to 2011, partially attributable to our reductions in offsite costs, substantially offset by the prepayment penalties incurred during 2011 in connection with a series of property financing transactions.

Investing Activities

For the year ended December 31, 2011, our net cash provided by investing activities of \$40.5 million consisted primarily of proceeds from the disposition of real estate and the release of capital improvement escrows, partially offset by capital expenditures, purchases of real estate and the purchase of investments in debt securities.

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, 2011, we sold or disposed of 67 consolidated properties for an aggregate sales price of \$473.5 million, generating proceeds totaling \$185.6 million after the amount of property debt repaid upon the sale or assumed by the buyers, and after the payment of transaction costs and debt prepayment penalties. Net cash proceeds from property sales were used primarily to fund redevelopment spending on our conventional properties and property investments, including investments in other properties and acquisitions of the noncontrolling interests in certain of our consolidated properties.

Capital expenditures totaled \$200.4 million during the year ended December 31, 2011, and consisted primarily of Capital Improvements and Capital Replacements, and to a lesser extent spending for redevelopment projects and casualties. We generally fund capital additions with cash provided by operating activities, working capital and property sales.

Financing Activities

For the year ended December 31, 2011, net cash used in financing activities of \$319.6 million was primarily attributed to debt principal payments, dividends paid to common and preferred stockholders, distributions to noncontrolling interests and our redemption and repurchase of preferred stock. Proceeds from property loans and our issuance of preferred and common stock partially offset the cash outflows.

Property Debt

At December 31, 2011 and 2010, we had \$5.2 billion and \$5.5 billion, respectively, in consolidated property debt outstanding, which included \$13.0 million and \$276.2 million at December 31, 2011 and 2010, respectively, of property debt classified within liabilities related to assets held for sale. During the year ended December 31, 2011, we refinanced or closed property loans on 44 properties generating \$966.1 million of proceeds from borrowings with a weighted average interest rate of 4.80% inclusive of the financing transactions discussed in Note 3 to the consolidated financial statements in Item 8. Our share of the net proceeds after repayment of existing debt, payment of transaction costs and distributions to limited partners, was \$48.2 million. We used these total net proceeds for capital expenditures and other corporate purposes. We intend to continue to refinance property debt primarily as a means of extending current and near term maturities and to finance certain capital projects.

Revolving Credit Facility

We have a Senior Secured Credit Agreement with a syndicate of financial institutions, which we refer to as the Credit Agreement. During 2011, we entered into the Credit Agreement to replace our prior revolving credit facility and, among other things, increase the revolving commitments from \$300.0 million to \$500.0 million, extend the maturity from May 2013 (exclusive of a one-year extension option) to December 2014 (exclusive of two one-year extension options), reduce by 1.50% the initial spread we pay over both LIBOR and prime rates, and eliminate the 1.50% LIBOR floor on the facility's base interest rate that existed in the prior facility.

Borrowings under the Credit Agreement bear interest based on a pricing grid determined by leverage (initially either at LIBOR plus 2.75% or, at our option, a base rate as defined in the Credit Agreement). The revolving credit facility matures December 2014, and may be extended for two additional one-year periods, subject to certain conditions, including payment of a 25.0 basis point fee on the total revolving commitments.

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As of December 31, 2011, we had no borrowings outstanding under the Credit Agreement, and we had the capacity to borrow \$469.5 million, net of \$30.5 million for undrawn letters of credit backed by the revolving credit facility. The proceeds of revolving loans are generally used to fund working capital and for other corporate purposes.

Our Credit Agreement requires us to satisfy, among other customary financial covenants, ratios of EBITDA to debt service and EBITDA to fixed charges of 1.40:1 and 1.20:1, respectively. For the twelve months ended December 31, 2011, as calculated based on the provisions in our Credit Agreement, we had a ratio of EBITDA to debt service of 1.61:1 and a ratio of EBITDA to fixed charges of 1.37:1. In the first quarter of 2012, the covenant ratios of EBITDA to debt service and EBITDA to fixed charges required by our Credit Agreement will increase to 1.50:1 and 1.30:1, respectively. We expect to remain in compliance with these covenants during 2012.

Equity Transactions

During the year ended December 31, 2011, we paid cash dividends or distributions totaling \$49.8 million, \$57.6 million and \$11.9 million to preferred stockholders, common stockholders and noncontrolling interests in the Aimco Operating Partnership, respectively.

During the year ended December 31, 2011, we paid cash distributions of \$46.5 million to noncontrolling interests in consolidated real estate partnerships, primarily related to property sales during 2011.

During the year ended December 31, 2011, we issued approximately 869,200 shares of 7.00% Class Z Cumulative Preferred Stock, par value \$0.01 per share, in an underwritten public offering and subsequent offerings through an at-the-market, or ATM, offering program, for net proceeds per share of \$23.00 (reflecting an average price to the public of \$24.25 per share, less underwriting discounts, commissions and transaction costs of approximately \$1.25 per share). The offerings generated net proceeds of \$20.0 million.

Also during the year ended December 31, 2011, primarily using the proceeds from our Class Z Cumulative Preferred Stock issuances, we redeemed 862,500 shares (25% of the amount outstanding) of our Class V Cumulative Preferred Stock. This redemption was for cash at a price equal to \$25.00 per share, or \$21.6 million in aggregate, plus accumulated and unpaid dividends of approximately \$0.2 million. We intend to accumulate the proceeds from further ATM issuances of our Class Z Cumulative Preferred Stock and use them for further redemptions of outstanding preferred securities with higher required dividend rates.

During the year ended December 31, 2011, we sold 2.9 million shares of Common Stock under our common stock ATM offering program, generating \$73.6 million of gross proceeds, or \$71.9 million, respectively, net of commissions. We used the net proceeds primarily to fund the investments discussed in Note 3 to the consolidated financial statements in Item 8.

Pursuant to ATM offering programs active at December 31, 2011, we have the capacity to issue up to 3.5 million and 3.9 million additional shares of our Common Stock and Class Z Preferred Stock, respectively. Additionally, we and the Aimco Operating Partnership have a shelf registration statement that provides for the issuance of debt and equity securities by Aimco and debt securities by the Aimco Operating Partnership.

During the year ended December 31, 2011, we acquired noncontrolling limited partnership interests in 12 consolidated real estate partnerships that own 15 properties and in which our affiliates serve as general partner, for a total cost of \$22.3 million, and we redeemed approximately 237,000 common OP Units for cash of \$6.1 million.

Table of Contents**Contractual Obligations**

This table summarizes information contained elsewhere in this Annual Report regarding payments due under contractual obligations and commitments as of December 31, 2011 (amounts in thousands):

	Total	Less than One Year	1-3 Years	3-5 Years	More than Five Years
Long-term debt (1)	\$ 5,172,320	\$ 267,278	\$ 722,726	\$ 857,969	\$ 3,324,347
Interest related to long-term debt (2)	2,001,137	276,569	501,793	428,273	794,502
Long-term debt on assets held for sale (1)	13,012	255	573	2,671	9,513
Interest related to long-term debt on assets held for sale (2)	1,940	157	331	278	1,174
Leases for space	11,848	5,248	3,953	2,002	645
Other obligations (3)	12,604	10,227	2,377		
Total	\$ 7,212,861	\$ 559,734	\$ 1,231,753	\$ 1,291,193	\$ 4,130,181

- (1) Includes scheduled principal amortization and maturity payments related to our long-term debt.
- (2) Includes interest related to both fixed rate and variable rate debt. Interest related to variable rate debt is estimated based on the rate effective at December 31, 2011. Refer to Note 7 in the consolidated financial statements in Item 8 for a description of average interest rates associated with our debt.
- (3) Includes a commitment to fund \$3.0 million in second mortgage loans on certain properties in West Harlem, New York City, and approximately \$9.6 million of obligations related to our redevelopment activities.

In addition to the amounts presented in the table above, at December 31, 2011, we had \$659.7 million (liquidation value) of perpetual preferred stock outstanding with annual dividend yields ranging from 1.6% (variable) to 8.0%, and \$82.5 million (liquidation value) of redeemable preferred units of the Aimco Operating Partnership outstanding with annual distribution yields ranging from 1.8% to 8.8%, or equal to the dividends paid on our Common Stock.

As discussed in Note 6 to the consolidated financial statements in Item 8, we have notes receivable collateralized by second mortgages on certain properties in West Harlem in New York City. In certain circumstances, the obligor under these notes has the ability to put these properties to us, which would result in a cash payment by us of approximately \$30.8 million and our assumption of approximately \$118.4 million in property debt. The obligor's right to exercise the put is dependent upon the achievement of specified operating performance thresholds.

As discussed in Note 11 to the consolidated financial statements in Item 8, pursuant to financing arrangements on two of our conventional redevelopment properties, we are contractually obligated to complete the planned projects. The majority of the capital spending will be funded from construction financing that will be converted to permanent non-recourse property loans upon completion of the projects. Based on the uncertainty regarding the timing and the final amounts of the expenditures, we have excluded them from the contractual obligations table above.

Additionally, 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, redevelopment projects, Capital Improvements and Capital Replacements principally with proceeds from property sales (including tax-free exchange proceeds), short-term borrowings, debt and equity financing (including tax credit equity) and operating cash flows.

Off-Balance Sheet Arrangements

We own general and limited partner interests in unconsolidated real estate partnerships, in which our total ownership interests typically range from less than 1% to 50% and in some instances more than 50%. 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

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amount of our investment in the unconsolidated real estate partnerships and any outstanding notes or accounts receivable as reported in our consolidated financial statements (see Note 4 to the consolidated financial statements in Item 8 for further discussion of our involvement with variable interest entities and see Note 5 to the consolidated financial statements in Item 8 for additional information about our involvement with and investments in unconsolidated real estate partnerships).

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Our primary market risk exposure is to the availability of property debt of other cash sources to refund maturing property debt and to changes in base interest rates and credit risk spreads. Our liabilities are not subject to any other material market rate or price risks. We use predominantly long-term, fixed-rate non-recourse property 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 use total rate-of-return swaps to obtain the benefit of variable rates on certain of our fixed rate debt instruments. We make limited use of other derivative financial instruments and we do not use them for trading or other speculative purposes.

As of December 31, 2011, on a consolidated basis, we had approximately \$220.2 million of variable-rate indebtedness outstanding and \$37.0 million of variable rate preferred stock outstanding. Of the total debt subject to variable interest rates, floating rate tax-exempt bond financing was approximately \$179.0 million. Floating rate tax-exempt bond financing is benchmarked against the Securities Industry and Financial Markets Association Municipal Swap Index, or SIFMA, rate, which since 1992 has averaged 75% of the 30-day LIBOR rate. If this historical relationship continues, we estimate that an increase in 30-day LIBOR of 100 basis points (75 basis points for tax-exempt interest rates) with constant credit risk spreads would result in net income and net income attributable to Aimco common stockholders being reduced (or the amounts of net loss and net loss attributable to Aimco common stockholders being increased) by \$1.9 million on an annual basis.

At December 31, 2011, we had approximately \$389.0 million in cash and cash equivalents, restricted cash and notes receivable, a portion of which bear interest at variable rates indexed to LIBOR-based rates, and which may mitigate the effect of an increase in variable rates on our variable-rate indebtedness and preferred stock discussed above.

We estimate the fair value for our debt instruments using present value techniques that include income and market valuation approaches using market rates for debt with the same or similar terms. Present value calculations vary depending on the assumptions used, including the discount rate and estimates of future cash flows. In many cases, the fair value estimates may not be realizable in immediate settlement of the instruments. The estimated aggregate fair value of our consolidated debt (including amounts reported in liabilities related to assets held for sale) was approximately \$5.4 billion at December 31, 2011 (\$4.9 billion on a proportionate basis). The combined carrying value of our consolidated debt (including amounts reported in liabilities related to assets held for sale) was approximately \$5.2 billion at December 31, 2011 (\$4.7 billion on a proportionate basis). See Note 7 and Note 8 to the consolidated financial statements in Item 8 for further details on our consolidated debt. If market rates for our fixed-rate debt were higher by 100 basis points with constant credit risk spreads, the estimated fair value of our debt discussed above would have decreased from \$5.4 billion to \$5.1 billion (from \$4.9 billion to \$4.7 billion on a proportionate basis). If market rates for our debt discussed above were lower by 100 basis points with constant credit risk spreads, the estimated fair value of our fixed-rate debt would have increased from \$5.4 billion to \$5.8 billion (from \$4.9 billion to \$5.2 billion on a proportionate basis).

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 effective.

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, 2011. 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, 2011, our internal control over financial reporting is effective.

Our independent registered public accounting firm has issued an attestation report on our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of 2011 that has materially affected, or is 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

Apartment Investment and Management Company

We have audited Apartment Investment and Management Company's (the Company) internal control over financial reporting as of December 31, 2011, 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 included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, 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 the Company as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive loss, equity, and cash flows for each of the three years in the period ended December 31, 2011, and our report dated February 23, 2012 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Denver, Colorado

February 23, 2012

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Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is presented under the captions Board of Directors and Executive Officers, Corporate Governance Matters Code of Ethics, Other Matters Section 16(a) Beneficial Ownership Reporting Compliance, Corporate Governance Matters Nominating and Corporate Governance Committee, Corporate Governance Matters Audit Committee and Corporate Governance Matters Audit Committee Financial Expert in the proxy statement for our 2012 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 Compensation Discussion & Analysis, Compensation and Human Resources Committee Report to Stockholders, Summary Compensation Table, Grants of Plan-Based Awards in 2011, Outstanding Equity Awards at Fiscal Year End 2011, Option Exercises and Stock Vested in 2011, Potential Payments Upon Termination or Change in Control and Corporate Governance Matters Director Compensation in the proxy statement for our 2012 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 2012 annual meeting of stockholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is presented under the caption Certain Relationships and Related Transactions and Corporate Governance Matters Independence of Directors in the proxy statement for our 2012 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 2012 annual meeting of stockholders and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and 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.

INDEX TO EXHIBITS (1) (2)

EXHIBIT NO.	DESCRIPTION
3.1	Charter (Exhibit 3.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011, is incorporated herein by this reference)
3.2	Amended and Restated Bylaws (Exhibit 3.2 to Aimco's Current Report on Form 8-K dated February 2, 2010, is incorporated herein by this reference)
10.1	Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 29, 1994, as amended and restated as of February 28, 2007 (Exhibit 10.1 to Aimco's Annual Report on Form 10-K for the year ended December 31, 2006, is incorporated herein by this reference)
10.2	First Amendment to Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of December 31, 2007 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated December 31, 2007, is incorporated herein by this reference)
10.3	Second Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 30, 2009 (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, is incorporated herein by this reference)
10.4	Third Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of September 2, 2010 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated September 3, 2010, is incorporated herein by this reference)
10.5	Fourth Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of July 26, 2011 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated July 26, 2011, is incorporated herein by this reference)
10.6	Fifth Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of August 24, 2011 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated August 24, 2011, is incorporated herein by this reference)
10.7	Sixth Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of AIMCO Properties, L.P., dated as of December 31, 2011 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated December 31, 2011, is incorporated herein by this reference)
10.8	Senior Secured Credit Agreement, dated as of December 13, 2011, among Apartment Investment and Management Company, AIMCO Properties, L.P., AIMCO/Bethesda Holdings, Inc., the lenders from time to time party thereto, KeyBank National Association, as administrative agent, swing line lender and a letter of credit issuer, Wells Fargo Bank, N.A., as syndication agent and Bank of America, N.A. and Regions Bank, as co-documentation agents (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated December 13, 2011, is incorporated herein by this reference)

reference)

10.9 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, dated December 6, 2001, is incorporated herein by this reference)

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EXHIBIT NO.	DESCRIPTION
10.10	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, dated December 6, 2001, is incorporated herein by this reference)
10.11	Employment Contract executed on December 29, 2008, by and between AIMCO Properties, L.P. and Terry Considine (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated December 29, 2008, is incorporated herein by this reference)*
10.12	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)*
10.13	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)*
10.14	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)*
10.15	2007 Stock Award and Incentive Plan (incorporated by reference to Appendix A to Aimco's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 20, 2007)*
10.16	Form of Restricted Stock Agreement (Exhibit 10.2 to Aimco's Current Report on Form 8-K, dated April 30, 2007, is incorporated herein by this reference)*
10.17	Form of Non-Qualified Stock Option Agreement (Exhibit 10.3 to Aimco's Current Report on Form 8-K, dated April 30, 2007, is incorporated herein by this reference)*
10.18	2007 Employee Stock Purchase Plan (incorporated by reference to Appendix B to Aimco's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 20, 2007)*
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
101	XBRL (Extensible Business Reporting Language). The following materials from Aimco's Annual Report on Form 10-K for the year ended December 31, 2011, formatted in XBRL: (i) consolidated balance sheets; (ii) consolidated statements of operations; (iii) consolidated statements of comprehensive loss; (iv) consolidated statements of equity; (v) consolidated statements of cash flows; (vi) notes to consolidated financial statements; and (vii) financial statement schedule (3).

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

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- (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.

- (3) As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

- * Management contract or compensatory plan or arrangement

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SIGNATURES

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.

APARTMENT INVESTMENT AND

MANAGEMENT COMPANY

By: /s/ TERRY CONSIDINE
Terry Considine

Chairman of the Board and

Chief Executive Officer

Date: February 23, 2012

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 Terry Considine	Chairman of the Board and Chief Executive Officer (principal executive officer)	February 23, 2012
/s/ ERNEST M. FREEDMAN Ernest M. Freedman	Executive Vice President and Chief Financial Officer (principal financial officer)	February 23, 2012
/s/ PAUL BELDIN Paul Beldin	Senior Vice President and Chief Accounting Officer (principal accounting officer)	February 23, 2012
/s/ JAMES N. BAILEY James N. Bailey	Director	February 23, 2012
/s/ THOMAS L. KELTNER Thomas L. Keltner	Director	February 23, 2012
/s/ J. LANDIS MARTIN J. Landis Martin	Director	February 23, 2012
/s/ ROBERT A. MILLER Robert A. Miller	Director	February 23, 2012
/s/ KATHLEEN M. NELSON Kathleen M. Nelson	Director	February 23, 2012

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/s/ MICHAEL A. STEIN
Michael A. Stein

Director

February 23, 2012

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY

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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 (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive loss, equity and cash flows for each of the three years in the period ended December 31, 2011. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, 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 4 to the consolidated financial statements, during 2010 the Company adopted the provisions of Financial Accounting Standards Board, or FASB, Accounting Standards Update 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2012 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Denver, Colorado

February 23, 2012

Table of Contents**APARTMENT INVESTMENT AND MANAGEMENT COMPANY****CONSOLIDATED BALANCE SHEETS****As of December 31, 2011 and 2010****(In thousands, except share data)**

	September 30, 2011	September 30, 2010
ASSETS		
Buildings and improvements	\$ 6,839,678	\$ 6,772,272
Land	2,053,975	2,040,719
Total real estate	8,893,653	8,812,991
Less accumulated depreciation	(2,864,873)	(2,659,320)
Net real estate (\$794,734 and \$842,143 related to VIEs)	6,028,780	6,153,671
Cash and cash equivalents (\$43,286 and \$34,808 related to VIEs)	91,066	111,325
Restricted cash (\$44,034 and \$55,062 related to VIEs)	186,717	199,190
Accounts receivable, net (\$8,434 and \$8,393 related to VIEs)	41,796	49,855
Deferred financing costs, net	49,486	45,387
Notes receivable	111,205	116,726
Investment in unconsolidated real estate partnerships (\$29,301 and \$54,374 related to VIEs)	47,790	59,282
Other assets	246,195	194,740
Deferred income tax assets, net	51,933	58,736
Assets held for sale	16,894	389,654
Total assets	\$ 6,871,862	\$ 7,378,566
LIABILITIES AND EQUITY		
Non-recourse property debt (\$638,546 and \$635,085 related to VIEs)	\$ 5,172,320	\$ 5,181,538
Accounts payable	32,607	27,323
Accrued liabilities and other (\$79,573 and \$94,657 related to VIEs)	251,933	297,121
Deferred income	140,293	150,199
Security deposits	33,484	32,876
Liabilities related to assets held for sale	13,167	279,309
Total liabilities	5,643,804	5,968,366
Preferred noncontrolling interests in Aimco Operating Partnership	83,384	83,428
Preferred stock subject to repurchase agreement (Note 14)		20,000
Commitments and contingencies (Note 11)		
Equity:		
Perpetual Preferred Stock (Note 14)	657,114	657,601
Class A Common Stock, \$0.01 par value, 480,887,260 and 422,157,736 shares authorized, 120,916,294 and 117,642,872 shares issued and outstanding, at December 31, 2011 and 2010, respectively	1,209	1,176
Additional paid-in capital	3,098,333	3,070,296
Accumulated other comprehensive loss	(6,860)	(2,076)
Distributions in excess of earnings	(2,841,467)	(2,680,955)

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Total Aimco equity	908,329	1,046,042
Noncontrolling interests in consolidated real estate partnerships	270,666	291,458
Common noncontrolling interests in Aimco Operating Partnership	(34,321)	(30,728)
Total equity	1,144,674	1,306,772
Total liabilities and equity	\$ 6,871,862	\$ 7,378,566

See notes to consolidated financial statements.

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Table of Contents**APARTMENT INVESTMENT AND MANAGEMENT COMPANY****CONSOLIDATED STATEMENTS OF OPERATIONS****For the Years Ended December 31, 2011, 2010 and 2009****(In thousands, except per share data)**

	September 30, 2011	September 30, 2010	September 30, 2009
REVENUES:			
Rental and other property revenues	\$ 1,040,923	\$ 1,020,231	\$ 997,850
Asset management and tax credit revenues	38,661	35,630	49,852
Total revenues	1,079,584	1,055,861	1,047,702
OPERATING EXPENSES:			
Property operating expenses	449,982	460,995	464,650
Investment management expenses	10,415	14,487	15,780
Depreciation and amortization	378,043	397,740	402,035
Provision for operating real estate impairment losses	4,331	65	760
General and administrative expenses	50,950	53,365	56,643
Other expenses, net	19,576	9,697	14,191
Restructuring costs			11,241
Total operating expenses	913,297	936,349	965,300
Operating income	166,287	119,512	82,402
Interest income	10,041	10,306	8,421
Recovery of (provision for) losses on notes receivable, net	509	(949)	(21,549)
Interest expense	(310,780)	(297,019)	(297,425)
Equity in losses of unconsolidated real estate partnerships	(17,721)	(23,112)	(11,401)
Gain on dispositions of interests in unconsolidated real estate and other, net	2,398	10,631	21,574
Loss before income taxes and discontinued operations	(149,266)	(180,631)	(217,978)
Income tax benefit	7,166	17,101	20,473
Loss from continuing operations	(142,100)	(163,530)	(197,505)
Income from discontinued operations, net	83,936	73,906	152,705
Net loss	(58,164)	(89,624)	(44,800)
Noncontrolling interests:			
Net loss (income) attributable to noncontrolling interests in consolidated real estate partnerships	257	13,301	(22,541)
Net income attributable to preferred noncontrolling interests in Aimco Operating Partnership	(6,683)	(4,964)	(6,288)

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Net loss attributable to common noncontrolling interests in Aimco Operating Partnership	7,503	9,559	9,355
Total noncontrolling interests	1,077	17,896	(19,474)
Net loss attributable to Aimco	(57,087)	(71,728)	(64,274)
Net income attributable to Aimco preferred stockholders	(45,852)	(53,590)	(50,566)
Net income attributable to participating securities	(222)		
Net loss attributable to Aimco common stockholders	\$ (103,161)	\$ (125,318)	\$ (114,840)
Earnings (loss) per common share basic and diluted:			
Loss from continuing operations attributable to Aimco common stockholders	\$ (1.25)	\$ (1.46)	\$ (1.74)
Income from discontinued operations attributable to Aimco common stockholders	0.39	0.38	0.74
Net loss attributable to Aimco common stockholders	\$ (0.86)	\$ (1.08)	\$ (1.00)
 Weighted average common shares outstanding basic and diluted	 119,312	 116,369	 114,301

See notes to consolidated financial statements.

Table of Contents**APARTMENT INVESTMENT AND MANAGEMENT COMPANY****CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****For the Years Ended December 31, 2011, 2010 and 2009****(In thousands)**

	September 30, 2011	September 30, 2010	September 30, 2009
Net loss	\$ (58,164)	\$ (89,624)	\$ (44,800)
Other comprehensive (loss) income:			
Unrealized (losses) gains on interest rate swaps	(5,885)	(2,747)	(130)
Losses (gains) on interest rate swaps reclassified into earnings from accumulated other comprehensive loss	1,667	1,642	1,538
Unrealized losses on debt securities classified as available-for-sale	(1,509)		
Other comprehensive (loss) income	(5,727)	(1,105)	1,408
Comprehensive loss	(63,891)	(90,729)	(43,392)
Comprehensive loss (income) attributable to noncontrolling interests	2,020	18,063	(19,771)
Comprehensive loss attributable to Aimco	\$ (61,871)	\$ (72,666)	\$ (63,163)

See notes to consolidated financial statements.

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY

CONSOLIDATED STATEMENTS OF EQUITY

For the Years Ended December 31, 2011, 2010 and 2009

(In thousands)

	Sept 30, Preferred Stock		Sept 30, Common Stock		Sept 30, Additional Paid-in Capital	Sept 30, Accumulated Other Comprehensive Loss	Sept 30, Distributions in Excess of Earnings	Sept 30, Total Aimco Equity	Sept 30, Noncontrolling Interests	Sept 30, Total Equity
	Shares Issued	Amount	Shares Issued	Amount						
Balances at December 31, 2008	24,940	\$ 696,500	100,632	\$ 1,006	\$ 2,906,395	\$ (2,249)	\$ (2,335,628)	\$ 1,266,024	\$ 380,725	\$ 1,646,749
Repurchase of Preferred Stock		(6,000)			151		1,800	(4,049)		(4,049)
Reclassification of preferred stock to temporary equity		(30,000)						(30,000)		(30,000)
Redemption or Conversion of Aimco Operating Partnership units for Common Stock			527	5	7,080			7,085	(7,085)	
Repurchases of Common Stock and common partnership units									(980)	(980)
Officer and employee stock awards and related amounts, net			(227)	(2)	739			737		737
Amortization of stock option and restricted stock compensation cost					8,007			8,007		8,007
Common Stock issued pursuant to Special Dividends			15,548	156	148,590			148,746		148,746
Expense for dividends on forfeited shares and other					311		2,917	3,228	(990)	2,238

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Contributions from noncontrolling interests									5,535	5,535
Adjustment to noncontrolling interests from consolidation of entities									(1,151)	(1,151)
Change in accumulated other comprehensive loss					1,111			1,111	297	1,408
Net loss							(64,274)	(64,274)	13,186	(51,088)
Distributions to noncontrolling interests									(94,552)	(94,552)
Common Stock dividends							(46,202)	(46,202)		(46,202)
Preferred Stock dividends							(50,695)	(50,695)		(50,695)
Balances at December 31, 2009	24,940	660,500	116,480	1,165	3,071,273	(1,138)	(2,492,082)	1,239,718	294,985	1,534,703
Issuance of Preferred Stock	4,000	98,101			(3,346)			94,755		94,755
Repurchase of Preferred Stock	(4,040)	(101,000)			4,511		(1,511)	(98,000)		(98,000)
Issuance of Common Stock			600	6	14,040			14,046		14,046
Aimco Operating Partnership units issued in exchange for noncontrolling interests in consolidated real estate partnerships									6,854	6,854
Redemption of Aimco Operating Partnership units									(3,571)	(3,571)
Officer and employee stock awards and related amounts, net			555	5	2,748			2,753		2,753
Amortization of stock option and restricted stock compensation cost					8,182			8,182		8,182
Contributions from noncontrolling									7,422	7,422

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interests										
Adjustment to noncontrolling interests from consolidation of entities								6,324		6,324
Adjustment to noncontrolling interests related to revision of investment balances								(38,718)		(38,718)
Effect of changes in ownership for consolidated entities (Note 3)				(27,391)			(27,391)	5,533		(21,858)
Cumulative effect of a change in accounting principle (Note 4)						(27,724)	(27,724)	50,879		23,155
Change in accumulated other comprehensive loss					(938)		(938)	(167)		(1,105)
Other, net	8		279			(751)	(472)	1,876		1,404
Net loss						(71,728)	(71,728)	(22,860)		(94,588)
Distributions to noncontrolling interests								(47,827)		(47,827)
Common Stock dividends							(35,080)	(35,080)		(35,080)
Preferred Stock dividends							(52,079)	(52,079)		(52,079)
Balances at December 31, 2010	24,900	657,601	117,643	1,176	3,070,296	(2,076)	(2,680,955)	1,046,042	260,730	1,306,772

See notes to consolidated financial statements.

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APARTMENT INVESTMENT AND MANAGEMENT COMPANY

CONSOLIDATED STATEMENTS OF EQUITY

For the Years Ended December 31, 2011, 2010 and 2009

(In thousands)

	Sept 30, Preferred Stock		Sept 30, Common Stock		Sept 30, Additional Paid-in Capital	Sept 30, Accumulated Other Comprehensive Loss	Sept 30, Distributions in Excess of Earnings	Sept 30, Total Aimco Equity	Sept 30, Noncontrolling Interests	Sept 30, Total Equity
	Shares Issued	Amount	Shares Issued	Amount						
Issuance of Preferred Stock	869	21,075			(1,085)			19,990		19,990
Repurchase of Preferred Stock	(863)	(21,562)			1,292		3,904	(16,366)		(16,366)
Issuance of Common Stock			2,914	29	71,913			71,942		71,942
Redemption of Operating Partnership units									(6,059)	(6,059)
Officer and employee stock awards and related amounts, net			317	3	2,094		10	2,107		2,107
Amortization of stock option and restricted stock compensation cost			42	1	5,882			5,883		5,883
Contributions from noncontrolling interests									12,358	12,358
Effect of changes in ownership for consolidated entities (Note 3 and Note 13)					(52,059)			(52,059)	29,761	(22,298)
Change in accumulated other comprehensive loss						(4,784)		(4,784)	(943)	(5,727)
Other, net									(15)	(15)
Net loss							(57,087)	(57,087)	(7,760)	(64,847)
Distributions to noncontrolling									(51,727)	(51,727)

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interests											
Common Stock dividends						(57,583)	(57,583)			(57,583)	
Preferred Stock dividends						(49,756)	(49,756)			(49,756)	
Balances at December 31, 2011	24,906	\$ 657,114	120,916	\$ 1,209	\$ 3,098,333	\$ (6,860)	\$ (2,841,467)	\$ 908,329	\$ 236,345	\$ 1,144,674	

See notes to consolidated financial statements.

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Table of Contents**APARTMENT INVESTMENT AND MANAGEMENT COMPANY****CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Years Ended December 31, 2011, 2010 and 2009****(In thousands)**

	September 30, 2011	September 30, 2010	September 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (58,164)	\$ (89,624)	\$ (44,800)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	378,043	397,740	402,035
Provision for operating real estate impairment losses	4,331	65	760
Equity in losses of unconsolidated real estate partnerships	17,721	23,112	11,401
Gain on dispositions of interests in unconsolidated real estate and other, net	(2,398)	(10,631)	(21,574)
Income tax benefit	(7,166)	(17,101)	(20,473)
Stock-based compensation expense	5,381	7,331	6,666
Amortization of deferred loan costs and other	7,148	8,398	8,586
Distributions of earnings from unconsolidated entities	1,796	1,231	4,893
Discontinued operations:			
Depreciation and amortization	17,290	39,093	93,533
Gain on disposition of real estate	(108,209)	(94,945)	(222,025)
Other adjustments to income from discontinued operations	22,530	20,509	59,157
Changes in operating assets and operating liabilities:			
Accounts receivable	388	25,561	27,067
Other assets	6,131	16,567	18,954
Accounts payable, accrued liabilities and other	(26,003)	(69,806)	(90,368)
Total adjustments	316,983	347,124	278,612
Net cash provided by operating activities	258,819	257,500	233,812
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of real estate and investments in unconsolidated real estate	(64,976)		
Capital expenditures	(200,372)	(178,929)	(300,344)
Proceeds from dispositions of real estate	326,853	218,571	875,931
Proceeds from sale of interests and distributions from real estate partnerships	17,095	19,707	25,067
Purchases of other assets	(15,123)	(9,399)	(6,842)
Purchase of investments in debt securities (Note 3)	(51,534)		
Originations of notes receivable	(1,205)	(1,190)	(5,778)
Proceeds from repayment of notes receivable	13,471	5,699	5,264
Net increase in cash from consolidation and deconsolidation of entities		13,128	98
Other investing activities	16,285	18,788	36,858
Net cash provided by investing activities	40,494	86,375	630,254
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from non-recourse property debt	927,093	449,384	788,170
Principal repayments on non-recourse property debt	(1,083,690)	(493,128)	(1,234,180)
Payments on term loans		(90,000)	(310,000)

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Proceeds from issuance of preferred stock	19,990	96,110	
Proceeds from issuance of Common Stock	71,942	14,046	
Repurchases and redemptions of preferred stock	(36,362)	(108,000)	(4,200)
Proceeds from Class A Common Stock option exercises	1,806	1,806	
Payment of Class A Common Stock dividends	(57,583)	(46,729)	(95,335)
Payment of preferred stock dividends	(49,756)	(53,435)	(52,215)
Payment of distributions to noncontrolling interests	(58,413)	(54,557)	(120,361)
Purchases and redemptions of noncontrolling interests	(20,909)	(17,238)	(2,560)
Other financing activities	(33,690)	(12,069)	(51,801)
Net cash used in financing activities	(319,572)	(313,810)	(1,082,482)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,259)	30,065	(218,416)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	111,325	81,260	299,676
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 91,066	\$ 111,325	\$ 81,260

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, 2011, 2010 and 2009

(In thousands)

	September 30, 2011	September 30, 2010	September 30, 2009
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	\$ 336,565	\$ 311,432	\$ 348,341
Cash paid for income taxes	1,233	1,899	