

APARTMENT INVESTMENT & MANAGEMENT CO

Form S-4

July 28, 2011

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

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

APARTMENT INVESTMENT AND MANAGEMENT COMPANY

(Exact name of registrant as specified in its charter)

Maryland

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

6798

*(Primary standard industrial
classification code number)*

AIMCO PROPERTIES, L.P.

(Exact name of registrant as specified in its charter)

84-1259577

*(IRS Employer
Identification Number)*

Delaware

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

6513

*(Primary standard industrial
classification code number)*

4582 South Ulster Street Parkway, Suite 1100

Denver, Colorado 80237

(303) 757-8101

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

John Bezzant

Executive Vice President

Apartment Investment and Management Company

4582 South Ulster Street Parkway, Suite 1100

Denver, Colorado 80237

(303) 757-8101

(Name, address, including zip code and telephone number, including area code of agent for service)

Copy to:

Robert Mintz, Esq.

Hogan Lovells US LLP

One Tabor Center

1200 Seventeenth St., Suite 1500

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

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

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

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

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

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

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

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

SUBJECT TO COMPLETION, DATED JULY 28, 2011

INFORMATION STATEMENT/PROSPECTUS

NATIONAL PROPERTY INVESTORS 4

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

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

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

\$195.27 in cash, or

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

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

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

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

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

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

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

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

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

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

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

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

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

**CALIFORNIA
MASSACHUSETTS
NEW YORK**

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

ADDITIONAL INFORMATION

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

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

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

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

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

ABOUT THIS INFORMATION STATEMENT/PROSPECTUS

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

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SUMMARY TERM SHEET

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

The Transactions:

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

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

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

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

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

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

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

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

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

Parties Involved:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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SPECIAL FACTORS

Purposes, Alternatives and Reasons for the Transactions

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

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

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

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

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

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

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

Liquidation of NPI. The General Partner and the other Aimco Entities considered a liquidation of NPI in which NPI's property would be marketed and sold to a third party for cash, with any net proceeds remaining, after payment of all liabilities, distributed to NPI's limited partners. The primary advantage of such a transaction would be that the sale price would reflect arm's-length negotiations and might therefore be higher than the appraised value which has been used to determine the merger consideration. The General Partner and the other Aimco Entities rejected this alternative because of: (i) the risk that a third party purchaser might not be found that would offer a satisfactory price; (ii) the costs that NPI would incur in connection with marketing and selling the property; (iii) the fact that limited partners would recognize taxable gain on the sale without the option of deferring that gain; and (iv) the prepayment penalties

that NPI would incur in repaying its mortgage debt upon a sale of the property.

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

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Effects of the Transactions

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

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

Liquidity. Limited partners are given a choice of merger consideration and may elect to receive either cash or OP Units in the merger, except in those jurisdictions where the law prohibits the offer of OP Units (or registration or qualification would be prohibitively costly). Limited Partners who receive cash consideration will receive immediate liquidity with respect to their investment.

Option to Defer Taxable Gain. Limited partners who receive OP Units in the merger may defer recognition of taxable gain (except where the law of the state or other jurisdiction in which a limited partner resides would prohibit the issuance of OP Units in that state or other jurisdiction, or where registration or qualification would be prohibitively costly).

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

Benefits to NPI. The transactions are expected to have the following principal benefits to NPI:

Elimination of Costs Associated with SEC Reporting Requirements and Multiple Limited Partners. After the transactions, the Aimco Entities will own all of the interests in NPI, and NPI will terminate its registration and cease filing periodic reports with the SEC. As a result, NPI will no longer incur costs associated with preparing audited annual financial statements, unaudited quarterly financial statements, tax returns and partner Schedule K-1s, periodic SEC reports and other expenses. The Aimco Entities estimate these expenses to be approximately \$63,000 per year.

Benefits to the Aimco Entities. The transactions are expected to have the following principal benefits to the Aimco Entities:

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

Detriments to Unaffiliated Limited Partners. The transactions are expected to have the following principal detriments to unaffiliated limited partners:

Taxable Gain. Limited partners who receive cash consideration may recognize taxable gain in the merger and that gain could exceed the merger consideration. In addition, limited partners who receive OP Units in the merger could recognize taxable gain if Aimco subsequently sells NPI's property.

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

Conflicts of Interest: No Separate Representation of Unaffiliated Limited Partners. The General Partner is indirectly wholly-owned by Aimco. Therefore, the General Partner has a conflict of interest with respect to the transactions. The General Partner has fiduciary duties to AIMCO/IPT, Inc., the General Partner's sole stockholder and an affiliate of Aimco, on the one hand, and to NPI and its limited partners, on the other hand. The duties of the General Partner to NPI and its limited partners conflict with the duties of the General Partner to AIMCO/IPT, Inc., which could result in the General Partner approving a transaction that is more favorable to Aimco than might be the case absent such conflict of interest. The General Partner's desire to seek the best possible terms for NPI's limited partners conflicts with Aimco's interest in obtaining the best possible terms for Aimco OP. In negotiating the merger agreement and the amendment, no one separately represented the interests of the unaffiliated limited partners. If an independent advisor had been engaged, it is possible that such advisor could have negotiated better terms for NPI's unaffiliated limited partners.

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

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

Increased Interest in NPI. Upon completion of the transactions, the Aimco Entities' interest in the net book value of NPI will increase from 80.02% to 100%, or from a deficit of \$31,503,000 to a deficit of \$39,371,000 as of December 31, 2010, and their interest in the net losses of NPI will increase from 80.08% to 100%, or from \$193,000 to \$241,000 for the year ended December 31, 2010. Upon completion of the merger, Aimco OP will be the sole limited partner of New NPI. As a result, Aimco OP will bear the burden of all future operating or other losses of NPI, as well as any decline in the value of NPI's property.

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

Material United States Federal Income Tax Consequences of the Transactions

For a discussion of the material U.S. Federal income tax consequences of the transactions, see **Material United States Federal Income Tax Considerations** **United States Federal Income Tax Consequences Relating to the Transactions**, beginning on page 66.

Fairness of the Transactions

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

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

Duff & Phelps has delivered its written opinion to the boards of directors of Aimco and the general partners of Aimco OP and NPI to the effect that, as of July 28, 2011, and based on and subject to the various assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken by Duff & Phelps in connection with its opinion, the cash consideration offered in the merger is fair, from a financial point of view, to the unaffiliated limited partners of NPI.

The merger consideration is greater than the Aimco Entities' estimate of liquidation value because other than the incentive fee payable to the General Partner, there was no deduction for certain amounts that would be payable upon an immediate sale of the property, such as prepayment penalties on the mortgage debt, currently estimated to be approximately \$14,093,700.

The merger consideration is based upon the Aimco Entities' estimate of going concern value, calculated as the appraised value of NPI's property, plus the amount of its other assets, less the amount of NPI's liabilities, including the market value of mortgage debt (but without deducting any prepayment penalties thereon), and adjusted for the incentive fee payable to the General Partner under the terms of NPI's partnership agreement upon a sale of the property.

The mark-to-market adjustment to the mortgage debt encumbering NPI's property is less than the prepayment penalties that would be payable upon an immediate sale of the property.

The merger consideration exceeds the net book value per unit (a deficit of \$648.00 per NPI Unit at March 31, 2011).

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

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

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

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

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

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

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

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

The merger consideration is greater than the prices at which NPI Units have recently sold in the secondary market (\$16.50 to \$118.00 per NPI Unit for transactions reported between January 1, 2010 and July 21, 2011).

The merger consideration is greater than some of the prices at which NPI Units have historically sold in the secondary market (\$150.00 to \$250.00 per NPI Unit for transactions reported between January 1, 2009 and December 31, 2009).

The independent appraised value of NPI's property used in determining the merger consideration is greater than any of the preliminary offers to acquire the property that NPI received in July 2010, which preliminary offers were non-binding and subject to a number of conditions and ranged from approximately \$55,000,000 to approximately \$64,000,000.

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

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

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

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

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

In calculating the merger consideration, the incentive compensation fee payable to the General Partner under the terms of NPI's partnership agreement in a sale of the property was deducted.

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

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

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

The merger consideration is less than some of the prices at which NPI Units have historically sold in the secondary market (\$150.00 to \$250.00 per NPI Unit for transactions reported between January 1, 2009 and December 31, 2009).

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

In calculating the merger consideration, the market value of the mortgage debt encumbering NPI's property was deducted, which resulted in less merger consideration than would have been the case if the aggregate amount outstanding was deducted.

The Aimco Entities did not assign relative weights to the above factors in reaching their decision that the transactions are fair to NPI and its unaffiliated limited partners. However, in determining that the benefits of the proposed transactions outweigh the costs and risks, they relied primarily on the following factors: (i) the merger consideration of \$195.27 per NPI Unit is based on an independent third party appraisal of NPI's property, (ii) the Duff & Phelps opinion that, as of July 28, 2011, and based on and subject to the various assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken by Duff & Phelps in connection with its opinion, the cash consideration offered in the merger is fair, from a financial point of view, to the unaffiliated limited partners of NPI, (iii) limited partners may defer recognition of taxable gain by electing to receive OP Units in the merger (except in certain jurisdictions) and (iv) limited partners are entitled to contractual dissenters' appraisal rights. The Aimco Entities were aware of, but did not place much emphasis on, information regarding prices at which NPI Units may have sold in the secondary market because they do not view that information as a reliable measure of value. The NPI Units are not traded on an exchange or other reporting system, and transactions in the secondary market are very limited and sporadic. In addition, some of the historical prices are not comparable to current value because of intervening events, including distributions from NPI and advances to NPI by the Aimco Entities. Similarly, the Aimco Entities also did not place significant emphasis on the prices at which third parties offered to acquire the property during the Aimco Entities' efforts to sell the property in 2010, because historical prices do not reflect intervening events, such as fluctuations in the multi-family real estate market.

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

The Appraisal

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

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

Inspected the property and its environs;

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- Reviewed demographic and other socioeconomic trends pertaining to the city and region where the property is located;
- Examined regional apartment market conditions, with special emphasis on the property's apartment submarket;
- Investigated lease and sale transactions involving comparable properties in the influencing market;
- Reviewed the existing rent roll and discussed the leasing status with the building manager and leasing agent. In addition, KTR reviewed the property's recent operating history and those of competing properties;
- Utilized appropriate appraisal methodology to derive estimates of value; and
- Reconciled the estimates of value into a single value conclusion.

Summary of Approaches and Methodologies Employed. The following summary describes the approaches and analyses employed by KTR in preparing the appraisal. KTR principally relied on two approaches to valuation: (i) the income capitalization approach and (ii) the sales comparison approach.

The income capitalization approach is based on the premise that value is derived by converting anticipated benefits into property value. Anticipated benefits include the present value of the net income and the present value of the net proceeds resulting from the re-sale of the property. This can be accomplished through either a direct capitalization of a single year's income by an overall capitalization rate or using a discounted cash flow in which the annual cash flows and reversionary value are discounted to a present value for the remainder of the property's productive life or over a reasonable ownership period. KTR reported that the property has an adequate operations history to determine its income-producing capabilities over the near future. In addition, performance levels of competitive properties served as an adequate check as to the reasonableness of the property's actual performance. As such, the income capitalization approach was utilized in the appraisal of the property.

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

The sales comparison approach is an estimate of value based upon a process of comparing recent sales of similar properties in the surrounding or competing areas to the subject property. Inherent in and central to this approach is the principle of substitution. This comparative process involves judgment as to the similarity of the subject property and the comparable sales with respect to many value factors such as location, contract rent levels, quality of construction, reputation and prestige, age and condition, and the interest transferred, among others. The value estimated through this approach represents the probable price at which the subject property would be sold by a willing seller to a willing and

knowledgeable buyer as of the date of value. The reliability of this technique is dependent upon the availability of comparable sales data, the verification of the sales data, the degree of comparability and extent of adjustment necessary for differences, and the absence of atypical conditions affecting the individual sales prices. KTR reported that, although the volume of sales activity has decreased as a result of market conditions, its research revealed adequate sales activity to form a reasonable estimation of the subject property's market value pursuant to the sales comparison approach.

For the appraisal, KTR conducted research in the market in an attempt to locate sales of properties similar to the appraised property. In the appraisal, numerous sales were uncovered and the specific sales included in the

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

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

The final step in the appraisal process is the reconciliation of the value indicators into a single value estimate. KTR reviewed each approach in order to determine its appropriateness relative to the property. The accuracy of the data available and the quantity of evidence were weighted in each approach. For the appraisal of the Village of Pennbrook Apartments, KTR relied principally on the income capitalization approach to valuation, and the direct capitalization method was given greatest consideration in the conclusion of value under this approach. KTR relied secondarily on the sales comparison approach, and reported that the value conclusion derived pursuant to the sales comparison approach was generally supportive of the conclusion derived pursuant to the income capitalization approach.

Summary of Independent Appraisal of the Village of Pennbrook Apartments. KTR performed a complete appraisal of the Village of Pennbrook Apartments. The appraisal report of Village of Pennbrook Apartments is dated June 8, 2011. The appraisal report provides an estimate of the property's market value as of June 1, 2011. The summary set forth below describes the material conclusions reached by KTR based on the value determined under the valuation approaches and subject to the assumptions and limitations described below. According to KTR's report, the estimated market value of the Village of Pennbrook Apartments is \$66,000,000 as of June 1, 2011. A previous appraisal report by KTR of the Village of Pennbrook Apartments, dated March 17, 2011, indicated that the estimated market value of the Village of Pennbrook Apartments was \$65,800,000 as of March 9, 2011. The increase in the estimated market value of the Village of Pennbrook Apartments is mainly due to changes in the assumptions employed by KTR to determine the value of the Village of Pennbrook Apartments under the income capitalization approach (including higher potential gross income from apartment rental units) and the fact that KTR placed the greatest reliance upon the income capitalization approach to valuation. The following is a summary of the appraisal report dated June 8, 2011:

Extraordinary Assumption. In connection with the preparation of its March 17, 2011 appraisal report of the Village of Pennbrook Apartments, KTR inspected the property on March 9, 2011. KTR noted that the scope of work of the June 8, 2011 appraisal report of the Village of Pennbrook Apartments did not include a physical inspection of the Village of Pennbrook Apartments, and that the values derived in the report are based on the extraordinary assumption that the physical condition of the Village of Pennbrook Apartments has not materially changed since March 9, 2011.

Valuation Under Income Capitalization Approach. Using the income capitalization approach, KTR performed a direct capitalization analysis to derive a value for the Village of Pennbrook Apartments. The direct capitalization analysis resulted in a valuation conclusion for the Village of Pennbrook Apartments of approximately \$66,100,000 as of June 1, 2011.

The assumptions employed by KTR to determine the value of the Village of Pennbrook Apartments under the income capitalization approach using the direct capitalization method included:

potential gross income from apartment unit rentals of \$715,090 per month or \$8,581,080 for the appraised year;

a loss to lease allowance of 2.0% of the gross rent potential;

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rent concessions of 2.0% of the gross rent potential;

a combined vacancy and credit loss allowance of 5.0%;

potential gross income from commercial unit rentals of \$116,091 for the appraised year;

other income of \$1,700 per unit for the appraised year;

a deduction for non-income producing units of \$22,560 for the appraised year;

projected total expenses (including reserves) of \$4,175,418 for the appraised year; and

capitalization rate of 7.5%.

Using the direct capitalization method, KTR calculated the value of the Village of Pennbrook Apartments by dividing the stabilized net operating income (including an allowance for reserves) by the concluded capitalization rate of 7.5%. KTR calculated the value conclusion of the Village of Pennbrook Apartments under the income capitalization approach of approximately \$66,100,000 as of June 1, 2011.

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

The sales comparison approach resulted in a valuation conclusion for the Village of Pennbrook Apartments of approximately \$65,700,000 as of June 1, 2011.

In reaching a valuation conclusion for the Village of Pennbrook Apartments, KTR examined and analyzed comparable sales of three properties in the influencing market. The sales reflected unadjusted sales prices ranging from \$86,735 to \$111,469 per unit. After adjustment, the comparable sales illustrated a value range of \$89,175 to \$97,969 per unit. KTR reported that one of the comparable sales required the least adjustment and was accorded most significance in the analysis, and that the adjusted indicators exhibited by this sale was \$91,071 per unit. KTR estimated a value of \$91,000 per unit for the Village of Pennbrook Apartments. Applied to the Village of Pennbrook Apartments 722 units, this resulted in KTR's total value estimate for the Village of Pennbrook Apartments of approximately \$65,700,000.

Reconciliation of Values and Conclusion of Appraisal. For the appraisal of the Village of Pennbrook Apartments, KTR relied principally on the income capitalization approach to valuation. Within the income capitalization approach, KTR relied on the direct capitalization method. KTR reported that the value conclusion derived pursuant to the sales comparison approach was supportive of the conclusion derived pursuant to the income capitalization approach. The income capitalization approach using a direct capitalization method resulted in a value of \$66,100,000, and the sales comparison approach resulted in a value of \$65,700,000. KTR concluded that the market value of the Village of Pennbrook Apartments as of June 1, 2011 was \$66,000,000.

Assumptions, Limitations and Qualifications of KTR's Valuations. In preparing the appraisal, KTR relied, without independent verification, on the information furnished by others. KTR's appraisal report was subject to the following assumptions and limiting conditions: no responsibility was assumed for the legal description or for matters including legal or title considerations, and title to the property was assumed to be good and marketable unless otherwise stated;

the property was appraised free and clear of any or all liens or encumbrances unless otherwise stated; responsible ownership and competent property management were assumed; the information furnished by others was believed to be reliable, and no warranty was given by KTR for the accuracy of such information; all engineering was assumed to be correct; there were no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable, and no responsibility was assumed for such conditions or for arranging for engineering studies that may be required to discover them; there was full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance was stated, defined, and considered in the appraisal report; all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity had been stated, defined, and considered in the appraisal report; all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or

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national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in the appraisal report was based; the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the appraisal report; the distribution, if any, of the total valuation in the appraisal report between land and improvements applies only under the stated program of utilization; unless otherwise stated in the appraisal report, the existence of hazardous substances, including without limitation, asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection, and the appraiser had no knowledge of the existence of such materials on or in the property unless otherwise stated; the appraiser has not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the Americans with Disabilities Act; and former personal property items such as kitchen and bathroom appliances were, at the time of the appraisal report, either permanently affixed to the real estate or were implicitly part of the real estate in that tenants expected the use of such items in exchange for rent and never gained any of the rights of ownership, and the intention of the owners was not to remove the articles which are required under the implied or express warranty of habitability.

Compensation of Appraiser. KTR's fee for the appraisal was approximately \$15,100. Aimco OP paid for the costs of the appraisal. KTR's fee for the appraisal was not contingent on the approval or completion of the transactions. Aimco OP also has agreed to indemnify KTR for certain liabilities that may arise out of the rendering of the appraisals. In addition to the appraisal performed in connection with the transactions, during the prior two years, KTR has been paid approximately \$232,400 for appraisal services by Aimco OP and its affiliates. Except as set forth above, during the prior two years, no material relationship has existed between KTR and NPI or Aimco OP or any of their affiliates. Aimco OP believes that its relationship with KTR had no negative impact on its independence in conducting the appraisal.

Availability of the Appraisal Report. You may obtain a full copy of KTR's appraisal upon request, without charge, by contacting Eagle Rock Proxy Advisors, LLC, by mail at 12 Commerce Drive, Cranford, New Jersey 07016; by fax at (908) 497-2349; or by telephone at (800) 217-9608. In addition, the appraisal report has been filed with the SEC. For more information about how to obtain a copy of the appraisal report see [Where You Can Find Additional Information](#).

For additional information about the appraisal, see the table, [Summary of Appraisal](#) attached as [Annex K](#).

Opinion of Financial Advisor

Aimco OP retained Duff & Phelps to act as financial advisor to the boards of directors of Aimco, the general partner of Aimco OP, and the general partner of NPI in connection with their evaluation of the proposed terms of the merger.

On July 28, 2011, Duff & Phelps rendered its written opinion to the boards of directors of Aimco, the general partner of Aimco OP, and the general partner of NPI, to the effect that, as of July 28, 2011, based upon and subject to the assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken, the cash consideration offered in the merger is fair from a financial point of view to the unaffiliated limited partners of NPI.

The full text of the written opinion of Duff & Phelps, dated July 28, 2011, which sets forth the assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken by Duff & Phelps in connection with the opinion, is attached as [Annex C](#) to this information statement/prospectus. You are encouraged to read the opinion carefully and in its entirety. The summary of Duff & Phelps's opinion in this information statement/prospectus is qualified in its entirety by reference to the full text of the opinion.

Duff & Phelps opinion was directed to the boards of directors of Aimco, the general partner of Aimco OP, and the general partner of NPI, and addressed only the fairness from a financial point of view of the cash consideration offered in the merger, as of the date of the opinion. Duff & Phelps provided its opinion for the information and assistance of the boards of directors of Aimco, the general partner of Aimco OP, and the

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general partner of NPI in connection with their evaluation of the merger. Neither Duff & Phelps' opinion nor the summary of the opinion and the related analyses set forth in this information statement/prospectus are intended to be, and do not constitute, advice or a recommendation as to how any person should act with respect to any matters relating to the merger, or whether to proceed with the merger or any related transaction.

In connection with its opinion, Duff & Phelps made such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. Duff & Phelps also took into account its assessment of general economic, market and financial conditions, as well as its experience in securities and business valuation, in general, and with respect to similar transactions, in particular. Duff & Phelps' procedures, investigations, and financial analysis with respect to the preparation of its opinion included, but were not limited to, the items summarized below:

1. Reviewed the following documents:

- a. Reviewed NPI's property level internal unaudited financial statements for the five months ended May 31, 2011 and NPI's property level unaudited annual financial statements for each of the three fiscal years ended December 31, 2010;
- b. Reviewed other internal documents relating to the history, current operations, and probable future outlook of NPI, including financial projections, provided to Duff & Phelps by the management of Aimco OP;
- c. Reviewed documents related to the merger, including certain portions of a draft of this information statement/prospectus, including a draft of the merger agreement dated as of July 22, 2011, and certain other documents related to the merger;

2. Reviewed the following information and/or documents related to the real estate holdings of NPI:

- a. Reviewed previously completed appraisal reports associated with the property owned by NPI prepared by KTR as of May 31, 2011 and provided to Duff & Phelps by management of Aimco OP (and as described under the heading "Special Factors - The Appraisal" and Annex K - Summary of Appraisal Table);
- b. Reviewed facts and circumstances related to NPI's property to understand factors relevant to the appraisal; and
- c. Reviewed market data for each of the subject markets and assessed current supply and demand trends;

3. Reviewed the following information and/or documents related to NPI's property:

- a. Reviewed operating statements and balance sheets for the twelve month periods ending December 31, 2008, 2009, and 2010;
- b. Reviewed the year-to-date operating statement and balance sheet for the five month period ending May 31, 2011;
- c. Reviewed budgeted financial statements for the twelve month period ending December 31, 2011;
- d. Reviewed rent rolls prepared as of April 2011; and
- e. Discussed the information referred to above and the background and other elements of the merger with the management of Aimco OP; and

4. Conducted such other analyses and considered such other factors as Duff & Phelps deemed appropriate.

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In performing its analyses and rendering its opinion with respect to the merger, Duff & Phelps made certain assumptions, qualifications and limiting conditions, which included, but were not limited to, the items summarized below:

- a. Relied upon the accuracy, completeness, reliability, and fair presentation of all information, data, advice, opinions and representations obtained from public sources or provided to it from private sources regarding or otherwise relating to the property owned by NPI, NPI, the merger and/or otherwise received by it in connection with the opinion, including information obtained from Aimco OP management, and did not independently verify such information;
- b. Assumed that any estimates, evaluations, forecasts or projections furnished to Duff & Phelps by management of Aimco OP were reasonably prepared and based upon the best currently available information and good faith judgment of the person furnishing the same;
- c. Assumed that the final versions of all documents reviewed by Duff & Phelps in draft form conform in all material respects to the drafts reviewed;
- d. Assumed that there has been no material change in the assets, financial condition, business, or prospects of NPI or its owned property since the date of the appraisal report, the most recent financial statements and the other information made available to Duff & Phelps;
- e. Assumed that title to the property owned by NPI is good and marketable, that all material licenses and related regulatory approvals that are required or advisable to be obtained with respect to the property owned by NPI have been obtained and are current, and that, except as expressly disclosed in the appraisal report, the property owned by NPI is in compliance with applicable material zoning, use, occupancy, environmental, and similar laws and regulations;
- f. Assumed responsible ownership and competent property management of the property owned by NPI, that, except as expressly disclosed in the appraisal report, there are no unapparent conditions with respect to the property owned by NPI that could affect the value of such property, and that, except as expressly disclosed in the appraisal report, there are no hazardous substances on or near the property owned by NPI that could affect the value of such property;
- g. Assumed that all of the conditions required to implement the merger will be satisfied and that the merger will be completed in accordance with the merger agreement without any amendments thereto or any waivers of any terms or conditions thereof; and
- h. Assumed that each of the unaffiliated limited partners elects to receive the cash consideration offered, and therefore, Duff & Phelps made no determination as to the fair value of, or fairness with respect to the OP Unit consideration.

Duff & Phelps did not evaluate NPI's solvency or conduct an independent appraisal or physical inspection of any specific liabilities (contingent or otherwise). Duff & Phelps did not evaluate the tax consequences the merger may have on any person, including any unaffiliated limited partner, and did not take any such consequences into account in rendering the opinion. Duff & Phelps was not requested to, and did not, (i) initiate any discussions with, or solicit any indications of interest from, third parties with respect to the merger, the assets, businesses or operations of NPI, or any alternatives to the merger, (ii) negotiate the terms of the merger, or (iii) advise Aimco OP or any other party with respect to alternatives to the merger.

Duff & Phelps did not express any opinion as to the market price or value of NPI's or Aimco OP's equity (or anything else) after the announcement or the consummation of the merger. Without limiting the generality of the foregoing, Duff & Phelps did not express any opinion as to the liquidity of, rights and/or risks associated with owning, or any

other feature or characteristic of, the OP Units. The opinion should not be construed as a valuation opinion, credit rating, solvency opinion, an analysis of NPI s or Aimco OP s credit worthiness, as tax advice, or as accounting advice. Duff & Phelps did not make, and assumed no responsibility to make, any representation, or render any opinion, as to any legal matter (including with respect to title to or any encumbrances relating to the property owned by NPI).

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Duff & Phelps did not investigate any of the physical conditions of the property owned by NPI and has not made, and assumed no responsibility to make, any representation, or render any opinion, as to the physical condition of the property owned by NPI. No independent survey of the property owned by NPI was conducted by Duff & Phelps. Duff & Phelps did not arrange for any engineering studies that may be required to discover any unapparent condition in the property owned by NPI. Duff & Phelps did not arrange for or conduct any soil analysis or geological studies or any investigation of any water, oil, gas, coal, or other subsurface mineral and use rights or conditions or arrange for or conduct any other environmental analysis, including with respect to any hazardous materials, which may or may not be present on, in or near the property owned by NPI.

In rendering its opinion, Duff & Phelps did not express any opinion with respect to the amount or nature of any compensation to any of Aimco OP's and/or Aimco's respective officers, directors, or employees, or any class of such persons, relative to the consideration offered to the unaffiliated limited partners in the merger, or with respect to the fairness of any such compensation.

The opinion (i) does not address the merits of the underlying business decision to enter into the merger versus any alternative strategy or transaction, (ii) does not address any transaction related to the merger, (iii) is not a recommendation as to how any party should vote or act with respect to any matters relating to the merger or any related transaction, or whether to proceed with the merger or any related transaction, and (iv) does not indicate that the consideration offered is the best possibly attainable under any circumstances; instead, the opinion merely states whether the cash consideration offered in the merger is within a range suggested by certain financial analyses. The decision as to whether to proceed with the merger or any related transaction may depend on an assessment of factors unrelated to the financial analysis on which the opinion was based.

Duff & Phelps prepared its opinion effective as of July 28, 2011. The opinion was necessarily based upon market, economic, financial and other conditions as they existed and could be evaluated as of such date, and Duff & Phelps disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion which may come or be brought to the attention of Duff & Phelps after such date.

The following is a summary of the material financial analyses performed by Duff & Phelps in connection with providing its opinion. The summary of Duff & Phelps' valuation analyses is not a complete description of the analyses underlying Duff & Phelps' opinion. The preparation of an opinion regarding fairness is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytic methods employed and the adaptation and application of these methods to the unique facts and circumstances presented. As a consequence, neither an opinion regarding fairness nor its underlying analyses is readily susceptible to partial analysis or summary description. Duff & Phelps arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, analytic method or factor. Accordingly, Duff & Phelps believes that its analyses must be considered as a whole and that selecting portions of its analyses, analytic methods and factors, without considering all analyses and factors or the narrative description of the analyses could create a misleading or incomplete view of the processes underlying its analyses and opinion.

Valuation Analysis

Duff & Phelps estimated the value attributable to the interests of the unaffiliated limited partners as follows:

Duff & Phelps reviewed the valuation conclusions for the property owned by NPI reached in the third party appraisal that was provided by the management of Aimco OP and as described in greater detail under the heading *Special Factors* The Appraisal and Annex K Summary of Appraisal Table;

Duff & Phelps' review of the third party appraisal included a review of the key assumptions used in and the conclusions reached by the appraisal and a comparison of such assumptions and conclusions to appropriate sources of real estate market data including, but not limited to: market surveys, selected comparable real estate transaction data, and discussions with opinions of professionals in the market place. Duff & Phelps also reviewed the valuation methodology employed by the third party appraiser and determined it to be appropriate;

Duff & Phelps estimated the range of value attributable to the interests of the unaffiliated limited partners by adding to the range of the appraised value of the property owned by NPI the amount of NPI's other non-real estate assets that were not included in the appraisal, and subtracting the amount of NPI's liabilities, including the market value of mortgage debt (but without deducting any prepayment penalties thereon) and the amount

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of liabilities estimated by management of Aimco OP for expenses attributable to the property that would be incurred prior to the transactions but payable after the transactions; and

Duff & Phelps reviewed Aimco OP management's estimate of the fair value of the mortgage debt associated with the property owned by NPI, as described in greater detail under the heading "The Merger - Determination of Merger Consideration," by reviewing the valuation methodology and the determination of the appropriate current market yield on mortgage debt of similar type, leverage and duration.

Estimated Value of Limited Partnership Units

The table below provides a summary of (i) the estimated range of value for the property owned by NPI by applying a capitalization rate range that was 25 basis points above and below the capitalization rate used by the third party appraiser to the appropriate measure of income from the property owned by NPI used by the third party appraiser, (ii) a summary of the estimated fair market value of mortgage debt associated with the property owned by NPI, and (iii) the proposed merger consideration and Duff & Phelps' range of value for the NPI Units.

	Low Value	Proposed Value	High Value	% of Total
<u>Property Value</u>				
Village of Pennbrook Apartments	\$ 63,900,000	\$ 66,000,000	\$ 68,300,000	
Total	\$ 63,900,000	\$ 66,000,000	\$ 68,300,000	
<u>Debt Summary</u>				
Book Value of Debt	\$ 47,804,458	\$ 47,804,458	\$ 47,804,458	
Fair Value of Debt	52,167,228	52,167,228	52,167,228	
Fair Value as a % of Book	109%	109%	109%	
<u>LP Interest Summary</u>				
Proceeds Distributable to LPs	\$ 9,776,990	\$ 11,716,990	\$ 14,044,990	
Affiliated LP Units	47,850	47,850	47,850	80%
Unaffiliated LP Units	12,155	12,155	12,155	20%
Total LP Units	60,005	60,005	60,005	
Value Per LP Unit	\$ 161.32	\$ 195.27	\$ 232.45	

Based on an aggregate range of value for the property owned by NPI of \$63.9 million to \$68.3 million, Duff & Phelps estimated the range of value per NPI Unit to be approximately \$161.32 to \$232.45, compared to the merger consideration of \$195.27 per NPI Unit.

Other Matters

By letter agreement dated June 10, 2011 between Duff & Phelps and Aimco OP, Duff & Phelps was engaged to opine, as to the fairness, from a financial point of view, to the unaffiliated limited partners of each of certain limited partnerships (including NPI) of the cash consideration offered in the proposed merger relating to that limited partnership. Duff & Phelps was engaged based on its experience as a leading global independent provider of financial advisory and investment banking services. Duff & Phelps delivers advice principally in the areas of valuation, transactions, financial restructuring, dispute and taxation. Since 2005, Duff & Phelps has completed hundreds of valuations in the real estate investment trust and real estate operating company industry and rendered over 286 fairness opinions in transactions aggregating over \$98 billion. Duff & Phelps has also rendered over 204 solvency

opinions in transactions aggregating over \$984 billion.

Duff & Phelps will receive a fee for its services pursuant to this engagement as well as reimbursement for its reasonable expenses. No portion of Duff & Phelps fee is contingent upon either the conclusion expressed in this opinion or whether or not the merger is successfully consummated. Aimco OP also has agreed to indemnify Duff & Phelps for certain liabilities that may arise out of the rendering of this opinion and any related to Duff & Phelps engagement. Other than this engagement, during the two years preceding the date of this opinion, Duff & Phelps had not had any material relationship with any party to the merger for which compensation has been received or is intended to be received, nor is any such material relationship or related compensation mutually understood to be contemplated.

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RISK FACTORS

Risks Related to the Transactions

Conflicts of Interest. The General Partner is indirectly wholly-owned by Aimco. Therefore, the General Partner has a conflict of interest with respect to the transactions. The General Partner has fiduciary duties to its sole stockholder, which is wholly-owned by Aimco, on the one hand, and to NPI and its limited partners, on the other hand. The duties of the General Partner to NPI and its limited partners conflict with its duties to its sole stockholder, which could result in the General Partner approving a transaction that is more favorable to Aimco than might be the case absent such conflict of interest. The General Partner, in its capacity as the general partner of NPI, seeks the best possible terms for NPI's limited partners. This conflicts with Aimco's interest in obtaining the best possible terms for Aimco OP.

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

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

The amendment of the partnership agreement and the merger agreement do not require approval by a majority of the unaffiliated limited partners. Under the provisions of the NPI partnership agreement and applicable law, the amendment of the partnership agreement, the conversion and the merger must be approved by a majority in interest of the NPI Units. As of July 21, 2011, there were 60,005 issued and outstanding NPI Units, and Aimco OP and its affiliates owned 47,850 of those units, or approximately 79.74% of the number of units outstanding. As more fully described herein, 26,466 NPI Units owned by an affiliate of the General Partner are subject to a voting restriction, which requires the NPI Units to be voted in proportion to the votes cast with respect to NPI Units not subject to this voting restriction. The General Partner's affiliates have indicated that they will vote all of their NPI Units that are not subject to this restriction, 21,384 NPI Units or approximately 35.64% of the outstanding NPI Units, in favor of the amendment and the transactions. As a result, affiliates of the General Partner will vote a total of 38,258 NPI Units, or approximately 63.76% of the outstanding NPI Units, in favor of the amendment and the transactions, enabling them to approve the transactions without the consent or approval of any unaffiliated limited partners.

In connection with previous partnership merger transactions, lawsuits have been filed alleging that Aimco and certain of its affiliates breached their fiduciary duties to the unaffiliated limited partners. In February 2011, Aimco and Aimco OP completed six partnership mergers. In each merger, the limited partners who were not affiliated with Aimco received cash or OP Units with a value calculated based on the estimated proceeds that would be available for distribution to limited partners if the partnership's properties were sold at prices equal to their appraised values. In March 2011, counsel representing a putative class consisting of former limited partners in each of those partnerships contacted Aimco alleging that the merger transactions were unfair to the unaffiliated limited partners because the appraisals used were not of a recent date and no fairness opinions were obtained, among other reasons. Aimco denied the purported class allegations, but agreed to mediate plaintiffs' claims in June 2011, and agreed to settle this dispute by paying the unaffiliated limited partners additional consideration of \$7.5 million. The merger contemplated hereby may also be subject to claims that the merger consideration is unfair and a result of self-dealing.

The merger consideration was determined based on the appraised value of the property as of the date of the appraisal, and there can be no assurance that the value of the property will not increase as of the date of the consummation of the merger. KTR appraised NPI's property as of June 1, 2011, and the General Partner calculated the amount of the merger consideration based on the appraised value of the property as of such date. The

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General Partner has not made any other attempt to assess or account for any changes in the value of the property since the date of KTR's appraisal in its determination of the merger consideration.

Alternative valuations of NPI's property might exceed the appraised value relied on to determine the merger consideration. Aimco determined the merger consideration in reliance on the appraised value of NPI's property. See, Special Factors The Appraisal, beginning on page 9, for more information about the appraisal. Although an independent appraiser was engaged to perform a complete appraisal of the property, valuation is not an exact science. There are a number of other methods available to value real estate, each of which may result in different valuations of the property. Also, others using the same valuation methodology could make different assumptions and judgments, and obtain different results.

The actual sales price of NPI's property could exceed the appraised value that Aimco relied on to determine the merger consideration. Except as described below, no recent attempt has been made to market the Village of Pennbrook Apartments to unaffiliated third parties. There can be no assurance that the Village of Pennbrook Apartments could not be sold for a value higher than the appraised value used to determine the merger consideration if it was marketed to third-party buyers interested in a property of this type. In July 2009, NPI entered into a purchase and sale contract with a third party to sell the Village of Pennbrook Apartments. This purchase and sale contract was terminated by the parties in the August 2009. The amount of the overall purchase price for the Village of Pennbrook Apartments under the terminated purchase and sale contract was \$62,010,000, which is less than the property's appraised value. In July 2010, NPI solicited preliminary offers from third parties interested in acquiring the Village of Pennbrook Apartments. NPI received non-binding preliminary offers that ranged from approximately \$55,000,000 to approximately \$64,000,000. The independent appraised value of NPI's property used in determining the merger consideration is greater than the top end of the range of preliminary offers to acquire the property that NPI received in July 2010.

The merger consideration may not represent the price limited partners could obtain for their NPI Units in an open market. There is no established or regular trading market for NPI Units, nor is there another reliable standard for determining the fair market value of the NPI Units. The merger consideration d