

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 10-Q**

(Mark One)

- ☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended June 30, 2015  
OR  
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from                      to  
Commission File Number 1-13232 (Apartment Investment and Management Company)  
Commission File Number 0-24497 (AIMCO Properties, L.P.)

**Apartment Investment and Management Company**  
**AIMCO Properties, L.P.**

(Exact name of registrant as specified in its charter)

**Maryland (Apartment Investment and Management Company)**  
**Delaware (AIMCO Properties, L.P.)**  
(State or other jurisdiction of  
incorporation or organization)

**84-1259577**  
**84-1275621**  
(I.R.S. Employer  
Identification No.)

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

**80237**  
(Zip Code)

**(303) 757-8101**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

*Apartment Investment and Management Company* : Yes ☒ No ☐ *AIMCO Properties, L.P.* : Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

*Apartment Investment and Management Company* : Yes ☒ No ☐ *AIMCO Properties, L.P.* : Yes ☒ No ☐

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):

*Apartment Investment and Management Company* :

Large accelerated filer	<input checked="" type="checkbox"/>		Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

*AIMCO Properties, L.P.* :

Large accelerated filer	<input type="checkbox"/>		Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

*Apartment Investment and Management Company* : Yes ☐ No ☒ *AIMCO Properties, L.P.* : Yes ☐ No ☒

The number of shares of Apartment Investment and Management Company  
Class A Common Stock outstanding as of July 30, 2015: 156,281,519  
The number of Partnership Common Units outstanding as of July 30, 2015: 163,892,509

## EXPLANATORY NOTE

This filing combines the reports on Form 10-Q for the quarterly period ended June 30, 2015, of Apartment Investment and Management Company, or Aimco, and AIMCO Properties, L.P., or the Aimco Operating Partnership. Where it is important to distinguish between the two entities, we refer to them specifically. Otherwise, references to “we,” “us” or “our” mean, collectively, Aimco, the Aimco Operating Partnership and their consolidated entities.

Aimco, a Maryland corporation, is a self-administered and self-managed real estate investment trust, or REIT. Aimco, through wholly-owned subsidiaries, is the general and special limited partner of and, as of June 30, 2015, owned a 95.4% ownership interest in the common partnership units of, the Aimco Operating Partnership. The remaining 4.6% interest is owned by limited partners. As the sole general partner of the Aimco Operating Partnership, Aimco has exclusive control of the Aimco Operating Partnership’s day-to-day management.

The Aimco Operating Partnership holds all of Aimco’s assets and manages the daily operations of Aimco’s business. Pursuant to the Aimco Operating Partnership agreement, Aimco is required to contribute to the Aimco Operating Partnership any assets which it may acquire including all proceeds from the offerings of its securities. In exchange for the contribution of these assets, Aimco receives additional interests in the Aimco Operating Partnership with similar terms (e.g., if Aimco contributes proceeds of a stock offering, Aimco receives partnership units with terms substantially similar to the stock issued by Aimco).

We believe combining the periodic reports of Aimco and the Aimco Operating Partnership into this single report provides the following benefits:

- We present our business as a whole, in the same manner our management views and operates the business;
- We eliminate duplicative disclosure and provide a more streamlined and readable presentation since a substantial portion of the disclosures apply to both Aimco and the Aimco Operating Partnership; and
- We save time and cost through the preparation of a single combined report rather than two separate reports.

We operate Aimco and the Aimco Operating Partnership as one enterprise, the management of Aimco directs the management and operations of the Aimco Operating Partnership, and the members of the Board of Directors of Aimco are identical to those of the Aimco Operating Partnership.

We believe it is important to understand the few differences between Aimco and the Aimco Operating Partnership in the context of how Aimco and the Aimco Operating Partnership operate as a consolidated company. Aimco has no assets or liabilities other than its investment in the Aimco Operating Partnership. Also, Aimco is a corporation that issues publicly traded equity from time to time, whereas the Aimco Operating Partnership is a partnership that has no publicly traded equity. Except for the net proceeds from stock offerings by Aimco, which are contributed to the Aimco Operating Partnership in exchange for additional limited partnership interests (of a similar type and in an amount equal to the shares of stock sold in the offering), the Aimco Operating Partnership generates all remaining capital required by its business. These sources include the Aimco Operating Partnership’s working capital, net cash provided by operating activities, borrowings under its revolving credit facility, the issuance of debt and equity securities, including additional partnership units, and proceeds received from the sale of apartment communities.

Equity, partners’ capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of Aimco and those of the Aimco Operating Partnership. Interests in the Aimco Operating Partnership held by entities other than Aimco, which we refer to as OP Units, are classified within partners’ capital in the Aimco Operating Partnership’s financial statements and as noncontrolling interests in Aimco’s financial statements.

To help investors understand the differences between Aimco and the Aimco Operating Partnership, this report provides separate consolidated financial statements for Aimco and the Aimco Operating Partnership; a single set of consolidated notes to such financial statements that includes separate discussions of each entity’s stockholders’ equity or partners’ capital, as applicable; and a combined Management’s Discussion and Analysis of Financial Condition and Results of Operations section that includes discrete information related to each entity.

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for Aimco and the Aimco Operating Partnership in order to establish that the requisite certifications have been made and that Aimco and the Aimco Operating Partnership are both compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and 18 U.S.C. §1350.

**APARTMENT INVESTMENT AND MANAGEMENT COMPANY  
AIMCO PROPERTIES, L.P.**

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# PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

### APARTMENT INVESTMENT AND MANAGEMENT COMPANY CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, except share data) (Unaudited)

	June 30, 2015	December 31, 2014
<b>ASSETS</b>		
Buildings and improvements	\$ 6,349,056	\$ 6,259,318
Land	1,881,739	1,885,640
Total real estate	8,230,795	8,144,958
Less accumulated depreciation	(2,666,610)	(2,672,179)
Net real estate (\$ 348,562 and \$360,160 related to VIEs)	5,564,185	5,472,779
Cash and cash equivalents ( \$ 19,937 and \$17,108 related to VIEs)	46,835	28,971
Restricted cash ( \$32,661 and \$36,196 related to VIEs)	89,083	91,445
Other assets ( \$177,533 and \$182,108 related to VIEs)	457,591	476,727
Assets held for sale	—	27,106
Total assets	<u>\$ 6,157,694</u>	<u>\$ 6,097,028</u>
<b>LIABILITIES AND EQUITY</b>		
Non-recourse property debt ( \$328,934 and \$336,471 related to VIEs)	\$ 3,818,487	\$ 4,022,809
Revolving credit facility borrowings	47,520	112,330
Total indebtedness	3,866,007	4,135,139
Accounts payable	35,239	41,919
Accrued liabilities and other (\$137,398 and \$135,644 related to VIEs)	280,118	279,077
Deferred income	70,303	81,882
Liabilities related to assets held for sale	—	28,969
Total liabilities	4,251,667	4,566,986
Preferred noncontrolling interests in Aimco Operating Partnership	87,942	87,937
Commitments and contingencies (Note 6)		
Equity:		
Perpetual Preferred Stock	159,126	186,126
Common Stock, \$0.01 par value, 500,787,260 shares authorized, 156,281,519 and 146,403,274 shares issued/outstanding at June 30, 2015 and December 31, 2014, respectively	1,563	1,464
Additional paid-in capital	4,064,959	3,696,143
Accumulated other comprehensive loss	(7,402)	(6,456)
Distributions in excess of earnings	(2,589,336)	(2,649,542)
Total Aimco equity	1,628,910	1,227,735
Noncontrolling interests in consolidated real estate partnerships	205,123	233,296
Common noncontrolling interests in Aimco Operating Partnership	(15,948)	(18,926)
Total equity	1,818,085	1,442,105
Total liabilities and equity	<u>\$ 6,157,694</u>	<u>\$ 6,097,028</u>

See notes to condensed consolidated financial statements.

**APARTMENT INVESTMENT AND MANAGEMENT COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
<b>REVENUES</b>				
Rental and other property revenues	\$ 238,637	\$ 239,492	\$ 476,926	\$ 479,628
Tax credit and asset management revenues	6,146	6,926	12,122	15,714
Total revenues	244,783	246,418	489,048	495,342
<b>OPERATING EXPENSES</b>				
Property operating expenses	87,930	94,500	183,422	193,768
Investment management expenses	1,086	1,021	2,689	2,273
Depreciation and amortization	75,150	71,399	149,582	141,706
General and administrative expenses	12,062	10,119	22,714	20,646
Other expenses, net	2,912	3,582	3,931	5,874
Total operating expenses	179,140	180,621	362,338	364,267
Operating income	65,643	65,797	126,710	131,075
Interest income	1,705	1,671	3,430	3,400
Interest expense	(49,605)	(55,061)	(103,125)	(110,807)
Other, net	350	189	2,614	(1,790)
Income before income taxes and gain on dispositions	18,093	12,596	29,629	21,878
Income tax benefit	5,814	5,347	12,735	8,105
Income from continuing operations	23,907	17,943	42,364	29,983
Gain on dispositions of real estate, net of tax	44,781	66,662	130,474	136,154
Net income	68,688	84,605	172,838	166,137
Noncontrolling interests:				
Net income attributable to noncontrolling interests in consolidated real estate partnerships	(111)	(2,226)	(4,867)	(13,615)
Net income attributable to preferred noncontrolling interests in Aimco Operating Partnership	(1,736)	(1,602)	(3,472)	(3,207)
Net income attributable to common noncontrolling interests in Aimco Operating Partnership	(2,972)	(3,735)	(7,370)	(7,346)
Net income attributable to noncontrolling interests	(4,819)	(7,563)	(15,709)	(24,168)
Net income attributable to Aimco	63,869	77,042	157,129	141,969
Net income attributable to Aimco preferred stockholders	(2,758)	(1,758)	(6,280)	(2,212)
Net income attributable to participating securities	(307)	(274)	(701)	(513)
Net income attributable to Aimco common stockholders	\$ 60,804	\$ 75,010	\$ 150,148	\$ 139,244
Earnings attributable to Aimco per common share – basic (Note 7):				
Income from continuing operations	\$ 0.39	\$ 0.51	\$ 0.97	\$ 0.96
Net income	\$ 0.39	\$ 0.51	\$ 0.97	\$ 0.96
Earnings attributable to Aimco per common share – diluted (Note 7):				
Income from continuing operations	\$ 0.39	\$ 0.51	\$ 0.97	\$ 0.95
Net income	\$ 0.39	\$ 0.51	\$ 0.97	\$ 0.95
Dividends declared per common share	\$ 0.30	\$ 0.26	\$ 0.58	\$ 0.52

See notes to condensed consolidated financial statements.

**APARTMENT INVESTMENT AND MANAGEMENT COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In thousands)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$ 68,688	\$ 84,605	\$ 172,838	\$ 166,137
Other comprehensive (loss) income:				
Unrealized gains (losses) on interest rate swaps	161	(666)	(625)	(1,427)
Losses on interest rate swaps reclassified into interest expense from accumulated other comprehensive loss	419	418	842	844
Unrealized losses on debt securities classified as available-for-sale	(945)	(518)	(1,162)	(51)
Other comprehensive loss	(365)	(766)	(945)	(634)
Comprehensive income	68,323	83,839	171,893	165,503
Comprehensive income attributable to noncontrolling interests	(4,846)	(7,537)	(15,709)	(24,173)
Comprehensive income attributable to Aimco	<u>\$ 63,477</u>	<u>\$ 76,302</u>	<u>\$ 156,184</u>	<u>\$ 141,330</u>

See notes to condensed consolidated financial statements.

**APARTMENT INVESTMENT AND MANAGEMENT COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	Six Months Ended June 30,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 172,838	\$ 166,137
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	149,582	141,706
Gain on dispositions of real estate, net of tax	(130,474)	(136,154)
Other adjustments	(11,252)	1,549
Net changes in operating assets and operating liabilities	(23,390)	(28,959)
Net cash provided by operating activities	157,304	144,279
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of real estate	(141,264)	(13,981)
Capital expenditures	(173,075)	(182,424)
Proceeds from dispositions of real estate	227,911	238,855
Purchases of corporate assets	(3,352)	(4,130)
Change in restricted cash	2,692	(96,186)
Other investing activities	3,240	(3,447)
Net cash used in investing activities	(83,848)	(61,313)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from non-recourse property debt	197,646	62,974
Principal repayments on non-recourse property debt	(390,234)	(178,739)
Net (repayments) borrowings on revolving credit facility	(64,810)	3,000
Proceeds from issuance of Preferred Stock	—	123,658
Proceeds from issuance of Common Stock	366,580	—
Redemption and repurchase of Preferred Stock	(27,000)	(9,500)
Payment of dividends to holders of Preferred Stock	(5,585)	(1,355)
Payment of dividends to holders of Common Stock	(90,473)	(76,004)
Payment of distributions to noncontrolling interests	(39,286)	(32,107)
Other financing activities	(2,430)	3,182
Net cash used in financing activities	(55,592)	(104,891)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	17,864	(21,925)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	28,971	55,751
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 46,835</u>	<u>\$ 33,826</u>

See notes to condensed consolidated financial statements.

**AIMCO PROPERTIES, L.P.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)  
(Unaudited)

	June 30, 2015	December 31, 2014
<b>ASSETS</b>		
Buildings and improvements	\$ 6,349,056	\$ 6,259,318
Land	1,881,739	1,885,640
Total real estate	8,230,795	8,144,958
Less accumulated depreciation	(2,666,610)	(2,672,179)
Net real estate ( \$348,562 and \$360,160 related to VIEs)	5,564,185	5,472,779
Cash and cash equivalents ( \$19,937 and \$17,108 related to VIEs)	46,835	28,971
Restricted cash ( \$32,661 and \$36,196 related to VIEs)	89,083	91,445
Other assets ( \$177,533 and \$182,108 related to VIEs)	457,591	476,727
Assets held for sale	—	27,106
Total assets	<u>\$ 6,157,694</u>	<u>\$ 6,097,028</u>
<b>LIABILITIES AND EQUITY</b>		
Non-recourse property debt ( \$328,934 and \$336,471 related to VIEs)	\$ 3,818,487	\$ 4,022,809
Revolving credit facility borrowings	47,520	112,330
Total indebtedness	3,866,007	4,135,139
Accounts payable	35,239	41,919
Accrued liabilities and other ( \$137,398 and \$135,644 related to VIEs)	280,118	279,077
Deferred income	70,303	81,882
Liabilities related to assets held for sale	—	28,969
Total liabilities	4,251,667	4,566,986
Redeemable preferred units	87,942	87,937
Commitments and contingencies (Note 6)		
Partners' Capital:		
Preferred units	159,126	186,126
General Partner and Special Limited Partner	1,469,784	1,041,609
Limited Partners	(15,948)	(18,926)
Partners' capital attributable to the Aimco Operating Partnership	1,612,962	1,208,809
Noncontrolling interests in consolidated real estate partnerships	205,123	233,296
Total partners' capital	1,818,085	1,442,105
Total liabilities and partners' capital	<u>\$ 6,157,694</u>	<u>\$ 6,097,028</u>

See notes to condensed consolidated financial statements.



**AIMCO PROPERTIES, L.P.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per unit data)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
<b>REVENUES</b>				
Rental and other property revenues	\$ 238,637	\$ 239,492	\$ 476,926	\$ 479,628
Tax credit and asset management revenues	6,146	6,926	12,122	15,714
Total revenues	244,783	246,418	489,048	495,342
<b>OPERATING EXPENSES</b>				
Property operating expenses	87,930	94,500	183,422	193,768
Investment management expenses	1,086	1,021	2,689	2,273
Depreciation and amortization	75,150	71,399	149,582	141,706
General and administrative expenses	12,062	10,119	22,714	20,646
Other expenses, net	2,912	3,582	3,931	5,874
Total operating expenses	179,140	180,621	362,338	364,267
Operating income	65,643	65,797	126,710	131,075
Interest income	1,705	1,671	3,430	3,400
Interest expense	(49,605)	(55,061)	(103,125)	(110,807)
Other, net	350	189	2,614	(1,790)
Income before income taxes and gain on dispositions	18,093	12,596	29,629	21,878
Income tax benefit	5,814	5,347	12,735	8,105
Income from continuing operations	23,907	17,943	42,364	29,983
Gain on dispositions of real estate, net of tax	44,781	66,662	130,474	136,154
Net income	68,688	84,605	172,838	166,137
Net income attributable to noncontrolling interests in consolidated real estate partnerships	(111)	(2,226)	(4,867)	(13,615)
Net income attributable to the Aimco Operating Partnership	68,577	82,379	167,971	152,522
Net income attributable to the Aimco Operating Partnership's preferred unitholders	(4,494)	(3,360)	(9,752)	(5,419)
Net income attributable to participating securities	(307)	(274)	(701)	(513)
Net income attributable to the Aimco Operating Partnership's common unitholders	\$ 63,776	\$ 78,745	\$ 157,518	\$ 146,590
Earnings attributable to the Aimco Operating Partnership per common unit – basic (Note 7):				
Income from continuing operations	\$ 0.39	\$ 0.51	\$ 0.97	\$ 0.96
Net income	\$ 0.39	\$ 0.51	\$ 0.97	\$ 0.96
Earnings attributable to the Aimco Operating Partnership per common unit – diluted (Note 7):				
Income from continuing operations	\$ 0.39	\$ 0.51	\$ 0.97	\$ 0.95
Net income	\$ 0.39	\$ 0.51	\$ 0.97	\$ 0.95
Distributions declared per common unit	\$ 0.30	\$ 0.26	\$ 0.58	\$ 0.52

See notes to condensed consolidated financial statements.

**AIMCO PROPERTIES, L.P.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In thousands)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net income	\$ 68,688	\$ 84,605	\$ 172,838	\$ 166,137
Other comprehensive (loss) income:				
Unrealized gains (losses) on interest rate swaps	161	(666)	(625)	(1,427)
Losses on interest rate swaps reclassified into interest expense from accumulated other comprehensive loss	419	418	842	844
Unrealized losses on debt securities classified as available-for-sale	(945)	(518)	(1,162)	(51)
Other comprehensive loss	(365)	(766)	(945)	(634)
Comprehensive income	68,323	83,839	171,893	165,503
Comprehensive income attributable to noncontrolling interests	(157)	(2,239)	(4,913)	(13,654)
Comprehensive income attributable to the Aimco Operating Partnership	\$ 68,166	\$ 81,600	\$ 166,980	\$ 151,849

See notes to condensed consolidated financial statements.

**AIMCO PROPERTIES, L.P.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	Six Months Ended June 30,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 172,838	\$ 166,137
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	149,582	141,706
Gain on dispositions of real estate, net of tax	(130,474)	(136,154)
Other adjustments	(11,252)	1,549
Net changes in operating assets and operating liabilities	(23,390)	(28,959)
Net cash provided by operating activities	157,304	144,279
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of real estate	(141,264)	(13,981)
Capital expenditures	(173,075)	(182,424)
Proceeds from dispositions of real estate	227,911	238,855
Purchases of corporate assets	(3,352)	(4,130)
Change in restricted cash	2,692	(96,186)
Other investing activities	3,240	(3,447)
Net cash used in investing activities	(83,848)	(61,313)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from non-recourse property debt	197,646	62,974
Principal repayments on non-recourse property debt	(390,234)	(178,739)
Net (repayments) borrowings on revolving credit facility	(64,810)	3,000
Proceeds from issuance of Preferred Units to Aimco	—	123,658
Proceeds from issuance of common partnership units to Aimco	366,580	—
Redemption and repurchase of Preferred Units from Aimco	(27,000)	(9,500)
Payment of distributions to holders of Preferred Units	(9,057)	(4,562)
Payment of distributions to General Partner and Special Limited Partner	(90,473)	(76,004)
Payment of distributions to Limited Partners	(4,425)	(4,026)
Payment of distributions to noncontrolling interests	(31,389)	(24,874)
Other financing activities	(2,430)	3,182
Net cash used in financing activities	(55,592)	(104,891)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,864	(21,925)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	28,971	55,751
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 46,835	\$ 33,826

See notes to condensed consolidated financial statements.

**APARTMENT INVESTMENT AND MANAGEMENT COMPANY  
AIMCO PROPERTIES, L.P.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015  
(Unaudited)**

**Note 1 — Organization**

Apartment Investment and Management Company, or Aimco, is a Maryland corporation incorporated on January 10, 1994. Aimco is a self-administered and self-managed real estate investment trust, or REIT. AIMCO Properties, L.P., or the Aimco Operating Partnership, is a Delaware limited partnership formed on May 16, 1994, to conduct our business, which is focused on the ownership and management of quality apartment communities located in the largest coastal and job growth markets in the United States.

Aimco, and through its wholly-owned subsidiaries, AIMCO-GP, Inc. and AIMCO-LP Trust, owns a majority of the ownership interests in the Aimco Operating Partnership. Aimco conducts all of its business and owns all of its assets through the Aimco Operating Partnership. Interests in the Aimco Operating Partnership that are held by limited partners other than Aimco are referred to as “OP Units.” OP Units include common partnership units, high performance partnership units and partnership preferred units, which we refer to as common OP Units, HPUs and preferred OP Units, respectively. We also refer to HPUs as common OP Unit equivalents. At June 30, 2015, after eliminations for units held by consolidated entities, the Aimco Operating Partnership had 163,895,567 common partnership units and equivalents outstanding. At June 30, 2015, Aimco owned 156,281,519 of the common partnership units (95.4% of the common partnership units and equivalents) of the Aimco Operating Partnership and Aimco had outstanding an equal number of shares of its Class A Common Stock, which we refer to as Common Stock.

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

As of June 30, 2015, we owned an equity interest in 143 conventional apartment communities with 41,425 apartment homes and 56 affordable apartment communities with 8,685 apartment homes. Of these, we consolidated 139 conventional apartment communities with 41,283 apartment homes and 49 affordable apartment communities with 7,998 apartment homes. Conventional and affordable apartment communities generated 90% and 10%, respectively, of the proportionate property net operating income (as defined in Note 8 and excluding amounts related to apartment communities sold or classified as held for sale) during the six months ended June 30, 2015.

**Note 2 — Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, have been condensed or omitted in accordance with such rules and regulations, although management believes the disclosures are adequate to prevent the information presented from being misleading. In the opinion of management, all adjustments (consisting of normal recurring items) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2015, are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The balance sheets of Aimco and the Aimco Operating Partnership at December 31, 2014, have been derived from their respective audited financial statements at that date, but do not include all of the information and disclosures required by GAAP for complete financial statements. For further information, refer to the financial statements and notes thereto included in Aimco’s and the Aimco Operating Partnership’s combined Annual Report on Form 10-K for the year ended December 31, 2014. Except where indicated, the footnotes refer to both Aimco and the Aimco Operating Partnership.

***Principles of Consolidation***

Aimco’s accompanying condensed consolidated financial statements include the accounts of Aimco, the Aimco Operating Partnership, and their consolidated subsidiaries. The Aimco Operating Partnership’s condensed consolidated financial statements include the accounts of the Aimco Operating Partnership and its consolidated entities.

We consolidate all variable interest entities for which we are the primary beneficiary. Generally, a variable interest entity, or VIE, is a legal entity in which the equity investors do not have the characteristics of a controlling financial interest or the equity investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. In determining whether we are the primary beneficiary of a VIE, we consider qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of our investment; the obligation or likelihood for us or other investors to provide financial support; and the similarity with and significance to our business activities and the business activities of the other investors. Significant judgments related to these determinations include estimates about the current and future fair values and performance of real estate held by these VIEs and general market conditions.

As of June 30, 2015, we were the primary beneficiary of, and therefore consolidated, 61 VIEs, which owned 47 apartment communities with 7,459 apartment homes. Substantially all these VIEs are partnerships that are involved in the ownership or operation of qualifying affordable housing apartment communities and which are structured to provide for the pass-through of low-income housing tax credits and deductions to their partners. Real estate with a carrying value of \$348.6 million collateralized \$328.9 million of debt of those VIEs. Any significant amounts of assets and liabilities related to our consolidated VIEs are identified parenthetically on our accompanying condensed consolidated balance sheets. The creditors of the consolidated VIEs do not have recourse to our general credit.

In addition to the consolidated VIEs discussed above, at June 30, 2015, our consolidated financial statements included certain consolidated and unconsolidated VIEs that are part of the legacy asset management business we sold during 2012, which is discussed in Note 4. The assets and liabilities related to these consolidated and unconsolidated VIEs are each condensed into single line items within other assets and accrued liabilities and other, respectively, in our condensed consolidated balance sheets.

Generally, we consolidate real estate partnerships and other entities that are not variable interest entities when we own, directly or indirectly, a majority voting interest in the entity or are otherwise able to control the entity. All significant intercompany balances and transactions have been eliminated in consolidation.

Interests in the Aimco Operating Partnership that are held by limited partners other than Aimco are reflected in Aimco's accompanying balance sheets as noncontrolling interests in Aimco Operating Partnership. Interests in partnerships consolidated into the Aimco Operating Partnership that are held by third parties are reflected in our accompanying balance sheets as noncontrolling interests in consolidated real estate partnerships. The assets of consolidated real estate partnerships owned or controlled by the Aimco Operating Partnership generally are not available to pay creditors of Aimco or the Aimco Operating Partnership.

### ***Temporary Equity and Partners' Capital***

The following table presents a reconciliation of the Aimco Operating Partnership's Preferred OP Units from December 31, 2014 to June 30, 2015 (in thousands). These amounts are presented within temporary equity in Aimco's condensed consolidated balance sheets as preferred noncontrolling interests in the Aimco Operating Partnership, and within temporary capital in the Aimco Operating Partnership's condensed consolidated balance sheets as redeemable preferred units.

Balance, December 31, 2014	\$	87,937
Distributions to preferred unitholders		(3,472)
Other		5
Net income		3,472
Balance, June 30, 2015	\$	<u>87,942</u>

**Aimco Equity (including Noncontrolling Interests)**

The following table presents a reconciliation of Aimco's consolidated permanent equity accounts from December 31, 2014 to June 30, 2015 (in thousands):

	<b>Aimco Equity</b>	<b>Noncontrolling interests in consolidated real estate partnerships</b>	<b>Common noncontrolling interests in Aimco Operating Partnership</b>	<b>Total Equity</b>
Balance, December 31, 2014	\$ 1,227,735	\$ 233,296	\$ (18,926)	\$ 1,442,105
Issuance of Common Stock	366,580	—	—	366,580
Repurchase of preferred stock	(27,000)	—	—	(27,000)
Preferred stock dividends	(5,585)	—	—	(5,585)
Common dividends and distributions	(90,641)	(33,043)	(4,425)	(128,109)
Redemptions of common OP Units	—	—	(1,444)	(1,444)
Amortization of stock-based compensation cost	4,459	—	—	4,459
Effect of changes in ownership for consolidated entities	(2,956)	—	1,523	(1,433)
Change in accumulated other comprehensive loss	(945)	46	(46)	(945)
Other	134	(43)	—	91
Net income	157,129	4,867	7,370	169,366
Balance, June 30, 2015	<u>\$ 1,628,910</u>	<u>\$ 205,123</u>	<u>\$ (15,948)</u>	<u>\$ 1,818,085</u>

**Partners' Capital attributable to the Aimco Operating Partnership**

The following table presents a reconciliation of the consolidated partners' capital balances in permanent capital that are attributable to the Aimco Operating Partnership from December 31, 2014 to June 30, 2015 (in thousands):

	<b>Partners' capital attributable to the Partnership</b>
Balance, December 31, 2014	\$ 1,208,809
Issuance of common partnership units to Aimco	366,580
Repurchase of Preferred Units from Aimco	(27,000)
Distributions to preferred units held by Aimco	(5,585)
Distributions to common units held by Aimco	(90,641)
Distributions to common units held by Limited Partners	(4,425)
Redemption of common OP Units	(1,444)
Amortization of Aimco stock-based compensation cost	4,459
Effect of changes in ownership for consolidated entities	(1,433)
Change in accumulated other comprehensive loss	(991)
Other	134
Net income	164,499
Balance, June 30, 2015	<u>\$ 1,612,962</u>

A separate reconciliation of noncontrolling interests in consolidated real estate partnerships and total partners' capital for the Aimco Operating Partnership is not presented as these amounts are identical to the corresponding noncontrolling interests in consolidated real estate partnerships and total equity for Aimco, which are presented above.

**Use of Estimates**

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

**Recent Accounting Pronouncements**

In February 2015, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update 2015-02, which significantly changes the consolidation analysis required under GAAP for VIEs. Under this revised guidance, it is less likely that certain fees, such as asset management fees, would be considered variable interests and therefore fewer entities may be considered VIEs. Additionally, limited partnerships may no longer be viewed as VIEs if the limited partners hold certain rights over the general partner. For public companies, the guidance in ASU 2015-02 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted. We have not yet determined the effect ASU 2015-02 will have on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 to revise the presentation of debt issuance costs. Under ASU 2015-03, entities will present debt issuance costs in their balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the deferred costs will continue to be included in interest expense. For public companies, the guidance in the ASU, which is to be applied retrospectively to all prior periods, is effective for fiscal years beginning after December 15, 2015, with early adoption permitted for financial statements that have not been previously issued. We do not expect ASU 2015-03 to have a significant effect on our consolidated financial statements.

**Note 3 — Disposals and Assets Held for Sale**

During the three and six months ended June 30, 2015, we sold two and eight consolidated apartment communities with an aggregate of 1,791 and 2,891 apartment homes, respectively, and during the year ended December 31, 2014, we sold 30 consolidated apartment communities with an aggregate of 9,067 apartment homes. The results of operations for the three and six months ended June 30, 2015 and 2014, for these apartment communities are reflected within income from continuing operations in our condensed consolidated statements of operations. The apartment communities sold during 2015 generated \$1.0 million and \$3.6 million of net income (before gains on dispositions) during the three and six months ended June 30, 2015, respectively. The apartment communities sold during 2015 and 2014, generated \$8.8 million and \$20.4 million of net income (before gains on dispositions) during the three and six months ended June 30, 2014, respectively.

The sale of these apartment communities resulted in gains on disposition of real estate of \$44.8 million and \$130.5 million, respectively, for the three and six months ended June 30, 2015. For the three and six months ended June 30, 2014, the sale of apartment communities resulted in gains on disposition of real estate of \$66.7 million and \$136.2 million, respectively, which are net of \$8.6 million and \$8.7 million of related income taxes. We report gains on disposition net of incremental direct costs incurred in connection with the transactions, including any prepayment penalties incurred upon repayment of property debt collateralized by the apartment communities being sold. Such prepayment penalties totaled \$7.6 million and \$19.8 million for consolidated dispositions during the three and six months ended June 30, 2015, respectively, and \$2.7 million and \$8.5 million for consolidated dispositions during the three and six months ended June 30, 2014, respectively. In connection with sales of apartment communities during the three and six months ended June 30, 2015, the purchasers assumed \$6.1 million of non-recourse property debt. In connection with sales of apartment communities during the three and six months ended June 30, 2014, the purchasers assumed \$8.8 million and \$38.6 million of non-recourse property debt, respectively.

We are currently marketing for sale certain apartment communities that are inconsistent with our long-term investment strategy. At the end of each reporting period, we evaluate whether such apartment communities meet the criteria to be classified as held for sale. As of June 30, 2015, we had no apartment communities classified as held for sale.

**Note 4 — Other Significant Transactions*****Investments in Apartment Communities***

During the the six months ended June 30, 2015, we acquired for \$38.3 million a 94 -apartment home community located in Atlanta, Georgia, and we acquired for \$63.0 million a 115 -apartment home community located in Cambridge, Massachusetts.

During the the six months ended June 30, 2015, we also purchased a 91 -apartment home community currently under construction. This community is also located in Cambridge, Massachusetts, and is two blocks from the apartment community described in the prior paragraph. At closing, we paid \$27.9 million and agreed to fund the remaining construction costs up to \$15.1 million, for total consideration not to exceed \$43.0 million.

### Asset Management Business Disposition

In December 2012, we sold the Napico portfolio, our legacy asset management business. The transaction was primarily seller-financed, and the associated notes are scheduled to be repaid over several years. The notes will be repaid from the operation and liquidation of the portfolio and are collateralized by the buyer's interests in the portfolio.

In accordance with the provisions of GAAP applicable to sales of real estate or interests therein, for accounting purposes, we have not recognized the sale and are accounting for the transaction under the profit sharing method. Until full payment has been received for the seller-financed notes, we will continue to recognize the portfolio's assets and liabilities, each condensed into single line items within other assets and accrued liabilities and other, respectively, in our consolidated balance sheets, for all dates following the transaction. Similarly, we will continue to recognize the portfolio's results of operations, also condensed into a single line item within our consolidated statements of operations, for periods subsequent to the transaction. To date we have received all required payments under the seller-financed notes.

At June 30, 2015, the Napico portfolio consisted of 15 partnerships that held investments in 13 apartment communities that were consolidated and 50 apartment communities that were accounted for under the equity or cost methods of accounting. The portfolio's assets and liabilities included in our condensed consolidated balance sheets are summarized below (in thousands):

	June 30, 2015	December 31, 2014
Real estate, net	\$ 113,395	\$ 117,851
Cash and cash equivalents	31,128	23,133
Investment in unconsolidated real estate partnerships	1,095	8,392
Other assets	19,448	11,759
<b>Total assets</b>	<b>\$ 165,066</b>	<b>\$ 161,135</b>
Total indebtedness	\$ 110,850	\$ 113,641
Accrued and other liabilities	10,390	4,417
<b>Total liabilities</b>	<b>\$ 121,240</b>	<b>\$ 118,058</b>
Noncontrolling interests in consolidated real estate partnerships	39,948	44,106
Equity attributable to Aimco and the Aimco Operating Partnership	3,878	(1,029)
<b>Total liabilities and equity</b>	<b>\$ 165,066</b>	<b>\$ 161,135</b>

Summarized information regarding the Napico portfolio's results of operations, including any expense we recognize under the profit sharing method, is shown below in thousands. The net income (loss) related to Napico (before income taxes and noncontrolling interests) is included in other, net in our condensed consolidated statements of operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	\$ 6,467	\$ 5,675	\$ 12,934	\$ 11,350
Expenses	(5,067)	(5,677)	(10,477)	(10,878)
Equity in loss of unconsolidated entities, gains or losses on dispositions and other, net	(885)	41	195	(1,953)
Net income (loss) related to legacy asset management business	515	39	2,652	(1,481)
Income tax (expense) benefit associated with legacy asset management business	(1,005)	240	(2,024)	349
Loss (income) allocated to noncontrolling interests in consolidated real estate partnerships	2,105	(711)	2,511	188
<b>Net income (losses) of legacy asset management business attributable to Aimco and the Aimco Operating Partnership</b>	<b>\$ 1,615</b>	<b>\$ (432)</b>	<b>\$ 3,139</b>	<b>\$ (944)</b>

Revenues increased during the three and six months ended June 30, 2015, as compared to the three and six months ended June 30, 2014, due to an increase in rent subsidies to reflect current market rates for one of the apartment communities in this portfolio.

Based on our limited economic ownership in this portfolio, most of the assets and liabilities are allocated to noncontrolling interests and do not significantly affect our consolidated equity and partners' capital. Additionally, the operating results of this



portfolio generally have an insignificant effect on the amounts of income or loss attributable to us. Income or loss attributable to these noncontrolling interests will continue to be recognized commensurate with the recognition of the results of operations of the portfolio. If full payment is received on the notes and we meet the requirements to recognize the sale for accounting purposes, we expect to recognize a gain attributable to Aimco and the Aimco Operating Partnership.

### ***Equity and Partners' Capital Transactions***

During the six months ended June 30, 2015, Aimco issued 9,430,000 shares of its Common Stock, par value \$0.01 per share, in an underwritten public offering, for net proceeds per share of \$38.90. The offering generated net proceeds to Aimco of \$366.6 million, net of issuance costs. Aimco contributed the net proceeds from the sale of Common Stock to the Aimco Operating Partnership in exchange for a number of common partnership units equal to the number of shares of Common Stock issued.

Using the proceeds from this offering, during the six months ended June 30, 2015, we repaid the then outstanding balance on our Credit Agreement, expanded our unencumbered asset pool, funded redevelopment and property upgrades investments that would otherwise have been funded with property debt on a leverage-neutral basis, and Aimco redeemed the remaining outstanding shares of its Series A Community Reinvestment Act Preferred Stock at its par value of \$27.0 million. In connection with Aimco's redemption of preferred stock, the Aimco Operating Partnership redeemed from Aimco an equal number of the corresponding class of partnership preferred units.

### **Note 5 — Fair Value Measurements**

#### ***Recurring Fair Value Measurements***

We measure at fair value on a recurring basis our investment in the securitization trust that holds certain of our property debt, which we classify as available for sale, or AFS, securities, and our interest rate swaps. Information regarding these items measured at fair value, both of which are classified within Level 2 of the GAAP fair value hierarchy, is presented below (in thousands):

	<b>AFS Investments</b>	<b>Interest Rate Swaps</b>	<b>Total</b>
Fair value at December 31, 2013	\$ 58,408	\$ (4,604)	\$ 53,804
Investment accretion included in interest income	1,864	—	1,864
Unrealized losses included in interest expense	—	(24)	(24)
Losses on interest rate swaps reclassified into interest expense from accumulated other comprehensive loss	—	844	844
Unrealized losses included in equity and partners' capital	(51)	(1,427)	(1,478)
Fair value at June 30, 2014	<u>\$ 60,221</u>	<u>\$ (5,211)</u>	<u>\$ 55,010</u>
Fair value at December 31, 2014	\$ 61,043	\$ (5,273)	\$ 55,770
Investment accretion included in interest income	2,068	—	2,068
Unrealized losses included in interest expense	—	(24)	(24)
Losses on interest rate swaps reclassified into interest expense from accumulated other comprehensive loss	—	842	842
Unrealized losses included in equity and partners' capital	(1,162)	(625)	(1,787)
Fair value at June 30, 2015	<u>\$ 61,949</u>	<u>\$ (5,080)</u>	<u>\$ 56,869</u>

Our investments classified as AFS are presented within other assets in the accompanying consolidated balance sheets. We hold the most subordinate position in the securitization, along with several mezzanine positions. We estimate the fair value of these investments using an income and market approach with primarily observable inputs, including yields and other information regarding similar types of investments, and adjusted for certain unobservable inputs specific to these investments. We are accreting the discount to the \$100.9 million face value of the investments into interest income using the effective interest method over the remaining expected term of the investments, which, as of June 30, 2015, was approximately 5.9 years. Our amortized cost basis for these investments, which represents the original cost adjusted for interest accretion less interest payments received, was \$65.7 million and \$63.6 million at June 30, 2015 and December 31, 2014, respectively. The amortized cost exceeded the fair value of the most subordinate position at June 30, 2015, primarily due to a decrease in demand for similar investments as compared to when we purchased the investments. We currently expect to hold each of the investments to their maturity dates and we believe we will fully recover our basis in the investments. Accordingly, we believe the current impairment in the fair value, as compared to the amortized cost basis, of the most subordinate position is temporary and we have not recognized any of the decline in value in earnings.

For our variable rate debt, we are sometimes required by limited partners in our consolidated real estate partnerships to limit our exposure to interest rate fluctuations by entering into interest rate swap agreements, which moderate our exposure to interest rate risk by effectively converting the interest on variable rate debt to a fixed rate. We estimate the fair value of interest rate swaps using an income approach with primarily observable inputs including information regarding the hedged variable cash flows and forward yield curves relating to the variable interest rates on which the hedged cash flows are based.

As of June 30, 2015 and December 31, 2014, we had interest rate swaps with aggregate notional amounts of \$50.1 million and \$50.3 million, respectively. As of June 30, 2015, these swaps had a weighted average remaining term of 5.5 years. We have designated these interest rate swaps as cash flow hedges. The fair value of these swaps is presented within accrued liabilities and other in our condensed consolidated balance sheets, and we recognize any changes in the fair value as an adjustment of accumulated other comprehensive loss within equity and partners' capital to the extent of their effectiveness.

If the forward rates at June 30, 2015, remain constant, we estimate that during the next 12 months, we would reclassify into earnings approximately \$1.7 million of the unrealized losses in accumulated other comprehensive loss. If market interest rates increase above the 3.43% weighted average fixed rate under these interest rate swaps we will benefit from net cash payments due to us from our counterparty to the interest rate swaps.

#### ***Fair Value Disclosures***

We believe that the aggregate fair value of our cash and cash equivalents, receivables and payables approximates their aggregate carrying amounts at June 30, 2015 and December 31, 2014, due to their relatively short-term nature and high probability of realization. The estimated aggregate fair value of our consolidated total indebtedness was approximately \$4.0 billion and \$4.4 billion at June 30, 2015 and December 31, 2014, respectively, as compared to aggregate carrying amounts of \$3.9 billion and \$4.1 billion, respectively. Substantially all of the difference between the fair value and the carrying value of our consolidated indebtedness relates to apartment communities we wholly own. We estimate the fair value of our consolidated debt using an income and market approach, including comparison of the contractual terms to observable and unobservable inputs such as market interest rate risk spreads, contractual interest rates, remaining periods to maturity, collateral quality and loan to value ratios on similarly encumbered assets within our portfolio. We classify the fair value of our consolidated debt within Level 3 of the GAAP valuation hierarchy based on the significance of certain of the unobservable inputs used to estimate their fair values.

#### **Note 6 — Commitments and Contingencies**

##### ***Commitments***

In connection with our development, redevelopment and capital improvement activities, we have entered into various construction related contracts and we have made commitments to complete certain projects, pursuant to financing or other arrangements. As of June 30, 2015, our commitments related to these capital activities totaled approximately \$173.9 million, most of which we expect to incur during the next 12 months. Our commitments related to our One Canal Street development project will be funded in part by a \$114.0 million non-recourse property loan, of which \$66.4 million was available to draw at June 30, 2015.

We also enter into certain commitments for future purchases of goods and services in connection with the operations of our apartment communities. Those commitments generally have terms of one year or less and reflect expenditure levels comparable to our historical expenditures.

##### ***Tax Credit Arrangements***

We are required to manage certain consolidated real estate partnerships in compliance with various laws, regulations and contractual provisions that apply to our historic and low-income housing tax credit syndication arrangements. In some instances, noncompliance with applicable requirements could result in projected tax benefits not being realized and require a refund or reduction of investor capital contributions, which are reported as deferred income in our condensed consolidated balance sheet, until such time as our obligation to deliver tax benefits is relieved. The remaining compliance periods for our tax credit syndication arrangements range from less than one year to 11 years. We do not anticipate that any material refunds or reductions of investor capital contributions will be required in connection with these arrangements.

##### ***Income Taxes***

On March 19, 2014, the Internal Revenue Service notified the Aimco Operating Partnership of its intent to audit the 2011 and 2012 tax years. We do not believe the audit will have any material effect on our unrecognized tax benefits, financial condition or results of operations.

## **Legal Matters**

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

### **Limited Partnerships**

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

### **Environmental**

Various Federal, state and local laws subject apartment community owners or operators to liability for management, and the costs of removal or remediation, of certain potentially hazardous materials that may be present in the land or buildings of an apartment community. Potentially hazardous materials may include polychlorinated biphenyls, petroleum-based fuels, lead-based paint, or asbestos. Such laws often impose liability without regard to fault or whether the owner or operator knew of, or was responsible for, the presence of such materials. The presence of, or the failure to manage or remediate properly, these materials may adversely affect occupancy at such apartment communities as well as the ability to sell or finance such apartment communities. In addition, governmental agencies may bring claims for costs associated with investigation and remediation actions, damages to natural resources and for potential fines or penalties in connection with such damage or with respect to the improper management of hazardous materials. Moreover, private plaintiffs may potentially make claims for personal injury, disease, disability or other infirmities related to the alleged presence of hazardous materials at an apartment community. In addition to potential environmental liabilities or costs associated with our current apartment communities, we may also be responsible for such liabilities or costs associated with communities we acquire or manage in the future, or apartment communities we no longer own or operate.

We are engaged in discussions with the Environmental Protection Agency, or EPA, regarding contaminated groundwater in a residential area identified in the vicinity of an Indiana apartment community that has not been owned by us since 2008. The EPA alleges that we are liable for addressing the contamination in the residential area because a dry cleaner that operated on our former property, prior to our ownership, discharged hazardous materials into the sanitary sewers and the environment. We are currently undertaking a voluntary remediation of the drycleaner contamination at our former property under the oversight of the Indiana Department of Environmental Management, or IDEM, but based on our review of the scientific data, we believe that the presence of hazardous materials in the separate residential area under review by the EPA is attributable to neighboring property owners (including an auto parts manufacturer), and not the dry cleaner. The EPA and the IDEM are discussing whether the area under review by the EPA should be listed on the EPA's National Priorities List (i.e., as a Superfund site), which would make it eligible for additional Federal funding. Were the site to be listed, the EPA could use the funding to further investigate and clean-up the residential area and could then seek to recoup its costs from responsible parties. Although the outcome of this process is uncertain, we do not expect the resolution to have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

We have determined that our legal obligations to remove or remediate certain potentially hazardous materials may be conditional asset retirement obligations, as defined in GAAP. Except in limited circumstances where the asset retirement activities are expected to be performed in connection with a planned construction project or apartment community casualty, we believe that the fair value of our asset retirement obligations cannot be reasonably estimated due to significant uncertainties in the timing and manner of settlement of those obligations. Asset retirement obligations that are reasonably estimable as of June 30, 2015, are immaterial to our consolidated financial condition, results of operations and cash flows.

**Note 7 — Earnings per Share/Unit**
**Aimco**

Aimco calculates earnings per share based on the weighted average number of shares of Common Stock, participating securities, common stock equivalents and dilutive convertible securities outstanding during the period. The following table illustrates Aimco's calculation of basic and diluted earnings per share for the three and six months ended June 30, 2015 and 2014 (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<b>Numerator:</b>				
Income from continuing operations	\$ 23,907	\$ 17,943	\$ 42,364	\$ 29,983
Gain on dispositions of real estate, net of tax	44,781	66,662	130,474	136,154
Income from continuing operations and gain on dispositions attributable to noncontrolling interests	(4,819)	(7,563)	(15,709)	(24,168)
Income attributable to preferred stockholders	(2,758)	(1,758)	(6,280)	(2,212)
Income attributable to participating securities	(307)	(274)	(701)	(513)
Income from continuing operations attributable to Aimco common stockholders	<u>\$ 60,804</u>	<u>\$ 75,010</u>	<u>\$ 150,148</u>	<u>\$ 139,244</u>
Net income	\$ 68,688	\$ 84,605	\$ 172,838	\$ 166,137
Net income attributable to noncontrolling interests	(4,819)	(7,563)	(15,709)	(24,168)
Net income attributable to preferred stockholders	(2,758)	(1,758)	(6,280)	(2,212)
Net income attributable to participating securities	(307)	(274)	(701)	(513)
Net income attributable to Aimco common stockholders	<u>\$ 60,804</u>	<u>\$ 75,010</u>	<u>\$ 150,148</u>	<u>\$ 139,244</u>
<b>Denominator:</b>				
Weighted average common shares outstanding – basic	155,524	145,657	154,672	145,565
Dilutive potential common shares	430	328	443	268
Weighted average common shares outstanding – diluted	<u>155,954</u>	<u>145,985</u>	<u>155,115</u>	<u>145,833</u>
<b>Earnings attributable to Aimco per common share – basic:</b>				
Income from continuing operations	\$ 0.39	\$ 0.51	\$ 0.97	\$ 0.96
Net income	<u>\$ 0.39</u>	<u>\$ 0.51</u>	<u>\$ 0.97</u>	<u>\$ 0.96</u>
<b>Earnings attributable to Aimco per common share – diluted:</b>				
Income from continuing operations	\$ 0.39	\$ 0.51	\$ 0.97	\$ 0.95
Net income	<u>\$ 0.39</u>	<u>\$ 0.51</u>	<u>\$ 0.97</u>	<u>\$ 0.95</u>

### The Aimco Operating Partnership

The Aimco Operating Partnership calculates earnings per unit based on the weighted average number of common partnership units and equivalents, participating securities and dilutive convertible securities outstanding during the period. The Aimco Operating Partnership considers both common OP Units and HPUs, which have identical rights to distributions and undistributed earnings, to be common units for purposes of the earnings per unit data presented below. The following table illustrates the Aimco Operating Partnership's calculation of basic and diluted earnings per unit for the three and six months ended June 30, 2015 and 2014 (in thousands, except per unit data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<b>Numerator:</b>				
Income from continuing operations	\$ 23,907	\$ 17,943	\$ 42,364	\$ 29,983
Gain on dispositions of real estate, net of tax	44,781	66,662	130,474	136,154
Income from continuing operations and gain on dispositions attributable to noncontrolling interests	(111)	(2,226)	(4,867)	(13,615)
Income attributable to the Aimco Operating Partnership's preferred unitholders	(4,494)	(3,360)	(9,752)	(5,419)
Income attributable to participating securities	(307)	(274)	(701)	(513)
Income from continuing operations attributable to the Aimco Operating Partnership's common unitholders	<u>\$ 63,776</u>	<u>\$ 78,745</u>	<u>\$ 157,518</u>	<u>\$ 146,590</u>
Net income	\$ 68,688	\$ 84,605	\$ 172,838	\$ 166,137
Net income attributable to noncontrolling interests	(111)	(2,226)	(4,867)	(13,615)
Net income attributable to the Aimco Operating Partnership's preferred unitholders	(4,494)	(3,360)	(9,752)	(5,419)
Net income attributable to participating securities	(307)	(274)	(701)	(513)
Net income attributable to the Aimco Operating Partnership's common unitholders	<u>\$ 63,776</u>	<u>\$ 78,745</u>	<u>\$ 157,518</u>	<u>\$ 146,590</u>
<b>Denominator:</b>				
Weighted average common units outstanding – basic	163,149	153,377	162,304	153,295
Dilutive potential common units	430	328	443	268
Weighted average common units outstanding – diluted	<u>163,579</u>	<u>153,705</u>	<u>162,747</u>	<u>153,563</u>
<b>Earnings attributable to the Aimco Operating Partnership per common unit – basic:</b>				
Income from continuing operations	\$ 0.39	\$ 0.51	\$ 0.97	\$ 0.96
Net income	<u>\$ 0.39</u>	<u>\$ 0.51</u>	<u>\$ 0.97</u>	<u>\$ 0.96</u>
<b>Earnings attributable to the Aimco Operating Partnership per common unit – diluted:</b>				
Income from continuing operations	\$ 0.39	\$ 0.51	\$ 0.97	\$ 0.95
Net income	<u>\$ 0.39</u>	<u>\$ 0.51</u>	<u>\$ 0.97</u>	<u>\$ 0.95</u>

### Aimco and the Aimco Operating Partnership

As of June 30, 2015, the common share equivalents or common partnership unit equivalents that could potentially dilute basic earnings per share or unit in future periods totaled 1.9 million. These securities represent options to purchase shares of Common Stock, which, if exercised, would result in Aimco's issuance of additional shares and the Aimco Operating Partnership's issuance to Aimco of additional common partnership units equal to the number of shares purchased under the options. The effect of these securities was dilutive for the three and six months ended June 30, 2015 and 2014, and accordingly has been included in the denominator for calculating diluted earnings per share and unit during these periods. Participating securities, consisting of unvested restricted shares of Common Stock, receive dividends similar to shares of Common Stock and common partnership units and totaled 0.8 million shares and 0.5 million shares at June 30, 2015 and 2014, respectively. The effect of participating securities is

included in basic and diluted earnings per share and unit computations for the periods presented above using the two-class method of allocating distributed and undistributed earnings.

Various classes of preferred OP Units of the Aimco Operating Partnership are outstanding. Depending on the terms of each class, these preferred OP Units are convertible into common OP Units or redeemable for cash or, at the Aimco Operating Partnership's option, Common Stock, and are paid distributions varying from 1.9% to 8.8% per annum per unit. As of June 30, 2015, a total of 3.3 million preferred OP Units were outstanding with an aggregate redemption value of \$87.9 million and were potentially redeemable for approximately 2.4 million shares of Common Stock (based on the period end market price), or cash at the Aimco Operating Partnership's option. The Aimco Operating Partnership has a redemption policy that requires cash settlement of redemption requests for the preferred OP Units, subject to limited exceptions. Accordingly, we have excluded these securities from earnings per share and unit computations for the periods presented above, and we expect to exclude them in future periods.

#### Note 8 — Business Segments

We have two reportable segments: conventional real estate operations and affordable real estate operations. Our conventional real estate operations consist of market-rate apartment communities with rents paid by the residents and included 143 apartment communities with 41,425 apartment homes at June 30, 2015. Our affordable real estate operations consisted of 56 apartment communities with 8,685 apartment homes at June 30, 2015, with rents that are generally paid, in whole or part, by a government agency.

Due to the diversity of our economic ownership interests in our apartment communities, our chief executive officer, who is our chief operating decision maker, uses proportionate property net operating income to assess the operating performance of our apartment communities. Proportionate property net operating income reflects our share of rental and other property revenues less direct property operating expenses, including real estate taxes, for the consolidated and unconsolidated apartment communities that we own.

The following tables present the revenues, net operating income (loss) and income (loss) from continuing operations of our conventional and affordable real estate operations segments on a proportionate basis (excluding amounts related to apartment communities sold or classified as held for sale) for the three and six months ended June 30, 2015 and 2014 (in thousands):

	Conventional Real Estate Operations	Affordable Real Estate Operations	Proportionate Adjustments (1)	Corporate and Amounts Not Allocated to Segments (2)	Consolidated
<b>Three Months Ended June 30, 2015:</b>					
Rental and other property revenues	\$ 201,437	\$ 24,158	\$ 9,320	\$ 3,722	\$ 238,637
Tax credit and asset management revenues	—	—	—	6,146	6,146
Total revenues	201,437	24,158	9,320	9,868	244,783
Property operating expenses	65,700	9,103	3,237	9,890	87,930
Investment management expenses	—	—	—	1,086	1,086
Depreciation and amortization	—	—	—	75,150	75,150
General and administrative expenses	—	—	—	12,062	12,062
Other expenses, net	—	—	—	2,912	2,912
Total operating expenses	65,700	9,103	3,237	101,100	179,140
Net operating income (loss)	135,737	15,055	6,083	(91,232)	65,643
Other items included in continuing operations	—	—	—	(41,736)	(41,736)
<b>Income (loss) from continuing operations</b>	<b>\$ 135,737</b>	<b>\$ 15,055</b>	<b>\$ 6,083</b>	<b>\$ (132,968)</b>	<b>\$ 23,907</b>

	Conventional Real Estate Operations	Affordable Real Estate Operations	Proportionate Adjustments (1)	Corporate and Amounts Not Allocated to Segments (2)	Consolidated
<b>Three Months Ended June 30, 2014:</b>					
Rental and other property revenues	\$ 182,934	\$ 23,613	\$ 7,225	\$ 25,720	\$ 239,492
Tax credit and asset management revenues	—	—	—	6,926	6,926
Total revenues	182,934	23,613	7,225	32,646	246,418
Property operating expenses	62,153	9,589	1,942	20,816	94,500
Investment management expenses	—	—	—	1,021	1,021
Depreciation and amortization	—	—	—	71,399	71,399
General and administrative expenses	—	—	—	10,119	10,119
Other expenses, net	—	—	—	3,582	3,582
Total operating expenses	62,153	9,589	1,942	106,937	180,621
Net operating income (loss)	120,781	14,024	5,283	(74,291)	65,797
Other items included in continuing operations	—	—	—	(47,854)	(47,854)
<b>Income (loss) from continuing operations</b>	<b>\$ 120,781</b>	<b>\$ 14,024</b>	<b>\$ 5,283</b>	<b>\$ (122,145)</b>	<b>\$ 17,943</b>

	Conventional Real Estate Operations	Affordable Real Estate Operations	Proportionate Adjustments (1)	Corporate and Amounts Not Allocated to Segments (2)	Consolidated
<b>Six Months Ended June 30, 2015:</b>					
Rental and other property revenues	\$ 398,678	\$ 48,391	\$ 18,049	\$ 11,808	\$ 476,926
Asset management and tax credit revenues	—	—	—	12,122	12,122
Total revenues	398,678	48,391	18,049	23,930	489,048
Property operating expenses	133,209	19,333	6,843	24,037	183,422
Investment management expenses	—	—	—	2,689	2,689
Depreciation and amortization	—	—	—	149,582	149,582
General and administrative expenses	—	—	—	22,714	22,714
Other expenses, net	—	—	—	3,931	3,931
Total operating expenses	133,209	19,333	6,843	202,953	362,338
Net operating income (loss)	265,469	29,058	11,206	(179,023)	126,710
Other items included in continuing operations	—	—	—	(84,346)	(84,346)
<b>Income (loss) from continuing operations</b>	<b>\$ 265,469</b>	<b>\$ 29,058</b>	<b>\$ 11,206</b>	<b>\$ (263,369)</b>	<b>\$ 42,364</b>

	Conventional Real Estate Operations	Affordable Real Estate Operations	Proportionate Adjustments (1)	Corporate and Amounts Not Allocated to Segments (2)	Consolidated
<b>Six Months Ended June 30, 2014:</b>					
Rental and other property revenues	\$ 362,199	\$ 46,993	\$ 14,362	\$ 56,074	\$ 479,628
Asset management and tax credit revenues	—	—	—	15,714	15,714
Total revenues	362,199	46,993	14,362	71,788	495,342
Property operating expenses	125,018	19,856	4,395	44,499	193,768
Investment management expenses	—	—	—	2,273	2,273
Depreciation and amortization	—	—	—	141,706	141,706
General and administrative expenses	—	—	—	20,646	20,646
Other expenses, net	—	—	—	5,874	5,874
Total operating expenses	125,018	19,856	4,395	214,998	364,267
Net operating income (loss)	237,181	27,137	9,967	(143,210)	131,075
Other items included in continuing operations	—	—	—	(101,092)	(101,092)
<b>Income (loss) from continuing operations</b>	<b>\$ 237,181</b>	<b>\$ 27,137</b>	<b>\$ 9,967</b>	<b>\$ (244,302)</b>	<b>\$ 29,983</b>

- (1) Represents adjustments for the noncontrolling interests in consolidated real estate partnerships' share of the results of our consolidated apartment communities and the results of consolidated apartment communities that we do not manage, which are excluded from our measurement of segment performance but included in the related consolidated amounts, and our share of the results of operations of our unconsolidated real estate partnerships that we manage, which are included in our measurement of segment performance but excluded from the related consolidated amounts.
- (2) Our basis for assessing segment performance excludes the results of apartment communities sold or classified as held for sale. In the segment presentation above, the current year and prior year operating results for apartment communities sold or classified as held for sale during 2015 or 2014 are presented within the Corporate and Amounts Not Allocated to Segments column. Proportionate property net operating income, our key measurement of segment profit or loss, also excludes property management expenses and casualty gains and losses (which are included in property operating expenses) and depreciation and amortization. Accordingly, we do not allocate these amounts to our segments and they are presented within the Corporate and Amounts Not Allocated to Segments column.

For the six months ended June 30, 2015 and 2014, capital additions related to our conventional segment totaled \$156.6 million and \$178.2 million, respectively, and capital additions related to our affordable segment totaled \$4.5 million and \$3.6 million, respectively.



## ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### Forward Looking Statements

*The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements in certain circumstances. Certain information included in this report contains or may contain information that is forward-looking, within the meaning of the Federal securities laws, including, without limitation, statements regarding: our ability to maintain current or meet projected occupancy, rental rates and property operating results; the effect of acquisitions, dispositions, developments and redevelopments; our ability to meet budgeted costs and timelines, and achieve budgeted rental rates related to our development and redevelopment investments; expectations regarding sales of our apartment communities and the use of proceeds thereof; and our ability to comply with debt covenants, including financial coverage ratios.*

*Actual results may differ materially from those described in these forward-looking statements and, in addition, may be affected by a variety of risks and factors, some of which are beyond our control, including, without limitation: real estate risks, including fluctuations in real estate values and the general economic climate in the markets in which we operate and competition for residents in such markets; the timing of acquisitions, dispositions, redevelopments and developments; financing risks, including the availability and cost of financing and the risk that our cash flows from operations may be insufficient to meet required payments of principal and interest; the risk that our earnings may not be sufficient to maintain compliance with debt covenants; national and local economic conditions, including the pace of job growth and the level of unemployment; the terms of governmental regulations that affect us and interpretations of those regulations; the competitive environment in which we operate; insurance risk, including the cost of insurance; natural disasters and severe weather such as hurricanes; litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; energy costs; and possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of apartment communities presently or previously owned by us. In addition, our current and continuing qualification as a real estate investment trust involves the application of highly technical and complex provisions of the Internal Revenue Code and depends on our ability to meet the various requirements imposed by the Internal Revenue Code, through actual operating results, distribution levels and diversity of stock ownership.*

*Readers should carefully review our financial statements and the notes thereto, as well as the section entitled “Risk Factors” described in Item 1A of Apartment Investment and Management Company’s and AIMCO Properties, L.P.’s combined Annual Report on Form 10-K for the year ended December 31, 2014 , and the other documents we file from time to time with the Securities and Exchange Commission. As used herein and except as the context otherwise requires, “we,” “our” and “us” refer to Apartment Investment and Management Company (which we refer to as Aimco), AIMCO Properties, L.P. (which we refer to as the Aimco Operating Partnership) and their consolidated entities, collectively.*

### Executive Overview

Aimco and the Aimco Operating Partnership are focused on the ownership, management and redevelopment of quality apartment communities located in the largest coastal and job growth markets in the United States. Our business activities are defined by a commitment to our core values of integrity, respect, collaboration, a focus on our customers and a performance culture. These values and our corporate mission, to consistently provide quality apartment homes in a respectful environment delivered by a team of people who care, shape our culture. In all our interactions with residents, team members, business partners, lenders and equity holders, we aim to be the best owner and operator of apartment communities and an outstanding corporate citizen.

Our principal financial objective is to provide predictable and attractive returns to our equity holders, as measured by growth in our Net Asset Value and Adjusted Funds From Operations (each defined under the Key Financial Indicators heading below). Our business plan to achieve this objective is to:

- operate our portfolio of desirable apartment homes with valued amenities, with a high level of customer service and in an efficient manner that realizes the benefits of our corporate systems and local management expertise;
- improve our geographically diversified portfolio of apartment communities, which average “B/B+” in quality (defined under the *Portfolio Management* heading below) by selling lower rated apartment communities and investing the proceeds from such sales through property upgrades, capital improvements, redevelopment, development and acquisition of higher-quality apartment communities;
- provide financial leverage primarily by the use of non-recourse, long-dated, fixed-rate property debt and perpetual preferred equity, a combination which helps to limit our refunding and re-pricing risk and which provides a hedge against increases in interest rates; and

- emphasize a collaborative, respectful, and performance-oriented culture while maintaining high morale and team engagement.

Our long-standing business strategy is organized around our core activities of property operations, portfolio management, redevelopment and development, balance sheet and liquidity, and culture. Our business strategies are described in more detail below.

### **Property Operations**

We own and operate a diversified portfolio of market-rate apartment communities, which we refer to as conventional apartment communities. At June 30, 2015, our conventional portfolio included 143 apartment communities with 41,425 apartment homes in which we held an average ownership of approximately 98%. We also operate a portfolio of affordable apartment communities, which consists of apartments with rents that are generally paid, in whole or part, by a government agency. At June 30, 2015, our affordable portfolio consisted of 56 apartment communities with 8,685 apartment homes in which we held an average ownership of approximately 95%. Our conventional and affordable portfolios comprise our reportable segments and generated 90% and 10%, respectively, of our proportionate property net operating income (defined below under the *Results of Operations – Real Estate Operations* heading) during the six months ended June 30, 2015.

For the three months ended June 30, 2015, our conventional portfolio had average revenue per effective apartment home of \$1,759 and provided 67% operating margins and 60% free cash flow margins. Free cash flow, or FCF, as calculated for our retained portfolio, represents an apartment community's trailing twelve month property net operating income, less capital replacements spending required to maintain the condition of the apartment community. Average revenue per effective apartment home represents rental and other property revenues divided by the number of occupied apartment homes multiplied by our ownership interest in the property as of the end of the current period. The average revenue per apartment home for our conventional portfolio increased 14% from average revenues of \$1,548 for the three months ended June 30, 2014, as a result of quarter year-over-year per home revenue growth of 4.4% for our conventional same store apartment communities and the sale of conventional apartment communities during 2015 and 2014 with average revenues per home substantially lower than the apartment communities in the retained portfolio and reinvestment of the proceeds in higher-rent apartment communities through redevelopment and acquisitions. During the three months ended June 30, 2015, on average, combined conventional same store new and renewal lease rates were 5.4% higher than expiring lease rates.

### **Portfolio Management**

Our portfolio strategy seeks predictable rent growth from a portfolio of "A," "B" and "C+" quality market-rate apartment communities, averaging "B/B+" in quality, and diversified among the largest coastal and job growth markets in the United States, as measured by total apartment value. We measure conventional apartment community quality based on average rents of our apartment homes compared to local market average rents as reported by a third-party provider of commercial real estate performance and analysis. Under this rating system, we classify as "A" quality apartment communities those earning rents greater than 125% of the local market average, as "B" quality apartment communities those earning rents between 90% and 125% of the local market average; "C+" quality assets are those with rents greater than \$1,100 per month, but lower than 90% of the local market average; and "C" quality assets are those with rents less than \$1,100 per month and lower than 90% of the local market average. We classify as "B/B+" quality a portfolio that on average earns rents between 100% and 125% of the local market average rents where the portfolio is located. Although some companies and analysts within the multifamily real estate industry use apartment community class ratings of "A," "B" and "C," some of which are tied to local market rent averages, the metrics used to classify apartment community quality as well as the timing for which local markets rents are calculated may vary from company to company. Accordingly, our rating system for measuring apartment community quality is neither broadly nor consistently used in the multifamily real estate industry.

Our portfolio strategy is to sell each year the 5% to 10% of our portfolio with lower projected returns, lower operating margins, and lower expected future rent growth, and reinvest the sale proceeds in apartment communities already in our portfolio, through property upgrades, capital improvements and redevelopment, or through the purchase of other apartment communities and, in limited situations, the development of apartment communities. We execute our strategy through leverage neutral paired trades when the investment will yield risk-adjusted returns in excess of those of the apartment community sold and when portfolio quality is enhanced. Whenever possible, we structure transactions in a tax-efficient manner to preserve our invested capital. Through this disciplined approach to capital recycling, we have significantly increased the quality of our portfolio. From 2011 to June 30, 2015, we:

- Increased our period-end conventional portfolio average revenue per apartment home by 39% to \$1,759. This rate of growth reflects the impact of market rent growth, and more significantly, the impact of portfolio management through dispositions, redevelopment and acquisitions;

- Increased our conventional portfolio FCF margin by 12% through the sale of lower-rent communities and reinvestment in higher-rent communities;
- Disposed entirely our holdings represented by “C” quality apartment communities with rents lower than 90% of local market average and less than \$1,100 per month, and increased by 65% the percentage of our portfolio represented by “A” quality apartment communities; and
- Increased to 92% the percentage of our conventional property net operating income earned in our target markets.

As we execute this portfolio strategy, we expect to increase conventional portfolio average revenue per apartment home at a rate greater than market rent growth; to increase FCF margins; and to increase to 95% or more the percentage of our conventional property net operating income earned in target markets.

In addition to improving our portfolio through the capital expenditures discussed below under the Liquidity and Capital Resources heading, during the six months ended June 30, 2015, we upgraded our portfolio through the acquisition of two apartment communities. In March, we acquired for \$38.3 million Mezzo, a 94 -apartment home community located in Atlanta, Georgia. This community has 2,800 square feet of commercial space. Stabilized revenues per apartment home are expected to average \$3,600, making this an “A” quality asset for us.

In April, we acquired for \$63.0 million, Axiom Apartment Homes, located near Kendall Square in Cambridge, Massachusetts. We began leasing the newly constructed six-story building during the second quarter, which includes 115 apartment homes and 3,800 square feet of retail space. As of June 30, 2015, the apartment homes were 13% occupied. Upon stabilization, revenues per apartment home are expected to average \$3,550, making this an “A” quality asset.

Additionally, in June, we acquired 270 on Third, an eight-story, 91-apartment home community currently under construction near Kendall Square in Cambridge, Massachusetts. 270 on Third is located two blocks from Axiom Apartment Homes and is contiguous to a large life science complex now under construction, the completion of which is planned for late spring or early summer 2016. Upon completion in the fourth quarter of 2015, 270 on Third will also contain more than 8,000 square feet of retail space. At closing, we paid \$27.9 million and agreed to fund the remaining construction costs up to \$15.1 million, for total consideration not to exceed \$43.0 million. We expect to invest an additional \$2.0 million for other improvements and capitalized costs, bringing our total projected investment to \$45.0 million. Upon stabilization, revenues per apartment home are expected to average \$2,600, making this an “A” quality asset.

Consistent with our paired trade discipline, we funded these acquisitions using a portion of the proceeds from our sale of eight apartment communities with average monthly revenues per apartment home of \$1,002.

### ***Redevelopment and Development***

We invest in the redevelopment of certain apartment communities in superior locations, when we believe the investment will yield risk-adjusted returns in excess of those from apartment communities sold in paired trades or in excess of the cost of equity issued to fund the equity component of the redevelopments. We have historically undertaken a range of redevelopment projects: from those in which buildings or exteriors are renovated without the need to vacate apartment homes; to those in which significant renovation of apartment homes may be accomplished upon lease expiration and turnover; and to those in which an entire building or community is wholly vacated. We execute certain of our redevelopment projects using a phased approach, where we renovate portions of an apartment community in stages, which allows additional flexibility in our exposure to project costs and the ability to tailor our product offerings to customer response and rent achievement. Redevelopment work may also include seeking entitlements from local governments, which enhance the value of our existing portfolio by increasing density, that is, the right to add apartment homes to a site.

During the six months ended June 30, 2015, we invested \$68.2 million in our redevelopment projects, and we completed construction at three redevelopment projects. Lincoln Place, in Venice, California, and The Preserve at Marin, in Corte Madera, California, were completed in the first quarter and, as of June 30, 2015, were 96% and 90% occupied, respectively. 2900 on First in Seattle, Washington, was completed during the second quarter and, as of June 30, 2015, was 97% occupied.

Also during the second quarter, we approved a plan to continue redevelopment of The Sterling, located in Center City Philadelphia. Since 2014, we have completed the redevelopment of 121, or approximately one-quarter, of the apartment homes as planned, at a cost consistent with underwriting, and at rents in excess of our underwriting. These results led to our decision to redevelop an additional five floors with 103 apartment homes for an additional investment of approximately \$13.5 million.

We undertake ground-up development, either directly in connection with the redevelopment of an existing apartment community or, on a more limited basis, at a new location with a third party development partner with expertise in the local market. During

the six months ended June 30, 2015 , we invested \$40.1 million in the development of One Canal Street in the historic Bullfinch Triangle neighborhood of Boston's West End.

See below under the Liquidity and Capital Resources – Redevelopment and Development heading for additional information regarding our ongoing redevelopment and development projects during the six months ended June 30, 2015 .

### **Balance Sheet and Liquidity**

Our leverage strategy seeks to increase financial returns while using leverage with appropriate caution. We target the ratio of Debt and Preferred Equity to Adjusted EBITDA to be below 7.0x and we target the ratio of Adjusted EBITDA to Adjusted Interest and Preferred Dividends to be greater than 2.5x. We also track the ratios of Proportionate Debt to Adjusted EBITDA and Adjusted EBITDA to Adjusted Interest.

Proportionate Debt, Adjusted EBITDA and Adjusted Interest, as used in these ratios, are non-GAAP financial measures, which are further discussed and reconciled under the Non-GAAP Performance and Liquidity Measures - Leverage Ratios heading. Preferred Equity represents Aimco's preferred stock and the Aimco Operating Partnership's preferred OP Units.

Our leverage ratios for the trailing twelve month periods ended June 30, 2015 and 2014 , are presented below:

	<b>Actual Trailing Twelve Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Proportionate Debt to Adjusted EBITDA	6.5x	6.8x
Proportionate Debt plus Preferred Equity to Adjusted EBITDA	7.0x	7.3x
Adjusted EBITDA to Adjusted Interest	2.9x	2.6x
Adjusted EBITDA to Adjusted Interest and Preferred Dividends	2.6x	2.5x

From 2011 to June 30, 2015 , we reduced our ratio Proportionate Debt plus Preferred Equity to Adjusted EBITDA by 3.0x, from 10.0x to 7.0x, and we increased our ratio of Adjusted EBITDA to Interest and Preferred Dividends by 0.8x, from 1.8x to 2.6x. We achieved these leverage reductions by paying down property debt, reducing the amount of preferred securities outstanding, increasing our common equity, and through EBITDA growth.

We expect future leverage reduction from earnings growth, especially as apartment communities now being redeveloped or developed are completed and leased, and from regularly scheduled property debt amortization repaid from retained earnings. We also expect to increase our financial flexibility by expanding our pool of unencumbered apartment communities. As of June 30, 2015 , this pool included 23 consolidated apartment communities with an estimated fair value of approximately \$1.5 billion .

Two credit rating agencies rate our creditworthiness, using different methodologies and ratios for assessing our credit. In addition to lowering the cost of borrowings under our line of credit, an investment grade rating from the rating agencies may lower the cost of any future preferred equity issuance, provide additional flexibility for sources of capital, and provide other intangible benefits. Although some of the ratios the rating agencies use are similar to those we use to measure our leverage, there are differences in our methods of calculation and therefore our leverage ratios disclosed above are not indicative of the ratios that may be calculated by these agencies.

During the six months ended June 30, 2015 , the two agencies rating us upgraded our credit rating and outlook to BBB- (stable), an investment grade rating. While an investment grade rating provides for readier access to the issuance of corporate debt, we do not anticipate doing so.

At June 30, 2015 , approximately 93% of our leverage consisted of property-level, non-recourse, long-dated debt and 6% consisted of perpetual preferred equity, a combination which reduces our refunding and re-pricing risk. The weighted average maturity of our property-level debt was 8.4 years, with 0.6% of our unpaid principal balances maturing during the remainder of 2015 and, on average, 6.8% of our unpaid principal balance maturing each year from 2016 through 2018. Approximately 98% of our property-level debt is fixed-rate, which provides a hedge against increases in interest rates, capitalization rates and inflation.

Although our primary sources of leverage are property-level, non-recourse, long-dated, fixed-rate, amortizing debt and perpetual preferred equity, we also have a Senior Secured Credit Agreement with a syndicate of financial institutions, which we refer to as our Credit Agreement. The Credit Agreement provides for \$600.0 million of revolving loan commitments, which we use for working capital and other short-term purposes. Borrowings under the Credit Agreement bear interest at a rate set forth on a pricing grid. At June 30, 2015 we had \$47.5 million of outstanding borrowings under the Credit Agreement, and we had the capacity to borrow \$514.9 million , net of the outstanding borrowings and \$37.6 million for undrawn letters of credit backed by the Credit Agreement.

Under the Credit Agreement, we have agreed to Debt Service and Fixed Charge Coverage covenants, as well as other covenants customary for similar revolving credit arrangements. For the twelve month period ended June 30, 2015, our Debt Service and Fixed Charge Coverage ratios were 1.92x and 1.81x, respectively, compared to covenants of 1.50x and 1.40x, respectively, and ratios of 1.78x and 1.72x, respectively, for the twelve month period ended June 30, 2014. We expect to remain in compliance with these covenants during the next 12 months.

## **Culture**

Our culture is the key to our success. Our emphasis on a collaborative, respectful, and performance-oriented culture is what enables the continuing transformation of the Aimco business. In 2015, Aimco was recognized by the Denver Post as a Top Work Place for the third consecutive year.

## **Key Financial Indicators**

The key financial indicators that we use in managing our business and in evaluating our financial condition and operating performance are: Net Asset Value and Adjusted Funds From Operations. In addition to these indicators, we also use Pro forma Funds From Operations; Free Cash Flow, Free Cash Flow internal rate of return, same store property operating results, proportionate property net operating income, financial coverage ratios, and leverage as shown on our balance sheet to evaluate our operating performance and financial condition.

Net Asset Value is the estimated fair value of our assets, net of liabilities, noncontrolling interests and preferred equity. Adjusted Funds From Operations and Pro forma Funds From Operations are defined and further described below under the Funds From Operations and Adjusted Funds From Operations heading, and proportionate property net operating income is defined and further described below under the Results of Operations – Property Operations heading. Free Cash Flow represents net operating income less capital spending required to maintain the condition of an apartment community, and Free Cash Flow internal rate of return represents the rate of return generated by the investment in an apartment community, Free Cash Flow from the apartment community, and the proceeds from its eventual sale, and is a common benchmark used in the real estate industry for relative comparison of real estate valuations.

The key macro-economic factors and non-financial indicators that affect our financial condition and operating performance are: household formations; rates of job growth; single-family and multifamily housing starts; interest rates; and availability and cost of financing.

## **Results of Operations**

Because our operating results depend primarily on income from our apartment communities, the supply of and demand for apartments influences our operating results. Additionally, the level of expenses required to operate and maintain our apartment communities and the pace and price at which we redevelop, acquire and dispose of our apartment communities affect our operating results.

The following discussion and analysis of the results of our operations and financial condition should be read in conjunction with the accompanying condensed consolidated financial statements in Item 1.

## **Overview**

Highlights of our results of operations for the three months ended June 30, 2015, are summarized below:

- Conventional Same Store revenues and expenses for the three months ended June 30, 2015, increased by 4.5% and decreased by 0.1%, respectively, resulting in a 6.7% increase in net operating income as compared to the three months ended June 30, 2014; and
- Average revenue per apartment home for our retained portfolio of Conventional apartment communities increased by 14%, from \$1,548 for the three months ended June 30, 2014 to \$1,759 for the three months ended June 30, 2015, primarily as a result of Conventional Same Store year-over-year revenue growth of 4.5%, the delivery of new apartment homes at our redevelopment apartment communities, reinvestment of sales proceeds in higher-rent apartment communities through redevelopment and acquisitions, and the sale of conventional apartment communities during 2015 and 2014 with average revenues per home substantially lower than the apartment communities in the retained portfolio.

**Three Months Ended June 30, 2015 compared to June 30, 2014**

Net income attributable to Aimco and net income attributable to the Aimco Operating Partnership decreased by \$13.2 million and \$13.8 million , respectively, during the the three months ended June 30, 2015 , as compared to the three months ended June 30, 2014 . The decrease in income for Aimco and the Aimco Operating Partnership was principally due to a decrease in gains on dispositions of real estate.

**Six Months Ended June 30, 2015 compared to June 30, 2014**

Net income attributable to Aimco and net income attributable to the Aimco Operating Partnership increased by \$15.2 million and \$15.4 million , respectively, during the the six months ended June 30, 2015 , as compared to the six months ended June 30, 2014 . The increase in income for Aimco and the Aimco Operating Partnership was principally due to an increase in property net operating income and a decrease in interest expense.

The following paragraphs discuss this and other items affecting the results of operations of Aimco and the Aimco Operating Partnership in more detail.

**Property Operations**

As described under the preceding Executive Overview heading, our owned real estate portfolio consists primarily of conventional apartment communities, and we also operate a portfolio of affordable apartment communities. Our conventional and affordable property operations comprise our reportable segments.

In accordance with accounting principles generally accepted in the United States of America, or GAAP, we consolidate certain apartment communities in which we hold an insignificant economic interest and in some cases we do not consolidate other apartment communities in which we have a significant economic interest. Due to the diversity of our economic ownership interests in our apartment communities, our chief operating decision maker emphasizes as a key measurement of segment profit or loss proportionate property net operating income, which represents our share of the property net operating income of the consolidated and unconsolidated apartment communities that we own and manage. Accordingly, the results of operations of our conventional and affordable segments discussed below are presented on a proportionate basis and exclude the results of four conventional apartment communities with 142 apartment homes and nine affordable apartment communities with 779 apartment homes that we do not manage.

We do not include the proportionate net operating income of sold apartment communities, property management revenues, offsite costs associated with property management or casualty-related amounts in our assessment of segment performance. Accordingly, these items are not allocated to our segment results discussed below. Refer to Note 8 in the condensed consolidated financial statements in Item 1 for further discussion regarding our reportable segments, including a reconciliation of these proportionate amounts to consolidated rental and other property revenues and property operating expenses.

*Conventional Real Estate Operations*

Our conventional segment consists of apartment communities we classify as Conventional Same Store, Conventional Redevelopment and Development, Conventional Acquisition, and Other Conventional apartment communities. Conventional Same Store apartment communities are those we manage, that have reached and maintained a stabilized occupancy (greater than 90%) during the current year and prior year periods, and that are not expected to be sold within 12 months. Conventional Redevelopment and Development apartment communities are those currently under construction and those previously under construction but that had not yet achieved stabilized operations as of January 1, 2014. Conventional Acquisition apartment communities are those we have acquired since January 1, 2014. Other Conventional apartment communities includes conventional apartment communities that have significant rent control restrictions; apartment communities that had not reached and maintained a stabilized level of occupancy as of January 1, 2014, often due to a casualty event; and the operations of properties that are not multifamily, such as fitness centers.

As of June 30, 2015 , as defined by our segment performance metrics, our Conventional Same Store, Conventional Redevelopment and Development, Conventional Acquisition and Other Conventional portfolios consisted of 112 , 9 , 8 and 10 apartment communities with 35,431 , 3,308 , 1,391 and 1,153 apartment homes, respectively. From December 31, 2014 to June 30, 2015 , on a net basis, our Conventional Same Store portfolio increased by nine apartment communities and decreased by 1,289 apartment homes. This increase consisted of:

- two apartment communities with 83 apartment homes that were reclassified from our Conventional Acquisition portfolio when they reached stabilization following acquisition:

- one apartment community with 488 apartment homes that was reclassified from our Other Conventional portfolio upon maintaining stabilized occupancy following increased vacancy associated with the termination of corporate housing leases; and
- eight New York apartment communities with 230 apartment homes that were reclassified from our Other Conventional portfolio upon determination that the prospective rental rates for these communities are expected to be more comparable to market rental rate growth in that market, independent of government regulation.

These increases were offset by the removal of two apartment communities with 2,090 apartment homes that were sold during the period. Our conventional portfolio results for the three and six months ended June 30, 2015 and 2014 , as presented below, are based on the apartment community populations as of June 30, 2015 .

(in thousands)	Three Months Ended June 30,			
	2015	2014	\$ Change	% Change
<b>Rental and other property revenues:</b>				
Conventional Same Store	\$ 169,942	\$ 162,662	\$ 7,280	4.5 %
Conventional Redevelopment and Development	16,508	12,005	4,503	37.5 %
Conventional Acquisition	6,332	183	6,149	3,360.1 %
Other Conventional	8,655	8,084	571	7.1 %
Total	201,437	182,934	18,503	10.1 %
<b>Property operating expenses:</b>				
Conventional Same Store	53,099	53,133	(34)	(0.1)%
Conventional Redevelopment and Development	5,670	5,015	655	13.1 %
Conventional Acquisition	2,923	102	2,821	2,765.7 %
Other Conventional	4,008	3,903	105	2.7 %
Total	65,700	62,153	3,547	5.7 %
<b>Property net operating income:</b>				
Conventional Same Store	116,843	109,529	7,314	6.7 %
Conventional Redevelopment and Development	10,838	6,990	3,848	55.1 %
Conventional Acquisition	3,409	81	3,328	4,108.6 %
Other Conventional	4,647	4,181	466	11.1 %
Total	\$ 135,737	\$ 120,781	\$ 14,956	12.4 %

For the three months ended June 30, 2015 , as compared to the three months ended June 30, 2014 , our conventional segment's proportionate property net operating income increased \$15.0 million , or 12.4% .

For the three months ended June 30, 2015 , as compared to the three months ended June 30, 2014 , Conventional Same Store proportionate property net operating income increased by \$7.3 million , or 6.7% . This increase was primarily attributable to a \$7.3 million , or 4.5% , increase in rental and other property revenues due to higher average revenues (approximately \$71 per effective home), comprised primarily of increases in rental rates, and a 10 basis point increase in average daily occupancy. Rental rates on new leases transacted during the three months ended June 30, 2015 , were 5.7% higher than expiring lease rates, and renewal rates were 5.1% higher than expiring lease rates. Operating expenses decreased slightly, primarily due to decreases in insurance, marketing and administrative costs, partially offset by increases in repairs and maintenance, payroll and taxes. During the three months ended June 30, 2015 , as compared to 2014, controllable operating expenses, which exclude utility costs, real estate taxes and insurance, increased by \$0.1 million , or 0.6% .

Our Conventional Redevelopment and Development proportionate property net operating income increased by \$3.8 million during the three months ended June 30, 2015 , as compared to the three months ended June 30, 2014 , primarily due to increases in net operating income associated with the lease-up of apartment homes placed into service following completion of redevelopment activities. From June 30, 2014 to June 30, 2015 , we leased approximately 500 apartment homes that were placed into service at our Lincoln Place and The Preserve at Marin apartment communities. This was partially offset by a reduction in revenue associated with nearly 350 apartment homes taken out of service at our Park Towne Place, The Sterling and Ocean House on Prospect redevelopments.

Our Conventional Acquisitions proportionate property net operating income increased by \$3.3 million during the three months ended June 30, 2015 , as compared to the three months ended June 30, 2014 , primarily due to apartment communities we acquired during 2014 and 2015.

Our Other Conventional proportionate property net operating income increased by \$0.5 million during the three months ended June 30, 2015 , as compared to the three months ended June 30, 2014 . The increase was primarily driven by increased occupancy and lower bad debts at one of our New York communities following the eviction of a commercial tenant and subsequent lease up of the space.

(in thousands)	Six Months Ended June 30,			
	2015	2014	\$ Change	% Change
<b>Rental and other property revenues:</b>				
Conventional Same Store	\$ 337,874	\$ 323,462	\$ 14,412	4.5%
Conventional Redevelopment and Development	31,971	22,864	9,107	39.8%
Conventional Acquisition	11,865	295	11,570	3,922.0%
Other Conventional	16,968	15,578	1,390	8.9%
Total	398,678	362,199	36,479	10.1%
<b>Property operating expenses:</b>				
Conventional Same Store	108,535	107,091	1,444	1.3%
Conventional Redevelopment and Development	11,686	9,777	1,909	19.5%
Conventional Acquisition	4,884	161	4,723	2,933.5%
Other Conventional	8,104	7,989	115	1.4%
Total	133,209	125,018	8,191	6.6%
<b>Property net operating income:</b>				
Conventional Same Store	229,339	216,371	12,968	6.0%
Conventional Redevelopment and Development	20,285	13,087	7,198	55.0%
Conventional Acquisition	6,981	134	6,847	5,109.7%
Other Conventional	8,864	7,589	1,275	16.8%
Total	\$ 265,469	\$ 237,181	\$ 28,288	11.9%

For the six months ended June 30, 2015 , as compared to the six months ended June 30, 2014 , our conventional segment's proportionate property net operating income increased \$28.3 million , or 11.9% .

For the six months ended June 30, 2015 , as compared to the six months ended June 30, 2014 , Conventional Same Store proportionate property net operating income increased by \$13.0 million , or 6.0% . This increase was primarily attributable to a \$14.4 million , or 4.5% , increase in rental and other property revenues due to higher average revenues (approximately \$71 per effective home), comprised primarily of increases in rental rates, and a 10 basis point increase in average daily occupancy. Rental rates on new leases transacted during the six months ended June 30, 2015 , were 3.7% higher than expiring lease rates, and renewal rates were 4.9% higher than expiring lease rates. The increase in Conventional Same Store rental and other property revenues was partially offset by a \$1.4 million , or 1.3% , increase in property operating expenses, primarily due to increases in real estate taxes, repairs and maintenance and utility costs, partially offset by decreases in marketing and insurance costs. During the six months ended June 30, 2015 , as compared to 2014, controllable operating expenses, which exclude utility costs, real estate taxes and insurance, increased by \$0.7 million , or 1.4% .

Our Conventional Redevelopment and Development proportionate property net operating income increased by \$7.2 million during the six months ended June 30, 2015 , as compared to the six months ended June 30, 2014 , primarily due to increases in net operating income associated with the lease-up of apartment homes placed into service following completion of redevelopment activities. From June 30, 2014 to June 30, 2015 , we leased approximately 500 apartment homes that were placed into service at our Lincoln Place and The Preserve at Marin apartment communities. This was partially offset by a reduction in revenue associated with nearly 350 apartment homes taken out of service at our Park Towne Place, The Sterling and Ocean House on Prospect redevelopments.

Our Conventional Acquisitions proportionate property net operating income increased by \$6.8 million during the six months ended June 30, 2015 , as compared to the six months ended June 30, 2014 , primarily due to apartment communities we acquired during 2014 and 2015.

Our Other Conventional proportionate property net operating income increased by \$1.3 million during the six months ended June 30, 2015 , as compared to the six months ended June 30, 2014 . The increase was primarily driven by increased occupancy and lower bad debts at one of our New York communities following the eviction of a commercial tenant and subsequent lease up of the space.



### Affordable Real Estate Operations

Our affordable segment consists of apartment communities we classify as Affordable Same Store or Other Affordable. Affordable Same Store apartment communities are those we manage that are subject to tax credit agreements and that have reached and maintained a stabilized occupancy (greater than 90%) during the current year and prior year-to-date periods. Other Affordable apartment communities are those that do not meet the Affordable Same Store apartment community definition.

At June 30, 2015, as defined by our segment performance metrics, our Affordable Same Store portfolio and Other Affordable portfolio consisted of 45 and two apartment communities with 7,311 and 595 apartment homes, respectively. From December 31, 2014 to June 30, 2015, on a net basis, our Affordable Same Store portfolio increased by one apartment community with 200 apartment homes that was reclassified to our Affordable Same Store portfolio upon maintaining a stabilized level of occupancy following a casualty event. Our affordable results for the three and six months ended June 30, 2015 and 2014, presented below are based on the apartment community populations at June 30, 2015.

(in thousands)	Three Months Ended June 30,			
	2015	2014	\$ Change	% Change
Rental and other property revenues:				
Affordable Same Store	\$ 21,954	\$ 21,605	\$ 349	1.6 %
Other Affordable	2,204	2,008	196	9.8 %
Total	24,158	23,613	545	2.3 %
Property operating expenses:				
Affordable Same Store	8,256	8,590	(334)	(3.9)%
Other Affordable	847	999	(152)	(15.2)%
Total	9,103	9,589	(486)	(5.1)%
Property net operating income:				
Affordable Same Store	13,698	13,015	683	5.2 %
Other Affordable	1,357	1,009	348	34.5 %
Total	\$ 15,055	\$ 14,024	\$ 1,031	7.4 %

For the three months ended June 30, 2015, as compared to the three months ended June 30, 2014, our affordable segment's proportionate property net operating income increased by \$1.0 million, or 7.4%. The increase was partly attributed to an increase in rental income driven by higher rental rates and increases in commercial income. Affordable proportionate property net operating income also increased due to reductions in insurance expense, real estate taxes and payroll.

(in thousands)	Six Months Ended June 30,			
	2015	2014	\$ Change	% Change
Rental and other property revenues:				
Affordable Same Store	\$ 43,920	\$ 42,989	\$ 931	2.2 %
Other Affordable	4,471	4,004	467	11.7 %
Total	48,391	46,993	1,398	3.0 %
Property operating expenses:				
Affordable Same Store	17,574	17,935	(361)	(2.0)%
Other Affordable	1,759	1,921	(162)	(8.4)%
Total	19,333	19,856	(523)	(2.6)%
Property net operating income:				
Affordable Same Store	26,346	25,054	1,292	5.2 %
Other Affordable	2,712	2,083	629	30.2 %
Total	\$ 29,058	\$ 27,137	\$ 1,921	7.1 %

For the six months ended June 30, 2015, as compared to the six months ended June 30, 2014, our affordable segment's proportionate property net operating income increased by \$1.9 million, or 7.1%. The increase was primarily attributed to an increase in rental income driven by higher rental rates and increases in commercial income. Affordable proportionate property net operating income also increased due to reductions in insurance expense and payroll.

*Non-Segment Real Estate Operations*

Real estate operations net operating income amounts not attributed to our conventional or affordable segments also include property management revenues, offsite costs associated with property management, and casualty losses, reported in consolidated amounts, which we do not allocate to our conventional or affordable segments for purposes of evaluating segment performance (see Note 8 to the condensed consolidated financial statements in Item 1).

For the three months ended June 30, 2015 and 2014 , property management expenses, which includes offsite costs associated with managing apartment communities we own (both our share and the share that we allocate to the limited partners in our consolidated partnerships), totaled \$6.1 million and \$5.9 million , respectively. For the six months ended June 30, 2015 and 2014 , property management expenses totaled \$12.1 million and \$12.3 million , respectively.

For the three months ended June 30, 2015 and 2014 , casualty losses totaled \$1.5 million and \$2.9 million , respectively. Casualty losses were higher during 2014 primarily due to severe weather associated with the 2014 “Polar Vortex,” which affected many of our apartment communities in the Northeast and Midwest.

During the six months ended June 30, 2015 and 2014 , casualty losses totaled \$5.6 million and \$6.9 million , respectively. Casualty losses during the six months ended June 30, 2015 , included casualty losses and snow removal costs associated with the severe snow storms in the Northeast, and casualty losses during the six months ended June 30, 2014 , primarily related to the severe weather associated with the 2014 “Polar Vortex,” as discussed above.

***Tax Credit and Asset Management Revenues***

We sponsor certain consolidated partnerships that acquire, develop and operate qualifying affordable housing apartment communities and are structured to provide for the pass-through of tax credits and deductions to their partners. We recognize income associated with the delivery of tax credits associated with these partnerships to their partners.

For the three months ended June 30, 2015 , as compared to the three months ended June 30, 2014 , tax credit and asset management revenues decreased by \$0.8 million . This decrease was attributable to a decrease in amortization of tax credit income due to delivery of substantially all of the tax credits on various apartment communities during 2014 and early 2015.

For the six months ended June 30, 2015 , as compared to the six months ended June 30, 2014 , tax credit and asset management revenues decreased by \$3.6 million . This decrease was attributable to a decrease in amortization of tax credit income due to delivery of substantially all of the tax credits on various apartment communities during 2014 and early 2015, and a decrease in disposition and other transactional fees earned in 2015, as compared to 2014.

***Investment Management Expenses***

For the three and six months ended June 30, 2015 , compared to the three and six months ended June 30, 2014 , investment management expenses increased by \$0.1 million and \$0.4 million , respectively, primarily due to increases in personnel and related costs.

***Depreciation and Amortization***

For the three and six months ended June 30, 2015 , compared to the three and six months ended June 30, 2014 , depreciation and amortization increased \$3.8 million , or 5.3% , and \$7.9 million , or 5.6% , respectively, primarily due to assets placed in service as we completed apartment homes in our redevelopment projects and assets we acquired in 2014 and 2015, partially offset by decreases associated with apartment communities sold.

***General and Administrative Expenses***

For the three and six months ended June 30, 2015 , compared to the three and six months ended June 30, 2014 , general and administrative expenses increased \$1.9 million , or 19.2% , and \$2.1 million , or 10.0% , respectively, primarily due to the timing of our recognition of anticipated incentive compensation, as well as increases in administrative, technology and professional service costs.

***Other Expenses, net***

For the three and six months ended June 30, 2015 , as compared to the three and six months ended June 30, 2014 , other expenses, net decreased by \$0.7 million and \$1.9 million , respectively, primarily due to reductions in legal costs.

**Interest Expense**

For the three and six months ended June 30, 2015 , compared to the three and six months ended June 30, 2014 , interest expense, which includes the amortization of deferred financing costs, decreased by \$5.5 million , or 9.9% , and \$7.7 million , or 6.9% , respectively. The decrease was primarily the result of lower average outstanding balances on non-recourse property debt for our existing apartment communities and decreases in property debt resulting from apartment community dispositions. These decreases in interest expense were partially offset by increases related to our acquisition of apartment communities and on three of our redevelopment projects which reached completion of construction and ceased capitalization of related interest expense.

For the six months ended June 30, 2015 , as compared to the six months ended June 30, 2014 , the decreases in interest described above were also partially offset by prepayment penalties incurred during 2015.

**Other, net**

Other, net includes gains or losses on disposition of interests in unconsolidated real estate partnerships, our equity in the income or loss of unconsolidated real estate partnerships, and the results of operations related to our legacy asset management business, which we account for under the profit sharing method, as further discussed in Note 4 to the condensed consolidated financial statements in Item 1.

During the three months ended June 30, 2015 and 2014 , other, net primarily consisted of \$0.5 million and less than \$0.1 million of net income, respectively, related to our legacy asset management business. After income taxes and noncontrolling interest allocations, our share of the net results of the legacy asset management business totaled \$1.6 million of net income for the three months ended June 30, 2015 , and \$0.4 million of net loss for the three months ended June 30, 2014 .

During the six months ended June 30, 2015 and 2014 , other, net primarily consisted of \$2.7 million of net income and \$1.5 million of net losses, respectively, related to our legacy asset management business. The increase in net income of the legacy asset management business was primarily due to increases in revenues due to an increase in rent subsidies to reflect current market rates for one of the apartment communities in this portfolio, as well as an increase on gains on dispositions of consolidated and unconsolidated apartment communities. After income taxes and noncontrolling interest allocations, our share of the net results of the legacy asset management business totaled \$3.1 million of net income for the six months ended June 30, 2015 , and \$0.9 million of net loss for the six months ended June 30, 2014 .

**Income Tax Benefit**

Certain of our operations or a portion thereof, including property, asset and risk management activities, are conducted through TRS entities. Income taxes related to the results of operations of our TRS entities (before gains on dispositions) are included in income tax benefit (expense) in our condensed consolidated statements of operations.

Prior to December 15, 2014, the interests in our tax credit business were owned through TRS entities. On December 15, 2014, our TRS entities sold the interests held in our tax credit business to the Aimco Operating Partnership. Through the date of sale the income resulting from these interests was subject to income taxes.

For the three and six months ended June 30, 2015 , compared to the three and six months ended June 30, 2014 , income tax benefit increased by \$0.5 million and \$4.6 million , respectively. Income tax benefit increased primarily due to a decrease in income taxes associated with our tax credit business and an increase in the amount of historic tax credits recognized related to our Park Towne Place and Lincoln Place redevelopment projects in 2015, as compared to the credits recognized related to the Lincoln Place redevelopment in 2014. We anticipate the amount of historic tax credits recognized for the remainder of 2015 to be comparable with the amounts recognized during the six months ended June 30, 2015 .

**Gain on Dispositions of Real Estate, Net of Tax**

During the three months ended June 30, 2015 and 2014 , we recognized gains on disposition of real estate of \$44.8 million and \$66.7 million on our disposal of two and six consolidated apartment communities, respectively. During the six months ended June 30, 2015 and 2014 , we recognized gains on disposition of real estate of \$130.5 million and \$136.2 million on our disposal of 8 and 11 consolidated apartment communities, respectively.

Net operating income, or NOI, capitalization rate and free cash flow, or FCF, capitalization rate are common benchmarks used in the real estate industry for relative comparison of real estate valuations, including for apartment community sales. For apartment communities sold, we calculate NOI capitalization rates using an apartment community's trailing twelve month NOI prior to sale, less a management fee equal to 3% of revenue, divided by gross proceeds. For apartment communities sold, we calculate FCF as an apartment community's trailing twelve month NOI less \$1,200 of assumed capital spending per apartment home required to maintain the condition of the apartment community, and we calculate the FCF capitalization rate by dividing the apartment

community's FCF by the gross proceeds from its sale. The NOI capitalization rates and FCF capitalization rates for our consolidated conventional and affordable apartment community sales during the three and six months ended June 30, 2015 and 2014 , were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
NOI capitalization rate:				
Conventional	8.3%	7.3%	6.7%	7.0%
Affordable	3.9%	5.9%	3.8%	6.7%
FCF capitalization rate:				
Conventional	6.3%	5.7%	5.4%	5.5%
Affordable	2.8%	4.8%	2.7%	5.5%

The apartment communities sold during 2015 and 2014 were primarily outside of our target markets or in less desirable locations within our target markets and had average revenues significantly below those of our retained portfolio. Accordingly, we believe the NOI capitalization rates and FCF capitalization rates for these properties are not indicative of those of our retained portfolio.

#### ***Noncontrolling Interests in Consolidated Real Estate Partnerships***

Noncontrolling interests in consolidated real estate partnerships reflects the results of our consolidated real estate partnerships allocated to the owners who are not affiliated with Aimco. The amounts of income or loss of our consolidated real estate partnerships that we allocate to the owners not affiliated with Aimco includes their share of property management fees, interest on notes and other amounts that we charge to these partnerships.

For the three months ended June 30, 2015 and 2014 , we allocated net income of \$0.1 million and \$2.2 million , respectively, to noncontrolling interests in consolidated real estate partnerships, a decrease of \$2.1 million . The amounts of net income allocated to noncontrolling interests decreased primarily due to deferred asset management fees recognized by the legacy asset management business during the three months ended June 30, 2015 , partially offset by an increase in the amount of gains on dispositions allocated to noncontrolling interests in our consolidated real estate partnerships.

For the six months ended June 30, 2015 and 2014 , we allocated net income of \$4.9 million and \$13.6 million , respectively, to noncontrolling interests in consolidated real estate partnerships, a decrease of \$8.7 million . The amounts of net income allocated to noncontrolling interests decreased primarily due to deferred asset management fees recognized by the legacy asset management business during the six months ended June 30, 2015 , partially offset by a decrease in the amount of gains on dispositions allocated to noncontrolling interests in our consolidated real estate partnerships.

#### ***Noncontrolling Interests in Aimco Operating Partnership***

In Aimco's consolidated financial statements, noncontrolling interests in Aimco Operating Partnership reflects the results of the Aimco Operating Partnership that are allocated to the holders of OP Units. The amount of the Aimco Operating Partnership's income allocated to holders of preferred OP Units is equal to the amount of distributions they receive, which totaled \$1.7 million , and \$1.6 million , respectively, during three months ended June 30, 2015 and 2014 , and \$3.5 million and \$3.2 million , respectively, for the six months ended June 30, 2015 and 2014 .

Aimco allocates the Aimco Operating Partnership's income or loss to the holders of common OP Units and equivalents based on the weighted average number of these units (including those held by Aimco) outstanding during the period. For the three months ended June 30, 2015 and 2014 , net income allocated to common noncontrolling interests in the Aimco Operating Partnership totaled \$3.0 million and \$3.7 million , respectively, a decrease in their share of income of \$0.8 million . For the six months ended June 30, 2015 and 2014 , net income allocated to common noncontrolling interests in the Aimco Operating Partnership totaled \$7.4 million and \$7.3 million , respectively.

#### ***Net Income Attributable to Aimco Preferred Stockholders and the Aimco Operating Partnership's Preferred Unitholders***

Net income attributable to Aimco Preferred Stockholders and the Aimco Operating Partnership's Preferred Unitholders increased by \$1.0 million and \$1.1 million , respectively, during the three months ended June 30, 2015 , as compared to the three months ended June 30, 2014 , and \$4.1 million and \$4.3 million , respectively, during the six months ended June 30, 2015 as compared to the six months ended June 30, 2014 , primarily due to our issuance during May 2014 of \$125.0 million of preferred securities with a 6.875% dividend/distribution rate. The increases in net income attributable to Aimco Preferred Stockholders and the Aimco Operating Partnership's Preferred Unitholders during the six months ended June 30, 2015 were also partly attributable to the write-off of previously deferred issuance costs in connection with our March 2015 redemption of preferred securities.

## **Critical Accounting Policies and Estimates**

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

### ***Impairment of Long-Lived Assets***

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

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

We currently have several apartment communities in varying stages of significant redevelopment and two apartment communities under development. We assess the recoverability of the carrying amount of these apartment communities by comparing our estimate of undiscounted future cash flows based on the expected service potential of the apartment communities upon completion to the carrying amounts.

Our portfolio strategy is to sell each year the lowest-rated 5% to 10% of our portfolio and to reinvest the proceeds from such sales in redevelopment and acquisition of higher-quality apartment communities. As we execute this strategy, we evaluate alternatives to sell or reduce our interest in apartment communities that do not align with our long-term investment strategy, although there is no assurance that we will sell or reduce our investment in such apartment communities during the desired time frame. For any apartment communities that are sold or meet the criteria to be classified as held for sale during the next twelve months, the reduction in the estimated holding period for these apartment communities may result in impairment losses.

### ***Capitalized Costs***

We capitalize costs, including certain indirect costs, incurred in connection with our capital additions activities, including redevelopment, development and construction projects, other tangible apartment community improvements and replacements of existing apartment community components. Included in these capitalized costs are payroll costs associated with time spent by site employees in connection with the planning, execution and control of all capital additions activities at the apartment community level. We characterize as “indirect costs” an allocation of certain department costs, including payroll, at the area operations and corporate levels that clearly relate to capital additions activities. We also capitalize interest, property taxes and insurance during periods in which redevelopment, development and construction projects are in progress. We commence capitalization of costs, including certain indirect costs, incurred in connection with our capital addition activities, at the point in time when activities necessary to get apartment communities ready for their intended use are in progress. This includes when apartment communities or apartment homes are undergoing physical construction, as well as when apartment homes are held vacant in advance of planned construction, provided that other activities such as permitting, planning and design are in progress. We cease the capitalization of costs when the assets are substantially complete and ready for their intended use, which is typically when construction has been completed and apartment homes are available for occupancy. We charge to property operating expense, as incurred, costs including ordinary repairs, maintenance and resident turnover costs. Refer to the discussion of investing activities within the Liquidity and Capital Resources section for a summary of costs capitalized during the periods presented.

## **Non-GAAP Performance and Liquidity Measures**

### ***Funds From Operations and Adjusted Funds From Operations***

Funds From Operations, or FFO, is a non-GAAP financial measure that we believe, when considered with the financial statements determined in accordance with GAAP, is helpful to investors in understanding our performance because it captures features particular to real estate performance by recognizing that real estate generally appreciates over time or maintains residual value to a much greater extent than do other depreciable assets such as machinery, computers or other personal property. The National Association of Real Estate Investment Trusts, or NAREIT, defines FFO as net income or loss computed in accordance with GAAP, excluding gains from sales of, and impairment losses recognized with respect to, depreciable property, plus depreciation

and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated on the same basis to determine FFO. We calculate FFO attributable to Aimco common stockholders (diluted) by subtracting, if dilutive, redemption or repurchase related preferred stock issuance costs and dividends on preferred stock, and adding back dividends/distributions on dilutive preferred securities and premiums or discounts on preferred stock redemptions or repurchases.

In addition to FFO, we compute Pro forma FFO and Adjusted FFO, or AFFO, which are also non-GAAP financial measures that we believe are helpful to investors in understanding our performance. Pro forma FFO represents FFO attributable to Aimco common stockholders (diluted), excluding preferred equity redemption-related amounts (adjusted for noncontrolling interests). Preferred equity redemption-related amounts (gains or losses) are items that periodically affect our operating results and we exclude these items from our calculation of Pro forma FFO because such amounts are not representative of our operating performance. AFFO represents Pro forma FFO reduced by Capital Replacements (also adjusted for noncontrolling interests), which represents our estimation of the capital additions required to maintain the value of our portfolio during our ownership period. When we make capital additions at an apartment community, we evaluate whether the additions enhance the value, profitability or useful life of an asset as compared to its condition at the time we purchased the asset. We classify as Capital Improvements those capital additions that meet these criteria and we classify as Capital Replacements those that do not. AFFO is a key financial indicator that we use to evaluate our operational performance, and which helps us determine the amounts of our dividend payments.

FFO, Pro forma FFO and AFFO should not be considered alternatives to net income (loss) or net cash flows from operating activities, as determined in accordance with GAAP, as indications of our performance or as measures of liquidity. Although we use these non-GAAP measures for comparability in assessing our performance against other REITs, not all REITs compute these same measures. Additionally, computation of AFFO is subject to definitions of capital spending, which are subjective. Accordingly, there can be no assurance that our basis for computing these non-GAAP measures is comparable with that of other REITs. For the three and six months ended June 30, 2015 and 2014, Aimco's FFO, Pro forma FFO and AFFO are calculated as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<b>Net income attributable to Aimco common stockholders (1)</b>	\$ 60,804	\$ 75,010	\$ 150,148	\$ 139,244
Adjustments:				
Depreciation and amortization, net of noncontrolling partners' interest	72,997	69,553	145,619	137,983
Depreciation and amortization related to non-real estate assets, net of noncontrolling partners' interest	(2,610)	(2,384)	(5,098)	(4,771)
Gain on dispositions and other, net of income taxes and noncontrolling partners' interest	(43,304)	(65,972)	(124,031)	(123,018)
Provision for (recovery of) impairment losses related to depreciable real estate assets, including amounts related to unconsolidated entities and net of noncontrolling partners' interest	655	(163)	655	377
Common noncontrolling interests in Aimco Operating Partnership's share of above adjustments	(1,348)	(45)	(832)	(550)
Amounts allocable to participating securities	(112)	(2)	(71)	(37)
<b>FFO Attributable to Aimco common stockholders - Diluted</b>	<b>\$ 87,082</b>	<b>\$ 75,997</b>	<b>\$ 166,390</b>	<b>\$ 149,228</b>
Preferred redemption related amounts, net of common noncontrolling interests in Aimco Operating Partnership and participating securities	—	—	658	—
<b>Pro forma FFO Attributable to Aimco common stockholders - Diluted</b>	<b>\$ 87,082</b>	<b>\$ 75,997</b>	<b>\$ 167,048</b>	<b>\$ 149,228</b>
Capital Replacements, net of common noncontrolling interests in Aimco Operating Partnership and participating securities	(14,618)	(12,313)	(23,748)	(23,593)
<b>AFFO attributable to Aimco common stockholders - Diluted</b>	<b>\$ 72,464</b>	<b>\$ 63,684</b>	<b>\$ 143,300</b>	<b>\$ 125,635</b>
Weighted average common shares outstanding – diluted (2)	155,954	145,985	155,115	145,833

- (1) Represents the numerator for calculating Aimco's earnings per common share in accordance with GAAP (see Note 7 to the condensed consolidated financial statements in Item 1).
- (2) Represents the denominator for Aimco's earnings per common share – diluted, calculated in accordance with GAAP, plus any common share equivalents that are dilutive for FFO, Pro forma FFO, and AFFO.

For the three and six months ended June 30, 2015, as compared to the three and six months ended June 30, 2014, Pro forma FFO (on a diluted per share basis) increased 8% and 6%, respectively, due to strong property net operating income growth, increased contribution from redevelopment and acquisition communities, lower interest expense due to lower debt balances, higher income tax benefit due to recognition of historic tax credits related to our Park Towne Place redevelopment; and higher non-recurring income. These increases were partially offset by the loss of income from apartment communities that were sold and higher preferred stock dividends attributable to Aimco's May 2014 offering of its Class A Preferred Stock.

For the same periods, AFFO (on a diluted per share basis) increased 5% and 7%, respectively, as a result of higher Pro forma FFO, offset somewhat by the timing of capital replacements spending during 2015. As we concentrate our investment capital in higher-quality, higher price point apartment communities, our free cash flow margin is increasing.

Refer to the Liquidity and Capital Resources section for further information regarding our capital replacements and other capital investing activities.

The Aimco Operating Partnership does not separately compute or report FFO, Pro forma FFO or AFFO. However, based on Aimco's method for allocation of amounts of FFO, Pro forma FFO and AFFO to noncontrolling interests in the Aimco Operating Partnership, as well as the limited differences between Aimco's and the Aimco Operating Partnership's net income amounts during the periods presented, FFO, Pro forma FFO and AFFO amounts on a per unit basis for the Aimco Operating Partnership would be expected to be substantially the same as the corresponding per share amounts for Aimco.

### ***Leverage Ratios***

As discussed under the Balance Sheet and Liquidity heading, as part of our leverage strategy, we target the ratio of Debt and Preferred Equity to Adjusted EBITDA to be below 7.0x and we target the ratio of Adjusted EBITDA to Adjusted Interest and Preferred Dividends to be greater than 2.5x. We believe the ratios of Proportionate Debt to Adjusted EBITDA and Proportionate Debt plus Preferred Equity to Adjusted EBITDA are important measures as they are commonly used by investors and analysts to assess the relative financial risk associated with balance sheets of companies within the same industry, and they are believed to be similar to measures used by rating agencies to assess entity credit quality.

Proportionate Debt represents our share of the debt obligations recognized in our consolidated financial statements, as well as our share of the debt obligations of our unconsolidated partnerships, reduced by our share of the cash and restricted cash of our consolidated and unconsolidated partnerships, and also by our investment in the subordinate tranches of a securitization that holds certain of our property debt (essentially, our investment in our own non-recourse property loans). We believe Proportionate Debt is useful to investors as it is a measure of our net exposure to debt obligations, assuming the application of cash and restricted cash balances as well as reducing our leverage by our investment in the securitization trust that holds certain of our property debt. Proportionate Debt, as used in our leverage ratios discussed under the Balance Sheet and Liquidity heading, is calculated as set forth in the table below.

Preferred Equity, as used in our leverage ratios, represents the redemption amounts for Aimco's preferred stock and the Aimco Operating Partnership's preferred OP Units. Preferred Equity, although perpetual in nature, is another component of our overall leverage.

Adjusted EBITDA is a non-GAAP performance measure. We believe Adjusted EBITDA provides investors relevant and useful information because it allows investors to view income from our operations on an unleveraged basis, before the effects of taxes, depreciation and amortization, gains or losses on sales of and impairment losses related to real estate, and various other items described below that are not necessarily representative of our ability to service our debt obligations or preferred equity requirements.

Adjusted EBITDA represents Aimco's share of the consolidated amount of our net income, adjusted to exclude the effect of the following items for the reasons set forth below:

- interest, to allow investors to compare a measure of our earnings before the effects of our capital structure and indebtedness with that of other companies in the real estate industry;
- income taxes, to allow investors to measure our performance independent of income taxes, which may vary significantly from other companies within our industry due to leverage and tax planning strategies, among other drivers;
- depreciation and amortization, gains or losses on dispositions and impairment losses related to real estate, for similar reasons to those set forth in our discussion of FFO and AFFO in the preceding section;
- provisions for (or recoveries of) losses on notes receivable, gains on dispositions of non-depreciable assets and non-cash stock-based compensation, as these are items that periodically affect our operations but that are not necessarily representative of our ability to service our debt obligations;

- the interest income earned on our investment in the subordinate tranches of a securitization that holds certain of our property debt, as this income is being generated indirectly from our payments of principal and interest associated with the property debt held by the trust and such amounts will ultimately repay our investment in the trust; and
- EBITDA amounts related to our legacy asset management business, as the debt obligations and associated interest expense for the legacy asset management business as we are not responsible for the operation of this portfolio and associated interest payments are not funded from our operations.

While Adjusted EBITDA is a relevant measure of performance, it does not represent net income as defined by GAAP, and should not be considered as an alternative to net income in evaluating our performance. Further, our computation of Adjusted EBITDA may not be comparable to similar measures reported by other companies.

Adjusted Interest, as calculated in our leverage ratios, is a non-GAAP measure that we believe is meaningful for investors and analysts as it presents our current recurring interest requirements associated with leverage. Our calculation of Adjusted Interest is set forth in the table below. We exclude from our calculation of Adjusted Interest:

- debt prepayment penalties, which are items that, from time to time, affect our operating results, but are not representative of our scheduled interest obligations; and
- the amortization of deferred financing costs, as these amounts have already been expended in previous periods and are not representative of our current or prospective debt service requirements.

Our calculation of Adjusted Interest is also reduced by income we receive on our investment in the subordinate tranches of a securitization that holds certain of our property debt, as this income is being generated indirectly from interest associated with the property debt held by the trust.

Preferred Dividends represents the preferred dividends paid on Aimco's preferred stock and the preferred distributions paid on the Aimco Operating Partnership's preferred OP Units, exclusive of preferred equity redemption related amounts. We add Preferred Dividends to Adjusted Interest for a more complete picture of the interest and dividend requirements of our leverage, inclusive of perpetual preferred equity.

For the trailing twelve month periods ended June 30, 2015 and 2014, reconciliations of the most closely related GAAP measures to our calculations of Proportionate Debt, Preferred Equity, Adjusted EBITDA, Adjusted Interest and Preferred Dividends, as used in our leverage ratios, are as follows (in thousands):

	June 30,	
	2015	2014
Total indebtedness	\$ 3,866,007	\$ 4,206,202
Adjustments:		
Debt related to assets classified as held for sale	—	30,753
Proportionate share adjustments related to debt obligations of consolidated and unconsolidated partnerships	(134,577)	(132,779)
Cash and restricted cash	(135,918)	(257,406)
Proportionate share adjustments related to cash and restricted cash held by consolidated and unconsolidated partnerships	2,467	3,649
Securitization trust assets	(61,949)	(60,221)
Proportionate Debt	<u>\$ 3,536,030</u>	<u>\$ 3,790,198</u>
Preferred stock	159,126	186,126
Preferred OP Units	87,942	78,917
Preferred Equity	247,068	265,043
Proportionate Debt plus Preferred Equity	<u>\$ 3,783,098</u>	<u>\$ 4,055,241</u>



	Trailing twelve months ended June 30,	
	2015	2014
Net income attributable to Aimco Common Stockholders	\$ 311,123	\$ 327,760
Adjustments:		
Noncontrolling interests in Aimco Operating Partnership's share of net income	23,827	24,985
Preferred stock dividends	12,014	3,612
Interest expense, net of noncontrolling interest	209,388	230,126
Income tax benefit	(27,030)	(10,588)
Depreciation and amortization, net of noncontrolling interest	282,812	280,952
Gains on disposition and other, net of income taxes and noncontrolling partners' interests	(266,372)	(295,162)
Provision for impairment losses related to depreciable assets and impairment losses related to unconsolidated entities, net of noncontrolling partners' interests	2,475	485
Provision for losses on notes receivable	(127)	(2,242)
Gains on disposition of non-depreciable assets	(481)	(31)
Non-cash stock-based compensation	6,640	5,848
Interest income received on securitization investment	(5,884)	(5,507)
EBITDA items related to the legacy asset management business	(6,194)	(3,406)
Adjusted EBITDA	\$ 542,191	\$ 556,832

	Trailing twelve months ended June 30,	
	2015	2014
Interest expense	\$ 213,288	\$ 231,779
Adjustments:		
Proportionate share adjustments related to interest of consolidated and unconsolidated partnerships	(5,874)	(2,806)
Non-interest items (debt prepayment penalties)	(10,245)	(8,808)
Amortization of deferred loan costs	(3,841)	(4,388)
Interest income received on securitization investment	(5,884)	(5,507)
Adjusted Interest, as calculated in leverage ratios	\$ 187,444	\$ 210,270

Preferred stock dividends	12,014	3,612
Preferred stock redemption related amounts	(695)	—
Preferred OP Unit distributions	6,762	6,418
Preferred Dividends	18,081	10,030
Adjusted Interest and Preferred Dividends	\$ 205,525	\$ 220,300

### Liquidity and Capital Resources

Liquidity is the ability to meet present and future financial obligations. Our primary source of liquidity is cash flow from our operations. Additional sources are proceeds from sales of apartment communities, proceeds from refinancings of existing property debt, borrowings under new property debt, borrowings under our Credit Agreement and proceeds from equity offerings.

Our principal uses for liquidity include normal operating activities, payments of principal and interest on outstanding property debt, capital expenditures, dividends paid to stockholders, distributions paid to noncontrolling interest partners and acquisitions of, and investments in, apartment communities. We use our cash and cash equivalents and our cash provided by operating activities to meet short-term liquidity needs. In the event that our cash and cash equivalents and cash provided by operating activities are not sufficient to cover our short-term liquidity needs, we have additional means, such as short-term borrowing availability and proceeds from apartment community sales and refinancings. We may use our Credit Agreement for working capital and other short-term purposes, such as funding investments on an interim basis. We expect to meet our long-term liquidity requirements, such as debt maturities and apartment community acquisitions, through long-term borrowings (primarily non-recourse), the issuance of equity securities (including OP Units), the sale of apartment communities and cash generated from operations.

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

At June 30, 2015, we had \$46.8 million in cash and cash equivalents and \$89.1 million of restricted cash, an increase in cash and cash equivalents of \$17.9 million and a decrease in restricted cash of \$2.4 million from December 31, 2014. Restricted cash primarily consists of reserves and escrows held by lenders for bond sinking funds, capital additions, property taxes and insurance, and escrows related to tenant security deposits. In addition, we had unfunded commitments by institutional lenders of \$66.4 million to fund development costs.

The following discussion relates to changes in cash due to operating, investing and financing activities, which are presented in our condensed consolidated statements of cash flows included in Item 1 of this report.

### ***Operating Activities***

For the six months ended June 30, 2015, our net cash provided by operating activities of \$157.3 million was primarily related to operating income from our consolidated apartment communities, which is affected primarily by rental rates, occupancy levels and operating expenses related to our portfolio of apartment communities, in excess of payments of operating accounts payable and accrued liabilities. Cash provided by operating activities for the six months ended June 30, 2015, increased by \$13.0 million as compared to the six months ended June 30, 2014, primarily due to improved operating results of our retained portfolio, increased contribution from our redevelopment apartment communities, and a decrease in cash paid for interest, primarily due to lower amounts of debt outstanding. These increases in cash provided by operating activities were partially offset by a decrease in net operating income associated with apartment communities we sold during 2015 and 2014.

### ***Investing Activities***

For the six months ended June 30, 2015, our net cash used in investing activities of \$83.8 million consisted primarily of capital expenditures and purchases of real estate, partially offset by proceeds from our disposition of real estate. Capital expenditures totaled \$173.1 million and \$182.4 million during the six months ended June 30, 2015 and 2014, respectively. We generally fund capital additions with cash provided by operating activities and cash proceeds from apartment community sales.

We categorize our capital spending broadly into six primary categories:

- capital replacements, which represent capital additions made to replace capital assets consumed during our ownership;
- capital improvements, which are non-redevelopment capital additions that are made to enhance the value, profitability or useful life of an asset from its original purchase condition;
- property upgrades, which may include kitchen and bath remodeling, energy conservation projects, and investments in longer-lived materials designed to reduce turnover costs, all of which are generally lesser in scope than redevelopment additions and do not significantly disrupt property operations;
- redevelopment additions, which represent capital additions intended to enhance the value of the apartment community through the ability to generate higher average rental revenues, and may include costs related to entitlement, which enhance the value of a community through increased density, and costs related to renovation of exteriors, common areas or apartment homes;
- development additions, which represent construction and related capitalized costs associated with ground-up development projects; and
- casualty replacements spending, which represent capitalized costs incurred in connection with the restoration of an asset after a casualty event such as a severe snow storm, hurricane, tornado or flood.

We exclude from these measures the amounts of capital spending related to apartment communities sold or classified as held for sale at the end of the period. We have also excluded from these measures indirect capitalized costs which are allocated later in the year to projects, and their related capital spending categories. A summary of the capital spending for these categories, along with a reconciliation of the total for these categories to the capital expenditures reported in the accompanying condensed consolidated statements of cash flow for the six months ended June 30, 2015 and 2014, are presented below (dollars in thousands):

	2015	2014
Capital Replacements	\$ 21,201	\$ 19,597
Capital Improvements	7,716	15,270
Property Upgrades	19,689	16,420
Redevelopment additions	68,156	106,108
Development additions	40,054	17,226
Casualty replacements	3,933	2,360
Total capital additions	160,749	176,981
Plus: additions related to apartment communities sold or held for sale	370	4,843
Plus: unallocated indirect capitalized costs and additions related to consolidated apartment communities not managed	3,083	—
Consolidated capital additions	164,202	181,824
Plus: net change in accrued capital spending	8,873	600
Capital expenditures per consolidated statement of cash flows	\$ 173,075	\$ 182,424

For the six months ended June 30, 2015 and 2014, we capitalized \$5.4 million and \$8.0 million of interest costs, respectively, and \$14.2 million and \$15.0 million of other direct and indirect costs, respectively.

### Redevelopment and Development

We invest in the redevelopment of certain apartment communities in superior locations and have undertaken a range of redevelopment projects: from those in which buildings or exteriors are renovated without the need to vacate apartment homes; to those in which significant renovation of apartment homes may be accomplished upon lease expiration and turnover; and to those in which an entire building or community is wholly vacated. We execute certain of our redevelopment projects using a phased approach, where we renovate portions of an apartment community in stages, which allows additional flexibility of project costs and the ability to tailor our product offerings to customer response and rent achievement. In addition, we undertake ground-up development, either directly in connection with the redevelopment of an existing apartment community or, on a more limited basis, at a new location with a third party development partner with expertise in the local market.

During the six months ended June 30, 2015, our redevelopment activities focused on six apartment communities with \$68.2 million of investment, and our development activities focused on one apartment community with \$40.1 million of investment.

Information regarding our redevelopment and development projects at June 30, 2015, is presented below (dollars in millions):

	Total Number of Apartment Homes at Completion	Estimated Net Investment at Completion	Inception-to-Date Net Investment	Schedule				
				Construction Start	Initial Occupancy	Construction Complete	Stabilized Occupancy	
Redevelopment								
The Sterling	535	\$ 49.5	\$ 34.4	Multiple	Multiple	1Q 2016	2Q 2016	
Ocean House on Prospect	53	14.8	12.1	4Q 2014	3Q 2015	4Q 2015	1Q 2016	
Park Towne Place	954	60.0	36.0	Multiple	3Q 2015	3Q 2016	2Q 2016	
Development								
One Canal Street	310	190.0	102.9	4Q 2013	1Q 2016	2Q 2016	2Q 2017	
270 on Third	91	45.0	27.9	n/a	4Q 2015	4Q 2015	3Q 2016	
Total Ongoing Projects	1,943	\$ 359.3	\$ 213.3					
Completed Redevelopment								
Lincoln Place	795	\$ 360.0	\$ 359.0	Multiple	Multiple	1Q 2015	2Q 2015	
The Preserve at Marin	126	124.0	123.4	4Q 2012	1Q 2014	1Q 2015	3Q 2015	
2900 on First Apartments	135	15.2	14.7	1Q 2014	1Q 2014	2Q 2015	1Q 2015	
Total Completed Year to Date	1,056	\$ 499.2	\$ 497.1					

During the six months ended June 30, 2015, we invested \$68.2 million in our redevelopment projects, and we completed construction at three redevelopment projects. Lincoln Place, in Venice, California, and The Preserve at Marin, in Corte Madera,

California, were completed in the first quarter and, as of June 30, 2015, were 96% and 90% occupied, respectively. 2900 on First in Seattle, Washington, was completed during the second quarter and, as of June 30, 2015, was 97% occupied.

Also during the second quarter, we approved a plan to continue redevelopment of The Sterling, located in Center City Philadelphia. Since 2014, we have completed the redevelopment of 121, or approximately one-quarter, of the apartment homes as planned, at a cost consistent with underwriting, and at rents in excess of our underwriting. These results led to our decision to redevelop an additional five floors with 103 apartment homes for an additional investment of approximately \$13.5 million.

During the six months ended June 30, 2015, we invested \$40.1 million in the development of One Canal Street in the historic Bullfinch Triangle neighborhood of Boston's West End. One Canal Street will include 310 apartment homes and 22,000 square feet of commercial space. We expect completion of construction during the three months ending June 30, 2016. Our investment in One Canal Street has been and will be funded in part by a \$114.0 million non-recourse property loan, of which \$66.4 million was available to draw at June 30, 2015.

During the six months ended June 30, 2015, we acquired 270 on Third, an eight-story, 91-apartment home community currently under construction near Kendall Square in Cambridge, Massachusetts. 270 on Third is located two blocks from Axiom Apartment Homes and is contiguous to a large life science complex now under construction, the completion of which is planned for late spring or early summer 2016. Upon completion in the fourth quarter of 2015, 270 on Third will also contain more than 8,000 square feet of retail space. At closing, we paid \$27.9 million and agreed to fund the remaining construction costs up to \$15.1 million, for total consideration not to exceed \$43.0 million. We expect to invest an additional \$2.0 million for other improvements and capitalized costs, bringing our total projected investment to \$45.0 million. The remaining committed and anticipated capital spending will be included in our development spending for the remainder of the year.

We expect our total development and redevelopment spending to range from \$225.0 million to \$240.0 million for the year ending December 31, 2015.

### ***Financing Activities***

For the six months ended June 30, 2015, our net cash used in financing activities of \$55.6 million was primarily attributed to principal payments on property loans, net repayments on our revolving credit facility, dividends paid to common security holders, distributions paid to noncontrolling interests and our redemption of preferred securities, partially offset by proceeds from our issuance of common securities and proceeds from property loans used to fund our redevelopment and development projects.

Early in the year, we generated \$366.6 million of proceeds from our issuance of common equity, which were primarily used to repay the then outstanding balance under our Credit Agreement, to repay property debt so as to expand our unencumbered asset pool as further discussed below, to redeem preferred securities, and to fund redevelopment and property upgrades that would otherwise have been funded with property debt on a leverage-neutral basis. We also generated \$197.6 million of proceeds from property loans, which were used to fund part of our investments in redevelopment and development.

Principal payments on property loans during the period totaled \$390.2 million, and included \$39.7 million of scheduled principal amortization, \$142.7 million related to repayment of property debt to expand our unencumbered asset pool, and the remainder primarily related to debt payoffs in connection with dispositions. We like the discipline of financing our investments in real estate through the use of amortizing, fixed rate property debt, as the amortization gradually reduces our leverage, reduces our refunding risk and the fixed-rate provides a hedge against increases in interest rates. Our net cash used in financing activities also includes \$135.3 million of payments to equity holders, as further detailed in the table below.

## Equity and Partners' Capital Transactions

The following table presents our dividend and distribution activity during the six months ended June 30, 2015 (dollars in thousands):

	2015
Cash distributions paid by the Aimco Operating Partnership to holders of noncontrolling interests in consolidated real estate partnerships	\$ 31,389
Cash distributions paid by the Aimco Operating Partnership to preferred unitholders (1)	9,057
Cash distributions paid by the Aimco Operating Partnership to common unitholders (2)	94,898
Total cash distributions paid by the Aimco Operating Partnership	\$ 135,344
Cash distributions paid by Aimco to holders of noncontrolling interests in consolidated real estate partnerships	\$ 31,389
Cash distributions paid by Aimco to holders of common OP Units	7,897
Cash dividends paid by Aimco to preferred stockholders	5,585
Cash dividends paid by Aimco to common stockholders	90,473
Total cash dividends and distributions paid by Aimco	\$ 135,344

(1) \$5.6 million represented distributions to Aimco, and \$3.5 million represented distributions paid to holders of OP Units.

(2) \$90.5 million represented distributions to Aimco, and \$4.4 million represented distributions paid to holders of OP Units.

During the six months ended June 30, 2015, Aimco issued 9,430,000 shares of its Common Stock, par value \$0.01 per share, in an underwritten public offering, for net proceeds per share of \$38.90. The offering generated net proceeds to Aimco of \$366.6 million. Aimco contributed the net proceeds from the sale of Common Stock to the Aimco Operating Partnership in exchange for a number of common partnership units equal to the number of shares of Common Stock issued.

During the six months ended June 30, 2015, Aimco redeemed for \$27.0 million the remaining outstanding shares of its Series A Community Reinvestment Act Preferred Stock. In connection with Aimco's redemption of preferred stock, the Aimco Operating Partnership redeemed from Aimco an equal number of the corresponding class of partnership preferred units.

Pursuant to ATM offering programs active at June 30, 2015, Aimco has the capacity to issue up to 3.5 million shares of its Common Stock and 3.4 million shares of its Class Z Cumulative Preferred Stock. In the event of any such issuances, Aimco would contribute the net proceeds to the Aimco Operating Partnership in exchange for a number of common OP Units or Class Z Partnership Preferred Units, as the case may be, equal to the number of shares issued and sold. Additionally, the Aimco Operating Partnership and Aimco have a shelf registration statement that provides for the issuance of debt securities by the Aimco Operating Partnership and equity securities by Aimco.

## Future Capital Needs

We expect to fund any future acquisitions, development and redevelopment projects, Capital Improvements and Capital Replacements principally with proceeds from property sales, short-term borrowings, debt and equity financing and operating cash flows.

## ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

As of the date of this report, there have been no material changes from the market risk information provided in Aimco's and the Aimco Operating Partnership's combined Annual Report on Form 10-K for the year ended December 31, 2014.

## ITEM 4. Controls and Procedures

### Aimco

#### Disclosure Controls and Procedures

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

**Changes in Internal Control Over Financial Reporting**

There has been no change in Aimco's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the second quarter of 2015 that has materially affected, or is reasonably likely to materially affect, Aimco's internal control over financial reporting.

***The Aimco Operating Partnership*****Disclosure Controls and Procedures**

The Aimco Operating Partnership's management, with the participation of the chief executive officer and chief financial officer of Aimco, who are the equivalent of the Aimco Operating Partnership's chief executive officer and chief financial officer, respectively, has evaluated the effectiveness of the Aimco Operating Partnership's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange) as of the end of the period covered by this report. Based on such evaluation, the chief executive officer and chief financial officer of Aimco have concluded that, as of the end of such period, the Aimco Operating Partnership's disclosure controls and procedures are effective.

**Changes in Internal Control Over Financial Reporting**

There has been no change in the Aimco Operating Partnership's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the second quarter of 2015 that has materially affected, or is reasonably likely to materially affect, the Aimco Operating Partnership's internal control over financial reporting.

**PART II. OTHER INFORMATION****ITEM 1A. Risk Factors**

As of the date of this report, there have been no material changes from the risk factors in Aimco's and the Aimco Operating Partnership's combined Annual Report on Form 10-K for the year ended December 31, 2014 .

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds*****Aimco***

(a) *Unregistered Sales of Equity Securities.* Aimco did not issue any unregistered shares of Common Stock during the six months ended June 30, 2015 .

(c) *Repurchases of Equity Securities.* There were no repurchases by Aimco of its common equity securities during the six months ended June 30, 2015 . Aimco's Board of Directors has, from time to time, authorized Aimco to repurchase shares of its outstanding capital stock. As of June 30, 2015 , Aimco was authorized to repurchase approximately 19.3 million additional shares. This authorization has no expiration date. These repurchases may be made from time to time in the open market or in privately negotiated transactions.

***The Aimco Operating Partnership***

(a) *Unregistered Sales of Equity Securities.* The Aimco Operating Partnership did not issue any common OP Units in exchange for shares of Aimco Common Stock during the six months ended June 30, 2015 .

(c) *Repurchases of Equity Securities.* The Aimco Operating Partnership's Partnership Agreement generally provides that after holding the common OP Units for one year, Limited Partners have the right to redeem their common OP Units for cash, subject to the Aimco Operating Partnership's prior right to cause Aimco to acquire some or all of the common OP Units tendered for redemption in exchange for shares of Common Stock. Common OP Units redeemed for Common Stock are exchanged on a one-for-one basis (subject to antidilution adjustments). During the six months ended June 30, 2015 , no common OP Units were redeemed in exchange for shares of Common Stock. The following table summarizes repurchases of the Aimco Operating Partnership's equity securities for the six months ended June 30, 2015 .

Period	Total Number of Units Purchased	Average Price Paid per Unit	Total Number of Units Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Units that May Yet Be Purchased Under the Plans or Programs (1)
April 1 - April 30, 2015	4,686	\$ 39.27	N/A	N/A
May 1 - May 31, 2015	9,480	38.20	N/A	N/A
June 1 - June 30, 2015	7,083	37.74	N/A	N/A
Total	21,249	\$ 38.28		

- (1) The terms of the Aimco Operating Partnership's Partnership Agreement do not provide for a maximum number of units that may be repurchased, and other than the express terms of its Partnership Agreement, the Aimco Operating Partnership has no publicly announced plans or programs of repurchase. However, whenever Aimco repurchases shares of its Common Stock, it is expected that Aimco will fund the repurchase with proceeds from a concurrent repurchase by the Aimco Operating Partnership of common partnership units held by Aimco at a price per unit that is equal to the price per share paid for its Common Stock.

#### *Aimco and the Aimco Operating Partnership*

*Dividend and Distribution Payments.* Our Credit Agreement includes customary covenants, including a restriction on dividends and distributions and other restricted payments, but permits dividends and distributions during any 12-month period in an aggregate amount of up to 95% of Aimco's Funds From Operations, subject to certain non-cash adjustments, for such period or such amount as may be necessary for Aimco to maintain its REIT status.

#### **ITEM 6. Exhibits**

The following exhibits are filed with this report:

<u>EXHIBIT NO. (1)</u>	<u>DESCRIPTION</u>
3.1	Aimco – Charter
3.2	Aimco – Amended and Restated Bylaws (Exhibit 3.2 to Aimco's Current Report on Form 8-K dated February 2, 2010, is incorporated herein by this reference)
10.1	Fourth Amended and Restated Agreement of Limited Partnership of the Aimco Operating Partnership, dated as of July 29, 1994, as amended and restated as of February 28, 2007 (Exhibit 10.1 to Aimco's Annual Report on Form 10-K for the year ended December 31, 2006, is incorporated herein by this reference)
10.2	First Amendment to Fourth Amended and Restated Agreement of Limited Partnership of the Aimco Operating Partnership, dated as of December 31, 2007 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated December 31, 2007, is incorporated herein by this reference)
10.3	Second Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of the Aimco Operating Partnership, dated as of July 30, 2009 (Exhibit 10.1 to Aimco's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, is incorporated herein by this reference)
10.4	Third Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of the Aimco Operating Partnership, dated as of September 2, 2010 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated September 3, 2010, is incorporated herein by this reference)
10.5	Fourth Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of the Aimco Operating Partnership, dated as of July 26, 2011 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated July 26, 2011, is incorporated herein by this reference)
10.6	Fifth Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of the Aimco Operating Partnership, dated as of August 24, 2011 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated August 24, 2011, is incorporated herein by this reference)
10.7	Sixth Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of the Aimco Operating Partnership, dated as of December 31, 2011 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated December 31, 2011, is incorporated herein by this reference)
10.8	Seventh Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of the Aimco Operating Partnership, dated as of May 13, 2014 (Exhibit 10.1 to Aimco's Current Report on Form 8-K dated May 15, 2014, is incorporated by this reference)

<u>EXHIBIT NO. (1)</u>	<u>DESCRIPTION</u>
10.9	Eighth Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of the Aimco Operating Partnership, dated as of October 31, 2014 (Exhibit 10.1 to Aimco's Current Report on Form 8-K, dated November 4, 2014, is incorporated herein by this reference)
31.1	Aimco – Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Aimco – Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	The Aimco Operating Partnership – Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4	The Aimco Operating Partnership – Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Aimco – Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Aimco – Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.3	The Aimco Operating Partnership – Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.4	The Aimco Operating Partnership – Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Aimco – Agreement Regarding Disclosure of Long-Term Debt Instruments
99.2	The Aimco Operating Partnership – Agreement Regarding Disclosure of Long-Term Debt Instruments
101	XBRL (Extensible Business Reporting Language). The following materials from Aimco's and the Aimco Operating Partnership's combined Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015, tagged in XBRL: (i) condensed consolidated balance sheets; (ii) condensed consolidated statements of operations; (iii) condensed consolidated statements of comprehensive income; (iv) condensed consolidated statements of cash flows; and (v) notes to condensed consolidated financial statements.

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



## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

APARTMENT INVESTMENT AND  
MANAGEMENT COMPANY

By: /s/ ERNEST M. FREEDMAN  
Ernest M. Freedman  
*Executive Vice President and Chief Financial Officer*  
*(duly authorized officer and principal financial officer)*

By: /s/ PAUL BELDIN  
Paul Beldin  
*Senior Vice President and*  
*Chief Accounting Officer*

AIMCO PROPERTIES, L.P.

By: AIMCO-GP, Inc., its general partner

By: /s/ ERNEST M. FREEDMAN  
Ernest M. Freedman  
*Executive Vice President and Chief Financial Officer*  
*(duly authorized officer and principal financial officer)*

By: /s/ PAUL BELDIN  
Paul Beldin  
*Senior Vice President and*  
*Chief Accounting Officer*

Date: July 31, 2015

# APARTMENT INVESTMENT AND MANAGEMENT COMPANY

## ARTICLES OF RESTATEMENT

APARTMENT INVESTMENT AND MANAGEMENT COMPANY, a Maryland corporation, having its principal office in Baltimore City, Maryland (hereinafter referred to as the “*Corporation*” or “*AIMCO*”), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

**FIRST:** The Corporation desires to and does hereby restate its Charter as currently in effect.

**SECOND:** The Charter of the Corporation as restated in its entirety is as follows:

\* \* \* \* \*

### ARTICLE I NAME

The name of the corporation (the “*Corporation*”) is Apartment Investment and Management Company.

### ARTICLE II PURPOSE

The purpose for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be organized under the general laws of the State of Maryland authorizing the formation of corporations as now or hereafter in force.

### ARTICLE III PRINCIPAL OFFICE IN STATE AND RESIDENT AGENT

The post office address of the principal office of the Corporation in the State of Maryland is c/o CSC-Lawyers Incorporating Service Company, 7 St. Paul Street, Suite 1660, Baltimore, Maryland 21202. The name and address of the resident agent of the Corporation in the State of Maryland is CSC-Lawyers Incorporating Service Company, 7 St. Paul Street, Suite 1660, Baltimore, Maryland 21202. The resident agent is a Maryland corporation located in the State of Maryland.

### ARTICLE IV STOCK

#### Section 1. Authorized Shares

**1.1 Class and Number of Shares.** The total number of shares of stock that the Corporation from time to time shall have authority to issue is 510,587,500 shares of capital stock having a par value of \$.01 per share, amounting to an aggregate par value of \$5,105,875, consisting of 505,787,260 shares currently classified as Class A Common Stock, par value \$.01 per share (the “*Class A Common Stock*”) (the Class A

Common Stock and all other classes or series of common stock hereafter classified being referred to collectively herein as the “**Common Stock**”), 4,800,000 shares currently classified as Class Z Cumulative Preferred Stock, par value \$.01 per share (the “**Class Z Preferred Stock**”), and 240 shares currently classified as Series A Community Reinvestment Act Preferred Stock, par value \$.01 per share (the “**CRA Preferred Stock**”) (the Class Z Preferred Stock, the CRA Preferred Stock, and all other classes or series of preferred stock hereafter classified being referred to collectively herein as the “**Preferred Stock**”).

**1.2 Changes in Classification and Preferences.** The Board of Directors by resolution or resolutions from time to time may classify and reclassify any unissued shares of capital stock by setting or changing in any one or more respects the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption of such shares of capital stock, including, but not limited to, ownership restrictions consistent with the Ownership Restrictions with respect to each such class or subclass of capital stock, and the number of shares constituting each such class or subclass, and to increase or decrease the number of shares of any such class or subclass.

**Section 2. No Preemptive Rights.** No holder of shares of stock of the Corporation shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of the stock of the Corporation or any other security of the Corporation that it may issue or sell.

### **Section 3. Common Stock.**

**3.1 Dividend Rights.** The holders of shares of Common Stock shall be entitled to receive such dividends as may be declared by the Board of Directors of the Corporation out of funds legally available therefor.

**3.2 Rights Upon Liquidation.** Subject to the preferential rights of Preferred Stock, if any, as may be determined by the Board of Directors pursuant to Section 1 of this Article IV, in the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of the Corporation, each holder of shares of Common Stock shall be entitled to receive, ratably with each other holder of Common Stock, that portion of the assets of the Corporation available for distribution to its shareholders as the number of shares of the Common Stock held by such holder bears to the total number of shares of Common Stock then outstanding.

**3.3 Voting Rights.** The holders of shares of Common Stock shall be entitled to vote on all matters (on which a holder of shares of Common Stock shall be entitled to vote) at the meetings of the shareholders of the Corporation, and shall be entitled to one vote for each share of Common Stock entitled to vote at such meeting.

**3.4 Restriction on Ownership and Transfers.** The Beneficial Ownership and Transfer of Common Stock shall be subject to the restrictions set forth in this Section 3.4 of this Article IV.

#### **3.4.1 Restrictions.**

**(A) Limitation on Beneficial Ownership.** Except as provided in Section 3.4.8 of this Article IV, from and after the date of the Initial Public Offering, no Person (other than the Initial Holder or a Look-Through Entity) shall Beneficially Own shares of Common Stock in excess of the Ownership Limit, the Initial Holder shall not Beneficially Own shares of Common Stock in excess of the Initial Holder Limit and no Look-Through Entity shall Beneficially Own shares of Common Stock in excess of the Look-Through Ownership Limit.

**(B) Transfers in Excess of Ownership Limit.** Except as provided in Section 3.4.8 of this Article IV, from and after the date of the Initial Public Offering (and subject to Section 3.4.12 of this Article IV), any Transfer (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) that, if effective, would result in any Person (other than the Initial Holder or a Look-Through Entity) Beneficially Owning shares of Common Stock in excess of the Ownership Limit shall be void *ab initio* as to the Transfer of such shares of Common Stock that would be otherwise Beneficially Owned by such Person in excess of the Ownership Limit, and the intended transferee shall acquire no rights in such shares of Common Stock.

**(C) Transfers in Excess of Initial Holder Limit.** Except as provided in Section 3.4.8 of this Article IV, from and after the date of the Initial Public Offering (and subject to Section 3.4.12 of this Article IV), any Transfer (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) that, if effective, would result in the Initial Holder Beneficially Owning shares of Common Stock in excess of the Initial Holder Limit shall be void *ab initio* as to the Transfer of such shares of Common Stock that would be otherwise Beneficially Owned by the Initial Holder in excess of the Initial Holder Limit, and the Initial Holder shall acquire no rights in such shares of Common Stock.

**(D) Transfers in Excess of Look-Through Ownership Limit.** Except as provided in Section 3.4.8 of this Article IV, from and after the date of the Initial Public Offering (and subject to Section 3.4.12 of this Article IV), any Transfer (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) that, if effective, would result in any Look-Through Entity Beneficially Owning shares of Common Stock in excess of the Look-Through Ownership Limit shall be void *ab initio* as to the Transfer of such shares of Common Stock that would be otherwise Beneficially Owned by such Look-Through Entity in excess of the Look-Through Ownership Limit, and such Look-Through Entity shall acquire no rights in such shares of Common Stock.

**(E) Transfers Resulting in Ownership by Fewer than 100 Persons.** Except as provided in Section 3.4.8 of this Article IV, from and after the date of the Initial Public Offering (and subject to Section 3.4.12 of this Article IV), any Transfer (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) that, if effective, would result in the Common Stock being Beneficially Owned by less than 100 Persons (determined without reference to any rules of attribution) shall be void *ab initio* as to the Transfer of such shares of Common Stock that would be otherwise Beneficially Owned by the transferee, and the intended transferee shall acquire no rights in such shares of Common Stock.

**(F) Transfers Resulting in “Closely Held” Status.** From and after the date of the Initial Public Offering, any Transfer that, if effective, would result in the Corporation being “closely held” within the meaning of Section 856(h) of the Code, or would otherwise result in the Corporation failing to qualify as a REIT (including, without limitation, a Transfer or other event that would result in the Corporation owning (directly or constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the Corporation from such tenant would cause the Corporation to fail to satisfy any of the gross income requirements of Section 856(c) of the Code) shall be void *ab initio* as to the Transfer of shares of Common Stock that would cause the Corporation (i) to be “closely held” within the meaning of Section 856(h) of the Code or (ii) otherwise fail to qualify as a REIT, as the case may be, and the intended transferee shall acquire no rights in such shares of Common Stock.

**(G) Severability on Void Transactions.** A Transfer of a share of Common Stock that is null and void under Sections 3.4.1(B), (C), (D), (E) or (F) of this Article IV because it would, if effective, result in (i) the ownership of Common Stock in excess of the Initial Holder Limit, the Ownership Limit, or the Look-Through Ownership Limit, (ii) the Common Stock being Beneficially Owned by less than 100 Persons (determined without reference to any rules of attribution), (iii) the Corporation being “closely held” within the meaning of Section 856(h) of the Code or (iv) the Corporation otherwise failing to qualify as a REIT, shall not adversely affect the validity of the Transfer of any other share of Common Stock in the same or any other related transaction.

**3.4.2 Remedies for Breach.** If the Board of Directors or a committee thereof shall at any time determine in good faith that a Transfer or other event has taken place in violation of Section 3.4.1 of this Article IV or that a Person intends to acquire or has attempted to acquire Beneficial Ownership of any shares of Common Stock in violation of Section 3.4.1 of this Article IV (whether or not such violation is intended), the Board of Directors or a committee thereof shall be empowered to take any action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, but not limited to, refusing to give effect to such Transfer or other event on the books of the Corporation, causing the Corporation to redeem such shares at the then current Market Price and upon such terms and conditions as may be specified by the Board of Directors in its sole discretion (including, but not limited to, by means of the issuance of long-term indebtedness for the purpose of such redemption), demanding the repayment of any distributions received in respect of shares of Common Stock acquired in violation of Section 3.4.1 of this Article IV or instituting proceedings to enjoin such Transfer or to rescind such Transfer or attempted Transfer; *provided, however*, that any Transfers or attempted Transfers (or in the case of events other than a Transfer, Beneficial Ownership) in violation of Section 3.4.1 of this Article IV, regardless of any action (or non-action) by the Board of Directors or such committee, (a) shall be void *ab initio* or (b) shall automatically result in the transfer described in Section 3.4.3 of this Article IV; *provided, further*, that the provisions of this Section 3.4.2 shall be subject to the provisions of Section 3.4.12 of this Article IV; *provided, further*, that neither the Board of Directors nor any committee thereof may exercise such authority in a manner that interferes with any ownership or transfer of Common Stock that is expressly authorized pursuant to Section 3.4.8(D) of this Article IV.

**3.4.3. Transfer in Trust.**

**(A) Establishment of Trust.** If, notwithstanding the other provisions contained in this Article IV, at any time after the date of the Initial Public Offering there is a purported Transfer (an “**Excess Transfer**”) (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) or other change in the capital structure of the Corporation (including, but not limited to, any redemption of Preferred Stock) or other event such that (a) any Person (other than the Initial Holder or a Look-Through Entity) would Beneficially Own shares of Common Stock in excess of the Ownership Limit, or (b) the Initial Holder would Beneficially Own shares of Common Stock in excess of the Initial Holder Limit, or (c) any Person that is a Look-Through Entity would Beneficially Own shares of Common Stock in excess of the Look-Through Ownership Limit (in any such event, the Person, Initial Holder or Look-Through Entity that would Beneficially Own shares of Common Stock in excess of the Ownership Limit, the Initial Holder Limit or the Look-Through Entity Limit is referred to as a “**Prohibited Transferee**”), then, except as otherwise provided in Section 3.4.8 of this Article IV, such shares of Common Stock in excess of the Ownership Limit, the Initial Holder Limit or the Look-Through Ownership Limit, as the case may be, (rounded up to the nearest whole share) shall be automatically transferred to a Trustee in his capacity as trustee of a Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the business day prior to the date of the Excess Transfer, change in capital

structure or another event giving rise to a potential violation of the Ownership Limit, the Initial Holder Limit or the Look Through Entity Ownership Limit.

**(B) Appointment of Trustee.** The Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with either the Corporation or any Prohibited Transferee. The Trustee may be an individual or a bank or trust company duly licensed to conduct a trust business.

**(C) Status of Shares Held by the Trustee.** Shares of Common Stock held by the Trustee shall be issued and outstanding shares of capital stock of the Corporation. Except to the event provided in Section 3.4.3(E), the Prohibited Transferee shall have no rights in the Common Stock held by the Trustee, and the Prohibited Transferee shall not benefit economically from ownership of any shares held in trust by the Trustee, shall have no rights to dividends and shall not possess any rights to vote or other rights attributable to the shares held in the Trust.

**(D) Dividend and Voting Rights.** The Trustee shall have all voting rights and rights to dividends with respect to shares of Common Stock held in the Trust, which rights shall be exercised for the benefit of the Charitable Beneficiary. Any dividend or distribution paid prior to the discovery by the Corporation that the shares of Common Stock have been transferred to the Trustee shall be repaid to the Corporation upon demand, and any dividend or distribution declared but unpaid shall be rescinded as void *ab initio* with respect to such shares of Common Stock. Any dividends or distributions so disgorged or rescinded shall be paid over to the Trustee and held in trust for the Charitable Beneficiary. Any vote cast by a Prohibited Transferee prior to the discovery by the Corporation that the shares of Common Stock have been transferred to the Trustee will be rescinded as void *ab initio* and shall be recast in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary. The owner of the shares at the time of the Excess Transfer, change in capital structure or other event giving rise to a potential violation of the Ownership Limit, Initial Holder Limit or Look-Through Entity Ownership Limit shall be deemed to have given an irrevocable proxy to the Trustee to vote the shares of Common Stock for the benefit of the Charitable Beneficiary.

**(E) Restrictions on Transfer.** The Trustee of the Trust may transfer the shares held in the Trust to a person, designated by the Trustee, whose ownership of the shares will not violate the Ownership Restrictions. If such a transfer is made, the interest of the Charitable Beneficiary shall terminate and proceeds of the sale shall be payable to the Prohibited Transferee and to the Charitable Beneficiary as provided in this Section 3.4.3(E). The Prohibited Transferee shall receive the lesser of (1) the price paid by the Prohibited Transferee for the shares or, if the Prohibited Transferee did not give value for the shares (through a gift, devise or other transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Trust and (2) the price per share received by the Trustee from the sale or other disposition of the shares held in the Trust. Any proceeds in excess of the amount payable to the Prohibited Transferee shall be payable to the Charitable Beneficiary. If any of the transfer restrictions set forth in this Section 3.4.3(E) or any application thereof is determined in a final judgment to be void, invalid or unenforceable by any court having jurisdiction over the issue, the Prohibited Transferee may be deemed, at the option of the Corporation, to have acted as the agent of the Corporation in acquiring the Common Stock as to which such restrictions would, by their terms, apply, and to hold such Common Stock on behalf of the Corporation.

**(F) Purchase Right in Stock transferred to the Trustee.** Shares of Common Stock transferred to the Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation

shall have the right to accept such offer for a period of 90 days after the later of (i) the date of the Excess Transfer or other event resulting in a transfer to the Trust and (ii) the date that the Board of Directors determines in good faith that an Excess Transfer or other event occurred.

**(G) Designation of Charitable Beneficiaries.** By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust relating to such Prohibited Transferee if (i) the shares of Common Stock held in the Trust would not violate the Ownership Restrictions in the hands of such Charitable Beneficiary and (ii) each Charitable Beneficiary is an organization described in Sections 170(b)(1)(A), 170(c)(2) and 501(c)(3) of the Code.

**3.4.4 Notice of Restricted Transfer.** Any Person that acquires or attempts to acquire shares of Common Stock in violation of Section 3.4.1 of this Article IV, or any Person that is a Prohibited Transferee such that stock is transferred to the Trustee under Section 3.4.3 of this Article IV, shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer or attempted Transfer or other event on the Corporation's status as a REIT. Failure to give such notice shall not limit the rights and remedies of the Board of Directors provided herein in any way.

**3.4.5 Owners Required to Provide Information.** From and after the date of the Initial Public Offering certain record and Beneficial Owners and transferees of shares of Common Stock will be required to provide certain information as set out below.

**(A) Annual Disclosure.** Every record and Beneficial Owner of more than 5% (or such other percentage between 0.5% and 5%, as provided in the applicable regulations adopted under the Code) of the number of Outstanding shares of Common Stock shall, within 30 days after January 1 of each year, give written notice to the Corporation stating the name and address of such record or Beneficial Owner, the number of shares of Common Stock Beneficially Owned, and a full description of how such shares are held. Each such record or Beneficial Owner of Common Stock shall, upon demand by the Corporation, disclose to the Corporation in writing such additional information with respect to the Beneficial Ownership of the Common Stock as the Board of Directors, in its sole discretion, deems appropriate or necessary to (i) comply with the provisions of the Code regarding the qualification of the Corporation as a REIT under the Code and (ii) ensure compliance with the Ownership Limit, the Initial Holder Limit or the Look-Through Ownership Limit, as applicable. Each shareholder of record, including without limitation any Person that holds shares of Common Stock on behalf of a Beneficial Owner, shall take all reasonable steps to obtain the written notice described in this Section 3.4.5 from the Beneficial Owner.

**(B) Disclosure at the Request of the Corporation.** Any Person that is a Beneficial Owner of shares of Common Stock and any Person (including the shareholder of record) that is holding shares of Common Stock for a Beneficial Owner, and any proposed transferee of shares, shall provide such information as the Corporation, in its sole discretion, may request in order to determine the Corporation's status as a REIT, to comply with the requirements of any taxing authority or other governmental agency, to determine any such compliance or to ensure compliance with the Ownership Limit, the Initial Holder Limit and the Look-Through Ownership Limit, and shall provide a statement or affidavit to the Corporation setting forth the number of shares of Common Stock already Beneficially Owned by such shareholder or proposed transferee and any related persons specified, which statement or affidavit shall be in the form prescribed by the Corporation for that purpose.

**3.4.6 Remedies Not Limited.** Nothing contained in this Article IV shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable (subject to the provisions of Section 3.4.12 of this Article IV) (i) to protect the Corporation and the interests of its shareholders in the preservation of the Corporation's status as a REIT and (ii) to insure compliance with the Ownership Limit, the Initial Holder Limit and the Look-Through Ownership Limit.

**3.4.7 Ambiguity.** In the case of an ambiguity in the application of any of the provisions of Section 3.4 of this Article IV, or in the case of an ambiguity in any definition contained in Section 4 of this Article IV, the Board of Directors shall have the power to determine the application of the provisions of this Article IV with respect to any situation based on its reasonable belief, understanding or knowledge of the circumstances.

**3.4.8 Exceptions.** The following exceptions shall apply or may be established with respect to the limitations of Section 3.4.1 of this Article IV.

(A) **Waiver of Ownership Limit.** The Board of Directors, upon receipt of a ruling from the Internal Revenue Service or an opinion of tax counsel or other evidence or undertaking acceptable to it, may waive the application, in whole or in part, of the Ownership Limit to a Person subject to the Ownership Limit, if such person is not an individual for purpose of Section 542(a) of the Code and is a corporation, partnership, estate or trust; *provided, however*, that in no event may any such exception cause such Person's ownership, direct or indirect (without taking into account such Person's ownership of interests in any partnership of which the Corporation is a partner), to exceed 12% of the number of Outstanding shares of Common Stock. In connection with any such exemption, the Board of Directors may require such representations and undertakings from such Person and may impose such other conditions as the Board deems necessary, in its sole discretion, to determine the effect, if any, of the proposed Transfer on the Corporation's status as a REIT.

(B) **Pledge by Initial Holder.** Notwithstanding any other provision of this Article IV, the pledge by the Initial Holder of all or any portion of the Common Stock directly owned at any time or from time to time shall not constitute a violation of Section 3.4.1 of this Article IV and the pledgee shall not be subject to the Ownership Limit with respect to the Common Stock so pledged to it either as a result of the pledge or upon foreclosure.

(C) **Underwriters.** For a period of 270 days following the purchase of Common Stock by an underwriter that (i) is a corporation or a partnership and (ii) participates in an offering of the Common Stock, such underwriter shall not be subject to the Ownership Limit with respect to the Common Stock purchased by it as a part of or in connection with such offering and with respect to any Common Stock purchased in connection with market making activities.

(D) **Ownership and Transfers by the CMO Trustee.** The Ownership Limit shall not apply to the initial holding of Common Stock by the "*CMO Trustee*" (as that term is defined in the "Glossary" to the Prospectus) for the benefit of "*HF Funding Trust*" (as that term is defined in the "Glossary" to the Prospectus), to any subsequent acquisition of Common Stock by the CMO Trustee in connection with any conversion of Preferred Stock or to any transfer or assignment of all or any part of the legal or beneficial interest in the Common Stock to the CMO Trustee, "*FSA*" (as that term is defined in the "Glossary" to the Prospectus), any entity controlled by FSA, or any direct or indirect creditor of HF Funding Trust (including without limitation any reinsurer of any obligation of HF Funding Trust) or any acquisition of Common Stock by any such person in connection with any conversion of Preferred Stock.



**3.4.9 Legend.** Each certificate for Common Stock shall bear the following legend:

*“The shares of Class A Common Stock represented by this certificate are subject to restrictions on transfer. No person may Beneficially Own shares of Class A Common Stock in excess of the Ownership Restrictions, as applicable, with certain further restrictions and exceptions set forth in the Charter. Any Person that attempts to Beneficially Own shares of Class A Common Stock in excess of the applicable limitation must immediately notify the Corporation. All capitalized terms in this legend have the meanings ascribed to such terms in the Charter, as the same may be amended from time to time, a copy of which, including the restrictions on transfer, will be sent without charge to each stockholder that so requests. If the restrictions on transfer are violated, (i) the transfer of shares of Class A Common Stock represented hereby will be void in accordance with the Charter or (ii) the shares of Class A Common Stock represented hereby automatically be will transferred to a Trustee of a Trust for the benefit of one or more Charitable Beneficiaries.”*

**3.4.10 Severability.** If any provision of this Article IV or any application of any such provision is determined in a final and unappealable judgment to be void, invalid or unenforceable by any Federal or state court having jurisdiction over the issues, the validity and enforceability of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

**3.4.11 Board of Directors Discretion.** Anything in this Article IV to the contrary notwithstanding, the Board of Directors shall be entitled to take or omit to take such actions as it in its discretion shall determine to be advisable in order that the Corporation maintain its status as and continue to qualify as a REIT, including, but not limited to, reducing the Ownership Limit, the Initial Holder Limit and the Look-Through Ownership Limit in the event of a change in law.

**3.4.12 Settlement.** Nothing in this Section 3.4 of this Article IV shall be interpreted to preclude the settlement of any transaction entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system.

**Section 4. Definitions.** The terms set forth below shall have the meanings specified below when used in this Article IV or in Article V of the Charter.

**4.1 Beneficial Ownership.** The term *“Beneficial Ownership”* shall mean, with respect to any Person, ownership of shares of Common Stock equal to the sum of (i) the shares of Common Stock directly owned by such Person, (ii) the number of shares of Common Stock indirectly owned by such Person (if such Person is an “individual” as defined in Section 542(a)(2) of the Code) taking into account the constructive ownership rules of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code, and (iii) the number of shares of Common Stock that such Person is deemed to beneficially own pursuant to Rule 13d-3 under the Exchange Act or that is attributed to such Person pursuant to Section 318 of the Code, as modified by Section 856(d)(5) of the Code, *provided* that when applying this definition of Beneficial Ownership to the Initial Holder, clause (iii) of this definition, and clause (b) of the definition of “Person” shall be disregarded. The terms *“Beneficial Owner,” “Beneficially Owns”* and *“Beneficially Owned”* shall have the correlative meanings.

**4.2 Charitable Beneficiary.** The term *“Charitable Beneficiary”* shall mean one or more beneficiaries of the Trust as determined pursuant to Section 3.4.3 of this Article IV, each of which shall be an organization described in Section 170(b)(1)(A), 170(c)(2) and 501(c)(3) of the Code.

**4.3 Code.** The term “*Code*” shall mean the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto. Reference to any provision of the Code shall mean such provision as in effect from time to time, as the same may be amended, and any successor thereto, as interpreted by any applicable regulations or other administrative pronouncements as in effect from time to time.

**4.4 Common Stock.** The term “*Common Stock*” shall mean all shares now or hereafter authorized of any class of Common Stock of the Corporation and any other capital stock of the Corporation, however designated, authorized after the Issue Date, that has the right (subject always to prior rights of any class of Preferred Stock) to participate in the distribution of the assets and earnings of the Corporation without limit as to per share amount.

**4.5 Excess Transfer.** The term “*Excess Transfer*” has the meaning set forth in Section 3.4.3(A) of this Article IV.

**4.6 Exchange Act.** The term “*Exchange Act*” shall mean the Securities Exchange Act of 1934, as amended.

**4.7 Initial Holder.** The term “*Initial Holder*” shall mean Terry Considine.

**4.8 Initial Holder Limit.** The term “*Initial Holder Limit*” shall mean 15% of the number of Outstanding shares of Common Stock applied, in the aggregate, to the Initial Holder. From the date of the Initial Public Offering, the secretary of the Corporation, or such other person as shall be designated by the Board of Directors, shall upon request make available to the representative(s) of the Initial Holder and the Board of Directors, a schedule that sets forth the then-current Initial Holder Limit applicable to the Initial Holder.

**4.9 Initial Public Offering.** The term “*Initial Public Offering*” shall mean the first underwritten public offering of Class A Common Stock registered under the Securities Act of 1933, as amended, on a registration statement on Form S-11 filed with the Securities and Exchange Commission.

**4.10 Look-Through Entity.** The term “*Look-Through Entity*” shall mean a Person that is either (i) described in Section 401(a) of the Code as provided under Section 856(h)(3) of the Code or (ii) registered under the Investment Company Act of 1940.

**4.11 Look-Through Ownership Limit.** The term “*Look-Through Ownership Limit*” shall mean 15% of the number of Outstanding shares of Common Stock.

**4.12 Market Price.** The term “*Market Price*” on any date shall mean the Closing Price on the Trading Day immediately preceding such date. The term “*Closing Price*” on any date shall mean the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if the Common Stock is not listed or admitted to trading on the NYSE, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if the Common Stock is not listed or admitted to trading on any national securities exchange, the last quoted price, or if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotations system that may then be in use or, if the Common Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market

in the Common Stock selected by the Board of Directors of the Company. The term ***“Trading Day”*** shall mean a day on which the principal national securities exchange on which the Common Stock is listed or admitted to trading is open for the transaction of business or, if the Common Stock is not listed or admitted to trading on any national securities exchange, shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

**4.13 NYSE.** The term ***“NYSE”*** shall mean the New York Stock Exchange, Inc.

**4.14 Outstanding.** The term ***“Outstanding”*** shall mean issued and outstanding shares of Common Stock of the Corporation, *provided* that for purposes of the application of the Ownership Limit, the Look-Through Ownership Limit or the Initial Holder Limit to any Person, the term ***“Outstanding”*** shall be deemed to include the number of shares of Common Stock that such Person alone, at that time, could acquire pursuant to any options or convertible securities.

**4.15 Ownership Limit.** The term ***“Ownership Limit”*** shall mean, for any Person other than the Initial Holder or a Look-Through Entity, 8.7% of the number of the Outstanding shares of Common Stock of the Corporation.

**4.16 Ownership Restrictions.** The term ***“Ownership Restrictions”*** shall mean collectively the Ownership Limit as applied to Persons other than the Initial Holder or Look-Through Entities, the Initial Holder Limit as applied to the Initial Holder and the Look-Through Ownership Limit as applied to Look-Through Entities.

**4.17 Person.** The term ***“Person”*** shall mean (A) an individual, corporation, partnership, estate, trust (including a trust qualifying under Section 401(a) or 501(c) of the Code), association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity, and (B) also includes a group as that term is used for purposes of Section 13(d)(3) of the Exchange Act.

**4.18 Prohibited Transferee.** The term ***“Prohibited Transferee”*** has the meaning set forth in Section 3.4.3(A) of this Article IV.

**4.19 REIT.** The term ***“REIT”*** shall mean a “real estate investment trust” as defined in Section 856 of the Code.

**4.20 Transfer.** The term ***“Transfer”*** shall mean any sale, transfer, gift, assignment, devise or other disposition of a share of Common Stock (including (i) the granting of an option or any series of such options or entering into any agreement for the sale, transfer or other disposition of Common Stock or (ii) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Common Stock), whether voluntary or involuntary, whether of record or Beneficial Ownership, and whether by operation of law or otherwise (including, but not limited to, any transfer of an interest in other entities that results in a change in the Beneficial Ownership of shares of Common Stock). The term ***“Transfers”*** and ***“Transferred”*** shall have correlative meanings.

**4.21 Trust.** The term ***“Trust”*** shall mean the trust created pursuant to Section 3.4.3 of this Article IV.

**4.22 Trustee.** The term ***“Trustee”*** shall mean the Person unaffiliated with either the Corporation or the Prohibited Transferee that is appointed by the Corporation to serve as trustee of the Trust.

**4.23 Prospectus.** The term “*Prospectus*” shall mean the prospectus that forms a part of the registration statement filed with the Securities and Exchange Commission in connection with the Initial Public Offering, in the form included in the registration statement at the time the registration statement becomes effective; *provided, however*, that, if such prospectus is subsequently supplemented or amended for use in connection with the Initial Public Offering, “*Prospectus*” shall refer to such prospectus as so supplemented or amended.

## **ARTICLE V GENERAL REIT PROVISIONS**

**Section 1. Termination of REIT Status.** The Board of Directors shall take no action to terminate the Corporation’s status as a REIT until such time as (i) the Board of Directors adopts a resolution recommending that the Corporation terminate its status as a REIT, (ii) the Board of Directors presents the resolution at an annual or special meeting of the shareholders and (iii) such resolution is approved by the vote of a majority of the shares entitled to be cast on the resolution.

**Section 2. Exchange or Market Transactions.** Nothing in Article IV or this Article V shall preclude the settlement of any transaction entered into through the facilities of the NYSE or other national securities exchange or an automated inter-dealer quotation system. The fact that the settlement of any transaction is permitted shall not negate the effect of any other provision of this Article V or any provision of Article IV, and the transferee, including but not limited to any Prohibited Transferee, in such a transaction shall remain subject to all the provisions and limitations of Article IV and this Article V.

**Section 3. Severability.** If any provision of Article IV or this Article V or any application of any such provision is determined to be invalid by any federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

**Section 4. Waiver.** The Corporation shall have authority at any time to waive the requirement that the Corporation redeem shares of Preferred Stock if, in the sole discretion of the Board of Directors, any such redemption would jeopardize the status of the Corporation as a REIT for federal income tax purposes.

## **ARTICLE VI BOARD OF DIRECTORS**

**Section 1. Management.** The business and the affairs of the Corporation shall managed under the direction of its Board of Directors.

**Section 2. Number.** The number of directors that will constitute the entire Board of Directors shall be fixed by, or in the manner provided in, the Bylaws but shall in no event be less than three. Any increases or decreases in the size of the board shall be apportioned equally among the classes of directors to prevent stacking in any one class of directors. There are currently seven directors in office whose names are as follows: Terry Considine, James N. Bailey, Thomas L. Keltner, J. Landis Martin, Robert A. Miller, Kathleen M. Nelson and Michael A. Stein.

**Section 3.** Intentionally deleted.

**Section 4. Vacancies.** Except as otherwise provided in the Charter, newly created directorships resulting from any increase in the number of directors may be filled by the majority vote of the Board of Directors, and any vacancies on the Board of Directors resulting from death, resignation, removal or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office, even if

less than a quorum of the Board of Directors, or, if applicable, by a sole remaining director. Any director elected in accordance with the preceding sentence shall hold office until the next annual meeting of the Corporation at which time a successor shall be elected to fill the remaining term of the position filled by such director.

**Section 5. Removal.** Except as otherwise provided in the Charter, any director may be removed from office only for cause and only by the affirmative vote of two-thirds of the aggregate number of votes then entitled to be cast generally in the election of directors. For purposes of this Section 5, “*cause*” shall mean the willful and continuous failure of a director to substantially perform the duties to the Corporation of such director (other than any such failure resulting from temporary incapacity due to physical or mental illness) or the willful engaging by a director in gross misconduct materially and demonstrably injurious to the Corporation.

**Section 6. Bylaws.** The Board of Directors shall have power to adopt, amend, alter, change and repeal any Bylaws of the Corporation by vote of the majority of the Board of Directors then in office. Any adoption, amendment, alteration, change or repeal of any Bylaws by the shareholders of the Corporation shall require the affirmative vote of a majority of the aggregate number of votes then entitled to be cast generally in the election of directors. Notwithstanding anything in this Section 6 to the contrary, no amendment, alteration, change or repeal of any provision of the Bylaws relating to the removal of directors or repeal of the Bylaws shall be effected without the vote of two-thirds of the aggregate number of votes entitled to be cast generally in the election of Directors.

**Section 7. Powers.** The enumeration and definition of particular powers of the Board of Directors included elsewhere in the Charter shall in no way be limited or restricted by reference to or inference from the terms of any other clause of this or any other Article of the Charter, or construed as excluding or limiting, or deemed by inference or otherwise in any manner to exclude or limit, the powers conferred upon the Board of Directors under the Maryland General Corporation Law ( “*MGCL*”) as now or hereafter in force.

## **ARTICLE VII LIMITATION OF LIABILITY**

No director or officer of the Corporation shall be liable to the Corporation or its shareholders for money damages to the maximum extent that Maryland law in effect from time to time permits limitation of the liability of directors and officers. Neither the amendment nor repeal of this Article VII, nor the adoption or amendment of any other provision of the charter or Bylaws of the Corporation inconsistent with this Article VII, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act that occurred prior to such amendment, repeal or adoption.

## **ARTICLE VIII INDEMNIFICATION**

The Corporation shall indemnify, to the fullest extent permitted by Maryland law, as applicable from time to time, all persons who at any time were or are directors or officers of the Corporation for any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative) relating to any action alleged to have been taken or omitted in such capacity as a director or an officer. The Corporation shall pay or reimburse all reasonable expenses incurred by a present or former director or officer of the Corporation in connection with any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative) in which the present or former director or officer is a party, in advance of the final disposition of the proceeding, to the fullest extent permitted by, and in accordance with the applicable requirements of, Maryland law, as applicable from time to time. The

Corporation may indemnify any other persons permitted but not required to be indemnified by Maryland law, as applicable from time to time, if and to extent indemnification is authorized and determined to be appropriate, in each case in accordance with applicable law, by the Board of Directors, the majority of the shareholders of the Corporation entitled to vote thereon or special legal counsel appointed by the Board of Directors. No amendment of the Charter of the Corporation or repeal of any of its provisions shall limit or eliminate any of the benefits provided to directors and officers under this Article VIII in respect of any act or omission that occurred prior to such amendment or repeal.

**ARTICLE IX  
WRITTEN CONSENT OF SHAREHOLDERS**

Any corporate action upon which a vote of shareholders is required or permitted may be taken without a meeting or vote of shareholders with the unanimous written consent of shareholders entitled to vote thereon.

**ARTICLE X  
AMENDMENT**

The Corporation reserves the right to amend, alter or repeal any provision contained in this charter upon (i) adoption by the Board of Directors of a resolution recommending such amendment, alteration, or repeal, (ii) presentation by the Board of Directors to the shareholders of a resolution at an annual or special meeting of the shareholders and (iii) approval of such resolution by the affirmative vote of the holders of a majority (or, as applicable, a two-thirds vote) of the aggregate number of votes entitled to be cast generally in the election of directors. All rights conferred upon shareholders herein are subject to this reservation.

**ARTICLE XI  
EXISTENCE**

The Corporation is to have a perpetual existence.

**ARTICLE XII  
CLASS Z PREFERRED STOCK**

The terms of the Class Z Preferred Stock (including the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, or terms or conditions of redemption) as set by the Board of Directors are as set forth in Exhibit Z hereto.

**ARTICLE XIII  
CRA PREFERRED STOCK**

The terms of the CRA Preferred Stock (including the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, or terms or conditions of redemption) as set by the Board of Directors are as set forth in Exhibit CRA hereto.

\* \* \* \* \*

**THIRD:** The Board of Directors of the Corporation at a meeting or by a unanimous consent in writing in lieu of a meeting under § 2-408 of the Maryland General Corporation Law adopted a resolution that set forth and approved the foregoing restatement of the Charter.

**FOURTH:** The Charter of the Corporation is not amended by these Articles of Restatement; *provided, however*, that consistent with § 2-608(b)(7) of the Maryland General Corporation Law, the current number and names of directors are provided in the last sentence of Section 2 of Article VI of the restated Charter of the Corporation.

**FIFTH:** The current address of the principal office of the Corporation is 4582 South Ulster Street, Suite 1100, Denver, Colorado 80237. The current address of the principal office of the Corporation in the State of Maryland is c/o CSC-Lawyers Incorporating Service Company, 7 St. Paul Street, Suite 1660, Baltimore, Maryland 21202.

**SIXTH:** The name and address of the Corporation's resident agent in the State of Maryland is CSC-Lawyers Incorporating Service Company, 7 St. Paul Street, Suite 1660, Baltimore, Maryland 21202.

IN WITNESS WHEREOF, APARTMENT INVESTMENT AND MANAGEMENT COMPANY has caused these presents to be signed in its name and on its behalf by its Executive Vice President and Chief Financial Officer and witnessed by its Executive Vice President, General Counsel and Secretary on November 1, 2012.

WITNESS:

APARTMENT INVESTMENT AND MANAGEMENT COMPANY

Lisa R. Cohn  
\_\_\_\_\_  
Lisa R. Cohn  
Executive Vice President,  
General Counsel and Secretary

By: /s/ Ernest M. Freedman  
\_\_\_\_\_  
Ernest M. Freedman  
Executive Vice President and  
Chief Financial Officer

THE UNDERSIGNED, Executive Vice President and Chief Financial Officer of APARTMENT INVESTMENT AND MANAGEMENT COMPANY, who executed on behalf of the Corporation the foregoing Articles of Restatement of which this certificate is made a part, hereby acknowledges in the name and on behalf of said Corporation the foregoing Articles of Restatement to be the corporate act of said Corporation and hereby certifies that to the best of his knowledge, information, and belief the matters and facts set forth therein with respect to the authorization and approval thereof are true in all material respects under the penalties of perjury.

/s/ Ernest M. Freedman  
\_\_\_\_\_  
Ernest M. Freedman  
Executive Vice President and  
Chief Financial Officer



**Exhibit Z**

**ARTICLE XII**

**Class Z Cumulative Preferred Stock  
Par Value \$.01 Per Share**

The terms of the Class Z Cumulative Preferred Stock (including the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, or terms or conditions of redemption) as set by the Board of Directors are as follows:

**1.     *Number of Shares and Designation.***

This class of Preferred Stock shall be designated as Class Z Cumulative Preferred Stock (the “*Class Z Preferred Stock*”) and Four Million Eight Hundred Thousand (4,800,000) shall be the authorized number of shares of such Class Z Preferred Stock constituting such class.

**2.     *Definitions.***

For purposes of the Class Z Preferred Stock, the following terms shall have the meanings indicated:

“*Act*” shall mean the Securities Act of 1933, as amended.

“*affiliate*” of a Person means a Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified.

“*Aggregate Value*” shall mean, with respect to any block of Equity Stock, the product of (i) the number of shares of Equity Stock within such block and (ii) the corresponding Market Price of one share of Equity Stock of such class.

“*Beneficial Ownership*” shall mean, with respect to any Person, ownership of shares of Equity Stock equal to the sum of (without duplication) (i) the number of shares of Equity Stock directly owned by such Person, (ii) the number of shares of Equity Stock indirectly owned by such Person (if such Person is an “individual” as defined in Section 542(a)(2) of the Code) taking into account the constructive ownership rules of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code, and (iii) the number of shares of Equity Stock that such Person is deemed to beneficially own pursuant to Rule 13d-3 under the Exchange Act, or that is attributed to such Person pursuant to Section 318 of the Code, as modified by Section 856(d)(5) of the Code, *provided* that when applying this definition of Beneficial Ownership to the Initial Holder, clause (iii) of this definition, and clause (ii) of the definition of “Person” shall be disregarded. The terms “*Beneficial Owner*,” “*Beneficially Owns*” and “*Beneficially Owned*” shall have the correlative meanings.

“*Board of Directors*” shall mean the Board of Directors of the Corporation or any committee authorized by such Board of Directors to perform any of its responsibilities with respect to the Class Z Preferred Stock; provided that, for purposes of paragraph (a) of Section 8 of this Article, the term “*Board of Directors*” shall not include any such committee.

“*Business Day*” shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

*“Charitable Beneficiary”* shall mean one or more beneficiaries of the Trust as determined pursuant to Section 10.3(G) of this Article, each of which shall be an organization described in Section 170(b)(1)(A), 170(c)(2) and 501(c)(3) of the Code.

*“Class A Common Stock”* shall mean the Class A Common Stock, par value \$.01 per share, of the Corporation, and such other shares of the Corporation’s capital stock into which outstanding shares of such Class A Common Stock shall be reclassified.

*“Class Z Preferred Stock”* shall have the meaning set forth in Section 1 of this Article.

*“Closing Price”* shall mean, when used with respect to a share of any Equity Stock and for any date, the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case, as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if the Equity Stock is not listed or admitted to trading on the NYSE, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Equity Stock is listed or admitted to trading or, if the Equity Stock is not listed or admitted to trading on any national securities exchange, the last quoted price, or if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if the Equity Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Equity Stock selected by the Board of Directors of the Corporation or, if the Equity Stock is not publicly traded, the fair value of a share of such Equity Stock as reasonably determined in good faith by the Board of Directors.

*“Code”* shall mean the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto. Reference to any provision of the Code shall mean such provision as in effect from time to time, as the same may be amended, and any successor thereto, as interpreted by any applicable regulations or other administrative pronouncements as in effect from time to time.

*“Dividend Payment Date”* shall mean January 15, April 15, July 15, and October 15 of each year; provided, that if any Dividend Payment Date falls on any day other than a Business Day, the dividend payment payable on such Dividend Payment Date shall be paid on the Business Day immediately following such Dividend Payment Date and no interest shall accrue on such dividend from such date to such Dividend Payment Date.

*“Dividend Periods”* shall mean the Initial Dividend Period and each subsequent quarterly dividend period commencing on and including January 15, April 15, July 15, and October 15 of each year and ending on and including the day preceding the first day of the next succeeding Dividend Period, other than the Dividend Period during which any Class Z Preferred Stock shall be redeemed pursuant to Section 5 hereof, which shall end on and include the Redemption Date with respect to the Class Z Preferred Stock being redeemed.

*“Equity Stock”* shall mean one or more shares of any class of capital stock of the Corporation.

*“Excess Transfer”* has the meaning set forth in Section 10.3(A) of this Article.

*“Exchange Act”* shall mean the Securities Exchange Act of 1934, as amended.

*“Initial Dividend Period”* shall mean the period commencing on and including the Issue Date and ending on and including October 14, 2011.

*“Initial Holder”* shall mean Terry Considine.

*“Initial Holder Limit”* shall mean a number of the Outstanding shares of Class Z Preferred Stock of the Corporation having an Aggregate Value not in excess of the excess of (x) 15% of the Aggregate Value of all Outstanding shares of Equity Stock over (y) the Aggregate Value of all shares of Equity Stock other than Class Z Preferred Stock that are Beneficially Owned by the Initial Holder. From the Issue Date, the secretary of the Corporation, or such other person as shall be designated by the Board of Directors, shall upon request make available to the representative(s) of the Initial Holder and the Board of Directors, a schedule that sets forth the then-current Initial Holder Limit applicable to the Initial Holder.

*“Issue Date”* shall mean July 29, 2011.

*“Junior Stock”* shall have the meaning set forth in paragraph (c) of Section 7 of this Article.

*“Liquidation Preference”* shall have the meaning set forth in paragraph (a) of Section 4 of this Article.

*“Look-Through Entity”* shall mean a Person that is either (i) described in Section 401(a) of the Code as provided under Section 856(h)(3) of the Code or (ii) registered under the Investment Company Act of 1940.

*“Look-Through Ownership Limit”* shall mean, for any Look-Through Entity, a number of the Outstanding shares of Class Z Preferred Stock of the Corporation having an Aggregate Value not in excess of the excess of (x) 15% of the Aggregate Value of all Outstanding shares of Equity Stock over (y) the Aggregate Value of all shares of Equity Stock other than Class Z Preferred Stock that are Beneficially Owned by the Look-Through Entity.

*“Market Price”* on any date shall mean, with respect to any share of Equity Stock, the Closing Price of a share of that class of Equity Stock on the Trading Day immediately preceding such date.

*“NYSE”* shall mean The New York Stock Exchange, Inc.

*“Operating Partnership”* shall mean AIMCO Properties, L.P., a Delaware limited partnership.

*“Outstanding”* shall mean issued and outstanding shares of Equity Stock of the Corporation; *provided, however*, that for purposes of the application of the Ownership Limit, the Look-Through Ownership Limit or the Initial Holder Limit to any Person, the term “Outstanding” shall be deemed to include the number of shares of Equity Stock that such Person alone, at that time, could acquire pursuant to any options or convertible securities.

*“Ownership Limit”* shall mean, for any Person other than the Initial Holder or a Look-Through Entity, a number of the Outstanding shares of Class Z Preferred Stock of the Corporation having an Aggregate Value not in excess of the excess of (x) 8.7% of the Aggregate Value of all Outstanding shares of Equity Stock over (y) the Aggregate Value of all shares of Equity Stock other than Class Z Preferred Stock that are Beneficially Owned by the Person.

*“Ownership Restrictions”* shall mean, collectively, the Ownership Limit, as applied to Persons

other than the Initial Holder or Look-Through Entities, the Initial Holder Limit, as applied to the Initial Holder, and the Look-Through Ownership Limit, as applied to Look-Through Entities.

*“Parity Stock”* shall have the meaning set forth in paragraph (b) of Section 7 of this Article.

*“Person”* shall mean (a) for purposes of Section 10 of this Article, (i) an individual, corporation, partnership, estate, trust (including a trust qualifying under Section 401(a) or 501(c) of the Code), association, “private foundation,” within the meaning of Section 509(a) of the Code, joint stock company or other entity, and (ii) a “group,” as that term is used for purposes of Section 13(d)(3) of the Exchange Act, and (b) for purposes of the remaining Sections of this Article, any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity.

*“Prohibited Transferee”* shall have the meaning set forth in Section 10.3(A) of this Article.

*“Record Date”* shall have the meaning set forth in paragraph (a) of Section 3 of this Article.

*“Redemption Date”* shall mean, in the case of any redemption of any shares of Class Z Preferred Stock, the date fixed for redemption of such shares.

*“Redemption Price”* shall mean, with respect to any share of Class Z Preferred Stock to be redeemed, 100% of the Liquidation Preference thereof, plus all accumulated, accrued and unpaid dividends (whether or not earned or declared), if any, to the Redemption Date.

*“REIT”* shall mean a “real estate investment trust,” as defined in Section 856 of the Code.

*“Senior Stock”* shall have the meaning set forth in paragraph (a) of Section 7 of this Article.

*“set apart for payment”* shall be deemed to include, without any action other than the following, the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of dividends or other distribution by the Board of Directors, the allocation of funds to be so paid on any series or class of capital stock of the Corporation; *provided, however*, that if any funds for any class or series of Junior Stock or any class or series of Parity Stock are placed in a separate account of the Corporation or delivered to a disbursing, paying or other similar agent, then “set apart for payment” with respect to the Class Z Preferred Stock shall mean placing such funds in a separate account or delivering such funds to a disbursing, paying or other similar agent.

*“Trading Day”* shall mean, when used with respect to any Equity Stock, (i) if the Equity Stock is listed or admitted to trading on the NYSE, a day on which the NYSE is open for the transaction of business, (ii) if the Equity Stock is not listed or admitted to trading on the NYSE but is listed or admitted to trading on another national securities exchange or automated quotation system, a day on which the principal national securities exchange or automated quotation system, as the case may be, on which the Equity Stock is listed or admitted to trading is open for the transaction of business, or (iii) if the Equity Stock is not listed or admitted to trading on any national securities exchange or automated quotation system, any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

*“Transfer”* shall mean any sale, transfer, gift, assignment, devise or other disposition of a share of Class Z Preferred Stock (including (i) the granting of an option or any series of such options or

entering into any agreement for the sale, transfer or other disposition of Class Z Preferred Stock or (ii) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Class Z Preferred Stock), whether voluntary or involuntary, whether of record ownership or Beneficial Ownership, and whether by operation of law or otherwise (including, but not limited to, any transfer of an interest in other entities that results in a change in the Beneficial Ownership of shares of Class Z Preferred Stock). The term “*Transfers*” and “*Transferred*” shall have correlative meanings.

“*Transfer Agent*” means such transfer agent as may be designated by the Board of Directors or their designee as the transfer agent for the Class Z Preferred Stock; provided, that if the Corporation has not designated a transfer agent then the Corporation shall act as the transfer agent for the Class Z Preferred Stock.

“*Trust*” shall mean the trust created pursuant to Section 10.3(A) of this Article.

“*Trustee*” shall mean the Person unaffiliated with either the Corporation or the Prohibited Transferee that is appointed by the Corporation to serve as trustee of the Trust.

“*Voting Preferred Stock*” shall have the meaning set forth in Section 8 of this Article.

### **3. Dividends.**

(a) The holders of Class Z Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available for that purpose, quarterly cash dividends on the Class Z Preferred Stock in an amount per share equal to \$0.4375. Such dividends shall be cumulative from the Issue Date, whether or not in any Dividend Period or Periods such dividends shall be declared or there shall be funds of the Corporation legally available for the payment of such dividends, and shall be payable quarterly in arrears on each Dividend Payment Date, commencing on October 15, 2011. Each such dividend shall be payable in arrears to the holders of record of the Class Z Preferred Stock, as they appear on the stock records of the Corporation at the close of business on January 1, April 1, July 1 or October 1 (each a “Record Date”), as the case may be, immediately preceding such Dividend Payment Date. Accumulated, accrued and unpaid dividends for any past Dividend Periods may be declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, which date shall not precede by more than 45 days the payment date thereof, as may be fixed by the Board of Directors.

(b) The amount of dividends payable per share of Class Z Preferred Stock for the Initial Dividend Period, or any other period shorter than a full Dividend Period, shall be computed ratably on the basis of twelve 30-day months and a 360-day year. Holders of Class Z Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Class Z Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Class Z Preferred Stock that may be in arrears.

(c) So long as any of the shares of Class Z Preferred Stock are outstanding, except as described in the immediately following sentence, no dividends shall be declared or paid or set apart for payment by the Corporation and no other distribution of cash or other property shall be declared or made, directly or indirectly, by the Corporation with respect to any class or series of Parity Stock for any period unless dividends equal to the full amount of accumulated, accrued and unpaid dividends have been or contemporaneously are declared and paid, or declared and a sum sufficient for the payment thereof has

been or contemporaneously is set apart for such payment, on the Class Z Preferred Stock for all Dividend Periods terminating on or prior to the date such dividend or distribution is declared, paid, set apart for payment or made, as the case may be, with respect to such class or series of Parity Stock. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends declared upon the Class Z Preferred Stock and all dividends declared upon any other class or series of Parity Stock shall be declared ratably in proportion to the respective amounts of dividends accumulated, accrued and unpaid on the Class Z Preferred Stock and accumulated, accrued and unpaid on such Parity Stock.

(d) So long as any of the shares of Class Z Preferred Stock are outstanding, no dividends (other than dividends or distributions paid in shares of or options, warrants or rights to subscribe for or purchase shares of, Junior Stock) shall be declared or paid or set apart for payment by the Corporation and no other distribution of cash or other property shall be declared or made, directly or indirectly, by the Corporation with respect to any shares of Junior Stock, nor shall any shares of Junior Stock be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of Class A Common Stock made for purposes of an employee incentive or benefit plan of the Corporation or any subsidiary) for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) directly or indirectly by the Corporation (except by conversion into or exchange for shares of, or options, warrants, or rights to subscribe for or purchase shares of, Junior Stock), nor shall any other cash or other property otherwise be paid or distributed to or for the benefit of any holder of shares of Junior Stock in respect thereof, directly or indirectly, by the Corporation unless, in each case, dividends equal to the full amount of all accumulated, accrued and unpaid dividends on all outstanding shares of Class Z Preferred Stock have been declared and paid, or such dividends have been declared and a sum sufficient for the payment thereof has been set apart for such payment, on all outstanding shares of Class Z Preferred Stock for all Dividend Periods ending on or prior to the date such dividend or distribution is declared, paid, set apart for payment or made with respect to such shares of Junior Stock, or the date such shares of Junior Stock are redeemed, purchased or otherwise acquired or monies paid to or made available for any sinking fund for such redemption, or the date any such cash or other property is paid or distributed to or for the benefit of any holders of Junior Stock in respect thereof, as the case may be.

Notwithstanding the provisions of this Section 3, the Corporation shall not be prohibited from (i) declaring or paying or setting apart for payment any dividend or distribution on any shares of Parity Stock or (ii) redeeming, purchasing or otherwise acquiring any Parity Stock, in each case, if such declaration, payment, redemption, purchase or other acquisition is necessary in order to maintain the continued qualification of the Corporation as a REIT under Section 856 of the Code.

#### **4. *Liquidation Preference.***

(a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution by the Corporation (whether of capital, surplus or otherwise) shall be made to or set apart for the holders of Junior Stock, the holders of shares of Class Z Preferred Stock shall be entitled to receive Twenty-Five Dollars (\$25) per share of Class Z Preferred Stock (the "Liquidation Preference"), plus an amount equal to all dividends (whether or not earned or declared) accumulated, accrued and unpaid thereon to the date of final distribution to such holders; but such holders shall not be entitled to any further payment. Until the holders of the Class Z Preferred Stock have been paid the Liquidation Preference in full, plus an amount equal to all dividends (whether or not earned or declared) accumulated, accrued and unpaid thereon to the date of final distribution to such holders, no payment will be made to any holder of Junior Stock upon the liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the

Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of Class Z Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other shares of any class or series of Parity Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of Class Z Preferred Stock and any such other Parity Stock ratably in the same proportion as the respective amounts that would be payable on such Class Z Preferred Stock and any such other Parity Stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation or merger of the Corporation with one or more corporations, (ii) a sale or transfer of all or substantially all of the Corporation's assets, or (iii) a statutory share exchange shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of Class Z Preferred Stock and any Parity Stock, as provided in Section 4(a), any other series or class or classes of Junior Stock shall, subject to the respective terms thereof, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Class Z Preferred Stock and any Parity Stock shall not be entitled to share therein.

#### **5. *Redemption at the Option of the Corporation.***

(a) Shares of Class Z Preferred Stock shall not be redeemable by the Corporation prior to July 29, 2016, except as set forth in Section 10.2 of this Article. On and after July 29, 2016 the Corporation, at its option, may redeem shares of Class Z Preferred Stock, in whole or from time to time in part, at a redemption price payable in cash equal to the Redemption Price applicable thereto. In the event of a redemption of shares of Class Z Preferred Stock, if the Redemption Date occurs after a Record Date and on or prior to the related Dividend Payment Date, the dividend payable on such Dividend Payment Date in respect of such shares called for redemption shall be payable on such Dividend Payment Date the holders of record at the close of business on such Record Date, notwithstanding the redemption of such shares, and shall not be payable as part of the redemption price for such shares.

(b) The Redemption Date shall be selected by the Corporation, shall be specified in the notice of redemption and shall be not less than 30 days nor more than 60 days after the date notice of redemption is sent by the Corporation.

(c) If full cumulative dividends on all outstanding shares of Class Z Preferred Stock have not been declared and paid, or declared and set apart for payment, no shares of Class Z Preferred Stock may be redeemed unless all outstanding shares of Class Z Preferred Stock are simultaneously redeemed. Neither the Corporation nor any affiliate of the Corporation may purchase or acquire shares of Class Z Preferred Stock, other than pursuant to a purchase or exchange offer made on the same terms to all holders of shares of Class Z Preferred Stock.

(d) If the Corporation shall redeem shares of Class Z Preferred Stock pursuant to paragraph (a) of this Section 5, notice of such redemption shall be given to each holder of record of the shares to be redeemed. Such notice shall be provided by first class mail, postage prepaid, at such holder's address as the same appears on the stock records of the Corporation. Neither the failure to mail any notice required by this paragraph (d), nor any defect therein or in the mailing thereof to any particular holder, shall affect the sufficiency of the notice or the validity of the proceedings for redemption with respect to the other holders. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given on the date mailed whether or not the holder receives the notice. Each such notice shall state, as appropriate: (i) the Redemption Date; (ii) the number of shares of Class Z Preferred Stock to be redeemed and, if fewer than all such shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the place or places at which certificates for such shares are

to be surrendered; and (iv) the Redemption Price payable on such Redemption Date, including, without limitation, a statement as to whether or not accumulated, accrued and unpaid dividends will be payable as part of the Redemption Price, or payable on the next Dividend Payment Date to the record holder at the close of business on the relevant record date as described in the next sentence. Notice having been mailed as aforesaid, from and after the Redemption Date (unless the Corporation shall fail to make available the amount of cash necessary to effect such redemption), (i) dividends on the shares of Class Z Preferred Stock so called for redemption shall cease to accumulate or accrue on the shares of Class Z Preferred Stock called for redemption, (ii) said shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Class Z Preferred Stock of the Corporation shall cease (except the right to receive the cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required); provided, however, that if the Redemption Date for any shares of Class Z Preferred Stock occurs after any dividend record date and on or prior to the related Dividend Payment Date, the full dividend payable on such Dividend Payment Date in respect of such shares of Class Z Preferred Stock called for redemption shall be payable on such Dividend Payment Date to the holders of record of such shares at the close of business on the corresponding dividend record date notwithstanding the prior redemption of such shares. The Corporation's obligation to make available the cash necessary to effect the redemption in accordance with the preceding sentence shall be deemed fulfilled if, on or before the applicable Redemption Date, the Corporation shall irrevocably deposit in trust with a bank or trust company (which may not be an affiliate of the Corporation) that has, or is an affiliate of a bank or trust company that has, a capital and surplus of at least \$50,000,000, such amount of cash as is necessary for such redemption plus, if such Redemption Date occurs after any dividend record date and on or prior to the related Dividend Payment Date, such amount of cash as is necessary to pay the dividend payable on such Dividend Payment Date in respect of such shares of Class Z Preferred Stock called for redemption, with irrevocable instructions that such cash be applied to the redemption of the shares of Class Z Preferred Stock so called for redemption and, if applicable, the payment of such dividend. No interest shall accrue for the benefit of the holders of shares of Class Z Preferred Stock to be redeemed on any cash so set aside by the Corporation. Subject to applicable escheat laws, any such cash unclaimed at the end of two years from the Redemption Date shall revert to the general funds of the Corporation, after which reversion the holders of shares of Class Z Preferred Stock so called for redemption shall look only to the general funds of the Corporation for the payment of such cash.

As promptly as practicable after the surrender in accordance with such notice of the certificates for any such shares of Class Z Preferred Stock to be so redeemed (properly endorsed or assigned for transfer, if the Corporation shall so require and the notice shall so state), such certificates shall be exchanged for cash (without interest thereon). If fewer than all the outstanding shares of Class Z Preferred Stock are to be redeemed, shares to be redeemed shall be selected by the Corporation from outstanding shares of Class Z Preferred Stock not previously called for redemption by lot or, with respect to the number of shares of Class Z Preferred Stock held of record by each holder of such shares, pro rata (as nearly as may be) or by any other method as may be determined by the Board of Directors in its discretion to be equitable. If fewer than all the shares of Class Z Preferred Stock represented by any certificate are redeemed, then a new certificate representing the unredeemed shares shall be issued without cost to the holders thereof.

#### **6. *Status of Reacquired Stock.***

All shares of Class Z Preferred Stock that have been issued and reacquired in any manner by the Corporation shall be returned to the status of authorized but unissued shares of Class Z Preferred Stock.



## **7.     *Ranking.***

Any class or series of capital stock of the Corporation shall be deemed to rank:

(a) prior or senior to the Class Z Preferred Stock, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Class Z Preferred Stock (“Senior Stock”);

(b) on a parity with the Class Z Preferred Stock, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Class Z Preferred Stock, if (i) such capital stock is Class T Cumulative Preferred Stock, Class U Cumulative Preferred Stock, Class V Cumulative Preferred Stock, Class Y Cumulative Preferred Stock or Series A Community Reinvestment Act Preferred Stock of the Corporation, or (ii) the holders of such class of stock or series and the Class Z Preferred Stock shall be entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority of one over the other (the capital stock referred to in clauses (i) and (ii) of this paragraph being hereinafter referred to, collectively, as “Parity Stock”); and

(c) junior to the Class Z Preferred Stock, as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up, if (i) such capital stock or series shall be Class A Common Stock or (ii) the holders of Class Z Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of such class or series (the capital stock referred to in clauses (i) and (ii) of this paragraph being hereinafter referred to, collectively, as “Junior Stock”).

## **8.     *Voting.***

(a) If and whenever six quarterly dividends (whether or not consecutive) payable on the Class Z Preferred Stock or any series or class of Parity Stock shall be in arrears (which shall, with respect to any such quarterly dividend, mean that any such dividend has not been paid in full), whether or not earned or declared, the number of directors then constituting the Board of Directors shall be increased by two if not already increased by reason of similar types of provisions with respect to shares of any other class or series of Parity Stock which is entitled to similar voting rights (the “Voting Preferred Stock”) and the holders of shares of Class Z Preferred Stock, together with the holders of shares of all other Voting Preferred Stock then entitled to exercise similar voting rights, voting as a single Class regardless of series, shall be entitled to elect the two additional directors to serve on the Board of Directors at any annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of the Class Z Preferred Stock and the Voting Preferred Stock called as hereinafter provided. Whenever all arrears in dividends on the Class Z Preferred Stock and the Voting Preferred Stock then outstanding shall have been paid and dividends thereon for the current quarterly dividend period shall have been declared and paid, or declared and set apart for payment, then the right of the holders of the Class Z Preferred Stock and the Voting Preferred Stock to elect such additional two directors shall cease (but subject always to the same provision for the vesting of such voting rights in the case of any similar future arrearages), and the terms of office of all persons elected as directors by the holders of the Class Z Preferred Stock and the Voting Preferred Stock shall forthwith terminate and the number of directors constituting the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in

the holders of Class Z Preferred Stock and the Voting Preferred Stock, if applicable, the Secretary of the Corporation may, and upon the written request of any holder of Class Z Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the holders of the Class Z Preferred Stock and of the Voting Preferred Stock for the election of the two directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws of the Corporation for a special meeting of the stockholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within 20 days after receipt of any such request, then any holder of Class Z Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders or special meeting held in lieu thereof if such office shall not have previously terminated as above provided. If any vacancy shall occur among the directors elected by the holders of the Class Z Preferred Stock and the Voting Preferred Stock, a successor shall be elected by the Board of Directors, upon the nomination of the then-remaining director elected by the holders of the Class Z Preferred Stock and the Voting Preferred Stock or the successor of such remaining director, to serve until the next annual meeting of the stockholders or special meeting held in place thereof if such office shall not have previously terminated as provided above.

(b) So long as any shares of Class Z Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter of the Corporation, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of the Class Z Preferred Stock voting as a single class with the holders of all other classes or series of Parity Stock entitled to vote on such matters, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) any amendment, alteration or repeal of any of the provisions of, or the addition of any provision to, these Articles Supplementary, the Charter or the By-Laws of the Corporation that materially adversely affects the voting powers, rights or preferences of the holders of the Class Z Preferred Stock; *provided, however*, that the amendment of the provisions of the Charter so as to increase the authorized amount of Class Z Preferred Stock, or to authorize or create, or to increase the authorized amount of, or issue any Junior Stock or any shares of any class of Parity Stock, shall not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of Class Z Preferred Stock; or

(ii) the authorization, creation of, increase in the authorized amount of, or issuance of any shares of any class or series of Senior Stock or any security convertible into shares of any class or series of Senior Stock (whether or not such class or series of Senior Stock is currently authorized);

*provided, however*, that no such vote of the holders of Class Z Preferred Stock shall be required if, at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such Senior Stock or convertible or exchangeable security is to be made, as the case may be, provision is made for the redemption of all shares of Class Z Preferred Stock at the time outstanding to the extent such redemption is authorized by Section 5 of this Article.

For purposes of the foregoing provisions and all other voting rights under these Articles Supplementary, each share of Class Z Preferred Stock shall have one (1) vote per share, except that when any other class or series of preferred stock of the Corporation shall have the right to vote with the Class Z Preferred Stock as a single class on any matter, then the Class Z Preferred Stock and such other class or series shall have with respect to such matters one quarter of one vote per \$25 of stated liquidation preference. Except as otherwise required by applicable law or as set forth herein or in the Charter, the

Class Z Preferred Stock shall not have any relative, participating, optional or other special voting rights and powers other than as set forth herein, and the consent of the holders thereof shall not be required for the taking of any corporate action.

**9. Record Holders.**

The Corporation and the Transfer Agent may deem and treat the record holder of any share of Class Z Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

**10.1. Restrictions on Ownership and Transfers.**

**(A) Limitation on Beneficial Ownership** . Except as provided in Section 10.8, from and after the Issue Date, no Person (other than the Initial Holder or a Look-Through Entity) shall Beneficially Own shares of Class Z Preferred Stock in excess of the Ownership Limit, the Initial Holder shall not Beneficially Own shares of Class Z Preferred Stock in excess of the Initial Holder Limit and no Look-Through Entity shall Beneficially Own shares of Class Z Preferred Stock in excess of the Look-Through Ownership Limit.

**(B) Transfers in Excess of Ownership Limit** . Except as provided in Section 10.8, from and after the Issue Date (and subject to Section 10.12), any Transfer (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) that, if effective, would result in any Person (other than the Initial Holder or a Look-Through Entity) Beneficially Owning shares of Class Z Preferred Stock in excess of the Ownership Limit shall be void *ab initio* as to the Transfer of such shares of Class Z Preferred Stock that would be otherwise Beneficially Owned by such Person in excess of the Ownership Limit, and the intended transferee shall acquire no rights in such shares of Class Z Preferred Stock.

**(C) Transfers in Excess of Initial Holder Limit** . Except as provided in Section 10.8, from and after the Issue Date (and subject to Section 10.12), any Transfer (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) that, if effective, would result in the Initial Holder Beneficially Owning shares of Class Z Preferred Stock in excess of the Initial Holder Limit shall be void *ab initio* as to the Transfer of such shares of Class Z Preferred Stock that would be otherwise Beneficially Owned by the Initial Holder in excess of the Initial Holder limit, and the Initial Holder shall acquire no rights in such shares of Class Z Preferred Stock.

**(D) Transfers in Excess of Look-Through Ownership Limit** . Except as provided in Section 10.8 from and after the Issue Date (and subject to Section 10.12), any Transfer (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) that, if effective, would result in any Look-Through Entity Beneficially Owning shares of Class Z Preferred Stock in excess of the Look-Through Ownership limit shall be void *ab initio* as to the Transfer of such shares of Class Z Preferred Stock that would be otherwise Beneficially Owned by such Look-Through Entity in excess of the Look-Through Ownership Limit and such Look-Through Entity shall acquire no rights in such shares of Class Z Preferred Stock.

**(E) Transfers Resulting in “Closely Held” Status** . From and after the Issue Date, any Transfer that, if effective would result in the Corporation being “closely held” within the meaning of Section 856(h) of the Code, or would otherwise result in the Corporation failing to qualify as a REIT

(including, without limitation, a Transfer or other event that would result in the Corporation owning (directly or constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the Corporation from such tenant would cause the Corporation to fail to satisfy any of the gross income requirements of Section 856(c) of the Code) shall be void *ab initio* as to the Transfer of shares of Class Z Preferred Stock that would cause the Corporation (i) to be “closely held” within the meaning of Section 856(h) of the Code or (ii) otherwise fail to qualify as a REIT, as the case may be, and the intended transferee shall acquire no rights in such shares of Class Z Preferred Stock.

**(F) Severability on Void Transactions** . A Transfer of a share of Class Z Preferred Stock that is null and void under Sections 10.1(B), (C), (D), or (E) of this Article because it would, if effective, result in (i) the ownership of Class Z Preferred Stock in excess of the Initial Holder Limit, the Ownership Limit, or the Look-Through Ownership Limit, (ii) the Corporation being “closely held” within the meaning of Section 856(h) of the Code or (iii) the Corporation otherwise failing to qualify as a REIT, shall not adversely affect the validity of the Transfer of any other share of Class Z Preferred Stock in the same or any other related transaction.

**10.2 Remedies for Breach** . If the Board of Directors or a committee thereof shall at any time determine in good faith that a Transfer or other event has taken place in violation of Section 10.1 of this Article or that a Person intends to acquire or has attempted to acquire Beneficial Ownership of any shares of Class Z Preferred Stock in violation of Section 10.1 of this Article (whether or not such violation is intended), the Board of Directors or a committee thereof shall be empowered to take any action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, but not limited to, refusing to give effect to such Transfer or other event on the books of the Corporation, causing the Corporation to redeem such shares at the then current Market Price and upon such terms and conditions as may be specified by the Board of Directors in its sole discretion (including, but not limited to, by means of the issuance of long-term indebtedness for the purpose of such redemption), demanding the repayment of any distributions received in respect of shares of Class Z Preferred Stock acquired in violation of Section 10.1 of this Article or instituting proceedings to enjoin such Transfer or to rescind such Transfer or attempted Transfer; *provided, however* , that any Transfers or attempted Transfers (or in the case of events other than a Transfer, Beneficial Ownership) in violation of Section 10.1 of this Article, regardless of any action (or non-action) by the Board of Directors or such committee, (a) shall be void *ab initio* or (b) shall automatically result in the transfer described in Section 10.3 of this Article; *provided, further* , that the provisions of this Section 10.2 shall be subject to the provisions of Section 10.12 of this Article; *provided, further* , that neither the Board of Directors nor any committee thereof may exercise such authority in a manner that interferes with any ownership or transfer of Class Z Preferred Stock that is expressly authorized pursuant to Section 10.8(C) of this Article.

### **10.3 Transfer in Trust.**

**(A) Establishment of Trust** . If, notwithstanding the other provisions contained in this Article, at any time after the Issue Date there is a purported Transfer (an “*Excess Transfer*” ) (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) or other change in the capital structure of the Corporation (including, but not limited to, any redemption of Equity Stock) or other event (including, but not limited to, any acquisition of any share of Equity Stock) such that (a) any Person (other than the Initial Holder or a Look-Through Entity) would Beneficially Own shares of Class Z Preferred Stock in excess of the Ownership Limit, or (b) the Initial Holder would Beneficially Own shares of Class Z Preferred Stock in excess of the Initial Holder Limit, or (c) any Person that is a Look-Through Entity would Beneficially Own shares of Class Z Preferred Stock in excess of the Look-Through Ownership Limit (in any such event, the Person, Initial Holder or Look-Through Entity that would

Beneficially Own shares of Class Z Preferred Stock in excess of the Ownership Limit, the Initial Holder Limit or the Look-Through Entity Limit, respectively, is referred to as a “*Prohibited Transferee*” ), then, except as otherwise provided in Section 10.8 of this Article, such shares of Class Z Preferred Stock in excess of the Ownership Limit, the Initial Holder Limit or the Look-Through Ownership Limit, as the case may be, (rounded up to the nearest whole share) shall be automatically transferred to a Trustee in his capacity as trustee of a Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the Excess Transfer, change in capital structure or another event giving rise to a potential violation of the Ownership Limit, the Initial Holder Limit or the Look Through Entity Ownership Limit.

**(B) Appointment of Trustee** . The Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with either the Corporation or any Prohibited Transferee. The Trustee may be an individual or a bank or trust company duly licensed to conduct a trust business.

**(C) Status of Shares Held by the Trustee** . Shares of Class Z Preferred Stock held by the Trustee shall be issued and outstanding shares of capital stock of the Corporation. Except to the extent provided in Section 10.3(E), the Prohibited Transferee shall have no rights in the Class Z Preferred Stock held by the Trustee, and the Prohibited Transferee shall not benefit economically from ownership of any shares held in trust by the Trustee, shall have no rights to dividends and shall not possess any rights to vote or other rights attributable to the shares held in the Trust.

**(D) Dividend and Voting Rights** . The Trustee shall have all voting rights and rights to dividends with respect to shares of Class Z Preferred Stock held in the Trust, which rights shall be exercised for the benefit of the Charitable Beneficiary. Any dividend or distribution paid prior to the discovery by the Corporation that the shares of Class Z Preferred Stock have been transferred to the Trustee shall be repaid to the Corporation upon demand, and any dividend or distribution declared but unpaid shall be rescinded as void *ab initio* with respect to such shares of Class Z Preferred Stock. Any dividends or distributions so disgorged or rescinded shall be paid over to the Trustee and held in trust for the Charitable Beneficiary. Any vote cast by a Prohibited Transferee prior to the discovery by the Corporation that the shares of Class Z Preferred Stock have been transferred to the Trustee will be rescinded as void *ab initio* and shall be recast in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary. The owner of the shares at the time of the Excess Transfer, change in capital structure or other event giving rise to a potential violation of the Ownership Limit, Initial Holder Limit or Look-Through Entity Ownership Limit shall be deemed to have given an irrevocable proxy to the Trustee to vote the shares of Class Z Preferred Stock for the benefit of the Charitable Beneficiary.

**(E) Restrictions on Transfer** . The Trustee of the Trust may sell the shares held in the Trust to a Person, designated by the Trustee, whose ownership of the shares will not violate the Ownership Restrictions. If such a sale is made, the interest of the Charitable Beneficiary shall terminate and proceeds of the sale shall be payable to the Prohibited Transferee and to the Charitable Beneficiary as provided in this Section 10.3(E). The Prohibited Transferee shall receive the lesser of (1) the price paid by the Prohibited Transferee for the shares or, if the Prohibited Transferee did not give value for the shares (through a gift, devise or other transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Trust and (2) the price per share received by the Trustee from the sale or other disposition of the shares held in the Trust. Any proceeds in excess of the amount payable to the Prohibited Transferee shall be payable to the Charitable Beneficiary. If any of the transfer restrictions set forth in this Section 10.3(E) or any application thereof is determined in a final judgment to be void, invalid or unenforceable by any court having jurisdiction over the issue, the Prohibited Transferee may be deemed, at the option of the Corporation, to have acted as the agent of the Corporation in acquiring the Class Z Preferred Stock as to which such restrictions would, by their terms, apply, and to hold such Class Z

Preferred Stock on behalf of the Corporation.

**(F) Purchase Right in Stock Transferred to the Trustee** . Shares of Class Z Preferred Stock transferred to the Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation shall have the right to accept such offer for a period of 90 days after the later of (i) the date of the Excess Transfer or other event resulting in a transfer to the Trust and (ii) the date that the Board of Directors determines in good faith that an Excess Transfer or other event occurred.

**(G) Designation of Charitable Beneficiaries** . By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust relating to such Prohibited Transferee if (i) the shares of Class Z Preferred Stock held in the Trust would not violate the Ownership Restrictions in the hands of such Charitable Beneficiary and (ii) each Charitable Beneficiary is an organization described in Sections 170(b)(1)(A), 170(c)(2) and 501(c)(3) of the Code.

**10.4 Notice of Restricted Transfer** . Any Person that acquires or attempts to acquire shares of Class Z Preferred Stock in violation of Section 10.1 of this Article, or any Person that is a Prohibited Transferee such that stock is transferred to the Trustee under Section 10.3 of this Article, shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer or attempted Transfer or other event on the Corporation's status as a REIT. Failure to give such notice shall not limit the rights and remedies of the Board of Directors provided herein in any way.

**10.5 Owners Required to Provide Information** . From and after the Issue Date certain record and Beneficial Owners and transferees of shares of Class Z Preferred Stock will be required to provide certain information as set out below.

**(A) Annual Disclosure** . Every record holder or Beneficial Owner of more than 5% (or such other percentage between 0.5% and 5%, as provided in the applicable regulations adopted under the Code) of the number of Outstanding shares of Class Z Preferred Stock shall, within 30 days after January 1 of each year, give written notice to the Corporation stating the name and address of such record holder or Beneficial Owner, the number of shares of Class Z Preferred Stock Beneficially Owned, and a full description of how such shares are held. Each such record holder or Beneficial Owner of Class Z Preferred Stock shall, upon demand by the Corporation, disclose to the Corporation in writing such additional information with respect to the Beneficial Ownership of the Class Z Preferred Stock as the Board of Directors, in its sole discretion, deems appropriate or necessary to (i) comply with the provisions of the Code regarding the qualification of the Corporation as a REIT under the Code and (ii) ensure compliance with the Ownership Limit, the Initial Holder Limit or the Look-Through Ownership Limit, as applicable. Each stockholder of record, including without limitation any Person that holds shares of Class Z Preferred Stock on behalf of a Beneficial Owner, shall take all reasonable steps to obtain the written notice described in this Section 10.5 from the Beneficial Owner.

**(B) Disclosure at the Request of the Corporation** . Any Person that is a Beneficial Owner of shares of Class Z Preferred Stock and any Person (including the stockholder of record) that is holding shares of Class Z Preferred Stock for a Beneficial Owner, and any proposed transferee of shares, shall provide such information as the Corporation, in its sole discretion, may request in order to determine the Corporation's status as a REIT, to comply with the requirements of any taxing authority or other

governmental agency, to determine any such compliance or to ensure compliance with the Ownership Limit, the Initial Holder Limit and the Look-Through Ownership Limit, and shall provide a statement or affidavit to the Corporation setting forth the number of shares of Class Z Preferred Stock already Beneficially Owned by such stockholder or proposed transferee and any related persons specified, which statement or affidavit shall be in the form prescribed by the Corporation for that purpose.

**10.6 Remedies Not Limited** . Nothing contained in this Article shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable (subject to the provisions of Section 10.12 of this Article) (i) to protect the Corporation and the interests of its stockholders in the preservation of the Corporation's status as a REIT and (ii) to insure compliance with the Ownership Limit, the Initial Holder Limit and the Look-Through Ownership Limit.

**10.7 Ambiguity** . In the case of an ambiguity in the application of any of the provisions of Section 10 of this Article, or in the case of an ambiguity in any definition contained in Section 10 of this Article, the Board of Directors shall have the power to determine the application of the provisions of this Article with respect to any situation based on its reasonable belief, understanding or knowledge of the circumstances.

**10.8 Exceptions** . The following exceptions shall apply or may be established with respect to the limitations of Section 10.1 of this Article.

(A) **Waiver of Ownership Limit** . The Board of Directors, upon receipt of a ruling from the Internal Revenue Service or an opinion of tax counsel or other evidence or undertaking acceptable to it, may waive the application, in whole or in part, of the Ownership Limit to a Person subject to the Ownership Limit, if such person is not an individual for purposes of Section 542(a) of the Code (as modified to exclude qualified trusts from treatment as individuals pursuant to Section 856(h)(3) of the Code) and is a corporation, partnership, limited liability company, estate or trust. In connection with any such exemption, the Board of Directors may require such representations and undertakings from such Person and may impose such other conditions as the Board of Directors deems necessary, in its sole discretion, to determine the effect, if any, of the proposed Transfer on the Corporation's status as a REIT.

(B) **Pledge by Initial Holder** . Notwithstanding any other provision of this Article, the pledge by the Initial Holder of all or any portion of the Class Z Preferred Stock directly owned at any time or from time to time shall not constitute a violation of Section 10.1 of this Article and the pledgee shall not be subject to the Ownership Limit with respect to the Class Z Preferred Stock so pledged to it either as a result of the pledge or upon foreclosure.

(C) **Underwriters** . For a period of 270 days (or such longer period of time as any underwriter described below shall hold an unsold allotment of Class Z Preferred Stock) following the purchase of Class Z Preferred Stock by an underwriter that (i) is a corporation, partnership or other legal entity and (ii) participates in an offering of the Class Z Preferred Stock, such underwriter shall not be subject to the Ownership Limit with respect to the Class Z Preferred Stock purchased by it as a part of or in connection with such offering and with respect to any Class Z Preferred Stock purchased in connection with market making activities.

**10.9 Legend** . Each certificate for Class Z Preferred Stock shall bear substantially the following legend:

“The shares of Class Z Cumulative Preferred Stock represented by this certificate are subject to restrictions on transfer. No person may Beneficially Own shares of Class Z

Cumulative Preferred Stock in excess of the Ownership Restrictions, as applicable, with certain further restrictions and exceptions set forth in the Charter (including the Articles Supplementary setting forth the terms of the Class Z Cumulative Preferred Stock). Any Person that attempts to Beneficially Own shares of Class Z Cumulative Preferred Stock in excess of the applicable limitation must immediately notify the Corporation. All capitalized terms in this legend have the meanings ascribed to such terms in the Charter (including the Articles Supplementary setting forth the terms of the Class Z Cumulative Preferred Stock), as the same may be amended from time to time, a copy of which, including the restrictions on transfer, will be sent without charge to each stockholder that so requests. If the restrictions on transfer are violated, (i) the transfer of the shares of Class Z Cumulative Preferred Stock represented hereby will be void in accordance with the Charter (including the Articles Supplementary setting forth the terms of the Class Z Cumulative Preferred Stock) or (ii) the shares of Class Z Cumulative Preferred Stock represented hereby will automatically be transferred to a Trustee of a Trust for the benefit of one or more Charitable Beneficiaries.”

**10.10 Severability** . If any provision of this Article or any application of any such provision is determined in a final and unappealable judgment to be void, invalid or unenforceable by any Federal or state court having jurisdiction over the issues, the validity and enforceability of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

**10.11 Board of Directors Discretion** . Anything in this Article to the contrary notwithstanding, the Board of Directors shall be entitled to take or omit to take such actions as it in its discretion shall determine to be advisable in order that the Corporation maintain its status as and continue to qualify as a REIT, including, but not limited to, reducing the Ownership Limit, the Initial Holder Limit and the Look-Through Ownership Limit in the event of a change in law.

**10.12 Settlement** . Nothing in this Section 10 of this Article shall be interpreted to preclude the settlement of any transaction entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system.



**Exhibit CRA**

**ARTICLE XIII**

**Cumulative Perpetual Community Reinvestment Act Preferred Stock, Series A  
Par Value \$.01 Per Share**

The terms of the Series A Community Reinvestment Act Perpetual Preferred Stock (including the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, or terms or conditions of redemption) as set by the Board of Directors are as follows:

**1. Number of Shares and Designation.**

This class of Preferred Stock shall be designated as Series A Community Reinvestment Act Perpetual Preferred Stock (the “*Series A CRA Preferred Stock*”) and Two Hundred Forty (240) shall be the authorized number of shares of such Series A CRA Preferred Stock constituting such class.

**2. Definitions.**

For purposes of the Series A CRA Preferred Stock, the following terms shall have the meanings indicated:

“*Act*” shall mean the Securities Act of 1933, as amended.

“*affiliate*” of a Person means a Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified.

“*Aggregate Value*” shall mean, with respect to any block of Equity Stock, the product of (i) the number of shares of Equity Stock within such block and (ii) the corresponding Market Price of one share of Equity Stock of such class.

“*Beneficial Ownership*” shall mean, with respect to any Person, ownership of shares of Equity Stock equal to the sum of (without duplication) (i) the number of shares of Equity Stock directly owned by such Person, (ii) the number of shares of Equity Stock indirectly owned by such Person (if such Person is an “individual” as defined in Section 542(a)(2) of the Code) taking into account the constructive ownership rules of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code, and (iii) the number of shares of Equity Stock that such Person is deemed to beneficially own pursuant to Rule 13d-3 under the Exchange Act, or that is attributed to such Person pursuant to Section 318 of the Code, as modified by Section 856(d) (5) of the Code, *provided* that when applying this definition of Beneficial Ownership to the Initial Holder, clause (iii) of this definition, and clause (ii) of the definition of “Person” shall be disregarded. The terms “*Beneficial Owner*,” “*Beneficially Owns*” and “*Beneficially Owned*” shall have the correlative meanings.

“*Board of Directors*” shall mean the Board of Directors of the Corporation or any committee authorized by such Board of Directors to perform any of its responsibilities with respect to the Series A CRA Preferred Stock; provided that, for purposes of paragraph (a) of Section 9 of this Article, the term “*Board of Directors*” shall not include any such committee.

*“Business Day”* shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

*“Charitable Beneficiary”* shall mean one or more beneficiaries of the Trust as determined pursuant to Section 11.2(G) of this Article, each of which shall be an organization described in Section 170(b)(1)(A), 170(c)(2) and 501(c)(3) of the Code.

*“Class A Common Stock”* shall mean the Class A Common Stock, par value \$.01 per share, of the Corporation, and such other shares of the Corporation’s capital stock into which outstanding shares of such Class A Common Stock shall be reclassified.

*“Closing Price”* shall mean, when used with respect to a share of any Equity Stock and for any date, the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case, as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if the Equity Stock is not listed or admitted to trading on the NYSE, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Equity Stock is listed or admitted to trading or, if the Equity Stock is not listed or admitted to trading on any national securities exchange, the last quoted price, or if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if the Equity Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Equity Stock selected by the Board of Directors of the Corporation or, if the Equity Stock is not publicly traded, the fair value of a share of such Equity Stock as reasonably determined in good faith by the Board of Directors.

*“Code”* shall mean the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto. Reference to any provision of the Code shall mean such provision as in effect from time to time, as the same may be amended, and any successor thereto, as interpreted by any applicable regulations or other administrative pronouncements as in effect from time to time.

*“CRA”* shall mean the Community Reinvestment Act of 1977, as amended from time to time.

*“CRA Credit Value”* shall mean, for any Investment with respect to which CRA Credits are allocated to a holder of Series A CRA Preferred Stock, the book value of such Investment as of the last day of the Corporation’s fiscal year immediately preceding the date on which a determination is made by the Corporation to allocate CRA Credits with respect to such Investment to such holder, multiplied by the Operating Partnership’s proportionate ownership interest in the underlying Investment.

*“CRA Credits”* shall have the meaning set forth in paragraph (a) of Section 11 of this Article.

*“CRA Parity Securities”* shall mean securities of the Corporation, other than the Series A CRA Preferred Stock, which are entitled to receive allocations of CRA Credits.

*“Default Rate”* shall mean, for any Dividend Period, the applicable Three-Month Rate LIBOR Rate plus 3.25%.

*“Dividend Payment Date”* shall mean March 31, June 30, September 30, and December 31 of each year; provided, that if any Dividend Payment Date falls on any day other than a Business Day, the dividend payment payable on such Dividend Payment Date shall be paid on the Business Day immediately following such Dividend Payment Date and no interest shall accrue on such dividend from such date to such Dividend Payment Date.

*“Dividend Periods”* shall mean the Initial Dividend Period and each subsequent quarterly dividend period commencing on and including March 31, June 30, September 30, and December 31 of each year and ending on and including the day preceding the first day of the next succeeding Dividend Period, other than the Dividend Period during which any Series A CRA Preferred Stock shall be redeemed pursuant to Section 5 hereof, which shall end on and include the Redemption Date with respect to the Series A CRA Preferred Stock being redeemed.

*“Dividend Rate”* shall mean, for any Dividend Period, a rate, expressed as a percentage of the Liquidation Preference per annum, determined as follows:

(i) for the Initial Dividend Period, a rate equal to 6.75%; and

(ii) for all other Dividend Periods, a rate equal to the Three-Month LIBOR Rate for such Dividend Period plus 1.25%, or such other rate as shall be determined in connection with a Remarketing pursuant to Section 7.

*“Dividend Rate Calculation Agent”* shall mean such financial institution (and any legal successor thereto) from time to time as shall be selected by the Corporation to provide information for calculation of the Dividend Rate.

*“Election Notice”* shall have the meaning set forth in paragraph (b) of Section 7 of this Article.

*“Eligible CRA Portfolio”* shall mean Investments selected from time to time by the Corporation to be made available for purposes of allocating CRA Credits to holders of Series A CRA Preferred Stock.

*“Equity Stock”* shall mean one or more shares of any class of capital stock of the Corporation.

*“Excess Transfer”* has the meaning set forth in Section 11.2(A) of this Article.

*“Failed Remarketing”* shall have the meaning set forth in paragraph (c) of Section 7 of this Article.

*“Exchange Act”* shall mean the Securities Exchange Act of 1934, as amended.

*“Fully Allocated Stockholder”* shall have the meaning set forth in paragraph (b) of Section 11 of this Article.

*“Initial Dividend Period”* shall mean the period commencing on and including the Issue Date and ending on and including September 30, 2006.

*“Initial Holder”* shall mean Terry Considine.

*“Initial Holder Limit”* shall mean a number of the Outstanding shares of Series A CRA Preferred Stock of the Corporation having an Aggregate Value not in excess of the excess of (x) 15% of the

Aggregate Value of all Outstanding shares of Equity Stock over (y) the Aggregate Value of all shares of Equity Stock other than Series A CRA Preferred Stock that are Beneficially Owned by the Initial Holder. From the Issue Date, the secretary of the Corporation, or such other person as shall be designated by the Board of Directors, shall upon request make available to the representative(s) of the Initial Holder and the Board of Directors, a schedule that sets forth the then-current Initial Holder Limit applicable to the Initial Holder.

*“Investments”* shall have the meaning set forth in paragraph (a) of Section 11 of this Article.

*“Issue Date”* shall mean June 29, 2006.

*“Junior Stock”* shall have the meaning set forth in paragraph (c) of Section 8 of this Article.

*“Liquidation Preference”* shall have the meaning set forth in paragraph (a) of Section 4 of this Article.

*“Look-Through Entity”* shall mean a Person that is either (i) described in Section 401(a) of the Code as provided under Section 856(h)(3) of the Code or (ii) registered under the Investment Company Act of 1940.

*“Look-Through Ownership Limit”* shall mean, for any Look-Through Entity, a number of the Outstanding shares of Series A CRA Preferred Stock of the Corporation having an Aggregate Value not in excess of the excess of (x) 15% of the Aggregate Value of all Outstanding shares of Equity Stock over (y) the Aggregate Value of all shares of Equity Stock other than Series A CRA Preferred Stock that are Beneficially Owned by the Look-Through Entity.

*“Market Price”* on any date shall mean, with respect to any share of Equity Stock, the Closing Price of a share of that class of Equity Stock on the Trading Day immediately preceding such date.

*“NYSE”* shall mean The New York Stock Exchange, Inc.

*“Operating Partnership”* shall mean AIMCO Properties, L.P., a Delaware limited partnership.

*“Outstanding”* shall mean issued and outstanding shares of Equity Stock of the Corporation; *provided, however*, that for purposes of the application of the Ownership Limit, the Look-Through Ownership Limit or the Initial Holder Limit to any Person, the term “Outstanding” shall be deemed to include the number of shares of Equity Stock that such Person alone, at that time, could acquire pursuant to any options or convertible securities.

*“Ownership Limit”* shall mean, for any Person other than the Initial Holder or a Look-Through Entity, a number of the Outstanding shares of Series A CRA Preferred Stock of the Corporation having an Aggregate Value not in excess of the excess of (x) 8.7% of the Aggregate Value of all Outstanding shares of Equity Stock over (y) the Aggregate Value of all shares of Equity Stock other than Series A CRA Preferred Stock that are Beneficially Owned by the Person.

*“Ownership Restrictions”* shall mean, collectively, the Ownership Limit, as applied to Persons other than the Initial Holder or Look-Through Entities, the Initial Holder Limit, as applied to the Initial Holder, and the Look-Through Ownership Limit, as applied to Look-Through Entities.

*“Parity Stock”* shall have the meaning set forth in paragraph (b) of Section 8 of this Article.

*“Person”* shall mean (a) for purposes of Section 11 of this Article, (i) an individual, corporation, partnership, estate, trust (including a trust qualifying under Section 401(a) or 501(c) of the Code), association, “private foundation,” within the meaning of Section 509(a) of the Code, joint stock company or other entity, and (ii) a “group,” as that term is used for purposes of Section 13(d)(3) of the Exchange Act, and (b) for purposes of the remaining Sections of this Article, any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity.

*“Prohibited Transferee”* shall have the meaning set forth in Section 11.2(A) of this Article.

*“Record Date”* shall have the meaning set forth in paragraph (a) of Section 3 of this Article.

*“Redemption Date”* shall mean, in the case of any redemption of any shares of Series A CRA Preferred Stock, the date fixed for redemption of such shares.

*“Redemption Price”* shall mean, with respect to any share of Series A CRA Preferred Stock to be redeemed, 100% of the Liquidation Preference thereof, plus all accumulated, accrued and unpaid dividends (whether or not earned or declared), if any, to the Redemption Date.

*“REIT”* shall mean a “real estate investment trust,” as defined in Section 856 of the Code.

*“Remarketing”* shall mean a remarketing of the Series A CRA Preferred Stock pursuant to Section 7 of this Article.

*“Remarketing Agent”* shall mean, with respect to any Remarketing, the Person selected by the Corporation to act as its agent in effecting the Remarketing.

*“Remarketing Date”* shall mean, with respect to any Remarketing, the Dividend Payment Date selected by the Board of Directors as the date on which the Remarketing is to be completed, and the first of which shall be March 31, 2015.

*“Self-Delineated Assessment Area”* shall have the meaning set forth in paragraph (b) of Section 11 of this Article.

*“Senior Stock”* shall have the meaning set forth in paragraph (a) of Section 8 of this Article.

*“Series A CRA Preferred Stock”* shall have the meaning set forth in Section 1 of this Article.

*“set apart for payment”* shall be deemed to include, without any action other than the following, the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of dividends or other distribution by the Board of Directors, the allocation of funds to be so paid on any series or class of capital stock of the Corporation; *provided, however*, that if any funds for any class or series of Junior Stock or any class or series of Parity Stock are placed in a separate account of the Corporation or delivered to a disbursing, paying or other similar agent, then “set apart for payment” with respect to the Series A CRA Preferred Stock shall mean placing such funds in a separate account or delivering such funds to a disbursing, paying or other similar agent.

*“Terminated Allocation”* shall have the meaning set forth in paragraph (c) of Section 11 of this Article.

*“Three-Month LIBOR Rate”* shall mean, for any Dividend Period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars having a term of three months, commencing on the first day of such Dividend Period (a “Reset Date”), which appears on Page 3750 on Moneyline Telerate Inc. or any successor page (the “Telerate LIBOR Page”) at approximately 11:00 a.m., London time, on the day that is two Business Days preceding such Reset Date. If such rate does not appear on the Telerate LIBOR Page, the rate for such Reset Date will be determined by reference to the rates at which deposits in U.S. dollars are offered by four major banks in the London interbank market (the “Reference Banks”) at approximately 11:00 a.m., London time, on the day that is two Business Days preceding such Reset Date to prime banks in the London interbank market for a period of three months commencing from such Reset Date and in a representative amount. The Corporation shall (or cause its Dividend Rate Calculation Agent to) request the principal London office of each of the Reference Banks to provide a quotation of such rate. If at least two such quotations are provided, the rate for such Reset Date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for such Reset Date will be the arithmetic mean of the rates quoted by three major banks in New York City, selected by the Corporation (or its Dividend Rate Calculation Agent) at approximately 11:00 a.m., New York City time, on such Reset Date for loans in U.S. dollars to leading European banks for a period of three months commencing on such Reset Date and in a representative amount. The Corporation shall promptly (or shall cause its Dividend Rate Calculation Agent promptly to) notify any holder of the Series A CRA Preferred Stock of the Dividend Rate for any Dividend Period upon request. The Three-Month LIBOR Rate shall be rounded to the nearest one-hundredth of a percent.

*“Trading Day”* shall mean, when used with respect to any Equity Stock, (i) if the Equity Stock is listed or admitted to trading on the NYSE, a day on which the NYSE is open for the transaction of business, (ii) if the Equity Stock is not listed or admitted to trading on the NYSE but is listed or admitted to trading on another national securities exchange or automated quotation system, a day on which the principal national securities exchange or automated quotation system, as the case may be, on which the Equity Stock is listed or admitted to trading is open for the transaction of business, or (iii) if the Equity Stock is not listed or admitted to trading on any national securities exchange or automated quotation system, any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

*“Transfer”* shall mean any sale, transfer, gift, assignment, devise or other disposition of a share of Series A CRA Preferred Stock (including (i) the granting of an option or any series of such options or entering into any agreement for the sale, transfer or other disposition of Series A CRA Preferred Stock or (ii) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Series A CRA Preferred Stock), whether voluntary or involuntary, whether of record ownership or Beneficial Ownership, and whether by operation of law or otherwise (including, but not limited to, any transfer of an interest in other entities that results in a change in the Beneficial Ownership of shares of Series A CRA Preferred Stock). The term *“Transfers”* and *“Transferred”* shall have correlative meanings.

*“Transfer Agent”* means such transfer agent as may be designated by the Board of Directors or their designee as the transfer agent for the Series A CRA Preferred Stock; provided, that if the Corporation has not designated a transfer agent then the Corporation shall act as the transfer agent for the Series A CRA Preferred Stock.

*“Trust”* shall mean the trust created pursuant to Section 11.2(A) of this Article.

*“Trustee”* shall mean the Person unaffiliated with either the Corporation or the Prohibited Transferee that is appointed by the Corporation to serve as trustee of the Trust.

*“Unallocated Stockholder”* shall have the meaning set forth in paragraph (b) of Section 11 of this Article.

*“Voting Preferred Stock”* shall have the meaning set forth in Section 9 of this Article.

### **3. Dividends.**

(a) The holders of shares of Series A CRA Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available for that purpose, quarterly cash dividends on the Series A CRA Preferred Stock. Such dividends shall be cumulative from the Issue Date, whether or not in any Dividend Period or Periods such dividends shall be declared or there shall be funds of the Corporation legally available for the payment of such dividends, and shall be payable quarterly in arrears on each Dividend Payment Date, commencing on September 30, 2006. Each such dividend shall be payable in arrears to the holders of record of the Series A CRA Preferred Stock, as they appear on the stock records of the Corporation at the close of business on March 15, June 15, September 15 or December 15 (each a “Record Date”), as the case may be, immediately preceding such Dividend Payment Date. Accumulated, accrued and unpaid dividends for any past Dividend Periods may be declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, which date shall not precede by more than 45 days the payment date thereof, as may be fixed by the Board of Directors.

(b) The amount of dividends payable per share of Series A CRA Preferred Stock on each Dividend Payment Date shall be equal to the sum of the daily amounts for each day actually elapsed during such Dividend Period (with such sum rounded to the nearest \$.01), which daily amounts shall be computed by dividing (1) the product of (A) the Dividend Rate in effect for such Dividend Period, and (B) the Liquidation Preference per share of Series A CRA Preferred Stock by (2) 360. Any dividend payment made on shares of the Series A CRA Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend due with respect to such shares. The Corporation shall determine the dividend payable on each Dividend Payment Date in accordance with this Article, utilizing the Three-Month LIBOR Rate determined by the Corporation (or supplied by the Dividend Rate Calculation Agent) in accordance with the definition of “Three-Month LIBOR Rate” in this Article. Holders of shares of Series A CRA Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Series A CRA Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series A CRA Preferred Stock that may be in arrears.

(c) So long as any of the shares of Series A CRA Preferred Stock are outstanding, except as described in the immediately following sentence, no dividends shall be declared or paid or set apart for payment by the Corporation and no other distribution of cash or other property shall be declared or made, directly or indirectly, by the Corporation with respect to any class or series of Parity Stock for

any period unless dividends equal to the full amount of accumulated, accrued and unpaid dividends have been or contemporaneously are declared and paid, or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for such payment, on the Series A CRA Preferred Stock for all Dividend Periods terminating on or prior to the date such dividend or distribution is declared, paid, set apart for payment or made, as the case may be, with respect to such class or series of Parity Stock. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends declared upon the Series A CRA Preferred Stock and all dividends declared upon any other class or series of Parity Stock shall be declared ratably in proportion to the respective amounts of dividends accumulated, accrued and unpaid on the Series A CRA Preferred Stock and accumulated, accrued and unpaid on such Parity Stock.

(d) So long as any of the shares of Series A CRA Preferred Stock are outstanding, no dividends (other than dividends or distributions paid in shares of or options, warrants or rights to subscribe for or purchase shares of, Junior Stock) shall be declared or paid or set apart for payment by the Corporation and no other distribution of cash or other property shall be declared or made, directly or indirectly, by the Corporation with respect to any shares of Junior Stock, nor shall any shares of Junior Stock be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of Class A Common Stock made for purposes of an employee incentive or benefit plan of the Corporation or any subsidiary) for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) directly or indirectly by the Corporation (except by conversion into or exchange for shares of, or options, warrants, or rights to subscribe for or purchase shares of, Junior Stock), nor shall any other cash or other property otherwise be paid or distributed to or for the benefit of any holder of shares of Junior Stock in respect thereof, directly or indirectly, by the Corporation unless, in each case, dividends equal to the full amount of all accumulated, accrued and unpaid dividends on all outstanding shares of Series A CRA Preferred Stock have been declared and paid, or such dividends have been declared and a sum sufficient for the payment thereof has been set apart for such payment, on all outstanding shares of Series A CRA Preferred Stock for all Dividend Periods ending on or prior to the date such dividend or distribution is declared, paid, set apart for payment or made with respect to such shares of Junior Stock, or the date such shares of Junior Stock are redeemed, purchased or otherwise acquired or monies paid to or made available for any sinking fund for such redemption, or the date any such cash or other property is paid or distributed to or for the benefit of any holders of Junior Stock in respect thereof, as the case may be.

Notwithstanding the provisions of this Section 3, the Corporation shall not be prohibited from (i) declaring or paying or setting apart for payment any dividend or distribution on any shares of Parity Stock or (ii) redeeming, purchasing or otherwise acquiring any Parity Stock, in each case, if such declaration, payment, redemption, purchase or other acquisition is necessary in order to maintain the continued qualification of the Corporation as a REIT under Section 856 of the Code.

#### ***4. Liquidation Preference.***

(a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution by the Corporation (whether of capital, surplus or otherwise) shall be made to or set apart for the holders of Junior Stock, the holders of shares of Series A CRA Preferred Stock shall be entitled to receive Five Hundred Thousand Dollars (\$500,000) per share of Series A CRA Preferred Stock (the "Liquidation Preference"), plus an amount equal to all dividends (whether or not earned or declared) accumulated, accrued and unpaid thereon to the date of final distribution to such holders; but such holders shall not be entitled to any further payment. Until the holders of the Series A CRA Preferred Stock have been paid the Liquidation Preference in full, plus an amount equal to all dividends (whether or not earned or declared) accumulated, accrued and



unpaid thereon to the date of final distribution to such holders, no payment will be made to any holder of Junior Stock upon the liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of shares of Series A CRA Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other shares of any class or series of Parity Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of shares of Series A CRA Preferred Stock and any such other Parity Stock ratably in the same proportion as the respective amounts that would be payable on such Series A CRA Preferred Stock and any such other Parity Stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation or merger of the Corporation with one or more corporations, (ii) a sale or transfer of all or substantially all of the Corporation's assets, or (iii) a statutory share exchange shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of shares of Series A CRA Preferred Stock and any Parity Stock, as provided in Section 4(a), any other series or class or classes of Junior Stock shall, subject to the respective terms thereof, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series A CRA Preferred Stock and any Parity Stock shall not be entitled to share therein.

#### ***5. Redemption at the Option of the Corporation.***

(a) Shares of Series A CRA Preferred Stock shall not be redeemable by the Corporation prior to June 30, 2011, except as set forth in Section 12.2 of this Article. On and after June 30, 2011 the Corporation, at its option, may redeem shares of Series A CRA Preferred Stock, in whole or from time to time in part, at a redemption price payable in cash equal to the Redemption Price applicable thereto. In the event of a redemption of shares of Series A CRA Preferred Stock, if the Redemption Date occurs after a Record Date and on or prior to the related Dividend Payment Date, the dividend payable on such Dividend Payment Date in respect of such shares called for redemption shall be payable on such Dividend Payment Date the holders of record at the close of business on such Record Date, notwithstanding the redemption of such shares, and shall not be payable as part of the Redemption Price for such shares.

(b) The Redemption Date shall be selected by the Corporation, shall be specified in the notice of redemption and shall be not less than 30 days nor more than 60 days after the date notice of redemption is sent by the Corporation.

(c) If full cumulative dividends on all outstanding shares of Series A CRA Preferred Stock have not been declared and paid, or declared and set apart for payment, for all past Dividend Periods, then 2. no shares of Series A CRA Preferred Stock may be redeemed unless all outstanding shares of Series A CRA Preferred Stock are simultaneously redeemed, and 3. neither the Corporation nor any affiliate of the Corporation may purchase or acquire shares of Series A CRA Preferred Stock, other than pursuant to a purchase or exchange offer made on the same terms to all holders of shares of Series A CRA Preferred Stock.

(d) If the Corporation shall redeem shares of Series A CRA Preferred Stock pursuant to paragraph (a) of this Section 5, notice of such redemption shall be given to each holder of record of the shares to be redeemed. Such notice shall be provided by first class mail, postage prepaid, at such holder's address as the same appears on the stock records of the Corporation. Neither the failure to mail any notice required by this paragraph (d), nor any defect therein or in the mailing thereof to any particular holder, shall affect the sufficiency of the notice or the validity of the proceedings for redemption with respect to the other holders. Any notice mailed in the manner herein provided shall be conclusively presumed to

have been duly given on the date mailed whether or not the holder receives the notice. Each such notice shall state, as appropriate: (i) the Redemption Date; (ii) the number of shares of Series A CRA Preferred Stock to be redeemed and, if fewer than all such shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the place or places at which certificates for such shares are to be surrendered; and (iv) the Redemption Price payable on such Redemption Date, including, without limitation, a statement as to whether or not accumulated, accrued and unpaid dividends will be payable as part of the Redemption Price, or payable on the next Dividend Payment Date to the record holder at the close of business on the relevant record date as described in the next sentence. Notice having been mailed as aforesaid, from and after the Redemption Date (unless the Corporation shall fail to make available the amount of cash necessary to effect such redemption), (i) dividends on the shares of Series A CRA Preferred Stock so called for redemption shall cease to accumulate or accrue on the shares of Series A CRA Preferred Stock called for redemption, (ii) said shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of shares of Series A CRA Preferred Stock of the Corporation shall cease (except the right to receive the cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required); provided, however, that if the Redemption Date for any shares of Series A CRA Preferred Stock occurs after any dividend record date and on or prior to the related Dividend Payment Date, the full dividend payable on such Dividend Payment Date in respect of such shares of Series A CRA Preferred Stock called for redemption shall be payable on such Dividend Payment Date to the holders of record of such shares at the close of business on the corresponding dividend record date notwithstanding the prior redemption of such shares. The Corporation's obligation to make available the cash necessary to effect the redemption in accordance with the preceding sentence shall be deemed fulfilled if, on or before the applicable Redemption Date, the Corporation shall irrevocably deposit in trust with a bank or trust company (which may not be an affiliate of the Corporation) that has, or is an affiliate of a bank or trust company that has, a capital and surplus of at least \$50,000,000, such amount of cash as is necessary for such redemption plus, if such Redemption Date occurs after any dividend record date and on or prior to the related Dividend Payment Date, such amount of cash as is necessary to pay the dividend payable on such Dividend Payment Date in respect of such shares of Series A CRA Preferred Stock called for redemption, with irrevocable instructions that such cash be applied to the redemption of the shares of Series A CRA Preferred Stock so called for redemption and, if applicable, the payment of such dividend. No interest shall accrue for the benefit of the holders of shares of Series A CRA Preferred Stock to be redeemed on any cash so set aside by the Corporation. Subject to applicable escheat laws, any such cash unclaimed at the end of two years from the Redemption Date shall revert to the general funds of the Corporation, after which reversion the holders of shares of Series A CRA Preferred Stock so called for redemption shall look only to the general funds of the Corporation for the payment of such cash.

As promptly as practicable after the surrender in accordance with such notice of the certificates for any such shares of Series A CRA Preferred Stock to be so redeemed (properly endorsed or assigned for transfer, if the Corporation shall so require and the notice shall so state), such certificates shall be exchanged for cash (without interest thereon). If fewer than all the outstanding shares of Series A CRA Preferred Stock are to be redeemed, shares to be redeemed shall be selected by the Corporation from outstanding shares of Series A CRA Preferred Stock not previously called for redemption by lot or, with respect to the number of shares of Series A CRA Preferred Stock held of record by each holder of such shares, pro rata (as nearly as may be) or by any other method as may be determined by the Board of Directors in its discretion to be equitable. If fewer than all the shares of Series A CRA Preferred Stock represented by any certificate are redeemed, then a new certificate representing the unredeemed shares shall be issued without cost to the holders thereof.

## 6. Status of Reacquired Stock.

All shares of Series A CRA Preferred Stock that have been issued and reacquired in any manner by the Corporation shall be returned to the status of authorized but unissued shares of Series A CRA Preferred Stock.

## 7. Remarketing.

(a) **Remarketing on Remarketing Date** . Unless previously redeemed in full, on March 31, 2015, and on each Remarketing Date thereafter, the Remarketing Agent will attempt to remarket the Series A CRA Preferred Stock with the lowest Dividend Rate that, in the judgment of the Remarketing Agent, will permit all outstanding shares of Series A CRA Preferred Stock to be sold at a price per share equal to the Liquidation Preference. For each Remarketing, the Corporation shall notify the Remarketing Agent at least 15 Business Days prior to the Remarketing Date as to (i) whether the new Dividend Rate should be fixed or variable and, if variable, the index to be used to calculate the variable Dividend Rate, and (ii) the period of time until the next Remarketing Date (unless there is a Failed Remarketing). If the Corporation fails to so notify the Remarketing Agent, it will be deemed to have selected (i) a variable rate for which the relevant index is the Three-Month LIBOR Rate, and (ii) a period of time until the next Remarketing Date of five years. No later than 10 Business Days prior to a Remarketing Date, the Remarketing Agent will notify holders of the Series A CRA Preferred Stock of the Dividend Rate that will become effective on such Remarketing Date and the period of time until the next Remarketing Date.

(b) **Tender on Remarketing Date** . All shares of Series A CRA Preferred Stock must be tendered for remarketing on each Remarketing Date unless a holder thereof affirmatively elects to continue to hold all or a portion of its shares (such portion shall be in the liquidation amount of \$500,000 per share or any integral multiple thereof) by delivering the following notice of non-tender to the Corporation and the Remarketing Agent no later than five Business Days prior to such Remarketing Date:

NOTICE OF ELECTION TO RETAIN  
SERIES A COMMUNITY REINVESTMENT ACT  
PERPETUAL PREFERRED STOCK OF  
APARTMENT INVESTMENT AND MANAGEMENT COMPANY

The undersigned owner of the shares of Series A Community Reinvestment Act Perpetual Preferred Stock ("Series A CRA Preferred Stock") of Apartment Investment and Management Company described below does hereby irrevocably elect to retain such shares of Series A CRA Preferred Stock in connection with the remarketing of the Series A CRA Preferred Stock to occur on \_\_\_\_\_ (the "Remarketing Date"). The undersigned understands that from and after the Remarketing Date, the dividend rate with respect to the shares will be determined as provided in the Articles Supplementary relating to the Series A CRA Preferred Stock.

Non-Tendered Shares

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Liquidation Amount CUSIP Number(s)

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A holder who affirmatively elects to hold all or a portion of its shares by timely delivering such notice of non-tender will not have its shares (or such portion) sold in the relevant Remarketing and will continue to hold all or such portion of its shares (as indicated in such notice), which will be subject to the new Dividend Rate determined in such Remarketing. Any notice of non-tender delivered to the Corporation and the Remarketing Agent will be irrevocable and may not be conditioned upon the new Dividend Rate established in the Remarketing. A holder that fails to timely deliver such required notice of non-tender to the Corporation and the Remarketing Agent at least five business days prior to the Remarketing Date shall be deemed to have elected to sell all of its shares in the Remarketing, and all such shares shall be deemed tendered for purchase in the Remarketing, notwithstanding any failure by such holder to properly deliver such shares to the Remarketing Agent for purchase.

Unless a holder affirmatively elects to continue to hold its shares by timely delivering the required notice of non-tender pursuant to this Section 7, all shares of CRA Preferred Stock shall be deemed tendered for purchase in the Remarketing, notwithstanding any failure by any holder to deliver its shares to the Remarketing Agent for purchase.

(c) **Failed Remarketing** . If, on any Remarketing Date, the Remarketing Agent is unable to sell all of the tendered shares of Series A CRA Preferred Stock to investors (a “Failed Remarketing”), the Dividend Rate shall be adjusted to equal the Default Rate for a period of one year, after which another Remarketing will be attempted; *provided, however* , that no adjustment shall be made to the Dividend Rate if it would result in a reduction in the Dividend Rate from that in effect immediately prior to the Failed Remarketing. In such case, no shares shall be sold in such Remarketing and each holder shall continue to hold its shares of CRA Preferred Stock, on which dividends will be paid at the Default Rate until the next Remarketing Date. Neither the Corporation nor the Remarketing Agent shall have any obligation to purchase any shares of Series A CRA Preferred Stock in the event of a Failed Remarketing.

(d) **Accumulated and Unpaid Dividends**. If, on a Remarketing Date, there are any accumulated and unpaid dividends relating to past Dividend Periods, then on such Remarketing Date, the Corporation will pay to holders of the outstanding shares of Series A CRA Preferred Stock the amount of such accumulated and unpaid dividends for past Dividend Periods.

(e) **Selection of Remarketing Agent** . The Corporation shall appoint a qualified firm to serve as the Remarketing Agent in sufficient time to complete its obligations as described herein.

## **8. Ranking.**

Any class or series of capital stock of the Corporation shall be deemed to rank:

(a) prior or senior to the Series A CRA Preferred Stock, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Series A CRA Preferred Stock (“Senior Stock”);

(b) on a parity with the Series A CRA Preferred Stock, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Series A CRA Preferred Stock, if (i) such capital stock is Class B Cumulative Convertible Preferred Stock, Class C Cumulative Preferred Stock, Class D Cumulative Preferred Stock, Class G Cumulative

Preferred Stock, Class H Cumulative Preferred Stock, Class I Cumulative Preferred Stock, Class J Cumulative Convertible Preferred Stock, Class K Convertible Cumulative Preferred Stock, Class L Convertible Cumulative Preferred Stock, Class M Convertible Cumulative Preferred Stock, Class N Convertible Cumulative Preferred Stock, Class O Cumulative Convertible Preferred Stock, Class P Convertible Cumulative Preferred Stock, Class Q Cumulative Preferred Stock, Class R Cumulative Preferred Stock, Class S Cumulative Redeemable Preferred Stock, Class T Cumulative Preferred Stock, Class U Cumulative Preferred Stock, Class V Cumulative Preferred Stock, Class W Cumulative Convertible Preferred Stock, Class X Cumulative Preferred Stock or Class Y Cumulative Preferred Stock of the Corporation, or (ii) the holders of such class of stock or series and the Series A CRA Preferred Stock shall be entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority of one over the other (the capital stock referred to in clauses (i) and (ii) of this paragraph being hereinafter referred to, collectively, as "Parity Stock"); and

(c) junior to the Series A CRA Preferred Stock, as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up, if (i) such capital stock or series shall be Class A Common Stock or (ii) the holders of Series A CRA Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of such class or series (the capital stock referred to in clauses (i) and (ii) of this paragraph being hereinafter referred to, collectively, as "Junior Stock").

## **9. Voting.**

(a) If and whenever six quarterly dividends (whether or not consecutive) payable on the Series A CRA Preferred Stock or any series or class of Parity Stock shall be in arrears (which shall, with respect to any such quarterly dividend, mean that any such dividend has not been paid in full), whether or not earned or declared, the number of directors then constituting the Board of Directors shall be increased by two if not already increased by reason of similar types of provisions with respect to shares of any other class or series of Parity Stock which is entitled to similar voting rights (the "Voting Preferred Stock") and the holders of shares of Series A CRA Preferred Stock, together with the holders of shares of all other Voting Preferred Stock then entitled to exercise similar voting rights, voting as a single class regardless of series, shall be entitled to elect the two additional directors to serve on the Board of Directors at any annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of the Series A CRA Preferred Stock and the Voting Preferred Stock called as hereinafter provided. Whenever all arrears in dividends on the Series A CRA Preferred Stock and the Voting Preferred Stock then outstanding shall have been paid and dividends thereon for the current quarterly dividend period shall have been declared and paid, or declared and set apart for payment, then the right of the holders of the Series A CRA Preferred Stock and the Voting Preferred Stock to elect such additional two directors shall cease (but subject always to the same provision for the vesting of such voting rights in the case of any similar future arrearages), and the terms of office of all persons elected as directors by the holders of the Series A CRA Preferred Stock and the Voting Preferred Stock shall forthwith terminate and the number of directors constituting the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of shares of Series A CRA Preferred Stock and the Voting Preferred Stock, if applicable, the Secretary of the Corporation may, and upon the written request of any holder of Series A CRA Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the holders of the Series A CRA Preferred Stock and of the Voting Preferred Stock for the election of the two directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws

of the Corporation for a special meeting of the stockholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within 20 days after receipt of any such request, then any holder of Series A CRA Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders or special meeting held in lieu thereof if such office shall not have previously terminated as above provided. If any vacancy shall occur among the directors elected by the holders of the Series A CRA Preferred Stock and the Voting Preferred Stock, a successor shall be elected by the Board of Directors, upon the nomination of the then-remaining director elected by the holders of the Series A CRA Preferred Stock and the Voting Preferred Stock or the successor of such remaining director, to serve until the next annual meeting of the stockholders or special meeting held in place thereof if such office shall not have previously terminated as provided above.

(b) So long as any shares of Series A CRA Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter of the Corporation, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of the Series A CRA Preferred Stock voting as a single class with the holders of all other classes or series of Parity Stock entitled to vote on such matters, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) any amendment, alteration or repeal of any of the provisions of, or the addition of any provision to, these Articles Supplementary, the Charter or the By-Laws of the Corporation that materially adversely affects the voting powers, rights or preferences of the holders of the Series A CRA Preferred Stock; *provided, however*, that the amendment of the provisions of the Charter so as to increase the authorized amount of Series A CRA Preferred Stock, or to authorize or create, or to increase the authorized amount of, or issue any Junior Stock or any shares of any class of Parity Stock, shall not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of shares of Series A CRA Preferred Stock; or

(ii) the authorization, creation of, increase in the authorized amount of, or issuance of any shares of any class or series of Senior Stock or any security convertible into shares of any class or series of Senior Stock (whether or not such class or series of Senior Stock is currently authorized);

*provided, however*, that no such vote of the holders of shares of Series A CRA Preferred Stock shall be required if, at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such Senior Stock or convertible or exchangeable security is to be made, as the case may be, provision is made for the redemption of all shares of Series A CRA Preferred Stock at the time outstanding to the extent such redemption is authorized by Section 5 of this Article.

For purposes of the foregoing provisions and all other voting rights under these Articles Supplementary, each share of Series A CRA Preferred Stock shall have one (1) vote per share, except that when any other class or series of preferred stock of the Corporation shall have the right to vote with the Series A CRA Preferred Stock as a single class on any matter, then the Series A CRA Preferred Stock and such other class or series shall have with respect to such matters one vote per \$100 of stated liquidation preference. Except as otherwise required by applicable law or as set forth herein or in the Charter, the Series A CRA Preferred Stock shall not have any relative, participating, optional or other special voting rights and powers other than as set forth herein, and the consent of the holders thereof shall not be required for the taking of any corporate action.

## **10. Record Holders.**

The Corporation and any Remarketing Agent or Transfer Agent may deem and treat the record holder of any share of Series A CRA Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation, nor any Remarketing Agent or Transfer Agent, shall be affected by any notice to the contrary.

## **11. Rights With Respect To CRA Credit Allocations.**

(a) **General** . Holders of shares of Series A CRA Preferred Stock and other CRA Parity Securities shall be entitled to an allocation of CRA Credits. "CRA Credits" are an allocation, solely for CRA reporting purposes, of the value of assets owned directly or indirectly by the Operating Partnership ("Investments") which may be considered a "qualified investment" under the CRA, for a holder of shares of Series A CRA Preferred Stock or other CRA Parity Securities. Subject to the terms of this Section 11, each holder of a share of Series A CRA Preferred Stock shall be entitled to an allocation of CRA Credits with respect to Investments in the Eligible CRA Portfolio that have a CRA Credit Value equal to the Liquidation Preference for such share of Series A CRA Preferred Stock. CRA Credit allocations shall be undertaken upon each issuance of shares of Series A CRA Preferred Stock and changes in such allocations, if any, shall be undertaken at the end of each quarter.

(b) **Initial Allocations** . Each holder of shares of Series A CRA Preferred Stock shall provide to the Corporation a certification of its Self-Delineated Assessment Area. "Self-Delineated Assessment Area" is, with respect to each holder of shares of Series A CRA Preferred Stock, such holder's geographic self-delineated assessment area or broader statewide or regional area that includes such holder's self-delineated assessment area for purposes of the CRA. The Corporation shall notify each holder of shares of Series A CRA Preferred Stock of the Investments in the Eligible CRA Portfolio with respect to which such holder will be allocated CRA Credits, which Investments shall be located in such holder's Self-Delineated Assessment Area. A holder of Shares of Series A CRA Preferred Stock which is allocated CRA Credits with respect to Investments that have a CRA Credit Value equal to the aggregate Liquidation Preference of such holder's shares of Series A CRA Preferred Stock is referred to herein as a "Fully Allocated Stockholder." A holder of shares of Series A CRA Stock Preferred that is not a Fully Allocated Stockholder is referred to herein as an "Unallocated Stockholder."

(c) **Replacement Allocations** . The determination of which Investments will be the basis for allocating CRA Credits to a holder of shares of Series A CRA Preferred Stock shall not be revised except as follows:

(i) **Sale of Allocated Assets** . If an Investment with respect to which CRA Credits have been allocated to a holder of Series A CRA Preferred Stock is subsequently transferred (whether by sale or other disposition, including a foreclosure) prior to June 30, 2008 (a "Terminated Allocation"), then the Corporation shall (x) allocate to such holder available CRA Credits with respect to another Investment in the Eligible CRA Portfolio that is within the same Self-Delineated Assessment Area as the Investment that was transferred or another Self-Delineated Assessment Area certified in writing by such holder, or (y) if the Corporation does not have sufficient available Investments in the Eligible CRA Portfolio that is in such holder's Self-Delineated Assessment Area, the Corporation shall use its commercially reasonable efforts (which may include acquiring a new Investment) to add to the Eligible CRA Portfolio a qualifying Investment in such holders' Self-Delineated Assessment Area and allocate to such holder available CRA Credits with respect to such Investment. If a Terminated Allocation occurs after June 30, 2008, the Corporation shall have no obligation to add any Investment to the Eligible CRA Portfolio, but such holder may elect to receive an allocation of available CRA Credits with respect to an

existing Investment in the Eligible CRA Portfolio, subject to the allocation priorities set forth in Section 11(d).

(ii) **Reclassification Upon Transfer** . If a Fully Allocated Stockholder transfers its shares of Series A CRA Preferred Stock, the transferee shall receive the same allocation of CRA Credits as the Fully Allocated Stockholder had prior to transfer. If an Unallocated Stockholder transfers its shares of Series A CRA Preferred Stock, the transferee shall receive (i) the same allocation of CRA Credits as the Unallocated Stockholder had prior to transfer, and (ii) the same priority that the Unallocated Stockholder had prior to transfer with respect to allocations of CRA Credits which the Unallocated Stockholder has properly requested from the Corporation but had not received prior to transfer. Subject to the allocation priorities set forth in Section 11(d), a transferee shall have a one-time option to obtain a new allocation of available CRA Credits with respect to Investments in the Eligible CRA Portfolio.

(iii) **Permissive Reallocations; Sources of Available CRA Credits** . The Corporation, in its sole discretion, may allow a holder of shares of Series A CRA Preferred Stock to request that CRA Credits be allocated with respect to a different Investment in the Eligible CRA Portfolio, subject to the allocation priorities set forth in Section 11(d).

(iv) **Mechanics for Allocation** . The Corporation shall adopt such procedures as it deems necessary to implement the allocation of CRA Credits set forth in this Section 11.

(d) **Allocation Priorities** . CRA Credits with respect to all (or a portion) of a particular Investment in the Eligible CRA Portfolio shall be available for allocation to a holder of shares of Series A CRA Preferred Stock only if and to the extent that a holder of shares of Series A CRA Preferred Stock or any CRA Parity Securities is not already entitled to receive allocations of CRA Credit with respect to such Investment (or a portion thereof). Available CRA Credits shall be allocated in accordance with the following priorities:

(i) first, to Unallocated Stockholders;

(ii) second, to holders of shares of Series A CRA Preferred Stock and holders of other CRA Parity Securities with Terminated Allocations prior to June 30, 2008;

(iii) third, to holders of shares of Series A CRA Preferred Stock and holders of other CRA Parity Securities with Terminated Allocations on and after June 30, 2008;

(iv) fourth, to a transferee of shares of Series A CRA Preferred Stock or other CRA Parity Securities; and

(v) fifth, at the sole discretion of the Corporation, the balance to holders of shares of Series A CRA Preferred Stock and holders of other CRA Parity Securities who request a change in the Investment with respect to which they are allocated CRA Credits.

Within each category set forth above, the Corporation shall determine the order in which holders of shares of Series A CRA Preferred Stock and holders of other CRA Parity Securities are entitled to receive allocations of CRA Credits as follows:

(i) for clause (i) above, priority shall be based on the order in which holders of shares of Series A CRA Preferred Stock or holders of other CRA Parity Securities became Unallocated Stockholders;



(ii) for clauses (ii) and (iii) above, priority shall be based on the order in which a holder of shares of Series A CRA Preferred Stock or a holder of other CRA Parity Securities suffered a Terminated Allocation;

(iii) for clause (iv) above, priority shall be based on the order in which a holder of shares of Series A CRA Preferred Stock or other CRA Parity Securities were transferred; and

(iv) for clause (v) above, priority shall be based on the order in which the request for reallocation is actually received by the Corporation.

(e) **Allocations with Respect to Subsequent CRA Parity Securities** . Stockholders who acquire CRA Parity Securities issued by the Corporation after the Issue Date shall have the same rights to initial allocation and a change in allocation of available CRA Credits as the holders of shares of Series A CRA Preferred Stock and holders of other CRA Parity Securities who previously purchased such securities, subject to the allocation priorities set forth in Section 11(d).

#### **11.1 Restrictions on Ownership and Transfers.**

(A) **Generally** . A holder of shares of Series A CRA Preferred Stock may not Transfer less than (i) two (2) shares of Series A CRA Preferred Stock, or (ii) in the event that the Corporation permitted a holder of Series A CRA Preferred Stock to purchase less than two (2) shares of Series A CRA Preferred Stock, the number of shares so purchased. In all events, however, if a transferor has not Transferred all of its shares of Series A CRA Preferred Stock, such transferor must retain no less than two (2) shares of Series A CRA Preferred Stock or the number of shares of Series A CRA Preferred Stock initially purchased.

(B) **Limitation on Beneficial Ownership** . Except as provided in Section 11.7, from and after the Issue Date, no Person (other than the Initial Holder or a Look-Through Entity) shall Beneficially Own shares of Series A CRA Preferred Stock in excess of the Ownership Limit, the Initial Holder shall not Beneficially Own shares of Series A CRA Preferred Stock in excess of the Initial Holder Limit and no Look-Through Entity shall Beneficially Own shares of Series A CRA Preferred Stock in excess of the Look-Through Ownership Limit.

(C) **Transfers in Excess of Ownership Limit** . Except as provided in Section 11.7, from and after the Issue Date (and subject to Section 11.11), any Transfer (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) that, if effective, would result in any Person (other than the Initial Holder or a Look-Through Entity) Beneficially Owning shares of Series A CRA Preferred Stock in excess of the Ownership Limit shall be void ab initio as to the Transfer of such shares of Series A CRA Preferred Stock that would be otherwise Beneficially Owned by such Person in excess of the Ownership Limit, and the intended transferee shall acquire no rights in such shares of Series A CRA Preferred Stock.

(D) **Transfers in Excess of Initial Holder Limit** . Except as provided in Section 11.7, from and after the Issue Date (and subject to Section 11.11), any Transfer (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) that, if effective, would result in the Initial Holder Beneficially Owning shares of Series A CRA Preferred Stock in excess of the Initial Holder Limit shall be void ab initio as to the Transfer of such shares of Series A CRA Preferred Stock that would be otherwise Beneficially Owned by the Initial Holder in excess of the Initial Holder limit, and the Initial Holder shall acquire no rights in such shares of Series A CRA Preferred Stock.

**(E) Transfers in Excess of Look-Through Ownership Limit** . Except as provided in Section 11.7 from and after the Issue Date (and subject to Section 11.11), any Transfer (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) that, if effective, would result in any Look-Through Entity Beneficially Owning shares of Series A Series A CRA Preferred Stock in excess of the Look-Through Ownership limit shall be void ab initio as to the Transfer of such shares of Series A CRA Preferred Stock that would be otherwise Beneficially Owned by such Look-Through Entity in excess of the Look-Through Ownership Limit and such Look-Through Entity shall acquire no rights in such shares of Series A CRA Preferred Stock.

**(F) Transfers Resulting in “Closely Held” Status** . From and after the Issue Date, any Transfer that, if effective would result in the Corporation being “closely held” within the meaning of Section 856(h) of the Code, or would otherwise result in the Corporation failing to qualify as a REIT (including, without limitation, a Transfer or other event that would result in the Corporation owning (directly or constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the Corporation from such tenant would cause the Corporation to fail to satisfy any of the gross income requirements of Section 856(c) of the Code) shall be void ab initio as to the Transfer of shares of Series A CRA Preferred Stock that would cause the Corporation (i) to be “closely held” within the meaning of Section 856(h) of the Code or (ii) otherwise fail to qualify as a REIT, as the case may be, and the intended transferee shall acquire no rights in such shares of Series A CRA Preferred Stock.

**(G) Severability on Void Transactions** . A Transfer of a share of Series A CRA Preferred Stock that is null and void under Sections 11.1(B), (C), (D), (E) or (F) of this Article because it would, if effective, result in (i) the ownership of Series A CRA Preferred Stock in excess of the Initial Holder Limit, the Ownership Limit, or the Look-Through Ownership Limit, (ii) the Corporation being “closely held” within the meaning of Section 856(h) of the Code or (iii) the Corporation otherwise failing to qualify as a REIT, shall not adversely affect the validity of the Transfer of any other share of Series A CRA Preferred Stock in the same or any other related transaction.

**(H) Remedies for Breach** . If the Board of Directors or a committee thereof shall at any time determine in good faith that a Transfer or other event has taken place in violation of Section 11.1 of this Article or that a Person intends to acquire or has attempted to acquire Beneficial Ownership of any shares of Series A CRA Preferred Stock in violation of Section 11.1 of this Article (whether or not such violation is intended), the Board of Directors or a committee thereof shall be empowered to take any action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, but not limited to, refusing to give effect to such Transfer or other event on the books of the Corporation, causing the Corporation to redeem such shares at the then current Market Price and upon such terms and conditions as may be specified by the Board of Directors in its sole discretion (including, but not limited to, by means of the issuance of long-term indebtedness for the purpose of such redemption), demanding the repayment of any distributions received in respect of shares of Series A CRA Preferred Stock acquired in violation of Section 11.1 of this Article or instituting proceedings to enjoin such Transfer or to rescind such Transfer or attempted Transfer; *provided, however* , that any Transfers or attempted Transfers (or in the case of events other than a Transfer, Beneficial Ownership) in violation of Section 11.1 of this Article, regardless of any action (or non-action) by the Board of Directors or such committee, (a) shall be void *ab initio* or (b) shall automatically result in the transfer described in Section 11.2 of this Article; *provided, further* , that the provisions of this Section 11.1(H) shall be subject to the provisions of Section 11.11 of this Article; *provided, further* , that neither the Board of Directors nor any committee thereof may exercise such authority in a manner that interferes with any ownership or

transfer of Series A CRA Preferred Stock that is expressly authorized pursuant to Section 11.7(C) of this Article.

## **11.2 Transfer in Trust.**

**(A) Establishment of Trust .** If, notwithstanding the other provisions contained in this Article, at any time after the Issue Date there is a purported Transfer (an “ *Excess Transfer*” ) (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) or other change in the capital structure of the Corporation (including, but not limited to, any redemption of Equity Stock) or other event (including, but not limited to, any acquisition of any share of Equity Stock) such that (a) any Person (other than the Initial Holder or a Look-Through Entity) would Beneficially Own shares of Series A CRA Preferred Stock in excess of the Ownership Limit, or (b) the Initial Holder would Beneficially Own shares of Series A CRA Preferred Stock in excess of the Initial Holder Limit, or (c) any Person that is a Look-Through Entity would Beneficially Own shares of Series A CRA Preferred Stock in excess of the Look-Through Ownership Limit (in any such event, the Person, Initial Holder or Look-Through Entity that would Beneficially Own shares of Series A CRA Preferred Stock in excess of the Ownership Limit, the Initial Holder Limit or the Look-Through Entity Limit, respectively, is referred to as a “*Prohibited Transferee*” ), then, except as otherwise provided in Section 11.7 of this Article, such shares of Series A CRA Preferred Stock in excess of the Ownership Limit, the Initial Holder Limit or the Look-Through Ownership Limit, as the case may be, (rounded up to the nearest whole share) shall be automatically transferred to a Trustee in his capacity as trustee of a Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the Excess Transfer, change in capital structure or another event giving rise to a potential violation of the Ownership Limit, the Initial Holder Limit or the Look Through Entity Ownership Limit.

**(B) Appointment of Trustee .** The Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with either the Corporation or any Prohibited Transferee. The Trustee may be an individual or a bank or trust company duly licensed to conduct a trust business.

**(C) Status of Shares Held by the Trustee .** Shares of Series A CRA Preferred Stock held by the Trustee shall be issued and outstanding shares of capital stock of the Corporation. Except to the extent provided in Section 11.2(E), the Prohibited Transferee shall have no rights in the Series A CRA Preferred Stock held by the Trustee, and the Prohibited Transferee shall not benefit economically from ownership of any shares held in trust by the Trustee, shall have no rights to dividends and shall not possess any rights to vote or other rights attributable to the shares held in the Trust.

**(D) Dividend and Voting Rights .** The Trustee shall have all voting rights and rights to dividends with respect to shares of Series A CRA Preferred Stock held in the Trust, which rights shall be exercised for the benefit of the Charitable Beneficiary. Any dividend or distribution paid prior to the discovery by the Corporation that the shares of Series A CRA Preferred Stock have been transferred to the Trustee shall be repaid to the Corporation upon demand, and any dividend or distribution declared but unpaid shall be rescinded as void *ab initio* with respect to such shares of Series A CRA Preferred Stock. Any dividends or distributions so disgorged or rescinded shall be paid over to the Trustee and held in trust for the Charitable Beneficiary. Any vote cast by a Prohibited Transferee prior to the discovery by the Corporation that the shares of Series A CRA Preferred Stock have been transferred to the Trustee will be rescinded as void *ab initio* and shall be recast in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary. The owner of the shares at the time of the Excess Transfer, change in capital structure or other event giving rise to a potential violation of the Ownership Limit, Initial Holder

Limit or Look-Through Entity Ownership Limit shall be deemed to have given an irrevocable proxy to the Trustee to vote the shares of Series A CRA Preferred Stock for the benefit of the Charitable Beneficiary.

**(E) Restrictions on Transfer** . The Trustee of the Trust may sell the shares held in the Trust to a Person, designated by the Trustee, whose ownership of the shares will not violate the Ownership Restrictions. If such a sale is made, the interest of the Charitable Beneficiary shall terminate and proceeds of the sale shall be payable to the Prohibited Transferee and to the Charitable Beneficiary as provided in this Section 11.2(E). The Prohibited Transferee shall receive the lesser of (1) the price paid by the Prohibited Transferee for the shares or, if the Prohibited Transferee did not give value for the shares (through a gift, devise or other transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Trust and (2) the price per share received by the Trustee from the sale or other disposition of the shares held in the Trust. Any proceeds in excess of the amount payable to the Prohibited Transferee shall be payable to the Charitable Beneficiary. If any of the transfer restrictions set forth in this Section 11.2(E) or any application thereof is determined in a final judgment to be void, invalid or unenforceable by any court having jurisdiction over the issue, the Prohibited Transferee may be deemed, at the option of the Corporation, to have acted as the agent of the Corporation in acquiring the Series A CRA Preferred Stock as to which such restrictions would, by their terms, apply, and to hold such Series A CRA Preferred Stock on behalf of the Corporation.

**(F) Purchase Right in Stock Transferred to the Trustee** . Shares of Series A CRA Preferred Stock transferred to the Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation shall have the right to accept such offer for a period of 90 days after the later of (i) the date of the Excess Transfer or other event resulting in a transfer to the Trust and (ii) the date that the Board of Directors determines in good faith that an Excess Transfer or other event occurred.

**(G) Designation of Charitable Beneficiaries** . By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust relating to such Prohibited Transferee if (i) the shares of Series A CRA Preferred Stock held in the Trust would not violate the Ownership Restrictions in the hands of such Charitable Beneficiary and (ii) each Charitable Beneficiary is an organization described in Sections 170(b)(1)(A), 170(c)(2) and 501(c)(3) of the Code.

**11.3 Notice of Restricted Transfer.** Any Person that acquires or attempts to acquire shares of Series A CRA Preferred Stock in violation of Section 11.1 of this Article, or any Person that is a Prohibited Transferee such that stock is transferred to the Trustee under Section 11.2 of this Article, shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer or attempted Transfer or other event on the Corporation's status as a REIT. Failure to give such notice shall not limit the rights and remedies of the Board of Directors provided herein in any way.

**11.4 Owners Required to Provide Information** . From and after the Issue Date certain record and Beneficial Owners and transferees of shares of Series A CRA Preferred Stock will be required to provide certain information as set out below.

**(A) Annual Disclosure** . Every record holder or Beneficial Owner of more than 5% (or such other percentage between 0.5% and 5%, as provided in the applicable regulations adopted under the Code) of the number of Outstanding shares of Series A CRA Preferred Stock shall, within 30 days after

January 1 of each year, give written notice to the Corporation stating the name and address of such record holder or Beneficial Owner, the number of shares of Series A CRA Preferred Stock Beneficially Owned, and a full description of how such shares are held. Each such record holder or Beneficial Owner of Series A CRA Preferred Stock shall, upon demand by the Corporation, disclose to the Corporation in writing such additional information with respect to the Beneficial Ownership of the Series A CRA Preferred Stock as the Board of Directors, in its sole discretion, deems appropriate or necessary to (i) comply with the provisions of the Code regarding the qualification of the Corporation as a REIT under the Code and (ii) ensure compliance with the Ownership Limit, the Initial Holder Limit or the Look-Through Ownership Limit, as applicable. Each stockholder of record, including without limitation any Person that holds shares of Series A CRA Preferred Stock on behalf of a Beneficial Owner, shall take all reasonable steps to obtain the written notice described in this Section 11.4 from the Beneficial Owner.

**(B) Disclosure at the Request of the Corporation** . Any Person that is a Beneficial Owner of shares of Series A CRA Preferred Stock and any Person (including the stockholder of record) that is holding shares of Series A CRA Preferred Stock for a Beneficial Owner, and any proposed transferee of shares, shall provide such information as the Corporation, in its sole discretion, may request in order to determine the Corporation's status as a REIT, to comply with the requirements of any taxing authority or other governmental agency, to determine any such compliance or to ensure compliance with the Ownership Limit, the Initial Holder Limit and the Look-Through Ownership Limit, and shall provide a statement or affidavit to the Corporation setting forth the number of shares of Series A CRA Preferred Stock already Beneficially Owned by such stockholder or proposed transferee and any related persons specified, which statement or affidavit shall be in the form prescribed by the Corporation for that purpose.

**11.5 Remedies Not Limited** . Nothing contained in this Article shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable (subject to the provisions of Section 11.11 of this Article) (i) to protect the Corporation and the interests of its stockholders in the preservation of the Corporation's status as a REIT and (ii) to insure compliance with the Ownership Limit, the Initial Holder Limit and the Look-Through Ownership Limit.

**11.6 Ambiguity** . In the case of an ambiguity in the application of any of the provisions of Section 11 of this Article, or in the case of an ambiguity in any definition contained in Section 11 of this Article, the Board of Directors shall have the power to determine the application of the provisions of this Article with respect to any situation based on its reasonable belief, understanding or knowledge of the circumstances.

**11.7 Exceptions** . The following exceptions shall apply or may be established with respect to the limitations of Section 11.1 of this Article.

**(A) Waiver of Ownership Limit** . The Board of Directors, upon receipt of a ruling from the Internal Revenue Service or an opinion of tax counsel or other evidence or undertaking acceptable to it, may waive the application, in whole or in part, of the Ownership Limit to a Person subject to the Ownership Limit, if such person is not an individual for purposes of Section 542(a) of the Code (as modified to exclude qualified trusts from treatment as individuals pursuant to Section 856(h)(3) of the Code) and is a corporation, partnership, limited liability company, estate or trust. In connection with any such exemption, the Board of Directors may require such representations and undertakings from such Person and may impose such other conditions as the Board of Directors deems necessary, in its sole discretion, to determine the effect, if any, of the proposed Transfer on the Corporation's status as a REIT.

**(B) Pledge by Initial Holder** . Notwithstanding any other provision of this Article, the pledge by the Initial Holder of all or any portion of the Series A CRA Preferred Stock directly owned at

any time or from time to time shall not constitute a violation of Section 11.1 of this Article and the pledgee shall not be subject to the Ownership Limit with respect to the Series A CRA Preferred Stock so pledged to it either as a result of the pledge or upon foreclosure.

(C) **Underwriters** . For a period of 270 days (or such longer period of time as any underwriter described below shall hold an unsold allotment of Series A CRA Preferred Stock) following the purchase of Series A CRA Preferred Stock by an underwriter that (i) is a corporation, partnership or other legal entity and (ii) participates in an offering of the Series A CRA Preferred Stock, such underwriter shall not be subject to the Ownership Limit with respect to the Series A CRA Preferred Stock purchased by it as a part of or in connection with such offering and with respect to any Series A CRA Preferred Stock purchased in connection with market making activities.

**11.8 Legend** . Each certificate for Series A CRA Preferred Stock shall bear substantially the following legend:

“THIS SECURITY, WHICH HAS BEEN ISSUED BY APARTMENT INVESTMENT AND MANAGEMENT COMPANY (THE “CORPORATION”), HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY OTHER APPLICABLE JURISDICTION. BY ITS ACCEPTANCE HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (A “QUALIFIED INSTITUTIONAL BUYER”) (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”)); AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN, ONLY (A) TO THE CORPORATION OR MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING THIS SECURITY OR SUCH INTEREST OR PARTICIPATION FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER AND TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE OF RULE 144A, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THIS SECURITY OR SUCH INTEREST OR PARTICIPATION BE AT ALL TIMES WITHIN ITS CONTROL, AND IN COMPLIANCE WITH THE SECURITIES LAWS OF ANY OTHER APPLICABLE JURISDICTION.

ANY TRANSFER OF THIS SECURITY MUST BE IN AN AMOUNT OF NOT LESS THAN \$500,000 AND INTEGRAL MULTIPLES THEREOF, TO A TRANSFEREE PURCHASING FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT.

NO TRANSFER OF THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN WILL BE PERMITTED IF SUCH TRANSFER WOULD RESULT IN A VIOLATION OF THE

“OWNERSHIP LIMIT” AS DEFINED IN THE ARTICLES SUPPLEMENTARY OR OTHERWISE COULD ADVERSELY AFFECT THE STATUS OF THE CORPORATION AS A REIT. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTION TO THE RIGHTS TO THE CONTRARY TO THE CORPORATION OR ANY INTERMEDIARY.

THE SHARES OF SERIES A COMMUNITY REINVESTMENT ACT PERPETUAL PREFERRED STOCK (THE “CRA PREFERRED STOCK”) REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER. NO PERSON MAY BENEFICIALLY OWN SHARES OF CRA PREFERRED STOCK IN EXCESS OF THE OWNERSHIP RESTRICTIONS, AS APPLICABLE, WITH CERTAIN FURTHER RESTRICTIONS AND EXCEPTIONS SET FORTH IN THE CORPORATION’S CHARTER (INCLUDING THE ARTICLES SUPPLEMENTARY SETTING FORTH THE TERMS OF THE CRA PREFERRED STOCK). ANY PERSON THAT ATTEMPTS TO BENEFICIALLY OWN SHARES OF CRA PREFERRED STOCK IN EXCESS OF THE APPLICABLE LIMITATION MUST IMMEDIATELY NOTIFY THE CORPORATION. ALL CAPITALIZED TERMS IN THIS LEGEND HAVE THE MEANINGS ASCRIBED TO SUCH TERMS IN THE CHARTER (INCLUDING THE ARTICLES SUPPLEMENTARY SETTING FORTH THE TERMS OF THE CRA PREFERRED STOCK), AS THE SAME MAY BE AMENDED FROM TIME TO TIME, A COPY OF WHICH, INCLUDING THE RESTRICTIONS ON TRANSFER, WILL BE SENT WITHOUT CHARGE TO EACH STOCKHOLDER THAT SO REQUESTS. IF THE RESTRICTIONS ON TRANSFER ARE VIOLATED, (I) THE TRANSFER OF THE SHARES OF CRA PREFERRED STOCK REPRESENTED HEREBY WILL BE VOID IN ACCORDANCE WITH THE CHARTER (INCLUDING THE ARTICLES SUPPLEMENTARY SETTING FORTH THE TERMS OF THE CRA PREFERRED STOCK) OR (II) THE SHARES OF CRA PREFERRED STOCK REPRESENTED HEREBY WILL AUTOMATICALLY BE TRANSFERRED TO A TRUSTEE OF A TRUST FOR THE BENEFIT OF ONE OR MORE CHARITABLE BENEFICIARIES.”

**11.9 Severability** . If any provision of this Article or any application of any such provision is determined in a final and unappealable judgment to be void, invalid or unenforceable by any Federal or state court having jurisdiction over the issues, the validity and enforceability of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

**11.10 Board of Directors Discretion** . Anything in this Article to the contrary notwithstanding, the Board of Directors shall be entitled to take or omit to take such actions as it in its discretion shall determine to be advisable in order that the Corporation maintain its status as and continue to qualify as a REIT, including, but not limited to, reducing the Ownership Limit, the Initial Holder Limit and the Look-Through Ownership Limit in the event of a change in law.

**11.11 Settlement** . Nothing in this Section 11 of this Article shall be interpreted to preclude the settlement of any transaction entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system.

## ARTICLES SUPPLEMENTARY

### APARTMENT INVESTMENT AND MANAGEMENT COMPANY

#### Class A Cumulative Preferred Stock (Par Value \$.01 Per Share)

APARTMENT INVESTMENT AND MANAGEMENT COMPANY, a Maryland corporation (hereinafter called the "Corporation"), having its principal office in Baltimore City, Maryland, hereby certifies to the Department of Assessments and Taxation of the State of Maryland that:

**FIRST** : Pursuant to authority expressly vested in the Board of Directors of the Corporation by Section 1.2 of Article IV of the Charter of the Corporation, as amended to date (the "Charter"), the Board of Directors has duly divided and classified 5,000,000 authorized but unissued shares of Class A Common Stock of the Corporation, par value \$.01 per share, into a class designated as Class A Cumulative Preferred Stock, par value \$.01 per share, and has provided for the issuance of such class.

**SECOND** : The reclassification increases the number of shares classified as Class A Cumulative Preferred Stock, par value \$.01 per share, from no shares immediately prior to the reclassification to 5,000,000 shares immediately after the reclassification. The reclassification decreases the number of shares classified as Class A Common Stock from 505,787,260 shares immediately prior to the reclassification to 500,787,260 shares immediately after the reclassification. The number of shares classified as Class A Cumulative Preferred Stock may be decreased upon reacquisition thereof in any manner, or by retirement thereof, by the Corporation.

**THIRD** : The terms of the Class A Cumulative Preferred Stock (including the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, or terms or conditions of redemption) as set by the Board of Directors are as follows:

**1.        *Number of Shares and Designation.***

This class of Preferred Stock shall be designated as Class A Cumulative Preferred Stock (the "Class A Preferred Stock") and 5,000,000 shall be the authorized number of shares of such Class A Preferred Stock constituting such class.

**2.        *Definitions.***

For purposes of the Class A Preferred Stock, the following terms shall have the meanings indicated:

"Act" shall mean the Securities Act of 1933, as amended.

"affiliate" of a Person means a Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified.

"Aggregate Value" shall mean, with respect to any block of Equity Stock, the product of (i) the number of shares of Equity Stock within such block and (ii) the corresponding Market Price of one share of Equity Stock of such class.

"Alternative Form Consideration" has the meaning set forth in Section 11(e) of this Article.

"Beneficial Ownership" shall mean, with respect to any Person, ownership of shares of Equity Stock equal to the sum of (without duplication) (i) the number of shares of Equity Stock directly owned by such Person, (ii) the number of shares of Equity Stock indirectly owned by such Person (if such Person is an "individual" as defined in Section 542(a)(2) of the Code) taking into account



the constructive ownership rules of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code, and (iii) the number of shares of Equity Stock that such Person is deemed to beneficially own pursuant to Rule 13d-3 under the Exchange Act, or that is attributed to such Person pursuant to Section 318 of the Code, as modified by Section 856(d)(5) of the Code, *provided* that when applying this definition of Beneficial Ownership to the Initial Holder, clause (iii) of this definition, and clause (ii) of the definition of “Person” shall be disregarded. The terms “*Beneficial Owner*,” “*Beneficially Owns*” and “*Beneficially Owned*” shall have the correlative meanings.

“*Board of Directors*” shall mean the Board of Directors of the Corporation or any committee authorized by such Board of Directors to perform any of its responsibilities with respect to the Class A Preferred Stock; *provided* that, for purposes of Section 8(a) of this Article, the term “*Board of Directors*” shall not include any such committee.

“*Business Day*” shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

“*Change of Control*” shall mean, after the Issue Date, the following have occurred and are continuing: (i) the acquisition by any person, including any syndicate or group deemed to be a “person” under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of stock of the Corporation entitling that person to exercise more than 50% of the total voting power of all stock of the Corporation entitled to vote generally in the election of the Corporation’s directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and (ii) following the closing of any transaction referred to in (i) above, neither the Corporation nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE MKT or NASDAQ, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ.

“*Change of Control Conversion Date*” has the meaning set forth in Section 11(k) of this Article.

“*Change of Control Conversion Right*” has the meaning set forth in Section 11(a) of this Article.

“*Charitable Beneficiary*” shall mean one or more beneficiaries of the Trust as determined pursuant to Section 10(h)(vii) of this Article, each of which shall be an organization described in Section 170(b)(1)(A), 170(c)(2) and 501(c)(3) of the Code.

“*Class A Common Stock*” shall mean the Class A Common Stock, par value \$.01 per share, of the Corporation, and such other shares of the Corporation’s capital stock into which outstanding shares of such Class A Common Stock shall be reclassified.

“*Class A Preferred Stock*” shall have the meaning set forth in Section 1 of this Article.

“*Closing Price*” shall mean, when used with respect to a share of any Equity Stock and for any date, the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case, as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if the Equity Stock is not listed or admitted to trading on the NYSE, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Equity Stock is listed or admitted to trading or, if the

Equity Stock is not listed or admitted to trading on any national securities exchange, the last quoted price, or if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if the Equity Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Equity Stock selected by the Board of Directors of the Corporation or, if the Equity Stock is not publicly traded, the fair value of a share of such Equity Stock as reasonably determined in good faith by the Board of Directors.

*“Code”* shall mean the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto. Reference to any provision of the Code shall mean such provision as in effect from time to time, as the same may be amended, and any successor thereto, as interpreted by any applicable regulations or other administrative pronouncements as in effect from time to time.

*“Common Stock Conversion Consideration”* has the meaning set forth in Section 11(a) of this Article.

*“Common Stock Price”* has the meaning set forth in Section 11(l) of this Article.

*“Conversion Consideration”* has the meaning set forth in Section 11(e) of this Article.

*“Depository”* has the meaning set forth in Section 11(n) of this Article.

*“Dividend Payment Date”* shall mean January 15, April 15, July 15, and October 15 of each year; *provided*, that if any Dividend Payment Date falls on any day other than a Business Day, the dividend payment payable on such Dividend Payment Date shall be paid on the Business Day immediately following such Dividend Payment Date and no interest shall accrue on such dividend from such date to such Dividend Payment Date.

*“Dividend Periods”* shall mean the Initial Dividend Period and each subsequent quarterly dividend period commencing on and including January 15, April 15, July 15, and October 15 of each year and ending on and including the day preceding the first day of the next succeeding Dividend Period, other than the Dividend Period during which any Class A Preferred Stock shall be redeemed pursuant to Section 5 of this Article, which shall end on and include the Redemption Date with respect to the Class A Preferred Stock being redeemed.

*“Equity Stock”* shall mean one or more shares of any class of capital stock of the Corporation.

*“Excess Transfer”* has the meaning set forth in Section 10(h)(i) of this Article.

*“Exchange Act”* shall mean the Securities Exchange Act of 1934, as amended.

*“Exchange Cap”* has the meaning set forth in Section 11(d) of this Article.

*“Initial Dividend Period”* shall mean the period commencing on and including the Issue Date and ending on and including July 14, 2014.

*“Initial Holder”* shall mean Terry Considine.

*“Initial Holder Limit”* shall mean a number of the Outstanding shares of Class A Preferred Stock of the Corporation having an Aggregate Value not in excess of the excess of (x) 15% of the Aggregate Value of all Outstanding shares of Equity Stock over (y) the Aggregate Value of all shares of Equity Stock other than Class A Preferred Stock that are Beneficially Owned by the Initial Holder. From

the Issue Date, the secretary of the Corporation, or such other person as shall be designated by the Board of Directors, shall upon request make available to the representative(s) of the Initial Holder and the Board of Directors, a schedule that sets forth the then-current Initial Holder Limit applicable to the Initial Holder.

*“Issue Date”* shall mean May 16, 2014.

*“Junior Stock”* shall have the meaning set forth in Section 7(c) of this Article.

*“Liquidation Preference”* shall have the meaning set forth in Section 4(a) of this Article.

*“Look-Through Entity”* shall mean a Person that is either (i) described in Section 401(a) of the Code as provided under Section 856(h)(3) of the Code or (ii) registered under the Investment Company Act of 1940.

*“Look-Through Ownership Limit”* shall mean, for any Look-Through Entity, a number of the Outstanding shares of Class A Preferred Stock of the Corporation having an Aggregate Value not in excess of the excess of (x) 15% of the Aggregate Value of all Outstanding shares of Equity Stock over (y) the Aggregate Value of all shares of Equity Stock other than Class A Preferred Stock that are Beneficially Owned by the Look-Through Entity.

*“Market Price”* on any date shall mean, with respect to any share of Equity Stock, the Closing Price of a share of that class of Equity Stock on the Trading Day immediately preceding such date.

*“NASDAQ”* shall mean the NASDAQ Stock Market, Inc.

*“NYSE”* shall mean The New York Stock Exchange, Inc.

*“NYSE MKT”* shall mean the NYSE MKT LLC.

*“Operating Partnership”* shall mean AIMCO Properties, L.P., a Delaware limited partnership.

*“Outstanding”* shall mean issued and outstanding shares of Equity Stock of the Corporation; *provided, however*, that for purposes of the application of the Ownership Limit, the Look-Through Ownership Limit or the Initial Holder Limit to any Person, the term “Outstanding” shall be deemed to include the number of shares of Equity Stock that such Person alone, at that time, could acquire pursuant to any options or convertible securities.

*“Ownership Limit”* shall mean, for any Person other than the Initial Holder or a Look-Through Entity, a number of the Outstanding shares of Class A Preferred Stock of the Corporation having an Aggregate Value not in excess of the excess of (x) 8.7% of the Aggregate Value of all Outstanding shares of Equity Stock over (y) the Aggregate Value of all shares of Equity Stock other than Class A Preferred Stock that are Beneficially Owned by the Person.

*“Ownership Restrictions”* shall mean, collectively, the Ownership Limit, as applied to Persons other than the Initial Holder or Look-Through Entities, the Initial Holder Limit, as applied to the Initial Holder, and the Look-Through Ownership Limit, as applied to Look-Through Entities.

*“Parity Stock”* shall have the meaning set forth in Section 7(b) of this Article.

*“Person”* shall mean (a) for purposes of Section 10 of this Article, (i) an individual, corporation, partnership, estate, trust (including a trust qualifying under Section 401(a) or 501(c) of the Code), association, “private foundation,” within the meaning of Section 509(a) of the Code, joint stock company or other entity, and (ii) a “group,” as that term is used for purposes of Section 13(d)(3) of

the Exchange Act, and (b) for purposes of the remaining Sections of this Article, any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity.

*“Prohibited Transferee”* shall have the meaning set forth in Section 10(h)(i) of this Article.

*“Record Date”* shall have the meaning set forth in Section 3(a) of this Article.

*“Redemption Date”* shall mean, in the case of any redemption of any shares of Class A Preferred Stock, the date fixed for redemption of such shares.

*“Redemption Price”* shall mean, with respect to any share of Class A Preferred Stock to be redeemed, 100% of the Liquidation Preference thereof, plus (except as provided in Section 5(c) of this Article) all accumulated, accrued and unpaid dividends (whether or not earned or declared), if any, to, but excluding, the Redemption Date.

*“REIT”* shall mean a “real estate investment trust,” as defined in Section 856 of the Code.

*“Senior Stock”* shall have the meaning set forth in Section 7(a) of this Article.

*“set apart for payment”* shall be deemed to include, without any action other than the following, the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of dividends or other distribution by the Board of Directors, the allocation of funds to be so paid on any series or class of capital stock of the Corporation; *provided, however*, that if any funds for any class or series of Junior Stock or any class or series of Parity Stock are placed in a separate account of the Corporation or delivered to a disbursing, paying or other similar agent, then “set apart for payment” with respect to the Class A Preferred Stock shall mean placing such funds in a separate account or delivering such funds to a disbursing, paying or other similar agent.

*“Share Cap”* has the meaning set forth in Section 11(a)(ii) of this Article.

*“Share Split”* has the meaning set forth in Section 11(c) of this Article.

*“Trading Day”* shall mean, when used with respect to any Equity Stock, (i) if the Equity Stock is listed or admitted to trading on the NYSE, a day on which the NYSE is open for the transaction of business, (ii) if the Equity Stock is not listed or admitted to trading on the NYSE but is listed or admitted to trading on another national securities exchange or automated quotation system, a day on which the principal national securities exchange or automated quotation system, as the case may be, on which the Equity Stock is listed or admitted to trading is open for the transaction of business, or (iii) if the Equity Stock is not listed or admitted to trading on any national securities exchange or automated quotation system, any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

*“Transfer”* shall mean any sale, transfer, gift, assignment, devise or other disposition of a share of Class A Preferred Stock (including (i) the granting of an option or any series of such options or entering into any agreement for the sale, transfer or other disposition of Class A Preferred Stock or (ii) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Class A Preferred Stock), whether voluntary or involuntary, whether of record ownership or Beneficial Ownership, and whether by operation of law or otherwise (including, but not limited to, any transfer of an interest in other entities that results in a change in the Beneficial Ownership of shares of Class A Preferred Stock). The term *“Transfers”* and *“Transferred”* shall have correlative meanings.

“*Transfer Agent*” means such transfer agent as may be designated by the Board of Directors or their designee as the transfer agent for the Class A Preferred Stock; *provided*, that if the Corporation has not designated a transfer agent then the Corporation shall act as the transfer agent for the Class A Preferred Stock.

“*Trust*” shall mean the trust created pursuant to Section 10(h)(i) of this Article.

“*Trustee*” shall mean the Person unaffiliated with either the Corporation or the Prohibited Transferee that is appointed by the Corporation to serve as trustee of the Trust.

“*Voting Preferred Stock*” shall have the meaning set forth in Section 8(a) of this Article.

### **3. Dividends.**

(a) The holders of Class A Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available for that purpose, quarterly cash dividends on the Class A Preferred Stock in an amount per share equal to \$0.4296875. Such dividends shall be cumulative from and including the Issue Date, whether or not in any Dividend Period or Periods such dividends shall be declared or there shall be funds of the Corporation legally available for the payment of such dividends, and shall be payable quarterly in arrears on each Dividend Payment Date, commencing on July 15, 2014. Each such dividend shall be payable in arrears to the holders of record of the Class A Preferred Stock, as they appear on the stock records of the Corporation at the close of business on January 1, April 1, July 1 or October 1 (each a “Record Date”), as the case may be, immediately preceding such Dividend Payment Date. Accumulated, accrued and unpaid dividends for any past Dividend Periods may be declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, which date shall not precede by more than 45 days the payment date thereof, as may be fixed by the Board of Directors.

(b) The amount of dividends payable per share of Class A Preferred Stock for the Initial Dividend Period, or any period shorter than a full Dividend Period, shall be computed ratably on the basis of twelve 30-day months and a 360-day year. Holders of Class A Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Class A Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Class A Preferred Stock that may be in arrears.

(c) So long as any of the shares of Class A Preferred Stock are outstanding, except as described in the immediately following sentence, no dividends shall be declared or paid or set apart for payment by the Corporation and no other distribution of cash or other property shall be declared or made, directly or indirectly, by the Corporation with respect to any class or series of Parity Stock for any period unless dividends equal to the full amount of accumulated, accrued and unpaid dividends have been or contemporaneously are declared and paid, or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for such payment, on the Class A Preferred Stock for all Dividend Periods terminating on or prior to the date such dividend or distribution is declared, paid, set apart for payment or made, as the case may be, with respect to such class or series of Parity Stock. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends declared upon the Class A Preferred Stock and all dividends declared upon any other class or series of Parity Stock shall be declared ratably in proportion to the respective amounts of dividends accumulated, accrued and unpaid on the Class A Preferred Stock and accumulated, accrued and unpaid on such Parity Stock.

(d) So long as any of the shares of Class A Preferred Stock are outstanding, no dividends (other than dividends or distributions paid in shares of Junior Stock, or options, warrants or rights to subscribe for or purchase shares of Junior Stock) shall be declared or paid or set apart for payment by the

Corporation and no other distribution of cash or other property shall be declared or made, directly or indirectly, by the Corporation with respect to any shares of Junior Stock, nor shall any shares of Junior Stock be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of Class A Common Stock made for purposes of an employee incentive or benefit plan of the Corporation or any subsidiary) for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any shares of any such stock) directly or indirectly by the Corporation (except by conversion into or exchange for shares of Junior Stock, or options, warrants or rights to subscribe for or purchase shares of Junior Stock), nor shall any other cash or other property otherwise be paid or distributed to or for the benefit of any holder of shares of Junior Stock in respect thereof, directly or indirectly, by the Corporation unless, in each case, dividends equal to the full amount of all accumulated, accrued and unpaid dividends on all outstanding shares of Class A Preferred Stock have been declared and paid, or such dividends have been declared and a sum sufficient for the payment thereof has been set apart for such payment, on all outstanding shares of Class A Preferred Stock for all Dividend Periods ending on or prior to the date such dividend or distribution is declared, paid, set apart for payment or made with respect to such shares of Junior Stock, or the date such shares of Junior Stock are redeemed, purchased or otherwise acquired or monies paid to or made available for any sinking fund for such redemption, or the date any such cash or other property is paid or distributed to or for the benefit of any holders of Junior Stock in respect thereof, as the case may be.

Notwithstanding the provisions of this Section 3, the Corporation shall not be prohibited from (i) declaring or paying or setting apart for payment any dividend or distribution on any shares of Parity Stock or (ii) redeeming, purchasing or otherwise acquiring any Parity Stock, in each case, if such declaration, payment, redemption, purchase or other acquisition is necessary in order to maintain the continued qualification of the Corporation as a REIT under Section 856 of the Code.

#### **4.        *Liquidation Preference.***

(a)        In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution by the Corporation (whether of capital, surplus or otherwise) shall be made to or set apart for the holders of any shares of Junior Stock, the holders of shares of Class A Preferred Stock shall be entitled to receive Twenty-Five Dollars (\$25) per share of Class A Preferred Stock (the "Liquidation Preference"), plus an amount equal to all dividends (whether or not earned or declared) accumulated, accrued and unpaid thereon to, but excluding, the date of final distribution to such holders; but such holders shall not be entitled to any further payment. Until the holders of the Class A Preferred Stock have been paid the Liquidation Preference in full, plus an amount equal to all dividends (whether or not earned or declared) accumulated, accrued and unpaid thereon to, but excluding, the date of final distribution to such holders, no payment will be made to any holder of Junior Stock upon the liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of Class A Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other shares of any class or series of Parity Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of Class A Preferred Stock and any such other Parity Stock ratably in the same proportion as the respective amounts that would be payable on such Class A Preferred Stock and any such other Parity Stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation or merger of the Corporation with one or more corporations, (ii) a sale or transfer of all or substantially all of the Corporation's assets, or (iii) a statutory share exchange shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of Class A Preferred Stock and any Parity Stock, as provided in Section 4(a), any other series or class or classes of Junior Stock shall, subject to the respective terms thereof, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Class A Preferred Stock and any Parity Stock shall not be entitled to share therein.

**5. *Redemption at the Option of the Corporation.***

(a) Shares of Class A Preferred Stock shall not be redeemable by the Corporation prior to May 16, 2019, except as set forth in Section 5 (b) and Section 10(g) of this Article. On and after May 16, 2019 the Corporation may, at its option, redeem shares of Class A Preferred Stock at any time in whole, or from time to time in part, at a redemption price payable in cash equal to the Redemption Price applicable thereto.

(b) Upon the occurrence of a Change of Control, the Corporation may, at its option, redeem shares of Class A Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at the Redemption Price. If, prior to the Change of Control Conversion Date, the Corporation has provided or provides notice of its election to redeem some or all of the shares of Class A Preferred Stock (whether pursuant to Section 5(a) or (b)), the holders of Class A Preferred Stock shall not have the Change of Control Conversion Right set forth in Section 11 of this Article with respect to the shares called for redemption and any shares of Class A Preferred Stock called for redemption that have been tendered for conversion will be redeemed on the applicable Redemption Date instead of converted on the applicable Change of Control Conversion Date.

(c) Anything herein to the contrary notwithstanding, and except as otherwise required by law, the persons who are holders of record of shares of Class A Preferred Stock at the close of business on a Record Date will be entitled to receive the dividend payable on the corresponding Dividend Payment Date notwithstanding the redemption of those shares after such Record Date and on or prior to such Dividend Payment Date or the default by the Corporation in the payment of the dividend due on that Dividend Payment Date, in which case the Redemption Price payable upon redemption of such shares of Class A Preferred Stock will not include such dividend, and the full amount of the dividend payable for the applicable Dividend Period shall instead be paid on such Dividend Payment Date to the holders of record at the close of business on such Record Date as aforesaid.

(d) The Redemption Date shall be selected by the Corporation, and shall be specified in a notice of redemption which will be mailed, postage prepaid, not less than 30 days nor more than 60 days prior to the Redemption Date, to the holders of record of the Class A Preferred Stock to be redeemed at their addresses as they appear on the stock records of the Corporation. No failure to give such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Class A Preferred Stock except as to the holder to whom notice was defective or not given. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given on the date mailed whether or not the holder receives the notice. Each notice shall state: (i) the Redemption Date; (ii) the number of shares of Class A Preferred Stock to be redeemed; (iii) the Redemption Price and whether or not accumulated, accrued and unpaid dividends will be payable as part of the Redemption Price, or payable on the next Dividend Payment Date to the persons who were holders of record at the close of business on the relevant Record Date; (iv) the place or places where certificates for the Class A Preferred Stock are to be surrendered for payment of the Redemption Price; (v) the procedures that the holders of Class A Preferred Stock must follow to surrender the certificates for redemption, including whether the certificates shall be properly endorsed or assigned for transfer; (vi) that dividends on the shares to be redeemed will cease to accumulate on such Redemption Date; (vii) whether such redemption is being made pursuant to Section 5 (a) or (b); (viii) if applicable, that such redemption is being

made in connection with a Change of Control and, in that case, a brief description of the transaction or transactions constituting such Change of Control; and (ix) if such redemption is being made in connection with a Change of Control, that the holders of the shares of Class A Preferred Stock being so called for redemption will not be able to tender such shares of Class A Preferred Stock for conversion in connection with the Change of Control and that each share of Class A Preferred Stock tendered for conversion that is called for redemption prior to the Change of Control Conversion Date will be redeemed on the Redemption Date instead of converted on the Change of Control Conversion Date. If fewer than all of the shares of Class A Preferred Stock held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of shares of Class A Preferred Stock to be redeemed from such holder and, upon redemption, to the extent the shares of Class A Preferred Stock are represented by certificates, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

(e) If notice of redemption of any shares of Class A Preferred Stock has been given (unless the Corporation fails to make available the funds necessary for such redemption), then from and after the Redemption Date, dividends will cease to accumulate on such shares of Class A Preferred Stock, such shares of Class A Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the Redemption Price payable upon redemption (and any dividend payable pursuant to Section 5(c)). The Corporation's obligation to make available the funds necessary to effect a redemption in accordance with the preceding sentence shall be deemed fulfilled if, on or before the applicable Redemption Date, the Corporation shall irrevocably deposit in trust with a bank or trust company (which may not be an affiliate of the Corporation) that has, or is an affiliate of a bank or trust company that has, a capital and surplus of at least \$50,000,000, such amount of cash as is necessary for such redemption plus, if such Redemption Date occurs after any Record Date and on or prior to the related Dividend Payment Date, such amount of cash as is necessary to pay the dividend payable on such Dividend Payment Date in respect of such shares of Class A Preferred Stock called for redemption, with irrevocable instructions that such cash be applied to the redemption of the shares of Class A Preferred Stock so called for redemption and, if applicable, the payment of such dividend. No interest shall accrue for the benefit of the holders of shares of Class A Preferred Stock to be redeemed on any cash so set aside by the Corporation. Subject to applicable escheat laws, any such cash unclaimed at the end of two years from the Redemption Date shall revert to the general funds of the Corporation, after which reversion the holders of shares of Class A Preferred Stock so called for redemption shall look only to the general funds of the Corporation for the payment of such cash. In the event that any Redemption Date shall not be a Business Day, then payment of the Redemption Price payable upon redemption need not be made on such Redemption Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Redemption Date and no interest, additional dividends or other sums shall accrue on the amount so payable for the period from and after such Redemption Date to such next succeeding Business Day. If less than all of the outstanding shares of Class A Preferred Stock are to be redeemed, the shares of Class A Preferred Stock to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by lot.

(f) Upon surrender, in accordance with the notice of redemption, of the certificates representing any shares of Class A Preferred Stock to be so redeemed (properly endorsed or assigned for transfer, if the Corporation shall so require and the notice shall so state) (or, in the case of shares of Class A Preferred Stock held in book-entry form through a depository, upon delivery of such shares in accordance with such notice and the procedures of such depository), such shares of Class A Preferred Stock shall be redeemed by the Corporation at the Redemption Price. In case fewer than all the shares of Class A Preferred Stock represented by any such certificate are redeemed, a new certificate or certificates shall be issued representing the unredeemed shares of Class A Preferred Stock without cost to the holder thereof.



(g) Unless full cumulative dividends for all past Dividend Periods on all outstanding shares of Class A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment, (i) no shares of Class A Preferred Stock shall be redeemed unless all outstanding shares of Class A Preferred Stock are simultaneously redeemed, and (ii) the Corporation shall not purchase or otherwise acquire, directly or indirectly, any shares of Class A Preferred Stock (except by conversion into or exchange for Junior Stock); *provided, however*, that the foregoing shall not prevent the purchase or acquisition by the Corporation of shares of Class A Preferred Stock pursuant to Section 10 of this Article in order to preserve the qualification of the Corporation as a REIT for federal and/or state income tax purposes or pursuant to a purchase or exchange offer made on the same terms to the holders of all outstanding shares of Class A Preferred Stock. Subject to the limitations set forth in the Charter (including these terms of the Class A Preferred Stock), the Corporation shall be entitled at any time and from time to time to repurchase shares of Class A Preferred Stock in open-market transactions, by tender or by private agreement, in each case, as duly authorized by the Board of Directors and effected in compliance with applicable laws.

**6. Status of Reacquired Stock.**

All shares of Class A Preferred Stock that have been issued and reacquired in any manner by the Corporation shall be returned to the status of authorized but unissued shares of Class A Preferred Stock.

**7. Ranking.**

Any class or series of capital stock of the Corporation shall be deemed to rank:

(a) prior or senior to the Class A Preferred Stock, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Class A Preferred Stock ("Senior Stock");

(b) on a parity with the Class A Preferred Stock, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Class A Preferred Stock, if (i) such capital stock is Class Z Cumulative Preferred Stock or Series A Community Reinvestment Act Perpetual Preferred Stock of the Corporation, or (ii) the holders of such class of stock or series and the Class A Preferred Stock shall be entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accumulated, accrued and unpaid dividends per share or liquidation preferences, without preference or priority of one over the other (the capital stock referred to in clauses (i) and (ii) of this paragraph being hereinafter referred to, collectively, as "Parity Stock"); and

(c) junior to the Class A Preferred Stock, as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up, if (i) such capital stock or series shall be Class A Common Stock or (ii) the holders of Class A Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of such class or series (the capital stock referred to in clauses (i) and (ii) of this paragraph being hereinafter referred to, collectively, as "Junior Stock").

**8. Voting.**

(a) If and whenever six or more quarterly dividends (whether or not consecutive) payable on the Class A Preferred Stock or any series or class of Parity Stock shall be in arrears (which

shall, with respect to any such quarterly dividend, mean that any such dividend has not been paid in full), whether or not earned or declared, the number of directors then constituting the Board of Directors shall be increased by two if not already increased by reason of similar types of provisions with respect to shares of any other class or series of Parity Stock which is entitled to similar voting rights (the "Voting Preferred Stock") and the holders of shares of Class A Preferred Stock, together with the holders of shares of all other Voting Preferred Stock then entitled to exercise similar voting rights, voting as a single class regardless of series, shall be entitled to elect the two additional directors to serve on the Board of Directors at any annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of the Class A Preferred Stock and the Voting Preferred Stock called as hereinafter provided. Whenever all arrears in dividends on the Class A Preferred Stock and the Voting Preferred Stock then outstanding shall have been paid and dividends thereon for the current quarterly dividend period shall have been declared and paid, or declared and set apart for payment, then the right of the holders of the Class A Preferred Stock and the Voting Preferred Stock to elect such additional two directors shall cease (but subject always to the same provision for the vesting of such voting rights in the case of any similar future arrearages), and the terms of office of all persons elected as directors by the holders of the Class A Preferred Stock and the Voting Preferred Stock shall forthwith terminate and the number of directors constituting the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of Class A Preferred Stock and the Voting Preferred Stock, if applicable, the Secretary of the Corporation may, and upon the written request of any holder of Class A Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the holders of the Class A Preferred Stock and of the Voting Preferred Stock for the election of the two directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws of the Corporation for a special meeting of the stockholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within 20 days after receipt of any such request, then any holder of Class A Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders or special meeting held in lieu thereof if such office shall not have previously terminated as above provided. If any vacancy shall occur among the directors elected by the holders of the Class A Preferred Stock and the Voting Preferred Stock, a successor shall be elected by the Board of Directors, upon the nomination of the then-remaining director elected by the holders of the Class A Preferred Stock and the Voting Preferred Stock or the successor of such remaining director, to serve until the next annual meeting of the stockholders or special meeting held in place thereof if such office shall not have previously terminated as provided above.

(b) So long as any shares of Class A Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter of the Corporation, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of the Class A Preferred Stock voting as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) any amendment, alteration or repeal of any of the provisions of, or the addition of any provision to, the Charter, including these Articles Supplementary, whether by merger, consolidation or otherwise, that would materially adversely affect the voting powers, rights or preferences of the holders of the Class A Preferred Stock; *provided, however*, that (x) the amendment of the provisions of the Charter so as to authorize or create, or to increase or decrease the authorized amount of, or issue any Junior Stock, Class A Preferred Stock or any shares of any class of Parity Stock, shall not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of Class A Preferred Stock; and (y) with respect to any such amendment, alteration or repeal of any of the provisions of, or the addition of any provision to, the Charter, including these Articles Supplementary, whether by merger,

consolidation or otherwise, so long as the Class A Preferred Stock remains outstanding with the terms thereof materially unchanged, taking into account that, upon the occurrence of such event, the Corporation may not be the surviving entity and such surviving entity may thereafter be the issuer of the Class A Preferred Stock, the occurrence of any such event shall not be deemed to materially and adversely affect the voting powers, rights, or preferences of the Class A Preferred Stock; or

(ii) the authorization, creation of, increase in the authorized amount of, or issuance of any shares of any class or series of Senior Stock or any security convertible into shares of any class or series of Senior Stock (whether or not such class or series of Senior Stock is currently authorized);

*provided, however*, that no such vote of the holders of Class A Preferred Stock shall be required if, at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such Senior Stock or convertible or exchangeable security is to be made, as the case may be, provision is made for the redemption of all shares of Class A Preferred Stock at the time outstanding to the extent such redemption is authorized by Section 5 of this Article (unless any proceeds from the sale of such Senior Stock are to be used to fund all or part of the Redemption Price payable for the Class A Preferred Stock).

For purposes of the foregoing provisions and all other voting rights under these Articles Supplementary, each share of Class A Preferred Stock shall have one (1) vote per share, except that when any other class or series of preferred stock of the Corporation shall have the right to vote with the Class A Preferred Stock as a single class on any matter, then the Class A Preferred Stock and such other class or series shall have with respect to such matters one quarter of one vote per \$25 of stated liquidation preference. Except as otherwise required by applicable law or as set forth herein or in the Charter, the Class A Preferred Stock shall not have any relative, participating, optional or other special voting rights and powers other than as set forth herein, and the consent of the holders thereof shall not be required for the taking of any corporate action.

**9. Record Holders.**

The Corporation and the Transfer Agent may deem and treat the record holder of any share of Class A Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

**10. Restrictions on Ownership and Transfers.**

(a) **Limitation on Beneficial Ownership**. Except as provided in Section 10(m), from and after the Issue Date, no Person (other than the Initial Holder or a Look-Through Entity) shall Beneficially Own shares of Class A Preferred Stock in excess of the Ownership Limit, the Initial Holder shall not Beneficially Own shares of Class A Preferred Stock in excess of the Initial Holder Limit and no Look-Through Entity shall Beneficially Own shares of Class A Preferred Stock in excess of the Look-Through Ownership Limit.

(b) **Transfers in Excess of Ownership Limit**. Except as provided in Section 10(m), from and after the Issue Date (and subject to Section 10(q)), any Transfer (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) that, if effective, would result in any Person (other than the Initial Holder or a Look-Through Entity) Beneficially Owning shares of Class A Preferred Stock in excess of the Ownership Limit shall be void *ab initio* as to the Transfer of such shares of Class A Preferred Stock that would be otherwise Beneficially Owned by such Person in excess of the Ownership Limit, and the intended transferee shall acquire no rights in such shares of Class A Preferred Stock.

(c) **Transfers in Excess of Initial Holder Limit** . Except as provided in Section 10(m), from and after the Issue Date (and subject to Section 10(q)), any Transfer (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) that, if effective, would result in the Initial Holder Beneficially Owning shares of Class A Preferred Stock in excess of the Initial Holder Limit shall be void *ab initio* as to the Transfer of such shares of Class A Preferred Stock that would be otherwise Beneficially Owned by the Initial Holder in excess of the Initial Holder limit, and the Initial Holder shall acquire no rights in such shares of Class A Preferred Stock.

(d) **Transfers in Excess of Look-Through Ownership Limit** . Except as provided in Section 10(m) from and after the Issue Date (and subject to Section 10(q)), any Transfer (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) that, if effective, would result in any Look-Through Entity Beneficially Owning shares of Class A Preferred Stock in excess of the Look-Through Ownership limit shall be void *ab initio* as to the Transfer of such shares of Class A Preferred Stock that would be otherwise Beneficially Owned by such Look-Through Entity in excess of the Look-Through Ownership Limit and such Look-Through Entity shall acquire no rights in such shares of Class A Preferred Stock.

(e) **Transfers Resulting in “Closely Held” Status** . From and after the Issue Date, any Transfer that, if effective would result in the Corporation being “closely held” within the meaning of Section 856(h) of the Code, or would otherwise result in the Corporation failing to qualify as a REIT (including, without limitation, a Transfer or other event that would result in the Corporation owning (directly or constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the Corporation from such tenant would cause the Corporation to fail to satisfy any of the gross income requirements of Section 856(c) of the Code) shall be void *ab initio* as to the Transfer of shares of Class A Preferred Stock that would cause the Corporation (i) to be “closely held” within the meaning of Section 856(h) of the Code or (ii) otherwise fail to qualify as a REIT, as the case may be, and the intended transferee shall acquire no rights in such shares of Class A Preferred Stock.

(f) **Severability on Void Transactions** . A Transfer of a share of Class A Preferred Stock that is null and void under Sections 10(b), (c), (d), or (e) of this Article because it would, if effective, result in (i) the ownership of Class A Preferred Stock in excess of the Initial Holder Limit, the Ownership Limit, or the Look-Through Ownership Limit, (ii) the Corporation being “closely held” within the meaning of Section 856(h) of the Code or (iii) the Corporation otherwise failing to qualify as a REIT, shall not adversely affect the validity of the Transfer of any other share of Class A Preferred Stock in the same or any other related transaction.

(g) **Remedies for Breach** . If the Board of Directors or a committee thereof shall at any time determine in good faith that a Transfer or other event has taken place in violation of Section 10(a) or that a Person intends to acquire or has attempted to acquire Beneficial Ownership of any shares of Class A Preferred Stock in violation of Section 10(a) (whether or not such violation is intended), the Board of Directors or a committee thereof shall be empowered to take any action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, but not limited to, refusing to give effect to such Transfer or other event on the books of the Corporation, causing the Corporation to redeem such shares at the then current Market Price and upon such terms and conditions as may be specified by the Board of Directors in its sole discretion (including, but not limited to, by means of the issuance of long-term indebtedness for the purpose of such redemption), demanding the repayment of any distributions received in respect of shares of Class A Preferred Stock acquired in violation of Section 10(a) or instituting proceedings to enjoin such Transfer or to rescind such Transfer or attempted Transfer; *provided, however* ,

that any Transfers or attempted Transfers (or in the case of events other than a Transfer, Beneficial Ownership) in violation of Section 10(a), regardless of any action (or non-action) by the Board of Directors or such committee, (a) shall be void *ab initio* or (b) shall automatically result in the transfer described in Section 10(h); *provided, further*, that the provisions of this Section 10(g) shall be subject to the provisions of Section 10(q); *provided, further*, that neither the Board of Directors nor any committee thereof may exercise such authority in a manner that interferes with any ownership or transfer of Class A Preferred Stock that is expressly authorized pursuant to Section 10(m)(iii).

(h) **Transfer in Trust.**

(i) **Establishment of Trust**. If, notwithstanding the other provisions contained in this Article, at any time after the Issue Date there is a purported Transfer (an “*Excess Transfer*”) (whether or not such Transfer is the result of transactions entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system) or other change in the capital structure of the Corporation (including, but not limited to, any redemption of Equity Stock) or other event (including, but not limited to, any acquisition of any share of Equity Stock) such that (a) any Person (other than the Initial Holder or a Look-Through Entity) would Beneficially Own shares of Class A Preferred Stock in excess of the Ownership Limit, or (b) the Initial Holder would Beneficially Own shares of Class A Preferred Stock in excess of the Initial Holder Limit, or (c) any Person that is a Look-Through Entity would Beneficially Own shares of Class A Preferred Stock in excess of the Look-Through Ownership Limit (in any such event, the Person, Initial Holder or Look-Through Entity that would Beneficially Own shares of Class A Preferred Stock in excess of the Ownership Limit, the Initial Holder Limit or the Look-Through Entity Limit, respectively, is referred to as a “*Prohibited Transferee*”), then, except as otherwise provided in Section 10(m), such shares of Class A Preferred Stock in excess of the Ownership Limit, the Initial Holder Limit or the Look-Through Ownership Limit, as the case may be, (rounded up to the nearest whole share) shall be automatically transferred to a Trustee in his capacity as trustee of a Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the Excess Transfer, change in capital structure or another event giving rise to a potential violation of the Ownership Limit, the Initial Holder Limit or the Look Through Entity Ownership Limit.

(ii) **Appointment of Trustee**. The Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with either the Corporation or any Prohibited Transferee. The Trustee may be an individual or a bank or trust company duly licensed to conduct a trust business.

(iii) **Status of Shares Held by the Trustee**. Shares of Class A Preferred Stock held by the Trustee shall be issued and outstanding shares of capital stock of the Corporation. Except to the extent provided in Section 10(h)(v), the Prohibited Transferee shall have no rights in the Class A Preferred Stock held by the Trustee, and the Prohibited Transferee shall not benefit economically from ownership of any shares held in trust by the Trustee, shall have no rights to dividends and shall not possess any rights to vote or other rights attributable to the shares held in the Trust.

(iv) **Dividend and Voting Rights**. The Trustee shall have all voting rights and rights to dividends with respect to shares of Class A Preferred Stock held in the Trust, which rights shall be exercised for the benefit of the Charitable Beneficiary. Any dividend or distribution paid prior to the discovery by the Corporation that the shares of Class A Preferred Stock have been transferred to the Trustee shall be repaid to the Corporation upon demand, and any dividend or distribution declared but unpaid shall be rescinded as void *ab initio* with respect to such shares of Class A Preferred Stock. Any dividends or distributions so disgorged or rescinded shall be paid over to the Trustee and held in trust for the Charitable Beneficiary. Any vote cast by a Prohibited Transferee prior to the discovery by the Corporation that the shares of Class A Preferred Stock have been transferred to the Trustee will be rescinded as void *ab initio*.

and shall be recast in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary. The owner of the shares at the time of the Excess Transfer, change in capital structure or other event giving rise to a potential violation of the Ownership Limit, Initial Holder Limit or Look-Through Entity Ownership Limit shall be deemed to have given an irrevocable proxy to the Trustee to vote the shares of Class A Preferred Stock for the benefit of the Charitable Beneficiary.

(v) **Restrictions on Transfer** . The Trustee of the Trust may sell the shares held in the Trust to a Person, designated by the Trustee, whose ownership of the shares will not violate the Ownership Restrictions. If such a sale is made, the interest of the Charitable Beneficiary shall terminate and proceeds of the sale shall be payable to the Prohibited Transferee and to the Charitable Beneficiary as provided in this Section 10(h)(v). The Prohibited Transferee shall receive the lesser of (1) the price paid by the Prohibited Transferee for the shares or, if the Prohibited Transferee did not give value for the shares (through a gift, devise or other transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Trust and (2) the price per share received by the Trustee from the sale or other disposition of the shares held in the Trust. Any proceeds in excess of the amount payable to the Prohibited Transferee shall be payable to the Charitable Beneficiary. If any of the transfer restrictions set forth in this Section 10(h)(v) or any application thereof is determined in a final judgment to be void, invalid or unenforceable by any court having jurisdiction over the issue, the Prohibited Transferee may be deemed, at the option of the Corporation, to have acted as the agent of the Corporation in acquiring the Class A Preferred Stock as to which such restrictions would, by their terms, apply, and to hold such Class A Preferred Stock on behalf of the Corporation.

(vi) **Purchase Right in Stock Transferred to the Trustee** . Shares of Class A Preferred Stock transferred to the Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation shall have the right to accept such offer for a period of 90 days after the later of (i) the date of the Excess Transfer or other event resulting in a transfer to the Trust and (ii) the date that the Board of Directors determines in good faith that an Excess Transfer or other event occurred.

(vii) **Designation of Charitable Beneficiaries** . By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust relating to such Prohibited Transferee if (i) the shares of Class A Preferred Stock held in the Trust would not violate the Ownership Restrictions in the hands of such Charitable Beneficiary and (ii) each Charitable Beneficiary is an organization described in Sections 170(b)(1)(A), 170(c)(2) and 501(c)(3) of the Code.

(i) **Notice of Restricted Transfer** . Any Person that acquires or attempts to acquire shares of Class A Preferred Stock in violation of Section 10(a), or any Person that is a Prohibited Transferee such that stock is transferred to the Trustee under Section 10(h), shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer or attempted Transfer or other event on the Corporation's status as a REIT. Failure to give such notice shall not limit the rights and remedies of the Board of Directors provided herein in any way.

(j) **Owners Required to Provide Information** . From and after the Issue Date certain record and Beneficial Owners and transferees of shares of Class A Preferred Stock will be required to provide certain information as set out below.

(i) **Annual Disclosure** . Every record holder or Beneficial Owner of more than 5% (or such other percentage between 0.5% and 5%, as provided in the applicable regulations adopted under the Code) of the number of Outstanding shares of Class A Preferred Stock shall, within 30 days after January 1 of each year, give written notice to the Corporation stating the name and address of such record holder or Beneficial Owner, the number of shares of Class A Preferred Stock Beneficially Owned, and a full description of how such shares are held. Each such record holder or Beneficial Owner of Class A Preferred Stock shall, upon demand by the Corporation, disclose to the Corporation in writing such additional information with respect to the Beneficial Ownership of the Class A Preferred Stock as the Board of Directors, in its sole discretion, deems appropriate or necessary to (i) comply with the provisions of the Code regarding the qualification of the Corporation as a REIT under the Code and (ii) ensure compliance with the Ownership Limit, the Initial Holder Limit or the Look-Through Ownership Limit, as applicable. Each stockholder of record, including without limitation any Person that holds shares of Class A Preferred Stock on behalf of a Beneficial Owner, shall take all reasonable steps to obtain the written notice described in this Section 10(j) from the Beneficial Owner.

(ii) **Disclosure at the Request of the Corporation** . Any Person that is a Beneficial Owner of shares of Class A Preferred Stock and any Person (including the stockholder of record) that is holding shares of Class A Preferred Stock for a Beneficial Owner, and any proposed transferee of shares, shall provide such information as the Corporation, in its sole discretion, may request in order to determine the Corporation's status as a REIT, to comply with the requirements of any taxing authority or other governmental agency, to determine any such compliance or to ensure compliance with the Ownership Limit, the Initial Holder Limit and the Look-Through Ownership Limit, and shall provide a statement or affidavit to the Corporation setting forth the number of shares of Class A Preferred Stock already Beneficially Owned by such stockholder or proposed transferee and any related persons specified, which statement or affidavit shall be in the form prescribed by the Corporation for that purpose.

(k) **Remedies Not Limited** . Nothing contained in this Article shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable (subject to the provisions of Section 10(q)) (i) to protect the Corporation and the interests of its stockholders in the preservation of the Corporation's status as a REIT and (ii) to insure compliance with the Ownership Limit, the Initial Holder Limit and the Look-Through Ownership Limit.

(l) **Ambiguity** . In the case of an ambiguity in the application of any of the provisions of this Section 10, or in the case of an ambiguity in any definition contained in this Section 10, the Board of Directors shall have the power to determine the application of the provisions of this Section 10 with respect to any situation based on its reasonable belief, understanding or knowledge of the circumstances.

(m) **Exceptions** . The following exceptions shall apply or may be established with respect to the limitations of Section 10(a).

(i) **Waiver of Ownership Limit** . The Board of Directors, upon receipt of a ruling from the Internal Revenue Service or an opinion of tax counsel or other evidence or undertaking acceptable to it, may waive the application, in whole or in part, of the Ownership Limit to a Person subject to the Ownership Limit, if such person is not an individual for purposes of Section 542(a) of the Code (as modified to exclude qualified trusts from treatment as individuals pursuant to Section 856(h)(3) of the Code) and is a corporation, partnership, limited liability company, estate or trust. In connection with any such exemption, the Board of Directors may require such representations and undertakings from such Person and may impose such other conditions as the Board of Directors deems necessary, in its sole discretion, to determine the effect, if any, of the proposed Transfer on the Corporation's status as a REIT.

(ii) **Pledge by Initial Holder** . Notwithstanding any other provision of this Article, the pledge by the Initial Holder of all or any portion of the Class A Preferred Stock directly owned at any time or from time to time shall not constitute a violation of Section 10(a) and the pledgee shall not be subject to the Ownership Limit with respect to the Class A Preferred Stock so pledged to it either as a result of the pledge or upon foreclosure.

(iii) **Underwriters** . For a period of 270 days (or such longer period of time as any underwriter described below shall hold an unsold allotment of Class A Preferred Stock) following the purchase of Class A Preferred Stock by an underwriter that (i) is a corporation, partnership or other legal entity and (ii) participates in an offering of the Class A Preferred Stock, such underwriter shall not be subject to the Ownership Limit with respect to the Class A Preferred Stock purchased by it as a part of or in connection with such offering and with respect to any Class A Preferred Stock purchased in connection with market making activities.

(n) **Legend** . Each certificate for Class A Preferred Stock shall bear substantially the following legend:

“The shares of Class A Cumulative Preferred Stock represented by this certificate are subject to restrictions on transfer. No person may Beneficially Own shares of Class A Cumulative Preferred Stock in excess of the Ownership Restrictions, as applicable, with certain further restrictions and exceptions set forth in the Charter (including the Articles Supplementary setting forth the terms of the Class A Cumulative Preferred Stock). Any Person that attempts to Beneficially Own shares of Class A Cumulative Preferred Stock in excess of the applicable limitation must immediately notify the Corporation. All capitalized terms in this legend have the meanings ascribed to such terms in the Charter (including the Articles Supplementary setting forth the terms of the Class A Cumulative Preferred Stock), as the same may be amended from time to time, a copy of which, including the restrictions on transfer, will be sent without charge to each stockholder that so requests. If the restrictions on transfer are violated, (i) the transfer of the shares of Class A Cumulative Preferred Stock represented hereby will be void in accordance with the Charter (including the Articles Supplementary setting forth the terms of the Class A Cumulative Preferred Stock) or (ii) the shares of Class A Cumulative Preferred Stock represented hereby will automatically be transferred to a Trustee of a Trust for the benefit of one or more Charitable Beneficiaries.”

(o) **Severability** . If any provision of this Article or any application of any such provision is determined in a final and unappealable judgment to be void, invalid or unenforceable by any Federal or state court having jurisdiction over the issues, the validity and enforceability of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

(p) **Board of Directors Discretion** . Anything in this Article to the contrary notwithstanding, the Board of Directors shall be entitled to take or omit to take such actions as it in its discretion shall determine to be advisable in order that the Corporation maintain its status as and continue to qualify as a REIT, including, but not limited to, reducing the Ownership Limit, the Initial Holder Limit and the Look-Through Ownership Limit in the event of a change in law.

(q) **Settlement** . Nothing in this Section 10 shall be interpreted to preclude the settlement of any transaction entered into through the facilities of the NYSE or other securities exchange or an automated inter-dealer quotation system.

#### **11. Conversion.**

The shares of Class A Preferred Stock are not convertible into or exchangeable for any other property or securities of the Corporation, except as provided in this Section 11.



(a) Upon the occurrence of a Change of Control, each holder of Class A Preferred Stock shall have the right (unless, prior to the Change of Control Conversion Date, the Corporation has provided or provides notice of its election to redeem some or all of the shares of Class A Preferred Stock held by such holder pursuant to Section 5(a) or (b) of this Article, in which case such holder shall have the right only with respect to shares of Class A Preferred Stock that are not called for redemption) to convert some or all of the Class A Preferred Stock held by such holder (the “Change of Control Conversion Right”) on the Change of Control Conversion Date into a number of shares of Class A Common Stock (or equivalent value of Alternative Conversion Consideration, as applicable) per share of Class A Preferred Stock (the “Common Stock Conversion Consideration”) equal to the lesser of:

(i) the quotient obtained by dividing (i) the sum of the Liquidation Preference per share of Class A Preferred Stock plus the amount of any accumulated, accrued and unpaid dividends thereon to but excluding the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a Record Date and prior to the corresponding Dividend Payment Date, in which case no additional amount for such accumulated, accrued and unpaid dividends will be included in such sum), by (ii) the Common Stock Price; and

(ii) 1.57 (the “Share Cap”).

(b) Anything in these terms of the Class A Preferred Stock to the contrary notwithstanding and except as otherwise required by law, the persons who are the holders of record of shares of Class A Preferred Stock at the close of business on a Record Date will be entitled to receive the dividend payable on the corresponding Dividend Payment Date notwithstanding the conversion of those shares after such Record Date and on or prior to such Dividend Payment Date and, in such case, the full amount of such dividend shall be paid on such Dividend Payment Date to the persons who were the holders of record at the close of business on such Record Date.

(c) The Share Cap is subject to pro rata adjustments for any stock splits (including those effected pursuant to a distribution of the Class A Common Stock), subdivisions or combinations (in each case, a “Share Split”) with respect to the Class A Common Stock as follows: the adjusted Share Cap as the result of a Share Split shall be the number of shares of Class A Common Stock that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of shares of Class A Common Stock outstanding immediately after giving effect to such Share Split and the denominator of which is the number of shares of Class A Common Stock outstanding immediately prior to such Share Split.

(d) Subject to the immediately succeeding sentence, the aggregate number of shares of Class A Common Stock (or equivalent Alternative Conversion Consideration, as applicable) issuable or deliverable, as applicable, in connection with the exercise of the Change of Control Conversion Right shall not exceed 7,850,000 shares of Class A Common Stock (or equivalent Alternative Conversion Consideration, as applicable) (the “Exchange Cap”). The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap, and shall be increased on a pro rata basis with respect to any additional shares of Class A Preferred Stock designated and authorized for issuance pursuant to any subsequent articles supplementary.

(e) In the case of a Change of Control pursuant to which the Class A Common Stock is or will be converted into cash, securities or other property or assets (including any combination thereof) (the “Alternative Form Consideration”), a holder of Class A Preferred Stock shall receive upon conversion of such Class A Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of shares of Class A Common Stock equal to the Common Stock Conversion Consideration immediately

prior to the effective time of the Change of Control (the “Alternative Conversion Consideration”; the Common Stock Conversion Consideration or the Alternative Conversion Consideration, whichever shall be applicable to a Change of Control, is referred to herein as the “Conversion Consideration”).

(f) If the holders of Class A Common Stock have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration in respect of such Change of Control will be deemed to be the kind and amount of consideration actually received by holders of a majority of the outstanding shares of Class A Common Stock that made or voted for such an election (if electing between two types of consideration) or holders of a plurality of the outstanding shares of Class A Common Stock that made or voted for such an election (if electing between more than two types of consideration), as the case may be, and will be subject to any limitations to which all holders of Class A Common Stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in such Change of Control.

(g) The Corporation will not issue fractional shares of Class A Common Stock upon the conversion of Class A Preferred Stock in connection with a Change of Control. Instead, the Corporation will make, and the holders of Class A Preferred Stock shall be entitled to receive, a cash payment equal to the value of such fractional shares based upon the Common Stock Price used in determining the Common Stock Conversion Consideration for such Change of Control.

(h) Within 15 days following the occurrence of a Change of Control, the Corporation will provide to holders of Class A Preferred Stock a notice of the occurrence of the Change of Control that describes the resulting Change of Control Conversion Right, which notice shall be delivered to the holders of record of the shares of Class A Preferred Stock at their addresses as they appear on the Corporation’s share transfer records and notice shall also be provided to the Corporation’s transfer agent. Each notice shall state: (i) the events constituting the Change of Control; (ii) the date of the Change of Control; (iii) the last date on which the holders of Class A Preferred Stock may exercise their Change of Control Conversion Right; (iv) the method and period for calculating the Common Stock Price; (v) the Change of Control Conversion Date; (vi) that if, prior to the Change of Control Conversion Date, the Corporation has provided or provides notice of its election to redeem all or any shares of the Class A Preferred Stock, the holders will not be able to convert the shares of Class A Preferred Stock called for redemption and such shares of Class A Preferred Stock shall be redeemed on the related redemption date, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right; (vii) if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Class A Preferred Stock; (viii) the name and address of the paying agent, transfer agent and conversion agent for the Class A Preferred Stock; (ix) the procedures that the holders of Class A Preferred Stock must follow to exercise the Change of Control Conversion Right (including procedures for surrendering shares for conversion through the facilities of a Depositary), including the form of conversion notice to be delivered by such holders; and (x) the last date on which holders of Class A Preferred Stock may withdraw shares surrendered for conversion and the procedures such holders must follow to effect such a withdrawal.

(i) The Corporation shall issue a press release containing such notice for publication on Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if such organizations are not in existence at the time of issuance of such press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), and post notice on the Corporation’s website, in any event prior to the opening of business on the first Business Day following any date on which the Corporation provides notice pursuant to Section 11(h) to the holders of Class A Preferred Stock.

(j) To exercise the Change of Control Conversion Right, the holders of shares of Class A Preferred Stock shall be required to deliver, on or before the close of business on the Change of

Control Conversion Date, the certificates (if any) representing the shares of Class A Preferred Stock to be converted, duly endorsed for transfer (or, in the case of any shares of Class A Preferred Stock held in book-entry form through a Depositary, to deliver, on or before the close of business on the Change of Control Conversion Date, the shares of Class A Preferred Stock to be converted through the facilities of such Depositary), together with a written conversion notice in the form provided by the Corporation, duly completed, to the Corporation's transfer agent. Such notice shall state: (i) the relevant Change of Control Conversion Date; (ii) the number of shares of Class A Preferred Stock to be converted; and (iii) that the shares of Class A Preferred Stock are to be converted pursuant to the applicable terms of the Class A Preferred Stock.

(k) The "Change of Control Conversion Date" is the date the Class A Preferred Stock is to be converted, which will be a Business Day selected by the Corporation that is no fewer than 20 days nor more than 35 days after the date on which the Corporation provides the notice to holders of Class A Preferred Stock pursuant to Section 11(h).

(l) The "Common Stock Price" shall be (i) if the consideration to be received in the Change of Control by the holders of Class A Common Stock is solely cash, the amount of cash consideration per share of Class A Common Stock or (ii) if the consideration to be received in the Change of Control by holders of Class A Common Stock is other than solely cash (x) the average of the closing sale prices per share of Class A Common Stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred, as reported on the principal U.S. securities exchange on which the Class A Common Stock is then traded, or (y) the average of the last quoted bid prices for the Class A Common Stock in the over-the-counter market as reported by OTC Markets Group Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred, if the Class A Common Stock is not then listed for trading on a U.S. securities exchange.

(m) Holders of Class A Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to the Corporation's transfer agent prior to the close of business on the Business Day prior to the Change of Control Conversion Date. The notice of withdrawal delivered by any holder must state: (i) the number of withdrawn shares of Class A Preferred Stock; (ii) if certificated shares of Class A Preferred Stock have been surrendered for conversion, the certificate numbers of the withdrawn shares of Class A Preferred Stock; and (iii) the number of shares of Class A Preferred Stock, if any, which remain subject to the holder's conversion notice.

(n) Notwithstanding the foregoing, if any Class A Preferred Stock is held in book-entry form through The Depository Trust Company or a similar depository (each, a "Depository"), the conversion notice and/or the notice of withdrawal as applicable shall comply with applicable procedures, if any, of the applicable Depository.

(o) Shares of Class A Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn shall be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless, prior to the Change of Control Conversion Date, the Corporation has provided or provides notice of its election to redeem some or all of the shares of Class A Preferred Stock as described under Section 5(a) or (b) of this Article, in which case only the shares of Class A Preferred Stock properly surrendered for conversion and not properly withdrawn that are not called for redemption will be converted as aforesaid. If the Corporation elects to redeem shares

of Class A Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such shares of Class A Preferred Stock shall not be so converted and the holders of such shares shall be entitled to receive on the applicable redemption date the redemption price set forth in Section 5(a) or (b) of this Article, as applicable.

(p) The Corporation will deliver all securities, cash (including, without limitation, cash in lieu of fractional shares of Class A Common Stock) and any other property owing upon conversion no later than the third Business Day following the Change of Control Conversion Date. Notwithstanding the foregoing, the persons entitled to receive any shares of Class A Common Stock or other securities deliverable upon conversion will be deemed to have become the holders of record thereof as of the Change of Control Conversion Date.

(q) In connection with the exercise of any Change of Control Conversion Right, the Corporation will comply with all federal and state securities laws and stock exchange rules in connection with any conversion of Class A Preferred Stock into shares of Class A Common Stock or other property. Notwithstanding any other provision contained in these terms of the Class A Preferred Stock, no holder of shares of Class A Preferred Stock will be entitled to convert such shares of Class A Preferred Stock into shares of Class A Common Stock to the extent that receipt of such shares of Class A Common Stock would cause such holder (or any other person) to have Beneficial Ownership or constructive ownership in excess of the Ownership Limit.

**FOURTH :** The terms of the Class A Cumulative Preferred Stock set forth in Article Third hereof shall become Article XIV of the Charter.

IN WITNESS WHEREOF, the Corporation has caused these presents to be signed in its name and on its behalf by its Executive Vice President and Chief Financial Officer and witnessed by its Executive Vice President, General Counsel and Secretary on May 13, 2014.

WITNESS:

APARTMENT INVESTMENT AND MANAGEMENT COMPANY

/s/ Lisa R. Cohn

Lisa R. Cohn

Executive Vice President,

General Counsel and Secretary

By: /s/ Ernest M. Freedman

Ernest M. Freedman

Executive Vice President and

Chief Financial Officer

THE UNDERSIGNED, Executive Vice President and Chief Financial Officer of APARTMENT INVESTMENT AND MANAGEMENT COMPANY, who executed on behalf of the Corporation the Articles Supplementary of which this Certificate is made a part, hereby acknowledges in the name and on behalf of said Corporation the foregoing Articles Supplementary to be the corporate act of said Corporation and hereby certifies that the matters and facts set forth herein with respect to the authorization and approval thereof are true in all material respects under the penalties of perjury.

/s/ Ernest M. Freedman

Ernest M. Freedman

Executive Vice President and

Chief Financial Officer

[Articles Supplementary]

# APARTMENT INVESTMENT AND MANAGEMENT COMPANY

## ARTICLES OF AMENDMENT

APARTMENT INVESTMENT AND MANAGEMENT COMPANY, a Maryland corporation, having its principal office in Baltimore City, Maryland (which is hereinafter called the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

**FIRST** : The Charter of the Corporation is hereby amended as follows:

(a) ARTICLE IV, Section 3, paragraph 3.4.8(A) of the Charter of the Corporation is hereby amended to read in its entirety as follows:

**(A) Waiver of Ownership Limit** . The Board of Directors, upon receipt of a ruling from the Internal Revenue Service or an opinion of tax counsel or other evidence or undertaking acceptable to it, may waive the application, in whole or in part, of the Ownership Limit or the Look-Through Ownership Limit to a Person subject to the Ownership Limit or the Look-Through Ownership Limit, as applicable, if such person is not an individual for purpose of Section 542(a) of the Code and is a corporation, partnership, estate or trust; *provided, however* , that in no event may any such exception cause such Person's ownership, direct or indirect (without taking into account such Person's ownership of interests in any partnership of which the Corporation is a partner), to exceed (i) 12.0% of the number of Outstanding shares of Common Stock, in the case of a Person subject to the Ownership Limit, or (ii) 18.0% of the number of Outstanding shares of Common Stock, in the case of a Look-Through Entity subject to the Look-Through Ownership Limit. In connection with any such exemption, the Board of Directors may require such representations and undertakings from such Person and may impose such other conditions as the Board deems necessary, in its sole discretion, to determine the effect, if any, of the proposed Transfer on the Corporation's status as a REIT.

**SECOND** : The foregoing amendment to the Charter of the Corporation does not increase the authorized stock of the Corporation.

**THIRD** : The foregoing amendment to the Charter of the Corporation has been advised by the Board of Directors and approved by the stockholders of the Corporation.

**FOURTH** : The foregoing amendment to the Charter of the Corporation shall become effective upon acceptance for record by the Maryland State Department of Assessments and Taxation.

IN WITNESS WHEREOF, Apartment Investment and Management Company has caused these presents to be signed in its name and on its behalf by its Executive Vice President and Chief Financial Officer and witnessed by its Secretary on May 4, 2015.

WITNESS:

APARTMENT INVESTMENT AND MANAGEMENT COMPANY

/s/ Lisa R. Cohn

Lisa R. Cohn, Secretary

By: /s/ Ernest M. Freedman

Ernest M. Freedman, Executive Vice  
President and Chief Financial Officer

THE UNDERSIGNED, the Executive Vice President and Chief Financial Officer of Apartment Investment and Management Company, who executed on behalf of the Corporation the foregoing Articles of Amendment of which this certificate is made a part, hereby acknowledges in the name and on behalf of said Corporation the foregoing Articles of Amendment to be the corporate act of said Corporation and hereby certifies that to the best of his knowledge, information, and belief the matters and facts set forth therein with respect to the authorization and approval thereof are true in all material respects under the penalties of perjury.

/s/ Ernest M. Freedman

Ernest M. Freedman, Executive Vice  
President and Chief Financial Officer

**CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, Terry Considine, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Apartment Investment and Management Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2015

/s/ Terry Considine

Terry Considine

Chairman and Chief Executive Officer



**CHIEF FINANCIAL OFFICER CERTIFICATION**

I, Ernest M. Freedman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Apartment Investment and Management Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2015

/s/ Ernest M. Freedman

Ernest M. Freedman

Executive Vice President and Chief

Financial Officer

**CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, Terry Considine, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AIMCO Properties, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2015

/s/ Terry Considine

Terry Considine

Chairman and Chief Executive Officer

**CHIEF FINANCIAL OFFICER CERTIFICATION**

I, Ernest M. Freedman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AIMCO Properties, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2015

/s/ Ernest M. Freedman

Ernest M. Freedman

Executive Vice President and Chief Financial Officer

**Certification of CEO Pursuant to  
18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Apartment Investment and Management Company (the "Company") on Form 10-Q for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Terry Considine, as Chief Executive Officer of the Company hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Terry Considine

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Terry Considine

Chairman and Chief Executive Officer

July 31, 2015

**Certification of CFO Pursuant to  
18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Apartment Investment and Management Company (the "Company") on Form 10-Q for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ernest M. Freedman, as Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ernest M. Freedman

Ernest M. Freedman

Executive Vice President and Chief Financial Officer

July 31, 2015

**Certification of CEO Pursuant to  
18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of AIMCO Properties, L.P. (the "Partnership") on Form 10-Q for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Terry Considine, as Chief Executive Officer of the Partnership hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Terry Considine

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Terry Considine

Chairman and Chief Executive Officer

July 31, 2015

**Certification of CFO Pursuant to  
18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of AIMCO Properties, L.P. (the "Partnership") on Form 10-Q for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ernest M. Freedman, as Chief Financial Officer of the Partnership hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Ernest M. Freedman

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Ernest M. Freedman

Executive Vice President and Chief Financial Officer

July 31, 2015

**Agreement Regarding Disclosure of Long-Term Debt Instruments**

In reliance upon Item 601(b)(4)(iii)(A) of Regulation S-K, Apartment Investment and Management Company, a Maryland corporation (the "Company"), has not filed as an exhibit to its Quarterly Report on Form 10-Q for the year ended June 30, 2015, any instrument with respect to long-term debt not being registered where the total amount of securities authorized thereunder does not exceed ten percent of the total assets of the Company and its subsidiaries on a consolidated basis. Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Company hereby agrees to furnish a copy of any such agreement to the Securities and Exchange Commission upon request.

By: /s/ Ernest M. Freedman

Ernest M. Freedman

Executive Vice President and Chief Financial  
Officer

July 31, 2015



**Agreement Regarding Disclosure of Long-Term Debt Instruments**

In reliance upon Item 601(b)(4)(iii)(A) of Regulation S-K, AIMCO Properties, L.P., a Delaware limited partnership (the "Partnership"), has not filed as an exhibit to its Quarterly Report on Form 10-Q for the year ended June 30, 2015, any instrument with respect to long-term debt not being registered where the total amount of securities authorized thereunder does not exceed ten percent of the total assets of the Partnership and its subsidiaries on a consolidated basis. Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Partnership hereby agrees to furnish a copy of any such agreement to the Securities and Exchange Commission upon request.

By: /s/ Ernest M. Freedman

Ernest M. Freedman

Executive Vice President and Chief Financial  
Officer

July 31, 2015