

APARTMENT INVESTMENT & MANAGEMENT CO  
Form DEF 14A  
March 26, 2004

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Apartment Investment and Management Company**

\_\_\_\_\_  
(Name of Registrant as Specified In Its Charter)

\_\_\_\_\_  
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.  
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(1) Amount Previously Paid:

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**4582 SOUTH ULSTER STREET PARKWAY, SUITE 1100  
DENVER, COLORADO 80237**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On April 30, 2004**

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You are cordially invited to attend the 2004 Annual Meeting of Stockholders (the "Meeting") of APARTMENT INVESTMENT AND MANAGEMENT COMPANY ("Aimco" or the "Company") to be held on Friday, April 30, 2004, at 9:00 a.m. at the principal executive offices of the Company at 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237, for the following purposes:

1. To elect six directors, for a term of one year each, until the next Annual Meeting of Stockholders and until their successors are elected and qualify;
2. To ratify the selection of Ernst & Young LLP, to serve as independent auditors for the Company for the fiscal year ending December 31, 2004;
3. To approve the sale of up to an aggregate of 5,000 High Performance Partnership Units of AIMCO Properties, L.P.;
4. To consider and vote on a stockholder proposal described in the accompanying proxy statement, if this proposal is presented at the meeting; and
5. To transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

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Only stockholders of record at the close of business on March 5, 2004, will be entitled to notice of, and to vote at, the Meeting or any adjournment(s) thereof.

**WHETHER OR NOT YOU EXPECT TO BE AT THE MEETING, PLEASE SIGN AND DATE THE ENCLOSED PROXY WHICH IS BEING SOLICITED BY THE BOARD OF DIRECTORS, AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.** The proxy is revocable at any time prior to the exercise thereof by written notice to the Company, and stockholders who attend the Meeting may withdraw their proxies and vote their shares personally if they so desire.

You may choose to vote your shares by using a toll-free telephone number or the Internet, as described on the proxy card. You may also mark, sign, date and mail your proxy in the envelope provided, and if you choose to vote your shares by telephone or the Internet, there is no need for you to mail your proxy card. Votes submitted via the Internet or by telephone must be received by 5:00 p.m. Eastern Time on April 28, 2004. The method by which you decide to vote will not limit your right to vote at the Meeting. If you later decide to attend the Meeting in person, you may vote your shares even if you previously have submitted a proxy by telephone, the Internet or by mail.

The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. Stockholders voting via the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, that must be borne by the stockholder.

BY ORDER OF THE BOARD OF  
DIRECTORS

Miles Cortez  
*Secretary*

March 26, 2004

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**APARTMENT INVESTMENT AND MANAGEMENT COMPANY**

**4582 SOUTH ULSTER STREET PARKWAY, SUITE 1100  
DENVER, COLORADO 80237**

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**PROXY STATEMENT  
FOR ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON APRIL 30, 2004**

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This Proxy Statement is furnished to stockholders of Apartment Investment and Management Company ("Aimco" or the "Company"), a real estate investment trust ("REIT"), in connection with the solicitation of proxies in the form enclosed herewith for use at the Annual Meeting of Stockholders of the Company (the "Meeting") to be held on Friday, April 30, 2004, at 9:00 a.m. at the principal executive offices of the Company at 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237, and at any and all adjournments or postponements thereof, for the purposes set forth in the Notice of Meeting. This Proxy Statement and the enclosed form of proxy are first being mailed to stockholders on or about March 30, 2004.

This solicitation is made by mail on behalf of the Board of Directors (the "Board") of the Company. Costs of the solicitation will be borne by the Company. Further solicitation of proxies may be made by telephone, fax or personal interview by the directors, officers and employees of the Company and its affiliates, who will not receive additional compensation for the solicitation. The Company has retained the services of The Altman Group, Inc., for an estimated fee of \$4,000, plus out-of-pocket expenses, to assist in the solicitation of proxies from brokerage houses, banks, and other custodians or nominees holding stock in their names for others. The Company will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy material to stockholders.

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Holders of record of the Class A Common Stock of the Company ("Common Stock") as of the close of business on the record date, March 5, 2004 (the "Record Date"), are entitled to receive notice of, and to vote at, the Meeting. Each share of Common Stock entitles the holder to one vote. At the close of business on the Record Date, there were 94,400,087 shares of Common Stock issued and outstanding.

Shares represented by proxies in the form enclosed, if the proxies are properly executed and returned and not revoked, will be voted as specified. Where no specification is made on a properly executed and returned proxy, the shares will be voted: **FOR** the election of all nominees for director; **FOR** the ratification of the selection of Ernst & Young LLP as independent auditors for the calendar year ending December 31, 2004; **FOR** the approval of the sale of up to an aggregate of 5,000 High Performance Partnership Units of AIMCO Properties, L.P. (the "Operating Partnership"); and **AGAINST** the stockholder proposal. To be voted, proxies must be filed with the Secretary of the Company prior to voting. Proxies may be revoked at any time before voting by filing a notice of revocation with the Secretary of the Company, by filing a later dated proxy with the Secretary of the Company or by voting in person at the Meeting. Shares represented by proxies that reflect abstentions or "broker non-votes" (i.e., shares held by a broker or nominee that are represented at the Meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

The Company's 2003 Annual Report to Stockholders is being mailed with this Proxy Statement. The principal executive offices of the Company are located at 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237.

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### **PROPOSAL 1: ELECTION OF DIRECTORS**

Pursuant to Aimco's Charter, directors are elected at each Annual Meeting of Stockholders and hold office for one year, and until their successors are duly elected and qualify. Aimco's Bylaws currently authorize a Board consisting of not fewer than three nor more than nine persons.

The nominees for election to the six positions on the Board selected by the Nominating and Corporate Governance Committee of the Board and proposed by the Board to be voted upon at the Meeting are James N. Bailey, Terry Considine, Richard S. Ellwood, Peter K. Kompaniez, J. Landis Martin and Thomas L. Rhodes, all of whom were elected to the Board at the last Annual Meeting of Stockholders. Messrs. Bailey, Ellwood, Martin, and Rhodes are not employed by, or affiliated with, Aimco, other than by virtue of serving as directors of Aimco. Unless authority to vote for the election of directors has been specifically withheld, the persons named in the accompanying proxy intend to vote for the election of Messrs. Bailey, Considine, Ellwood, Kompaniez, Martin and Rhodes to hold office as directors for a term of one year until their successors are elected and qualify at the next Annual Meeting of Stockholders. All nominees have advised the Board that they are able and willing to serve as directors.

If any nominee becomes unavailable for any reason (which is not anticipated), the shares represented by the proxies may be voted for such other person or persons as may be determined by the holders of the proxies (unless a proxy contains instructions to the contrary). In no event will the proxy be voted for more than six nominees.

Directors will be elected by a favorable vote of a plurality of the shares of voting stock present and entitled to vote, in person or by proxy, at the Meeting. Accordingly, abstentions or broker non-votes as to the election of directors will not affect the election of the candidates receiving the plurality of votes. Unless instructed to the contrary in the proxy, the shares represented by the proxies will be voted FOR the election of the six nominees named above as directors.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE SIX NOMINEES.**

### **PROPOSAL 2: RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS**

The firm of Ernst & Young LLP, the Company's independent auditors for the year ended December 31, 2003, was selected by the Audit Committee, and approved by the Board, to act in the same capacity for the fiscal year ending December 31, 2004, subject to ratification by Aimco's stockholders. The aggregate fees billed for services rendered by Ernst & Young LLP during the years ended December 31, 2003 and 2002 are described below under the caption "Principal Accountant Fees and Services."

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Representatives of Ernst & Young LLP will be present at the Meeting and will be given the opportunity to make a statement if they so desire and to respond to appropriate questions.

The affirmative vote of a majority of the votes cast regarding the proposal is required to ratify the selection of Ernst & Young LLP. Accordingly, abstentions or broker non-votes will not affect the outcome of the vote on the proposal. Unless instructed to the contrary in the proxy, the shares represented by the proxies will be voted FOR the proposal to ratify the selection of Ernst & Young LLP to serve as independent auditors for the Company for the fiscal year ending December 31, 2004.

### THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP.

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### PROPOSAL 3: APPROVAL OF THE SALE OF HIGH PERFORMANCE UNITS

As an additional step in furtherance of Aimco's goal of increasing Aimco's adjusted funds from operations, dividend income and share price by making share ownership the primary economic motivation of its officers and directors, in January 1998, AIMCO Properties, L.P. (the "Operating Partnership") sold an aggregate of 15,000 Class I High Performance Partnership Units (the "Class I Units") to a joint venture formed by fourteen of Aimco's officers and to three of Aimco's independent directors. Based on the success of the Class I Units, in January 2001, the Board decided to offer to sell to employees of Aimco's subsidiaries additional High Performance Units. In 2001, upon approval of stockholders, the Operating Partnership sold an aggregate of 15,000 of its Class II, III, and IV High Performance Partnership Units (the "Class II Units," "Class III Units" and "Class IV Units") to a joint venture formed by over 50 employees of Aimco's subsidiaries. In 2002, upon approval of stockholders, the Operating Partnership sold 4,398 of its Class V High Performance Partnership Units (the "Class V Units") to a joint venture formed by over 40 employees of Aimco's subsidiaries. In 2003, upon approval of stockholders, the Operating Partnership sold 5,000 of its Class VI High Performance Units ("Class VI Units") to a joint venture formed by approximately 40 employees of Aimco's subsidiaries. Unlike Common Stock, common partnership units in the Operating Partnership ("OP Units") and options to purchase Common Stock, the High Performance Units provide the following advantages to Aimco:

the Operating Partnership receives cash consideration for an interest that will have nominal cost to Aimco unless the total return to Aimco's stockholders for the relevant measurement period exceeds a minimum hurdle rate and is significantly better than the industry average (as measured by the Morgan Stanley REIT Index); and

any value received by the purchasers of the High Performance Units is not readily transferable and constitutes a long-term investment in Aimco, providing a further substantial and enduring alignment of the long-term economic interests of Aimco and its officers and employees.

The following table details the results of the High Performance Units that have been previously issued and for which the relevant measurement period has ended:

	Class I Units	Class II Units	Class III Units	Class IV Units
Measurement Period	1/1/98-12/31/00	1/1/01-12/31/01	1/1/01-12/31/02	1/1/01-12/31/03
Aimco Total Return	59.24%	0.21%	(11.40)%	(10.09)%
MS REIT Index Total Return	0.58%	12.83%	16.94%	59.91%
Minimum Return for Measurement Period	30.00%	11.00%	23.21%	36.76%
Outperformance Return	29.24%	0.00%	0.00%	0.00%
Weighted Average Market Value of Outstanding Equity (in millions)	\$2,623	\$3,858	\$4,063	\$4,012
Outperformance Shareholder Value Added (in millions, at end of measurement period)	\$767	\$0	\$0	\$0
Value of Units (in millions, at end of measurement period)	\$115	\$0	\$0	\$0

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As shown in the above table, the Class II Units, the Class III Units and the Class IV Units were valued at \$0, and therefore, the allocable investments made by the holders of \$1.275 million, \$1.793 million and \$1.793 million, respectively, were lost.

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In addition to the Class I, Class II, Class III and Class IV Units described above, the Operating Partnership also sold 4,398 Class V Units and 5,000 Class VI Units, which have measurement periods of January 1, 2002 through December 31, 2004 and January 1, 2003 through December 31, 2005, respectively.

The following table details the results of the High Performance Units that have been previously issued and for which the relevant measurement periods have not yet ended:

	<u>Class V Units</u>	<u>Class VI Units</u>
Measurement Period	1/1/02-12/31/04	1/1/03-12/31/05
Aimco Total Return(1)	(10.28)%	1.47%
MS REIT Index Total Return(1)	41.73%	36.74%
Minimum Return for Measurement Period	23.21%	11.00%
Outperformance Return(1)	0.00%	0.00%
Weighted Average Market Value of Outstanding Equity (in millions)(1)	\$4,090	\$3,910
Outperformance Shareholder Value Added (in millions, at 12/31/03)	\$0	\$0
Value of Units (in millions, at 12/31/03)	\$0	\$0

(1) For the period from 1/1/02 through 12/31/03 for Class V Units and 1/1/03 through 12/31/03 for the Class VI Units.

As shown in the above table, the Class V Units and the Class VI Units were valued at \$0 for the portion of the measurement period through December 31, 2003, however, the full measurement period for the Class V Units ends on December 31, 2004 and the Class VI Units ends on December 31, 2005.

This year, the Board has decided to sell a new class of High Performance Units (Class VII High Performance Partnership Units), which have identical characteristics to the Class VI Units sold in 2003 except for a different three year measurement period. Up to 5,000 Class VII High Performance Units will be offered for sale. The specific characteristics of the Class VII High Performance Partnership Units are shown below:

The new High Performance Units will have a three-year measurement period starting on January 1, 2004 and ending December 31, 2006.

The new High Performance Units will have nominal value unless the Aimco total return (dividend income plus share price appreciation) exceeds 115% of the cumulative total return of the Morgan Stanley REIT Index and has a cumulative total return for the three year period of at least 36.8% (equivalent to 11% per year).

The amount, if any, by which the total return of the Common Stock over the measurement period exceeds the applicable total return hurdle will be considered the "Outperformance Return."

Outperformance Return multiplied by Aimco's average market capitalization will be considered "Outperformance Shareholder Value Added" for stockholders.

If the minimum total return hurdle is met as of December 31, 2006, the holders of the new High Performance Units will thereafter receive distributions and allocations of income and loss at the same time and in the same amount (subject to certain exceptions upon liquidation of the Operating Partnership) as a number of OP Units equal to (i) 5% of Outperformance Shareholder Value Added divided by (ii) the average volume weighted price of Common Stock over the 20 trading days ending on the determination date (subject to the limits on dilution described below).

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Investment in the new joint venture that will purchase the High Performance Units will be offered to certain of Aimco's officers and employees of Aimco's subsidiaries, and there will be no participation by the independent board members.

After the measurement period, the High Performance Units may be distributed to the joint venture participants. Thereafter, the new High Performance Units are not transferable (except to family trusts or partnerships) until the holder of the units dies, and are not exchangeable for Common Stock unless there is a change of control of Aimco.

The dilutive impact to Aimco's stockholders from the new High Performance Units will be limited to 1.0%.

In calculating the Aimco total returns for the new High Performance Units, the initial value of the Common Stock will be \$34.50. It is an average of the volume-weighted daily trading price of the Common Stock for the 20 consecutive trading days immediately preceding the end of the period on December 31, 2003. This was also the price used to determine the total return of the Common Stock for purposes of valuing the Class IV Units issued in January 2001, for which the measurement period ended December 31, 2003.

Aimco's Board has determined, based upon the advice of an independent valuation expert, that the fair value of the 5,000 new High Performance Units is \$915,000 in the aggregate. The employees who are offered the opportunity to invest in the new High Performance Units will do so through a senior management partnership, SMP 2007, L.L.C., a Delaware limited liability company (the "SMP"), which will hold the new High Performance Units until their valuation date. The SMP will be formed solely for the purpose of holding the new High Performance Units until their valuation date, and the SMP will have no assets other than the new High Performance Units. The terms of the limited liability company agreement of the SMP will restrict the employees' ability to transfer their interests, and provides the SMP with a right to repurchase the interest of any employee at the original purchase price if such employee's employment with Aimco is terminated for any reason (other than by death or disability) before the end of the measurement period. As with previous High Performance Units, the employees are investing through a limited liability company to ensure that there is no opportunity to profit from the ownership of High Performance Units before the valuation date.

Aimco intends to offer the new High Performance Units without registration under the Securities Act of 1933, as amended (the "Act"), in reliance upon Section 4(2) and Regulation D thereunder. Neither Aimco, the Operating Partnership, the SMP nor any other person or entity will offer or sell the securities by any form of general solicitation or general advertising. As indicated above, the aggregate price for the new High Performance Units will be less than \$1 million. Each employee-investor will receive the requisite information to make an informed investment decision. Each employee-investor will represent that he or she is acquiring the securities for himself or herself and not for any other person and that he or she understands that the securities have not been registered under the Act, and cannot be resold unless they are registered or an exemption from registration is available and that the certificates representing the securities will bear a restrictive legend to such effect. Interests in the SMP will be offered and sold only to a limited number of employees of Aimco's subsidiaries. The total number of purchasers (excluding "accredited investors" as defined in Rule 501 under the Act) will not exceed 35. Each purchaser who is not an accredited investor will have such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the investment.

A family partnership controlled by Terry Considine is expected to own approximately 40% to 50% of the SMP. The remaining interests in the SMP may be owned by other employees of Aimco's subsidiaries; however, the total number of purchasers will not exceed 35 (excluding accredited investors). The \$915,000 aggregate purchase price to be paid by the SMP for the High Performance Units will be funded with cash contributions from the employees participating in the SMP. Aimco will not make loans to executive officers to fund their cash contributions to the SMP, but Aimco may make loans to facilitate the participation of

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other employees of Aimco's subsidiaries. These loans will be full recourse, will be payable through payroll deductions and will be required to be paid in full by September 30, 2004. To the extent that offerees elect not to participate, their interests will be offered to other participants on a proportionate basis.

Holders of the new High Performance Units will not be able to redeem their High Performance Units prior to the date (the "Valuation Date") that is the earlier of (i) January 1, 2007, or (ii) the date on which a change of control (as defined in the Operating Partnership's Agreement of Limited Partnership) occurs. Holders of the new High Performance Units will be entitled to receive distributions and allocations of income and loss from the Operating Partnership in the same amounts and at the same times (subject to certain exceptions upon liquidation of the Operating Partnership) as would holders of a number of OP Units (the "OP Unit Equivalent"). Prior to the relevant Valuation Date, the OP Unit Equivalent will be 0.01 for each new High Performance Unit. If, on the Valuation Date, the cumulative Total Return of the Common Stock from January 1, 2004 to December 31, 2006 (the "Measurement Period") exceeds 115% of the cumulative Total Return of a peer group index over the same period, and is at least the equivalent of a 36.8% cumulative Total Return over the three year period (the "Minimum Return"), then, on and after the Valuation Date, the OP Unit Equivalent for each new High Performance Unit will be revised to equal (i) the product of (A) 5% of the amount by which the cumulative Total Return of the Common Stock over the Measurement Period exceeds the greater of the Minimum Return or 115% of a peer group index (such excess being the "Outperformance Return"), multiplied by (B) the weighted average market value of Aimco's equity capitalization (including Common Stock and OP Units but not preferred stock or preferred units), divided by (ii) the product of (A) the market value of one share of Common Stock on the Valuation Date and (B) the number of High Performance Units originally issued. However, the number of OP Unit Equivalents for the up to 5,000 new High Performance Units may not exceed 1.0% of the number of shares of Common Stock and OP Units outstanding, on a fully diluted basis (based on the sum of (i) the fully diluted share count used to determine Adjusted Funds From Operations ("AFFO") per share and (ii) common OP Units and equivalents outstanding on the Valuation Date. If, on the Valuation Date, the cumulative Total Return of the Common Stock does not satisfy these criteria, then the OP Unit Equivalent for the new High Performance Units will remain at 0.01 per High Performance Unit. For purposes of determining the market value of Common Stock or OP Units as of any date, the average of the volume-weighted daily trading price of the Common Stock for the 20 consecutive trading days immediately preceding such date is used, except that the value of a share of Common Stock as of January 1, 2004 will be \$34.50, the price used to determine the value of the Class IV Units as of December 31, 2003.

As with previously-issued High Performance Units, the Morgan Stanley REIT Index will be used as the peer group index (the "Peer Group Index") for purposes of the new High Performance Units. The Morgan Stanley REIT Index is a capitalization-weighted index, with dividends reinvested, of the most actively traded real estate investment trusts. As of December 31, 2003, the Morgan Stanley REIT Index was comprised of 115 real estate investment trusts selected by Morgan Stanley Incorporated. The Board of Aimco has selected this index because it believes that it is the real estate investment trust index most widely reported and accepted among institutional investors. The Board may select a different index if it determines that the Morgan Stanley REIT Index is no longer an appropriate comparison for Aimco; if the Morgan Stanley REIT Index is not maintained throughout the Measurement Period; or for any other reason that the Board determines.

"Total Return" means, for any security and for any period, the cumulative total return for such security over such period, as measured by (i) the sum of (a) the cumulative amount of dividends paid in respect of such security for such period (assuming that all cash dividends are reinvested in such security as of the payment date for such dividend based on the security price on the dividend payment date), and (b) an amount equal to (x) the security price at the end of such period, minus (y) the security price at the beginning of such period, divided by (ii) the security price at the beginning of the measurement period; provided, however, that if the foregoing calculation results in a negative number, the Total Return shall be equal to zero.

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The new High Performance Units are subject to certain restrictions on transfer. The SMP may not transfer its High Performance Units until after the Valuation Date, and then only to its participants or to one of their family members (or a family-owned entity). Individuals may not transfer High Performance Units except to a family member (or a family-owned entity) or in the event of death or disability. The new High Performance Units are not convertible into Common Stock. However, in the event of a change of control of Aimco, holders of the new High Performance Units will have redemption rights similar to those of holders of OP Units. Upon the occurrence of a change of control, any holder of the new High Performance Units may, subject to certain restrictions, require the Operating Partnership to redeem all or a portion of the High Performance Units held by such party in exchange for a cash payment per unit equal to their market value at the time of redemption. However, in the event that any High Performance Units are tendered for redemption, the Operating Partnership's obligation to pay the redemption price is subject to the prior right of Aimco to acquire such High Performance Units in exchange for an equal number of shares of Common Stock (subject to certain adjustments).

Although Aimco does not believe that the sale of the new High Performance Units will have an anti-takeover effect, the High Performance Units could increase the potential cost of acquiring control of Aimco and thereby discourage an attempt to take control of Aimco. However, the Board is not aware of any attempt to take control of Aimco and the Board has not approved the sale of the new High Performance Units with the intention of discouraging any such attempt.



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If Aimco's Total Return over the Measurement Period exceeds 115% of the Total Return of the Morgan Stanley REIT Index and exceeds the Minimum Return of 36.8% over three years, then the holders of new High Performance Units could be entitled to as much as 1% (percentage based on the valuation date) of future distributions made by the Operating Partnership. This would have a dilutive effect on future earnings per share of Common Stock, and on Aimco's equity ownership in the Operating Partnership after the Valuation Date. However, the maximum dilutive effect for the new class of High Performance Units will be 1.0% of the number of shares of Common Stock and OP Units outstanding, on a fully diluted basis (based on the sum of (i) the fully diluted share count used to determine Adjusted Funds From Operations ("AFFO") per share and (ii) common OP Units and equivalents outstanding on the Valuation Date.

The following table sets forth the cumulative Total Return of the Common Stock and the Morgan Stanley REIT Index, respectively, for each year in the period from January 1, 1998 through December 31, 2000, which were the returns used for the valuation of the Class I Units. However, such historical results are not necessarily indicative of future performance.

	Year Ended December 31,		
	1998	1999	2000
Cumulative Total Return of Common Stock	7.77%	22.71%	59.24%
Cumulative Total Return of Morgan Stanley REIT Index	(16.83)%	(20.69)%	0.58%

The following table sets forth the cumulative Total Returns of the Common Stock and the Morgan Stanley REIT Index, respectively, for each year in the period from January 1, 2001 through December 31, 2003, which were the returns used in the valuation of the Class II, Class III and Class IV Units. However, such historical results are not necessarily indicative of future performance.

	Year Ended December 31,		
	2001	2002	2003
Cumulative Total Return of Common Stock	0.21%	(11.40)%	(10.09)%
Cumulative Total Return of Morgan Stanley REIT Index	12.83%	16.94%	59.91%

The following table sets forth the cumulative Total Returns of the Common Stock and the Morgan Stanley REIT Index, respectively, for the period from January 1, 2002 through December 31, 2003, which

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were the returns used in the valuation of the Class V Units to date. However, such historical results are not necessarily indicative of future performance.

	Year Ended December 31,	
	2002	2003
Cumulative Total Return of Common Stock	(11.58)%	(10.28)%
Cumulative Total Return of Morgan Stanley REIT Index	3.64%	41.73%

The following table sets forth the cumulative Total Return of the Common Stock and the Morgan Stanley REIT Index, respectively, for the period from January 1, 2003 through December 31, 2003, which were the returns used in the valuation of the Class VI Units to date. However, such historical results are not necessarily indicative of future performance.

	Year Ended December 31, 2003
Cumulative Total Return of Common Stock	1.47%
Cumulative Total Return of Morgan Stanley REIT Index	36.74%

The table below illustrates the value of the new High Performance Units on the Valuation Date under different circumstances. The table demonstrates the value of the new High Performance Units at given prices for Common Stock and the total return calculated at that price compared to both the Minimum Return and 115% of the peer group total return. For purposes of this illustration, the "value" of the new High

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Performance Units is calculated by multiplying (a) 5% of the Outperformance Return, by (b) the weighted average market value of Aimco's equity capitalization (including Common Stock and OP Units not held by Aimco) over the Measurement Period. However, this determination of value does not represent the actual fair market value of the High Performance Units on the Valuation Date because the High Performance Units are subject to substantial restrictions on transfer and, in the absence of a change of control, do not entitle the holders thereof to any redemption rights. Except as otherwise indicated, it is assumed, for purposes of the illustration, that the Valuation Date is January 1, 2007, the Peer Group Index has an annual Total Return of 36.8%; and the weighted average market value of outstanding equity (Common Stock and OP Units not held by Aimco) during the Measurement Period is \$3.641 billion. Other important assumptions are set forth in the footnotes below the following table.

The table below is for illustrative purposes only and there can be no assurance that actual outcomes will be within the ranges used. Some of the factors that could affect the results set forth in the table are the Total Return of the Common Stock relative to the Total Return of the Morgan Stanley REIT Index, and the market value of the average outstanding equity of Aimco during the Measurement Period. These factors may be affected by general economic conditions, local real estate conditions and the dividend policy of Aimco.

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**Class VII High Performance Partnership Units Three Year Program  
Valuation Analysis as of December 31, 2003**

**5,000 Class VII High Performance Partnership Units  
\$915,000 Cash proceeds to Company from initial investment(1)**

Stock Price	Aimco Total Return(2)	Minimum Return	115% MS REIT Index Total Return	Out-performance Return(3)	Average Market Capitalization(4)	Out-performance Shareholder Value Added(5)	Value of High Performance Units(6)	OP Unit Dilution(7)	OP Unit Dilution as a Percentage of Total Diluted Shares Outstanding(8)
					(thousands)	(thousands)	(thousands)	(thousands)	
\$ 38.00	31.01%	36.76%		0.00%	\$ 3,641,173	\$	\$ 2		0.00%
			40.00%	0.00%	3,641,173		2		0.00%
			60.00%	0.00%	3,641,173		2		0.00%
40.00	36.81%	36.76%		0.05%	3,641,173	1,879	94	2	0.00%
			40.00%	0.00%	3,641,173		2		0.00%
			60.00%	0.00%	3,641,173		2		0.00%
42.00	42.61%	36.76%		5.85%	3,641,173	212,961	10,648	254	0.23%
			40.00%	2.61%	3,641,173	94,987	4,749	113	0.10%
			60.00%	0.00%	3,641,173		2		0.00%
44.00	48.41%	36.76%		11.65%	3,641,173	424,044	21,202	482	0.45%
			40.00%	8.41%	3,641,173	306,070	15,303	348	0.32%
			60.00%	0.00%	3,641,173		2		0.00%
46.00	54.20%	36.76%		17.44%	3,641,173	635,126	31,756	690	0.64%
			40.00%	14.20%	3,641,173	517,152	25,858	562	0.52%
			60.00%	0.00%	3,641,173		2		0.00%
48.00	60.00%	36.76%		23.24%	3,641,173	846,209	42,310	881	0.81%
			40.00%	20.00%	3,641,173	728,235	36,412	759	0.70%
			60.00%	0.00%	3,641,173		2		0.00%
50.00	65.80%	36.76%		29.04%	3,641,173	1,057,291	52,865	1,057	0.98%
			40.00%	25.80%	3,641,173	939,317	46,966	939	0.87%
			60.00%	5.80%	3,641,173	211,083	10,554	211	0.20%
52.00	71.59%	36.76%		34.83%	3,641,173	1,268,374	56,359(9)	1,084(9)	1.00%(9)

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Stock Price	Aimco Total Return(2)	Minimum Return	115% MS REIT Index Total Return	Out-performance Return(3)	Average Market Capitalization(4)	Out-performance Shareholder Value Added(5)	Value of High Performance Units(6)	OP Unit Dilution(7)	OP Unit Dilution as a Percentage of Total Diluted Shares Outstanding(8)
			40.00%	31.59%	3,641,173	1,150,400	56,359(9)	1,084(9)	1.00%(9)
			60.00%	11.59%	3,641,173	422,165	21,108	406	0.38%

- (1) If "Outperformance Shareholder Value Added" is \$0, the "Cash Proceeds to Company from Initial Investment" is calculated by subtracting the "Value of High Performance Units" from \$915,000 which is the purchase price of 5,000 Class VII Units.
- (2) Aimco Total Return is calculated in the above example as follows: ((Stock Price + 2004 Annual Dividend + 2005 Annual Dividend + 2006 Annual Dividend) - \$34.50) / \$34.50, where 2004 Annual Dividend equals \$2.40, 2005 Annual Dividend equals \$2.40 and 2006 Annual Dividend equals \$2.40.
- (3) "Outperformance Return" is the amount, if any, by which the total return of the Common Stock over the measurement period exceeds the Minimum Return or 115% of the MS REIT Index Total Return.
- (4) Assumes the market value of outstanding equity (Common Stock and common OP Units) at December 31, 2003 throughout the measurement period.
- (5) "Outperformance Shareholder Value Added" is calculated by multiplying the Outperformance Return by the average market capitalization.
- (6) The "Value of High Performance Units" is calculated by multiplying the Outperformance Shareholder Value Added by 5%. If Outperformance Shareholder Return is \$0, the Value of High Performance Units is calculated by multiplying the stock price by 50 OP Units. The initial investment of \$915,000 for the Class VII Units will continue to be treated as contributed equity on the balance sheet of the Operating Partnership.
- (7) The "OP Unit Dilution" is calculated by dividing the Value of High Performance Units by the stock price at the end of the period.
- (8) "OP Unit Dilution as a Percentage of Total Diluted Shares Outstanding" is calculated by dividing the OP Unit Dilution by the sum of (i) fully diluted count used to determine AFFO (based on Common Stock outstanding at December 31, 2003) and (ii) common OP Units and equivalents outstanding at December 31, 2003.
- (9) The maximum "OP Unit dilution as a percentage of Total Diluted Shares Outstanding" for the Class VII Units is 1.0%.

Pursuant to Section 312.03 of the New York Stock Exchange listing requirements, the affirmative vote of a majority of the votes cast regarding the proposal is required for approval of the sale of the new High Performance Units. Accordingly, abstentions or broker non-votes will not affect the outcome of the vote on the proposal. Unless instructed to the contrary in the proxy, the shares represented by proxies will be voted FOR the proposal to approve the sale of the new High Performance Units.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE SALE OF THE HIGH PERFORMANCE UNITS.**

**PROPOSAL 4:**

A stockholder has submitted the following proposal. The proposal will be voted on at the annual meeting if the proponent is present at the meeting and submits the proposal for a vote.

In accordance with federal securities law regulations, Aimco includes the stockholder proposal and the related supporting statements as submitted by the proponents, without editing by Aimco. To easily distinguish between material provided by the proponent and information the

Board would like you to consider, Aimco has put a box around material provided by the proponent.

The Service Employees International Union, 1313 L Street, N.W., Washington, D.C. 2005, who is the beneficial owner of 67 shares of Common Stock, has given notice that it intends to introduce the following resolution at the annual meeting.

### SHAREHOLDER PROPOSAL

RESOLVED: That the shareholders of Apartment Investment and Management Company ("AIMCO" or the "Company") urge the Compensation and Human Resources Committee of the Board of Directors to establish a policy to seek shareholder approval for future severance agreements with senior executives that provide benefits in an amount exceeding 2.99 times the sum of the executive's base salary plus bonus. "Future severance agreements" include employment agreements containing severance provisions; retirement agreements; change of control agreements; and agreements renewing, modifying or extending existing such agreements. "Benefits" include lump-sum cash payments and the estimated present value of periodic retirement payments, fringe benefits, perquisites, and consulting fees to be paid to the executive.

### SUPPORTING STATEMENT

In January 2002, AIMCO entered into employment agreements with Chairman and CEO Terry Considine, President Peter Kompaniez, CFO Paul McAuliffe, AIMCO Capital President and CEO David Robertson and AIMOCO [sic] Capital Transactions EVP Lance Graber. Under the terms of their employment agreements, these individuals are entitled to severance pay in an amount "to be determined by the Company in its sole discretion". In addition, they will also receive a monthly payment equal to two-thirds of their monthly base salary at the time of termination "for a period not to exceed" the earlier of 24 months following their termination or the date of acceptance of employment with a non-competitor.

As currently drafted, these employment agreements provide no limit on the size of AIMCO executives' severance packages. We realize that arrangements providing benefits in excess of 2.99 times a senior executive's base salary plus bonus may be in the best interests of AIMCO under some circumstances. However, we believe that requiring shareholder approval of such agreements may have the beneficial effect of insulating the board from manipulation in the event a senior executive's employment must be terminated.

Because it is not always practical to obtain prior shareholder approval, the Company would have the option, if it implemented this proposal, of seeking approval after the material terms of the agreement were agreed upon.

Institutional investors such as the California Public Employees Retirement System recommend shareholder approval of these types of agreements in their proxy voting guidelines. The Council of Institutional Investors favors shareholder approval if the amount payable exceeds 200% of the senior executive's annual base salary.

For these reasons we urge shareholders to vote FOR this proposal.

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### DIRECTORS' STATEMENT IN OPPOSITION

The Board recommends a vote **AGAINST** the proposal.

#### *Summary*

The proposal calls for a solution to a problem that does not exist at Aimco, and it may have a material adverse effect on pending Aimco efforts to recruit a chief operating officer.

In the past, Aimco has not entered into agreements with senior executives to provide excessive severance arrangements. In fact, only two of the five persons named in the proposal have severance arrangements Messrs. Considine and Kompaniez. Their arrangements were required as part of Aimco's initial public offering and provide for severance of only three times base salary bonus compensation is not part of the calculation. To the contrary, it is far more likely that a senior executive departing Aimco will forfeit unvested restricted stock or unvested options as opposed to receiving excessive severance compensation.

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Further, as described in more detail below, the proposal will put Aimco's recruitment and retention efforts at risk. Aimco is currently recruiting for a chief operating officer and, from time to time, seeks to hire other senior executives. It is often a crucial element of a recruitment proposal to offer severance if the employment is terminated during the first few years. Aimco's ability to recruit and hire exceptional candidates will likely be jeopardized by this proposal. The proposal arbitrarily limits Aimco's flexibility, increases the time and expense of Aimco's recruitment efforts, and places Aimco at a competitive disadvantage in hiring and retaining highly qualified senior executives.

### *Discussion*

The Board believes that the proposal urging the Compensation and Human Resources Committee (the "Committee") to seek stockholder approval for future severance agreements with senior executives is not in the best interests of the Company and its stockholders. The proposal will not enhance stockholder value and will arbitrarily and unnecessarily undermine Aimco's ability to attract and retain highly qualified senior executives.

First, the supporting statement for this proposal is based on incomplete information. The January 2002 arrangements entered into with Messrs. Considine, Kompaniez, McAuliffe, Robertson and Graber cited by the proponents are not employment agreements that provided for unlimited severance benefits. Rather, the arrangements are non-competition and non-solicitation agreements that recite that the consideration for the enforcement of the non-competition provisions would include severance payments, *if any*, provided by Aimco. There is simply no provision for excessive severance pay.

More importantly, adoption of this proposal would place Aimco at a competitive disadvantage by:

arbitrarily limiting what Aimco may offer as a severance benefit;

requiring Aimco either to incur significant time and expense to convene a special meeting of stockholders to approve a senior executive's severance benefits, or to delay finalizing those benefits until the next annual meeting of stockholders;

jeopardizing negotiations with any prospective senior executive who is looking for a new job confidentially if stockholder approval of a proposed severance agreement would be required before the agreement becomes effective; and

potentially losing senior executives to another company that can act promptly because it is not subject to a stockholder approval requirement.

The Board, through the Committee, which is an independent Board committee comprised of non-employee directors, oversees compensation. The Committee carefully evaluates Aimco's executive

compensation programs. These programs are designed to attract and retain highly qualified senior executives and to motivate them to maximize stockholder returns. The Board believes that the Committee has been and will be an effective representative of stockholders in striking the proper balance between the competing needs for guarding against excessive severance arrangements and having the latitude and flexibility needed to attract highly qualified senior executives.

As stated above, Aimco, does not, as a matter of course, enter into severance arrangements with senior executives, and Aimco historically has an excellent track record with respect to such arrangements. However, severance arrangements are in some cases appropriate to attract and retain highly qualified senior executives. Often, senior executives must relocate and forfeit significant bonus, stock and accumulated pension values with their previous employers in order to join Aimco. They generally are unwilling to take such risks without protection in the event that their positions with Aimco are adversely affected by an unanticipated change in circumstances. Aimco believes that where they exist, these arrangements enhance stockholder value by allowing an executive to focus on the business of Aimco without regard to the personal impact of a change in control or business restructuring. The Committee and management should have the flexibility to tailor compensation packages, which may include severance provisions, to meet the needs of senior executives. Because the proposal's reach is so broad, it could potentially include payments under various benefit plans not understood to be covered and create uncertainty on the part of prospective senior executives and Aimco as to how to negotiate appropriate severance arrangements. This could lead to protracted delays that would impede the recruitment of top

personnel. Imposing stringent guidelines for compensation in order to ensure a favorable vote by stockholders after the terms of the contract have been agreed to also eliminates the flexibility that is needed to respond to the dynamics of negotiating during recruitment. In each case, Aimco would be at a competitive disadvantage in attracting the best senior executives if this proposal were adopted.

Requiring stockholder approval of the terms of future severance agreements would also negatively affect Aimco's recruitment of senior executives by requiring the premature public disclosure of confidential employment negotiations. It would not be possible to obtain stockholder approval of the terms of a severance agreement before identifying, and reaching agreement with, the prospective senior executive to whom the severance agreement would be offered. It is highly unlikely that an executive who is looking for a new job confidentially would be willing to engage in serious employment discussions with Aimco under circumstances in which stockholder approval of a proposed severance agreement would be required before the agreement becomes effective. That premature disclosure could jeopardize the senior executive's future with his or her current employer before that senior executive's new position with Aimco was secured. Similarly, the Board believes that it would be impractical to follow the proponent's suggestion that stockholder approval for future severance agreements could be obtained after the material terms were agreed upon. In short, the Board believes that the risks created by the premature public disclosure of confidential employment negotiations, and the delays, uncertainties and additional expense that unquestionably would result from the need for stockholder approval would put Aimco's employment offers at a significant disadvantage to the offers of competitors whose arrangements are not subject to stockholder approval.

In sum, the proposal may significantly limit Aimco's flexibility in the negotiation of future employment contracts. Because of the highly competitive nature of the industry and the intense competition for highly talented executives, the imposition of inflexible guidelines for compensation could infringe upon Aimco's ability to respond appropriately during negotiations with prospective candidates. Moreover, the potential for considerable delay and uncertainty with respect to the stockholder approval process would make it significantly more difficult for Aimco to recruit highly qualified senior executives.

**ACCORDINGLY, THE BOARD RECOMMENDS A VOTE "AGAINST" THIS PROPOSAL.**

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### BOARD OF DIRECTORS AND OFFICERS

The executive officers of the Company and the nominees for election as directors of the Company, their ages, dates they were first elected an executive officer or director, and their positions with the Company or on the Board are set forth below.

<b>Name</b>	<b>Age</b>	<b>First Elected</b>	<b>Position</b>
Terry Considine	56	July 1994	Chairman of the Board, Chief Executive Officer and President
Peter K. Kompaniez	59	July 1994	Vice Chairman of the Board
Jeffrey W. Adler	42	February 2004	Executive Vice President Conventional Property Operations
Harry G. Alcock	41	October 1999	Executive Vice President and Chief Investment Officer
Miles Cortez	60	August 2001	Executive Vice President, General Counsel and Secretary
Joseph DeTuno	59	February 2001	Executive Vice President Redevelopment
Randall J. Fein	48	October 2003	Executive Vice President University Housing
Patti K. Fielding	40	February 2003	Executive Vice President Securities and Debt
Lance J. Graber	43	October 1999	Executive Vice President AIMCO Capital
Thomas M. Herzog	41	January 2004	Senior Vice President and Chief Accounting Officer
Paul J. McAuliffe	47	February 1999	Executive Vice President and Chief Financial Officer
Ronald D. Monson	47	February 2001	Executive Vice President
James G. Purvis	51	February 2003	Executive Vice President Human Resources
David Robertson	38	February 2002	Executive Vice President; President and Chief Executive Officer AIMCO Capital
James N. Bailey	57	June 2000	Director, Chairman of the Nominating and Corporate Governance Committee
Richard S. Ellwood	72	July 1994	Director, Chairman of the Audit Committee

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Name	Age	First Elected	Position
J. Landis Martin	58	July 1994	Director, Chairman of the Compensation and Human Resources Committee
Thomas L. Rhodes	64	July 1994	Director

The following is a biographical summary of the experience of the current directors and executive officers of the Company for the past five years or more.

Terry Considine. Mr. Considine has been Chairman of the Board and Chief Executive Officer since July 1994. Mr. Considine serves as Chairman and Chief Executive Officer of American Land Lease, Inc., another publicly held real estate investment trust and successor to Asset Investors Corporation and Commercial Assets, Inc. Mr. Considine devotes his time to his responsibilities at Aimco on a full time basis, and the balance to American Land Lease, Inc. Upon the effectiveness of Mr. Kompaniez's resignation as President and pending the appointment of a chief operating officer, Mr. Considine will also serve as President.

Peter K. Kompaniez. Mr. Kompaniez has been Vice Chairman of the Board since July 1994 and was appointed President in July 1997. Mr. Kompaniez has also served as Chief Operating Officer of NHP Incorporated after it was acquired by Aimco in December 1997. Effective April 1, 2004, Mr.