

APARTMENT INVESTMENT & MANAGEMENT CO

Form 11-K

June 27, 2006

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 11-K
ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

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

For the fiscal year ended December 31, 2005

OR

o **TRANSITION REPORT PURSUANT TO SECTION 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
401(k) RETIREMENT PLAN
(Full title of the plan)
Apartment Investment and Management Company
4582 South Ulster Street Parkway, Suite 1100
Denver, Colorado 80237
(Name of issuer of the securities held pursuant to
the plan and the address of its principal executive office)**

Financial Statements and Schedule
Apartment Investment and Management Company
401(k) Retirement Plan
Year ended December 31, 2005
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Benefits Committee

Apartment Investment and Management Company

We have audited the accompanying statements of net assets available for benefits of Apartment Investment and Management Company 401(k) Retirement Plan as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the year ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2005 is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Denver, Colorado
June 22, 2006

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Apartment Investment and Management Company
 401(k) Retirement Plan
 Statements of Net Assets Available for Benefits

| | December 31, | |
|-----------------------------------|---------------------|---------------|
| | 2005 | 2004 |
| Assets: | | |
| Investments, at fair value | \$ 75,873,397 | \$ 68,678,504 |
| | | |
| Total assets | 75,873,397 | 68,678,504 |
| Liability: | | |
| Participant refunds payable | (3,681) | (3,351) |
| | | |
| Net assets available for benefits | \$ 75,869,716 | \$ 68,675,153 |

See accompanying notes.

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Apartment Investment and Management Company
401(k) Retirement Plan
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2005

| | |
|--|---------------|
| Additions: | |
| Employee contributions | \$ 7,402,204 |
| Employer contributions | 4,120,768 |
| Rollover contributions | 1,100,297 |
| | 12,623,269 |
| Net depreciation in fair value of investments | (126,510) |
| Interest and dividend income | 4,357,330 |
| Net additions | 16,854,089 |
| Deductions: | |
| Benefit payments | 9,608,878 |
| Administrative expenses | 50,648 |
| Total deductions | 9,659,526 |
| Net increase | 7,194,563 |
| Net assets available for benefits at the beginning of the year | 68,675,153 |
| Net assets available for benefits at the end of the year | \$ 75,869,716 |

See accompanying notes.

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Apartment Investment and Management Company
401(k) Retirement Plan
Notes to Financial Statements
December 31, 2005

1. Description of the Plan

The following description of the Apartment Investment and Management Company 401(k) Retirement Plan (the Plan) provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan s provisions.

The Plan is a defined contribution plan covering all employees of Apartment Investment and Management Company (the Company or AIMCO) who have completed 30 days of service and are age 18 or older, except certain employees covered by collective bargaining agreements that are not eligible to participate in the Plan. The Plan is administered by Fidelity Investments Retirement Services Company and trusted by the Fidelity Management Trust Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Participants may elect to contribute to the Plan, on a pretax basis, up to 50% of their eligible compensation, or \$14,000 (for 2005), whichever is less. The Company may make matching contributions in the following manner: (1) a 100% match on participant contributions to the extent of the first 3% of the participant s eligible compensation; and (2) a 50% match on participant contributions to the extent of the next 2% of the participant s eligible compensation. Each participant s account is credited with the participant s contributions, Company matching contributions and appreciation or depreciation in earnings from the fund(s) elected by the participant. The benefit to which a participant is entitled is their vested account balance at the time of distribution.

Participants are immediately vested in their voluntary contributions. The Company s matching contributions made on or after January 1, 2004 vest immediately. Matching contributions made prior to January 1, 2004 vest fully after three years of service. Upon withdrawal, any unvested portion of a participant s account will be used by the Company to reduce the next employer contribution or pay expenses of the Plan. During the year ended December 31, 2005 no such funds were applied against 2005 contributions, however \$14,820 was applied towards administrative expenses. For the years ended December 31, 2005 and 2004, forfeited balances of terminated participants unvested accounts were \$61,066 and \$93,943, respectively.

Participants may borrow funds from their own account. Loans are permitted in amounts not to exceed the lesser of \$50,000 reduced by the highest outstanding loan balance for the preceding year or 50% of the value of the vested interest in the participant s account. Three loans may be outstanding at any time; however, only one loan is permitted during any twelve-month period.

On termination of service or upon death, disability or retirement, a participant may elect to receive a distribution equal to the vested value of his or her account which will be paid out as soon as administratively possible.

Although the Company has not expressed any intent to do so, it has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of termination of the Plan, each participant will become fully vested and will receive a total distribution of his or her account.

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Apartment Investment and Management Company
401(k) Retirement Plan
Notes to Financial Statements (continued)
December 31, 2005

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Plan are presented on the accrual basis of accounting.

Investments

Investments other than participant loans and the common collective trust fund are valued at fair value as determined by reference to quoted market values. The participant loans are valued at their outstanding balances, which approximate fair value. Investments held in the common collective trust fund are recorded at fair value, which approximates cost. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. The Plan's exposure to credit loss in the event of nonperformance of investments is limited to the carrying value of such instruments. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated February 7, 2001, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the Internal Revenue Service, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Sponsor has indicated that it will take the necessary steps, if any, to maintain the Plan's qualified status.

Plan Expenses

The Company pays certain expenses necessary to administer the Plan.

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Apartment Investment and Management Company
401(k) Retirement Plan
Notes to Financial Statements (continued)
December 31, 2005

3. Investments

The Plan's investments are held in trust by Fidelity Management Trust Company, the trustee of the Plan. The Plan's investments in the various funds (including investments bought, sold, and held during the year) depreciated in fair value for the year ended December 31, 2005 as presented in the following table:

| | Net Appreciation/ (Depreciation) in Fair Value During Year |
|---|---|
| Fair value as determined by quoted market prices: | |
| Investments in mutual funds | \$ (244,793) |
| Investments in common stock | 118,283 |
| | \$ (126,510) |

The AIMCO Stock Fund holds AIMCO common stock and cash. At December 31, 2005, this fund held 52,848 shares of AIMCO common stock with a market value of approximately \$2.0 million.

The fair value of individual investments that represent 5% or more of the Plan's net assets are as follows:

| | December 31, | |
|--|---------------------|--------------|
| | 2005 | 2004 |
| Fidelity Investment Mutual Funds: | | |
| Magellan Fund | \$ | \$ 8,918,840 |
| Growth Company Fund | 6,348,172 | 5,776,196 |
| Growth and Income Fund | 14,881,962 | 7,328,523 |
| Retirement Money Market Fund | 5,969,582 | 5,957,257 |
| Asset Manager Fund | 5,017,735 | 5,036,059 |
| Equity Income II Fund | 5,586,033 | 5,302,089 |
| Intermediate Bond Fund | | 3,770,716 |
| Fidelity Management Trust Company Common Collective Trust Fund: | | |
| Managed Income Portfolio Fund | 9,473,356 | 9,212,809 |
| Pacific Investment Management Company Total Return Fund Class | 3,904,969 | |

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Apartment Investment and Management Company
 401(k) Retirement Plan
 Schedule H, line 4i Schedule of Assets (Held at End of Year)
 December 31, 2005

EIN: 84-1259577
 Plan Number: 002

| Identity of Issue, Borrower, Lessor or Similar Party | Description of Investment, including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Current Value |
|---|--|--------------------------|
| Common Stock: | | |
| | 123,513 | |
| *AIMCO Stock Fund (1) | shares \$ | 2,090,482 |
| *Fidelity Investment Mutual Funds: | | |
| | 99,767 | |
| Growth Company Fund | shares | 6,348,172 |
| | 432,615 | |
| Growth and Income Fund | shares | 14,881,962 |
| | 312,631 | |
| Asset Manager Fund | shares | 5,017,735 |
| | 244,358 | |
| Equity Income II Fund | shares | 5,586,033 |
| | 89,023 | |
| Diversified International Fund | shares | 2,896,793 |
| | 75,363 | |
| Low Priced Stock Fund | shares | 3,077,806 |
| | 42,747 | |
| Spartan US Equity Index Fund | shares | 1,887,724 |
| | 5,969,582 | |
| Retirement Money Market Fund | shares | 5,969,582 |
| | 63,831 | |
| Fidelity Real Estate Fund | shares | 1,988,990 |
| | 57,259 | |
| Fidelity Small Cap Stock Fund | shares | 1,047,843 |
| | 15,705 | |
| Fidelity Freedom Income Fund | shares | 178,561 |

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| | | |
|---|---|----------------------------|
| Fidelity Freedom 2000 Fund | 12,603 shares | 153,887 |
| Fidelity Freedom 2010 Fund | 62,913 shares | 883,927 |
| Fidelity Freedom 2020 Fund | 110,183 shares | 1,620,798 |
| Fidelity Freedom 2030 Fund | 111,652 shares | 1,677,012 |
| Fidelity Freedom 2040 Fund | 145,526 shares | 1,284,995 |
| *Fidelity Management Trust Company Common Collective Trust Fund: | | |
| Managed Income Portfolio Fund | 9,473,356 shares | 9,473,356 |
| Other investment funds: | | |
| Pacific Investment Management Company Total Return Fund | Administrative Class | 371,902 shares |
| Pacific Investment Management Company Real Return Fund | Institutional Class | 53,687 shares |
| Vanguard Explorer Fund | | 28,925 shares |
| American Beacon Small Cap Value Fund | | 20,525 shares |
| *Participant Loans | Interest rates range from 6.00% to 10.50% | 2,874,652 \$ 75,873,397 |

* Indicates a party-in-interest to the Plan

(1) AIMCO Stock Fund holds AIMCO common stock and cash. At December 31, 2005, this fund held 52,848 shares of AIMCO common stock with a market value of \$2.0 million.

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Plan Administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 22, 2006

APARTMENT INVESTMENT AND
MANAGEMENT COMPANY
401(k) RETIREMENT PLAN

By: /s/ JAMES G. PURVIS
James G. Purvis
Executive Vice President Human
Resources

By: /s/ THOMAS M. HERZOG
Thomas M. Herzog
Executive Vice President and Chief Financial
Officer

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EXHIBIT INDEX

| EXHIBIT NO. | Description |
|-------------|------------------------------------|
| 23.1 | Consent of Ernst & Young LLP 11 |