

APARTMENT INVESTMENT & MANAGEMENT CO

Form S-4/A

January 31, 2007

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As filed with the Securities and Exchange Commission on January 31, 2007

Registration No. 333-136801

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

**Amendment No. 4
to
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

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

(Exact Name of Registrant as Specified in Its Charter)

**Apartment Investment and
Management Company
Maryland
AIMCO Properties, L.P.
Delaware**
*(State or Other Jurisdiction of
Incorporation or Organization)*

**Apartment Investment and
Management Company
6798
AIMCO Properties, L.P.
6513**
*(Primary Standard Industrial
Classification Code Number)*

**Apartment Investment and
Management Company
84-1259577
AIMCO Properties, L.P.
84-1275621**
*(I.R.S. Employer
Identification No.)*

**4582 South
Ulster Street Parkway,
Suite 1100
Denver, Colorado 80237
(303) 757-8101**

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive
Offices)*

**Harry G. Alcock
Executive Vice President and Chief Investment Officer
Apartment Investment and Management Company
4582 South Ulster Street Parkway, Suite 1100
Denver, Colorado 80237
(303) 757-8101**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

**With copies to:
Gregory M. Chait
Alston & Bird LLP
1201 West Peachtree Street
Atlanta, Georgia 30309-3424
Telephone: (404) 881-7000**

Facsimile: (404) 881-4777

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of the Registration Statement.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit/Share(1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(3)
AIMCO Properties, L.P. Partnership Common Units AIMCO Class A Common Stock (2)			\$230,078,260	\$24,619

(1) Omitted in reliance on Rule 457(o) under the Securities Act of 1933.

(2) Represents shares of common stock issuable upon redemption of the Partnership Common Units registered hereunder.

(3) Offset by \$23,993 previously paid pursuant to Form S-4 (Reg. No. 333-136801), filed on August 22, 2006.

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

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

SUBJECT TO COMPLETION, DATED JANUARY 31, 2007

PROSPECTUS

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

**NOTICE OF OFFER TO ACQUIRE SEVEN PROPERTIES OWNED BY VMS NATIONAL PROPERTIES
JOINT VENTURE FOR PARTNERSHIP COMMON UNITS OR CASH**

NOTICE OF INTENT TO SELL EIGHT PROPERTIES TO UNAFFILIATED THIRD PARTIES

VMS National Properties Joint Venture, or VMS, entered into an agreement to contribute certain of its properties to AIMCO Properties, LLC, a wholly owned subsidiary of AIMCO Properties, L.P. in a transaction pursuant to which you may elect to receive partnership common units of AIMCO Properties, L.P. or cash or a combination of units and cash. The properties to be contributed are Casa de Monterey, Buena Vista Apartments, Crosswood Park, Mountain View Apartments, Pathfinder Village Apartments, Scotchollow Apartments, and The Towers of Westchester Park. Separately, VMS intends to sell its other eight properties to one or more unaffiliated third parties in one or more sales. The properties to be sold to third parties are North Park Apartments, Chapelle Le Grande, Terrace Gardens, Forest Ridge Apartments, The Bluffs, Watergate Apartments, Shadowood Apartments and Vista Village Apartments. On November 22, 2006, VMS entered into an agreement to sell Watergate Apartments to an unaffiliated third party for a total purchase price of \$7,710,000. On November 28, 2006, VMS entered into an agreement to sell Shadowood Apartments to an unaffiliated third party for a total purchase price of \$5,300,000. On December 4, 2006, VMS entered into agreements to sell Terrace Gardens and The Bluffs to unaffiliated third parties for total purchase prices of \$7,200,000 and \$9,650,000, respectively. On December 11, 2006, VMS entered into an agreement to sell Vista Village Apartments to an unaffiliated third party for a total purchase price of \$7,250,000. On December 12, 2006, VMS entered into an agreement to sell Chappelle Le Grande to an unaffiliated third party for a total purchase price of \$5,250,000. The terms of the two remaining third party sales are not yet defined as purchase agreements have not been entered into. However, VMS has received offers at specific offer prices to purchase the two remaining Unaffiliated Sale Properties. Both transactions are described more fully in this proxy statement-prospectus.

Limited partners electing to waive any portion of the cash distribution and receive Common OP Units instead of all or a portion of cash otherwise distributable to them will receive that number of Common OP Units equal to (i) the amount of the cash distribution waived by such limited partner divided by (ii) the average daily closing price of a share of Class A Common Stock on the NYSE over the twenty trading-day period ended two days prior to consummation of the Affiliated Contribution. Although the Managing General Partner of VMS has provided estimates of the potential cash distributions to limited partners resulting from the Affiliated Contribution, a limited partner will not know the precise amount of the cash distribution or Common OP Units to be received at the time of such limited partner's election to receive cash, Common OP Units or a combination thereof.

VMS will not complete either of the transactions summarized above if limited partners owning more than 50% of the aggregate units of VMS National Residential Portfolio I and VMS National Residential Portfolio II, the sole participants of VMS National Properties Joint Venture, give written notice of objection to that transaction prior

to _____, 2007. VMS National Residential Portfolio I has 669 limited partners and VMS National Residential Portfolio II has 257 limited partners. The process for objecting is more fully described in this proxy statement-prospectus.

You should read this entire proxy statement-prospectus carefully because it contains important information about the transactions.

In particular, you should read carefully the information under the section entitled Risk Factors, beginning on page 44.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this proxy statement-prospectus is _____, 2007 and is first being mailed to limited partners on or about _____, 2007.

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WE ARE CURRENTLY SEEKING QUALIFICATION TO ALLOW ALL HOLDERS OF PARTNERSHIP INTERESTS IN VMS THE ABILITY TO ELECT TO RECEIVE COMMON OP UNITS IN CONNECTION WITH THE AFFILIATED CONTRIBUTION. HOWEVER, AT THE PRESENT TIME, IF YOU ARE A RESIDENT OF ONE OF THE FOLLOWING STATES, YOU ARE NOT PERMITTED TO ELECT TO RECEIVE COMMON OP UNITS IN CONNECTION WITH THE AFFILIATED CONTRIBUTION:

ALABAMA

ALASKA

MARYLAND

NEW HAMPSHIRE

NEW JERSEY

NEW YORK

OREGON

TENNESSEE

TEXAS

WASHINGTON

IF YOU ARE NOT A RESIDENT OF ONE OF THESE STATES, YOU MAY ELECT TO WAIVE YOUR RIGHT TO RECEIVE ANY PORTION OF THE CASH DISTRIBUTION WITH RESPECT TO THE AFFILIATED CONTRIBUTION AND TO RECEIVE COMMON OP UNITS DIRECTLY FROM AIMCO PROPERTIES, L.P., AS DESCRIBED HEREIN.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE DELAWARE SECURITIES ACT BUT RATHER VIA AN EXEMPTION TO THE REGISTRATION REQUIREMENTS OF SUCH ACT. THE SUBSEQUENT RESALE OR TRANSFER OF THESE SECURITIES IN THE STATE OF DELAWARE CAN ONLY BE MADE PURSUANT TO THE PROVISIONS OF THE DELAWARE SECURITIES ACT OR A VALID EXEMPTION PROMULGATED THEREUNDER.

THESE SECURITIES ARE OFFERED IN THE STATE OF MARYLAND PURSUANT TO REGISTRATION WITH THE DIVISION OF SECURITIES OF THE DEPARTMENT OF LAW OF MARYLAND, BUT REGISTRATION IS PERMISSIVE ONLY AND DOES NOT CONSTITUTE A FINDING THAT THIS PROSPECTUS IS TRUE, COMPLETE, AND NOT MISLEADING, NOR HAS THE DIVISION OF SECURITIES PASSED IN ANY WAY UPON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL TO THESE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE CORPORATION AND SECURITIES BUREAU, MICHIGAN DEPARTMENT OF COMMERCE. THE DEPARTMENT HAS NOT UNDERTAKEN TO PASS UPON THE VALUE OF THESE SECURITIES NOR TO MAKE ANY RECOMMENDATIONS AS TO THEIR PURCHASE.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECRETARY OF STATE OF MISSISSIPPI, BUT HAS NOT YET BECOME EFFECTIVE. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE.

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

HOW TO OBTAIN ADDITIONAL INFORMATION

This proxy statement-prospectus incorporates important business and financial information about VMS, the Aimco Operating Partnership and Aimco, that is not included in, or delivered with, this document. This information is described on page 117 under INFORMATION INCORPORATED BY REFERENCE. VMS, the Aimco Operating Partnership and Aimco file annual, quarterly and current reports, and other statements with the Securities and Exchange Commission (the Commission or the SEC). You may read and copy any filed document at the Commission's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the public reference room. Documents filed with the Commission are also available to the public at the Commission's website at <http://www.sec.gov>. VMS, the Aimco

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Operating Partnership or Aimco, as appropriate, will furnish without charge to you, upon written or oral request, a copy of any or all of the documents incorporated by reference, including the exhibits or schedules to these documents. You should direct any such requests to The Altman Group, Inc., 1200 Wall Street, 3rd Floor, Lyndhurst, New Jersey 07071; by fax at (201) 460-0050 or by telephone at (800) 217-9608.

PLEASE NOTE

Aimco and the Aimco Operating Partnership have not authorized anyone to provide you with any information or to make any representation other than as is contained or incorporated by reference in this proxy statement-prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this proxy statement-prospectus. You should not assume that the information contained in this proxy statement-prospectus is accurate on any date subsequent to the date set forth on the front of the document or that any information incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this proxy statement-prospectus is delivered or securities are sold on a later date.

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VMS NATIONAL RESIDENTIAL PORTFOLIO I

**VMS NATIONAL RESIDENTIAL PORTFOLIO II
(participants in VMS National Properties Joint Venture)
, 2007**

Dear Limited Partner:

VMS National Properties Joint Venture (VMS) entered into an agreement (the Contribution Agreement) to contribute certain of its properties to AIMCO Properties, LLC (Aimco Properties, LLC), a wholly owned subsidiary of AIMCO Properties, L.P. (the Aimco Operating Partnership), in a transaction pursuant to which you may elect to receive partnership common units (Common OP Units) of the Aimco Operating Partnership, cash or a combination of Common OP Units and cash (the Affiliated Contribution). The properties to be contributed in the Affiliated Contribution are Casa de Monterey, Buena Vista Apartments, Crosswood Park, Mountain View Apartments, Pathfinder Village Apartments, Scotchollow Apartments, and The Towers of Westchester Park (collectively, the Affiliated Contribution Properties), and are described in more detail below.

Limited partners electing to waive any portion of the cash distribution and receive Common OP Units instead of all or a portion of cash otherwise distributable to them will receive that number of Common OP Units equal to (i) the amount of the cash distribution waived by such limited partner divided by (ii) the average daily closing price of a share of Class A Common Stock on the NYSE over the twenty trading-day period ended two days prior to consummation of the Affiliated Contribution. Although the Managing General Partner of VMS has provided estimates of the potential cash distributions to limited partners resulting from the Affiliated Contribution, a limited partner will not know the precise amount of the cash distribution or Common OP Units to be received at the time of such limited partner's election to receive cash, Common OP Units or a combination thereof.

Separately, and as a condition to the Affiliated Contribution, VMS intends to sell its other eight properties to one or more unaffiliated third parties in one or more sales (the Unaffiliated Sales, and together with the Affiliated Contribution, the Transactions). The properties to be sold in the Unaffiliated Sales are North Park Apartments, Chapelle Le Grande, Terrace Gardens, Forest Ridge Apartments, The Bluffs, Watergate Apartments, Shadowood Apartments and Vista Village Apartments (collectively, the Unaffiliated Sale Properties and together with the Affiliated Contribution Properties, the Properties), and are described in more detail below. On November 22, 2006, VMS entered into an agreement to sell Watergate Apartments to an unaffiliated third party for a total purchase price of \$7,710,000. On November 28, 2006, VMS entered into an agreement to sell Shadowood Apartments to an unaffiliated third party for a total purchase price of \$5,300,000. On December 4, 2006, VMS entered into agreements to sell Terrace Gardens and The Bluffs to unaffiliated third parties for total purchase prices of \$7,200,000 and \$9,650,000, respectively. On December 11, 2006, VMS entered into an agreement to sell Vista Village Apartments to an unaffiliated third party for a total purchase price of \$7,250,000. On December 12, 2006, VMS entered into an agreement to sell Chapelle Le Grande to an unaffiliated third party for a total purchase price of \$5,250,000. The terms of the two remaining Unaffiliated Sales are not yet defined as purchase agreements have not been entered into. However, VMS has received offers at specific offer prices to purchase the two remaining Unaffiliated Sale Properties.

We will not complete the Affiliated Contribution if limited partners owning more than 50% of the aggregate units of VMS National Residential Portfolio I (Portfolio I) and VMS National Residential Portfolio II (Portfolio II), and together with Portfolio I, the Partnerships) give written notice of objection prior to , 2007. A holder of limited partnership interests in either of the Partnerships may object to the Affiliated Contribution by following the procedures set forth in the proxy statement-prospectus on page 66. If the Affiliated Contribution is not consummated, VMS will continue to own the Affiliated Contribution Properties and remain responsible for the related mortgage debt. The Affiliated Contribution is more fully described in this proxy statement-prospectus.

Likewise, we will not complete the Unaffiliated Sales if limited partners owning more than 50% of the aggregate units of the Partnerships give written notice of objection prior to _____, 2007. A holder of limited partnership interests in either of the Partnerships may object to the Unaffiliated Sales by following the procedures set forth in the proxy statement-prospectus on page 66. Further, we will not complete an Unaffiliated Sale if the purchase price for such Unaffiliated Sale Property does not exceed eighty-five percent (85%) of (i) the purchase price for such Property set forth in the applicable purchase agreement described above or (ii) the highest offer price for a Property for which a contract has not yet been executed (each, the Minimum Unaffiliated Sale Price and, collectively, the Minimum Unaffiliated Sale Prices) or \$60,018,500 in the aggregate. If any of the Unaffiliated Sales are not consummated, VMS will continue to own the Unaffiliated Sale Properties not sold, the Affiliated Contribution will not be completed and VMS will remain responsible for the related mortgage debt for the Properties it continues to own. The Unaffiliated Sales are more fully described in this proxy statement-prospectus.

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In the event that the Transactions are consummated, immediately after the completion of the Affiliated Contribution, VMS shall liquidate and shall be dissolved, pursuant to the terms of the Joint Venture Agreement of VMS.

On January 19, 2007, MAERIL, Inc., the managing general partner (the Managing General Partner), refinanced the then-existing mortgage indebtedness encumbering the Properties. Notwithstanding the refinancing, if a disposition of the Properties is not consummated, there will be an increased risk that VMS will not be able to repay or refinance the mortgage and other debt on acceptable terms or fund any deficits, capital expenditures, or other costs and therefore an increased risk that VMS will default upon its indebtedness in the future, and perhaps lose its Properties in the future through mortgage foreclosure. Were VMS to lose any of its Properties, partners could recognize taxable gain and likely would not receive distributions sufficient to pay the tax then due.

Aimco Properties, LLC is an affiliate of ours. As a result, we had significant conflicts of interest in approving the Affiliated Contribution. However, as the managing general partner of the Partnerships, we approved the Transactions after determining that the Transactions are fair to, and in the best interests of, VMS, the Partnerships and the limited partners. In making this determination, we evaluated the tax consequences to the limited partners of a sale to a third party for cash, as well as the likely financial consequences of continuing to operate the Properties. In reaching a determination regarding the fairness of the consideration to be received in the Affiliated Contribution, we relied on appraisals of the Affiliated Contribution Properties prepared by KTR Valuation and Consulting Services, LLC, an independent appraisal firm, and our own internal valuations.

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

As more fully discussed in the proxy statement-prospectus, limited partners of the Partnerships are not entitled to appraisal rights under applicable law permitting them to seek a judicial determination of the value of their Partnership interests in lieu of accepting the distributions resulting from the Transactions. However, pursuant to the Contribution Agreement, VMS, the Partnerships and Aimco Properties, LLC have provided each limited partner with contractual dissenters appraisal rights with respect to the Affiliated Contribution that are generally based upon the dissenters appraisal rights that a limited partner would have were it a shareholder in a corporate merger under the corporation laws of Illinois, the state of the Partnerships organization. See APPRAISAL RIGHTS.

If you want to object to either, or both, the Affiliated Contribution or the Unaffiliated Sales, please complete and sign the Notice of Objection included with this proxy statement-prospectus and return it to us at the address indicated on the Notice of Objection. Any Notice of Objection received after _____, 2007 will not be considered. The Managing General Partner currently anticipates that the Affiliated Contribution will be consummated no later than _____, 2007. If you want to receive Common OP Units rather than cash for the Affiliated Contribution, please complete and sign the Consideration Election Form included with this proxy statement-prospectus and return it to us at the address indicated on the Consideration Election Form. Any Consideration Election Form received after _____, 2007 will not be considered, unless the Managing General Partner elects, in its sole discretion, to extend the time for submission thereof. If you have any questions regarding this proxy statement-prospectus, please contact our information agent, The Altman Group, Inc., at (800) 217-9608 (toll-free).

Very truly yours,

MAERIL, Inc.
Managing General Partner of the Partnerships

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Consent of Ersnt & Young LLP, Greenville, South Carolina

Consent of Ernst & Young LLP, Denver, Colorado

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SUMMARY

This summary highlights material terms of the proposed transactions in this proxy statement-prospectus. We urge you to read this entire proxy statement-prospectus, including the information and the financial statements and notes thereto that are incorporated herein by reference. See Where You Can Find More Information.

In this proxy statement-prospectus, interests in the Aimco Operating Partnership are sometimes referred to as OP Units, with Partnership Common Units referred to as Common OP Units, Partnership Preferred Units referred to as Preferred OP Units and High Performance Partnership Units referred to as High Performance Units or HPUs. Preferred OP Units are interests in the Aimco Operating Partnership that have distribution rights, or rights upon liquidation, winding up or dissolution, that are superior or prior to the Common OP Units. Holders of OP Units are sometimes referred to as OP Unitholders and holders of Common OP Units are referred to as Common OP Unitholders. Class A Common Stock of Apartment Investment and Management Company (Aimco) is referred to as Class A Common Stock. Finally, references to we and us refer to Aimco and the Aimco Operating Partnership as joint filers of this proxy statement-prospectus.

The Transactions. On August 21, 2006, VMS and Aimco Properties, LLC entered into an agreement (the Contribution Agreement) pursuant to which VMS agreed to the Affiliated Contribution. The Properties to be contributed in the Affiliated Contribution are Casa de Monterey, Buena Vista Apartments, Crosswood Park Apartments, Mountain View Apartments, Pathfinder Village Apartments, Scotchollow Apartments, and The Towers of Westchester Park. The value of the consideration to be received by VMS for each of the Affiliated Contribution Properties is \$230,078,260, which is equal to the greater of the appraised market value of the fee simple interest in such Properties and internal valuations prepared annually by Aimco. Separately, and as a condition to the Affiliated Contribution, VMS intends to complete the Unaffiliated Sales. On November 22, 2006, VMS entered into an agreement to sell Watergate Apartments to an unaffiliated third party for a total purchase price of \$7,710,000. On November 28, 2006, VMS entered into an agreement to sell Shadowood Apartments to an unaffiliated third party for a total purchase price of \$5,300,000. On December 4, 2006, VMS entered into agreements to sell Terrace Gardens and The Bluffs to unaffiliated third parties for total purchase prices of \$7,200,000 and \$9,650,000, respectively. On December 11, 2006, VMS entered into an agreement to sell Vista Village Apartments to an unaffiliated third party for a total purchase price of \$7,250,000. On December 12, 2006, VMS entered into an agreement to sell Chappelle Le Grande to an unaffiliated third party for a total purchase price of \$5,250,000. The terms of the two remaining Unaffiliated Sales are currently unknown as purchase agreements have not been entered into. However, VMS has received offers at specific offer prices to purchase the two remaining Unaffiliated Sale Properties. VMS will not complete an Unaffiliated Sale if the purchase price for such Unaffiliated Sale Property does not exceed eighty-five percent (85%) of (i) the purchase price of such Property set forth in the applicable agreement described above, or (ii) the highest offer price for a Property for which a purchase agreement has not yet been executed, or \$60,018,500 in the aggregate. We refer to the Affiliated Contribution and the Unaffiliated Sales collectively as the Transactions and individually as a Transaction in this proxy statement-prospectus. See SPECIAL FACTORS BACKGROUND AND REASONS FOR THE TRANSACTIONS, THE TRANSACTIONS, VMS AND THE PARTNERSHIPS Capital Replacement, and UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTIONS.

Limited Partners Right to Object. In accordance with the terms of the VMS joint venture agreement and the partnership agreements of each of the Partnerships, VMS will not complete a Transaction if limited partners owning more than 50% of the aggregate units of the Partnerships give written notice of objection to that Transaction prior to , 2007. For additional information, see PROCEDURE FOR OBJECTING TO A

TRANSACTION.

Choice of Consideration. The limited partners of the Partnerships are being given a choice as to the consideration they will receive with respect to the Affiliated Contribution. The limited partners may elect to waive the right to receive any portion of the cash distribution with respect to the Affiliated Contribution and receive that portion of the distributable proceeds from the Affiliated Contribution as Common OP Units instead. Those who so elect and those that do not make an election will receive their portion of the distributable proceeds in cash. The choice of consideration with respect to the Affiliated Contribution is more fully described under THE TRANSACTIONS. After the first anniversary of becoming a holder of

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Common OP Units, each holder has the right, subject to the terms and conditions set forth in the Aimco Operating Partnership's agreement of limited partnership (the Aimco Operating Partnership Agreement), to require the Aimco Operating Partnership to redeem all or a portion of the Common OP Units held by such party in exchange for shares of Class A Common Stock or a cash amount equal to the value of such shares, as the Aimco Operating Partnership may elect. See DESCRIPTION OF COMMON OP UNITS for additional information.

Advantages of the Transactions. The Managing General Partner believes that the Transactions have the following principal advantages:

Limited partners that elect to receive Common OP Units as consideration may be entitled to defer a portion of their taxable gain and have the opportunity to participate in the Aimco Operating Partnership's enterprise.

Limited partners that do not elect to receive Common OP Units will forego the potential deferral of taxable gain that may result from receipt of Common OP Units, but will receive a cash distribution of approximately \$28,939 per Portfolio I nondefaulted unit and \$28,715 per Portfolio II nondefaulted unit from the Affiliated Contribution.

The Unaffiliated Sales will result in cash distributions to the limited partners of approximately \$9,917 per Portfolio I nondefaulted unit and \$9,840 per Portfolio II nondefaulted unit, assuming the Minimum Unaffiliated Sale Price for each Unaffiliated Sale Property is achieved.

The Affiliated Contribution provides greater certainty than sales to third parties, due to, among other things, the short feasibility period and abbreviated conditions to closing. Simultaneous approval of the Unaffiliated Sales will permit the Partnerships to avoid the costs and delay of subsequent notifications to the partners.

There are various costs associated with being a public reporting company, including costs associated with preparing, auditing and filing periodic reports with the SEC, which would be eliminated if VMS were to terminate its registration and therefore its obligation to file annual, quarterly and other reports with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act). The Managing General Partner estimates these expenses to be approximately \$87,000 per year. This represents approximately 13% of VMS's general and administrative expenses and 0.20% of its total expenses (based on 2005 expenses of approximately \$686,000 and \$42,508,000, respectively). In addition, as a result of the Sarbanes-Oxley Act of 2002, the Managing General Partner estimates these costs will increase by approximately 10% beginning in 2007.

All of the Properties currently require capital expenditures for which existing resources are not adequate. The refinancing of the Properties, while beneficial to the debt structure of the Partnerships and the Transactions, did not generate sufficient cash to fund the required capital expenditures.

The tax benefits of continued investment in the Properties have been reduced for most limited partners.

Disadvantages of the Transactions. The Managing General Partner believes that the Transactions have the following disadvantages:

The Unaffiliated Sales will result in taxable gain to the limited partners, and distributable proceeds to the limited partners will likely be insufficient to pay the resulting tax liability.

To the extent that limited partners in the Partnerships receive cash in connection with the Affiliated Contribution, all limited partners in the Partnership, including limited partners receiving Common OP Units and no cash, will recognize taxable gain.

The Managing General Partner is an affiliate of Aimco Properties, LLC, and the terms of the Affiliated Contribution, including the amount of consideration, were determined without an arms-length negotiation. VMS might obtain greater consideration in a sale to a third party or another transaction that involved independent third-party negotiations.

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In structuring the Affiliated Contribution, no one separately represented the interests of the limited partners. Although the Managing General Partner has a fiduciary duty to the limited partners, it also has responsibilities to its stockholder, which is affiliated with Aimco Properties, LLC, resulting in a conflict of interest.

For those limited partners that elect to receive solely Common OP Units as consideration, the Affiliated Contribution will not result in any immediate cash distribution.

For additional information, see RISK FACTORS, SPECIAL FACTORS BACKGROUND AND REASONS FOR THE TRANSACTIONS Expected Benefits of the Transactions and SPECIAL FACTORS BACKGROUND AND REASONS FOR THE TRANSACTIONS Expected Detriments of the Transactions.

Conflicts of Interest. Apartment Investment and Management Company (Aimco) beneficially owns both the Managing General Partner of the Partnerships and the general partnership interest and approximately ninety percent (90%) of the common partnership units and equivalents of the Aimco Operating Partnership, as of September 30, 2006. The Aimco Operating Partnership is the sole member of Aimco Properties, LLC and is also a limited partner in the Partnerships. The Managing General Partner has fiduciary duties to the limited partners of the Partnerships, on the one hand, and to Aimco, as its sole stockholder, on the other. As a result, in considering the Affiliated Contribution, the Managing General Partner has substantial conflicts of interest. Dissolution of the partnership would result in the loss of management fees to the Managing General Partner and its affiliates. Prior to the refinancing, Aimco or its affiliates also held the junior mortgage and certain other indebtedness and bankruptcy claims, including a mortgage participation, general partner loans and other accrued fees in an aggregate amount of \$91,009,991 that were repaid as a part of the refinancing. See RISK FACTORS, CONFLICTS OF INTEREST and VMS AND THE PARTNERSHIPS Transactions with Affiliates for additional information.

Fairness of the Transactions. Although the Managing General Partner has interests that may conflict with those of the limited partners of the Partnerships, the Managing General Partner is of the opinion that each Transaction, considered independently, is fair to the limited partners in view of the factors listed below and described in greater detail under FAIRNESS OF THE TRANSACTIONS.

The consideration for the Affiliated Contribution Properties is equal in value to the greater of the appraised market value of the Properties and internal valuations prepared annually by Aimco.

VMS will not complete a Transaction if limited partners owning more than 50% of the aggregate units of the Partnerships give written notice of objection to that Transaction prior to , 2007.

The Managing General Partner arrived at the Minimum Unaffiliated Sale Prices by applying a 15% discount to (i) the purchase price for each Unaffiliated Sale Property contained in the purchase agreement for such Property described elsewhere herein, or (ii) the highest offer price for a Property for which a purchase agreement has not yet been executed.

Limited partners that elect to receive Common OP Units as consideration for the Affiliated Contribution may be entitled to defer a portion of their taxable gain and would have the opportunity to participate in the Aimco Operating Partnership s enterprise.

Pursuant to the Contribution Agreement, VMS, the Partnerships and Aimco Properties, LLC have provided each limited partner with contractual dissenters appraisal rights with respect to the Affiliated Contribution that

are generally based upon the dissenters' appraisal rights that a limited partner would have were it a shareholder in a corporate merger under the corporation laws of Illinois, the state of the Partnerships' organization.

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The factors considered by the Managing General Partner in evaluating the fairness of the Transactions are more fully described under FAIRNESS OF THE TRANSACTIONS.

After the Transactions are Consummated. After completion of the Transactions, any available proceeds will be distributed to the partners in accordance with the joint venture and partnership agreements (including default provisions with respect to limited partners failing to satisfy certain obligations thereunder), and the elections, if any, of the limited partners as to the nature of the consideration desired, and VMS and the Partnerships will be dissolved in accordance with the terms of their respective venture and partnership agreements. Upon dissolution of VMS, the Managing General Partner intends to file a notice with the SEC that will result in a termination of VMS's obligation to file annual, quarterly and other reports with the SEC pursuant to the Exchange Act. There are various costs associated with being a public reporting company, including costs associated with preparing, auditing and filing periodic reports with the SEC, which would be eliminated if VMS were to terminate its registration under the Exchange Act. For additional information, see PLANS AFTER THE TRANSACTIONS ARE CONSUMMATED.

VMS and the Partnerships. The general partners of VMS are Portfolio I and Portfolio II. VMS is owned 70.69% by Portfolio I and 29.31% by Portfolio II. There are currently 644 units of Portfolio I and 267 units of Portfolio II issued and outstanding, which are held of record by 669 and 257 limited partners, respectively. VMS's investment portfolio currently consists of the following 15 residential apartment complexes: Buena Vista Apartments, a 92-unit complex in Pasadena, California; Casa de Monterey, a 144-unit complex in Norwalk, California; Crosswood Park Apartments, a 180-unit complex in Citrus Heights, California; Mountain View Apartments, a 168-unit complex in San Dimas, California; Pathfinder Village Apartments, a 246-unit complex in Fremont, California; Scotchollow Apartments, a 418-unit complex in San Mateo, California; The Bluffs, a 137-unit complex in Milwaukie, Oregon; Vista Village Apartments, a 220-unit complex in El Paso, Texas; Chapelle Le Grande, a 105-unit complex in Merrillville, Indiana; Shadowood Apartments, a 120-unit complex in Monroe, Louisiana; The Towers of Westchester Park, a 303-unit complex in College Park, Maryland; Terrace Gardens, a 126-unit complex in Omaha, Nebraska; North Park Apartments, a 284-unit complex in Evansville, Indiana; Watergate Apartments, a 140-unit complex in Little Rock, Arkansas; and Forest Ridge Apartments, a 278-unit complex in Flagstaff, Arizona. An affiliate of the Aimco Operating Partnership currently serves as manager of the Properties. The principal executive offices of the Managing General Partner, the Partnerships and VMS are located at 55 Beattie Place, P.O. Box 1089, Greenville, South Carolina 29602, telephone (864) 239-1000. For additional information about VMS and the Partnerships, see VMS AND THE PARTNERSHIPS and GENERAL INFORMATION.

The Aimco Operating Partnership and Aimco. The Aimco Operating Partnership is a Delaware limited partnership that conducts substantially all of the operations of Aimco. As of September 30, 2006, Aimco beneficially owns approximately ninety percent (90%) of the Common OP Units and equivalents of the Aimco Operating Partnership. Aimco is a real estate investment trust (a REIT) that owns and manages multifamily apartment properties throughout the United States. The Aimco Operating Partnership, through its operating divisions and subsidiaries, holds substantially all of Aimco's assets and manages the daily operations of Aimco's business and assets. As of September 30, 2006, the Aimco Operating Partnership owned or managed a portfolio of 1,290 apartment properties containing 224,837 apartment units located in 47 states, the District of Columbia and Puerto Rico. Based on apartment unit data compiled by the National Multi Housing Council, as of January 1, 2006, Aimco is the largest owner of multifamily apartment properties in the United States. The general partner of the Aimco Operating Partnership is AIMCO-GP, Inc., a Delaware corporation, which is a wholly owned subsidiary of Aimco. The Aimco Operating Partnership is the sole member of Aimco Properties, LLC. The principal executive offices of Aimco, the Aimco Operating Partnership and Aimco Properties, LLC are located at 4582 South Ulster Street Parkway, Suite 1100, Denver, Colorado 80237, and their telephone

number is (303) 757-8101. For additional information about Aimco, the Aimco Operating Partnership and Aimco Properties, LLC, see INFORMATION CONCERNING AIMCO AND THE AIMCO OPERATING PARTNERSHIP.

Tax Consequences of the Transactions. The Unaffiliated Sales will be taxable transactions for United States federal income tax purposes and likely for state and local income tax purposes as well. To the extent

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that limited partners receive cash in connection with the Affiliated Contribution, the Affiliated Contribution will also be in part a taxable transaction for such tax purposes because VMS will receive cash in the Affiliated Contribution. Any taxable income from the Unaffiliated Sales and the Affiliated Contribution will pass through, and be taxable, to the partners. Taxable income from the Affiliated Contribution will pass through, and be taxable, to all limited partners, including those who elect to receive Common OP Units rather than cash in connection with the Affiliated Contribution. Additional gain may be recognized in connection with actual or deemed distributions of cash by VMS and the Partnerships. There are also other tax considerations related to the Affiliated Contribution and to investment in the Aimco Operating Partnership and Aimco that you should consider. See UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTIONS for additional information.

Appraisal Rights. Pursuant to the Contribution Agreement, VMS, the Partnerships and Aimco Properties, LLC have provided each limited partner with contractual dissenters appraisal rights with respect to the Affiliated Contribution that are generally based upon the dissenters appraisal rights that a limited partner would have were it a shareholder in a corporate merger under the corporation laws of Illinois, the state of the Partnerships organization. To exercise this right, you must take the necessary steps provided by the Contribution Agreement. See APPRAISAL RIGHTS for additional information.

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SPECIAL FACTORS

BACKGROUND AND REASONS FOR THE TRANSACTIONS

General. VMS was formed as a general partnership pursuant to the Uniform Venture Act of the State of Illinois and a joint venture agreement dated September 27, 1984, between Portfolio I and Portfolio II. Its primary business is real estate ownership and related operations. VMS was formed for the purpose of making investments in various types of real properties that offer potential capital appreciation and cash distributions to its partners. Effective December 12, 1997, the managing general partner of each of the Partnerships was transferred from VMS Realty Investment, Ltd. (formerly VMS Realty Partners) to MAERIL, Inc., a wholly-owned subsidiary of MAE GP Corporation and an affiliate of Insignia Financial Group, Inc. (Insignia). Effective February 25, 1998, MAE GP Corporation was merged with Insignia Properties Trust (IPT), which was an affiliate of Insignia. Insignia and IPT were merged into Aimco effective October 1, 1998 and February 26, 1999, respectively. Thus, the Managing General Partner is now a wholly-owned subsidiary of Aimco.

Since that time, Aimco and the Managing General Partner have sought to maximize the operating results and, ultimately, the net realizable value of each of VMS's holdings in order to achieve the best possible return for the investors. The Managing General Partner regularly analyzes the effects of each Property's operating performance on the financial position of VMS and whether additional capital expenditures on these Properties or investments in alternative assets would benefit VMS's financial position. The Managing General Partner periodically evaluates the physical improvement requirements of the Properties and the availability of favorable financing opportunities to fund these requirements. In addition, the Managing General Partner monitors the conditions of the real estate markets affecting the Properties, considering whether a disposition of any of the Properties would further the Partnerships' best interests.

Prior to the refinancing completed on January 19, 2007, the terms of the senior mortgages encumbering the Properties contemplated the payment of an agreed valuation amount of \$110,000,000 for such indebtedness, which was less than the applicable face amount of \$152,225,000, if repayment occurred after January 1, 2007 and on or prior to January 1, 2008, the maturity date. The structure, including an *agreed valuation amount* and a *face amount*, was based on the VMS bankruptcy plan. The structure of certain secured notes originally held by the FDIC contemplated preservation of the full principal amount, in this case \$152,225,000, and an agreed valuation amount of \$110,000,000 that could be paid if there were no defaults. The discounted payoff was based on the actual value of the collateral underlying the notes from June, 1992, as determined in the bankruptcy proceeding. In addition, the mortgage indebtedness provided that if a default occurred with respect to a particular mortgage and that mortgage was subsequently repaid prior to January 1, 2008, then an additional prepayment premium (sometimes known as yield maintenance and referred to as the *Prepayment Consideration*) of not less than 1% of the agreed valuation amount would also be owed. The *Prepayment Consideration* was equal to the greater of (x) one percent of the agreed valuation amount; and (y) the present value of a series of payments, each equal to the *Payment Differential* (as defined below) and payable on each monthly payment date over the remaining original term of the Amended, Restated, and Consolidated Senior Notes and on January 1, 2008, discounted at the *Reinvestment Yield* (as defined below) for the number of months remaining from the date prepayment is received through and including January 1, 2008.

With respect to the calculation of the *Prepayment Consideration*, (i) *Reinvestment Yield* meant the lesser of (a) the yield on the US treasury issue (primary issue) with a maturity date closest to January 1, 2008, and (b) the yield on the US Treasury issue (primary issue) with a term equal to the remaining average life of the Debt, with each such yield being based on the bid price for such issue as published in the WSJ on the date that is 14 days prior to the date prepayment is received (or if such bid price is not published on that date, the next preceding date on which that bid

price is so published); and (ii) Payment Differential meant the difference between 8.5% per annum and the Reinvestment Yield, divided by 12, and then multiplied by the agreed valuation amount or such other lesser amount being prepaid in order to reinstate the debt) on the date prepayment was actually made. In no event was it to be less than zero.

In any event, if any of the mortgages were not paid on or before January 1, 2008, a default would have occurred and the full face amount of that mortgage, rather than the agreed valuation amount, would have become due.

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Prior to the refinancing completed on January 19, 2007, the terms of the existing outstanding mortgage indebtedness encumbering the Properties included prohibitions on repayment prior to January 1, 2007. Therefore, completion of either Transaction prior to that date would have required the consent of the holders of that indebtedness. Thus, because of the note provision precluding prepayment, the consent of the holders of the note was required. Further, a contrived default could not enable the notes to be prepaid without payment of the Prepayment Consideration outlined above.

Additionally, as a result of limits on cash available for capital expenditures imposed by the terms of the senior mortgage indebtedness existing prior to the refinancing completed on January 19, 2007, which limited such expenditures to an annual limit of \$300 per unit per Property, VMS did not have sufficient funds to pay for necessary capital expenditures. As noted below in ESTIMATED DISTRIBUTIONS AND TAX CONSEQUENCES, the proceeds of the refinancing available for distribution to the limited partners is approximately \$11,482,289, assuming the limited partners do not object to the Transactions. Even if VMS did not distribute those estimated proceeds, estimated capital expenditure needs of approximately \$32,100,498, described in more detail on pages 62-66 below, would exceed those proceeds by more than \$20,000,000. As a result, the Managing General Partner believes that operations will be insufficient, even following the refinancing, to finance these necessary capital expenditures. If either Transaction does not occur and VMS continues to own some or all of the Properties, the proceeds of the refinancing received by VMS after repayment of existing indebtedness and bankruptcy claims will be retained by VMS to pay for a portion of the necessary capital expenditures.

On April 4, 2006, Mr. Terry Considine, Mr. Thomas Herzog, Mr. Harry Alcock, Mr. Robert Walker, Ms. Martha Long, Mr. Scott Anderson and Mr. Derek McCandless convened to discuss the VMS debt and bankruptcy structure, including the impending maturity of the then-outstanding indebtedness and potential alternatives for addressing the shortfall in cash necessary for capital expenditures.

The attendees also discussed Aimco's potential interest in acquiring certain of the properties, as well as its fiduciary duties to the limited partners if such a transaction were undertaken. In light of the fiduciary duties owed to the unaffiliated limited partners, the group decided that the minimum purchase price for any property that Aimco acquired would be the valuation ascribed to such property by Aimco's internal valuations. The decision was made to obtain appraisals to confirm the value of the properties that Aimco had expressed an interest in acquiring. The decision was also made to evaluate the proceeds to limited partners in the event of a sale of such properties, as well as the tax consequences to limited partners from such a sale.

On May 4, 2006, Aimco's outside counsel distributed a draft purchase agreement containing terms upon which Aimco would purchase the Affiliated Contribution Properties for cash.

On May 16, 2006, Mr. Alcock, Ms. Long and Ms. Danielle McClure reviewed the results of the appraisals in light of the fiduciary duties owed to unaffiliated limited partners and Aimco's investment criteria. Mr. Alcock determined that Aimco would pay an aggregate purchase price that included the full appraised values of the six Affiliated Contribution Properties with appraised values higher than Aimco's internal values. Mr. Alcock also confirmed that the aggregate purchase price would include Aimco's full internal value of the one property with an Aimco internal value higher than its appraised value.

On May 23, 2006, Mr. Anderson relayed to Mr. McCandless that the estimated tax consequences to limited partners of a cash sale of all of the Properties would require payment by limited partners of state and federal taxes of approximately \$12,000 per limited partnership unit above anticipated sales proceeds, assuming for purposes of this calculation that a sale price of approximately \$56.0 million was achieved for the Unaffiliated Sale Properties. This assumption was based on broker estimates of value obtained by the Managing General Partner prior to the marketing

of the Unaffiliated Sale Properties. Mr. Anderson and Mr. McCandless discussed possible alternative transaction structures that might improve the negative tax situation facing limited partners in the event of an all-cash sale of the Properties. Mr. Anderson and Mr. McCandless also discussed these alternative transaction structures with members of Aimco's tax department.

Mr. Considine, Mr. Miles Cortez and Mr. McCandless discussed the potential for improved tax consequences to limited partners in the event of a transaction involving Common OP Units as consideration. Mr. Considine

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decided to pursue a transaction that would provide limited partners the opportunity to elect Common OP Units in lieu of cash.

On July 5, 2006, Mr. Alcock, Mr. Anderson, Mr. McCandless, Ms. Long and Mr. Jeff Ogden met to discuss the possibility of a refinancing accompanied by a cash distribution to limited partners. After discussing the consequences of an interim cash distribution resulting from a refinancing and the fact that a refinancing would assist with the sale and contribution of the Properties by eliminating the cross-collateralization features of the existing indebtedness, Mr. Alcock and Mr. Ogden decided to proceed with a refinancing prior to the sale and the contribution.

On August 17, 2006, Aimco's outside counsel circulated a revised draft of the purchase agreement containing provisions contemplating the structure described herein, whereby limited partners will be able to waive the right to receive cash and receive Common OP Units instead.

Given the time period that had elapsed since the previously received appraisals, in November 2006 Ms. Long, on behalf of the Managing General Partner, requested that KTR, the independent appraiser who had delivered the appraisals, perform and submit updated appraisals.

In November and December 2006, KTR delivered updated appraisals which reflected an increase in the appraised value for each of the Affiliated Contribution Properties. On December 18, 2006, Mr. Alcock and Ms. Long reviewed the results of the new appraisals in light of the fiduciary duties owed to unaffiliated limited partners and Aimco's investment criteria. Mr. Alcock determined that Aimco would pay the higher aggregate purchase price that included the updated full appraised values of the six Affiliated Contribution Properties with appraised values higher than Aimco's internal values. Mr. Alcock also confirmed that the aggregate purchase price would include Aimco's full internal value of the one property that continued to have a higher Aimco internal value than its appraised value.

As a result of the foregoing, the Managing General Partner determined to refinance the then-outstanding indebtedness to implement a debt structure that would provide greater flexibility than the then-existing indebtedness and would result in a cash distribution to limited partners, assuming the limited partners do not object to the Transactions. In the event that either Transaction does not occur and VMS continues to own some or all of the Properties, the proceeds of the refinancing received by VMS after repayment of existing indebtedness and bankruptcy claims will be retained by VMS to pay for a portion of the necessary capital expenditures. The refinancing provided sufficient funds to repay the senior and junior mortgages on all of the Properties, loans made by the Managing General Partner and its affiliates to VMS, and other indebtedness owed to affiliates of the Managing General Partner and to fund the cash distribution to limited partners, all as described herein. As noted above, the refinancing did not generate sufficient funds to fund the necessary capital expenditures required by the Properties, even if a cash distribution to limited partners did not occur. Therefore, even following the refinancing, the Managing General Partner believes it is in the best interests of the limited partners of the Partnerships for VMS to dispose of the Properties. In light of the existing and ongoing capital expenditure needs of the Properties, the Managing General Partner does not believe that continuing to operate the Properties indefinitely is feasible.

In light of the foregoing, the Managing General Partner's review of existing market conditions for real estate such as the Affiliated Contribution Properties, Aimco's agreement to pay consideration equal to the greater of the appraised value or Aimco's internal valuation for each of the Affiliated Contribution Properties, the ability for limited partners to defer a certain amount of adverse tax consequences by electing to receive Common OP Units and the other benefits of the Affiliated Contribution described herein, the Managing General Partner agreed to the terms of the Affiliated Contribution.

As discussed above, the limited partners of the Partnerships are being given a choice as to the consideration they will receive with respect to the Affiliated Contribution. The Partnerships' partnership agreements do not permit the

Partnerships to distribute any consideration other than cash in liquidation of the interest of a limited partner. However, the limited partners may elect to waive the right to receive any portion of the cash distribution with respect to the Affiliated Contribution and receive Common OP Units directly from the Aimco Operating Partnership instead. Aimco and its affiliates which own limited partnership interests in the Partnerships currently intend to waive their right to receive any portion of the cash distribution with respect to the Affiliated Contribution and receive Common OP Units instead. The Partnerships partnership agreements also do not permit a special allocation

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of gain to the limited partners receiving cash, even if such special allocation would be permitted under applicable law. Thus, the receipt of cash by some limited partners will have an adverse tax consequence on those limited partners who choose to waive any portion of the cash distribution and receive Common OP Units instead.

ESTIMATED DISTRIBUTIONS AND TAX CONSEQUENCES

If the Transactions occur, it is anticipated that distributions to the limited partners will result from each of (i) the refinancing, (ii) the Unaffiliated Sales, and (iii) the Affiliated Contribution. In addition, each of the three items has or will have tax consequences to the limited partners. The following discussion and tables summarize the estimated distributions as well as the anticipated tax consequences. After the summaries of the estimated distributions with respect to each item, and of the anticipated tax consequences with respect to each item, there is an overall summary that combines the estimated distributions and tax consequences for all three items.

In a series of transactions from November 1999 until March 30, 2001, an affiliate of the Aimco Operating Partnership acquired a portion of the Class 3-C Claim, an unsecured claim under the confirmed VMS bankruptcy plan, for an aggregate cost of approximately \$13,809,159, and the MF VMS Interest, an additional claim under the confirmed VMS bankruptcy plan for an aggregate cost of approximately \$9,800,000. An affiliate of the Aimco Operating Partnership, as owner of a portion of the Class 3-C Claim, received approximately \$37,175,145 from the proceeds of the refinancing. Under the confirmed VMS bankruptcy plan, after the Class 3-C Claim was paid, the owner of the MF VMS Interest also received 25% of any surplus in the partnership advance account established under the confirmed VMS bankruptcy plan utilized to pay the Class 3-C Claim (the PAA). The surplus was approximately \$11,394,386. Accordingly, 25% of the PAA surplus was approximately \$2,848,597. The remaining 75% of that surplus was paid to Portfolio I and Portfolio II. After the payments from the PAA were made, half of any remaining proceeds was paid to Aimco as the owner of the MF VMS Interest, and half to VMS. This payment equaled \$57,483,134 from the proceeds of the refinancing and the Transactions. These estimates assume that the Properties are contributed or sold as described herein, although there can be no assurance that these estimates will be accurate when the Transactions actually occur.

Non-resident withholding tax paid by the Partnerships on behalf of a partner to a state tax jurisdiction should be creditable against the tax liability of that partner in the jurisdiction. Limited partners are advised to consult their tax advisors.

Unless otherwise expressly stated, amounts relate to units of each Partnership that are not in default under the applicable partnership agreement (nondefaulted units). The Managing General Partner has determined that roughly 5% of the units of each Partnership are in default (defaulted units). See Special Considerations for Defaulted Units.

Estimated Distributions

Proceeds of Refinancing. The Managing General Partner completed the refinancing on January 19, 2007. Proceeds of the refinancing were used to satisfy the outstanding mortgage and other indebtedness of VMS. Assuming the limited partners do not object to the Transactions, available proceeds of \$11,482,289 will be distributed to the partners in accordance with the joint venture and partnership agreements (including default provisions with respect to limited partners failing to satisfy certain obligations thereunder) and applicable law. In the event that either Transaction does not occur and VMS continues to own some or all of the Properties, the proceeds of the refinancing received by VMS after repayment of existing indebtedness and bankruptcy claims will be retained by VMS to pay for a portion of the necessary capital expenditures.

The first table below summarizes the total proceeds of the refinancing. The two succeeding tables break down the total between the two portfolios, and summarize the proceeds of the refinancing per unit of Portfolio I and per unit of Portfolio II.

For more detail regarding payments to Aimco and its affiliates, see [CONFLICTS OF INTEREST](#).

Table of Contents**TOTAL ESTIMATED DISTRIBUTIONS
FROM REFINANCING**

New mortgage principal	\$ 206,245,874
Less: Estimated closing costs	(2,454,224)
Less: Pay off of senior mortgages	(95,513,953)
Less: Pay off of junior mortgages, including accrued interest	(20,504,607)
Less: Class 3-C Claim under Bankruptcy Plan	(42,138,221)
Less: MF VMS Interest from Partnership Advance Account	(2,848,597)
Less: 50% of residual to MF VMS Interest	(17,120,241)
Less: Pay off of affiliate-loans	(13,361,401)
Less: Estimated non-resident withholding taxes	(822,341)
Distributable to Portfolio I & Portfolio II	\$ 11,482,289

**ESTIMATED DISTRIBUTIONS
FROM REFINANCING
PER UNIT OF PORTFOLIO I**

Distributable to Portfolio I & Portfolio II	\$ 11,482,289
Percentage to Portfolio I	70.69%
Distributable to Portfolio I	8,116,830
Total number of Portfolio I units	611.25
Distributable per Portfolio I unit	\$ 13,279

**ESTIMATED DISTRIBUTIONS
FROM REFINANCING
PER UNIT OF PORTFOLIO II**

Distributable to Portfolio I & Portfolio II	\$ 11,482,289
Percentage to Portfolio II	29.31%
Distributable to Portfolio II	3,365,459
Total number of Portfolio II units	255.42
Distributable per Portfolio II unit	\$ 13,176

Proceeds of Unaffiliated Sales. Following the completion of the Unaffiliated Sales, which is a condition to the Affiliated Contribution and which may occur on a property-by-property basis, any available proceeds will be distributed to the partners in accordance with the joint venture and partnership agreements (including default provisions with respect to limited partners failing to satisfy certain obligations thereunder) and applicable law.

The first table below summarizes the total estimated proceeds of the Unaffiliated Sales. The two succeeding tables break down the total between the two portfolios, and summarize the estimated proceeds of the Unaffiliated Sales per unit of Portfolio I and per unit of Portfolio II.

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The three tables below assume the Transaction was completed on September 30, 2006 and that proceeds from the Unaffiliated Sales were equal to the Minimum Unaffiliated Sale Prices. These calculations are estimates based upon information available to the Managing General Partner as of September 30, 2006. VMS will not proceed with an Unaffiliated Sale, however, if it is unable to attain at least the Minimum Unaffiliated Sale Price with respect to such Property.

**TOTAL ESTIMATED DISTRIBUTIONS
FROM UNAFFILIATED SALES**

Gross purchase price	\$ 60,018,500
Plus: Cash and cash equivalents	545,458
Plus: Other partnership assets	1,024,361
Less: Mortgage debt including accrued interest	(38,245,874)
Less: Due to affiliates	(52,734)
Less: 50% of residual proceeds to MF VMS Interest	(9,815,402)
Less: Accounts payable, accrued expenses and other liabilities	(1,998,277)
Less: Reserve for contingencies	(214,113)
Less: Closing costs	(1,200,370)
Less: Estimated non-resident withholding taxes	(1,240,060)
Less: Estimated transfer taxes	(35,397)
Less: Estimated state entity taxes	(210,751)
Distributable to Portfolio I & Portfolio II	8,575,341

**ESTIMATED DISTRIBUTIONS
FROM UNAFFILIATED SALES
PER UNIT OF PORTFOLIO I**

Distributable to Portfolio I & Portfolio II	8,575,341
Percentage to Portfolio I	70.69%
Distributable to Portfolio I	6,061,909
Total number of Portfolio I units	611.25
Distributable per Portfolio I unit	9,917

**ESTIMATED DISTRIBUTIONS
FROM UNAFFILIATED SALES
PER UNIT OF PORTFOLIO II**

Distributable to Portfolio I & Portfolio II	8,575,341
Percentage to Portfolio II	29.31%
Distributable to Portfolio II	2,513,432

Total number of Portfolio II units	255.42
Distributable per Portfolio II unit	9,840

Proceeds of Affiliated Contribution. Following the completion of the Affiliated Contribution, the cash proceeds will be distributed to the partners in accordance with the joint venture and partnership agreements (including default provisions with respect to limited partners failing to satisfy certain obligations thereunder), and the elections, if any, of the limited partners as to the nature of the consideration desired.

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The first table below summarizes the estimated distribution to the limited partners that would have taken place if the Affiliated Contribution had been completed on September 30, 2006. Limited partners electing to receive Common OP Units instead of cash will receive Common OP Units. The number of Common OP Units will be equal to the amount of the cash distribution waived, divided by the average daily closing price of a share of Class A Common Stock on the NYSE over the twenty trading-day period ended two days prior to consummation of the Affiliated Contribution. Limited partners are instructed to contact The Altman Group, Inc. with any direct questions or requests for information, including an estimate of Common OP Units issuable with respect to waivers of particular cash amounts, as of the most recent practicable date. Please see the information set forth under **HOW TO OBTAIN ADDITIONAL INFORMATION**.

The calculations reflected in the tables below are estimates based upon information available to the Managing General Partner as of September 30, 2006. There can be no assurance that these estimates will prove accurate, particularly as relates to limited partners that elect to waive any portion of the cash distribution and receive Common OP Units instead, since the number of Common OP Units to be issued in exchange for the contribution of the Affiliated Contribution Properties will be fixed at the time the Affiliated Contribution is consummated as described above, and the market value of the Class A Common Stock will likely fluctuate between that date and the date Common OP Units are received by limited partners. The amount of state tax withholding will vary depending on the percentage of limited partners that elect to receive Common OP Units, and this variation may affect the amount of the cash distributions. However, such variation is not expected to be material.

**ESTIMATED DISTRIBUTIONS
FROM AFFILIATED CONTRIBUTION**

Gross purchase price	\$ 230,078,260
Plus: Cash and cash equivalents	1,080,373
Plus: Other partnership assets	2,726,585
Less: Mortgage debt including accrued interest	(168,000,000)
Less: Due to affiliates	(58,008)
Less: 50% of residual proceeds to holder of MF VMS Interest	(30,547,491)
Less: Accounts payable, accrued expenses and other liabilities	(2,342,610)
Less: Reserve for Contingencies	(820,792)
Less: Estimated non-resident withholding taxes	(5,522,732)
Less: Estimated transfer taxes	(1,568,826)
Less: Estimated state entity taxes	(1,600)
Distributable to Portfolio I & Portfolio II	\$ 25,023,159

**ESTIMATED DISTRIBUTIONS
FROM AFFILIATED CONTRIBUTION
PER UNIT OF PORTFOLIO I**

Distributable to Portfolio I & Portfolio II	\$ 25,023,159
Percentage to Portfolio I	70.69%
Distributable to Portfolio I	17,688,871
Total number of Portfolio I units	611.25

Distributable per Portfolio I unit \$ 28,939

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**ESTIMATED DISTRIBUTIONS
FROM AFFILIATED CONTRIBUTION
PER UNIT OF PORTFOLIO II**

Distributable to Portfolio I & Portfolio II	\$ 25,023,159
Percentage to Portfolio II	29.31%
Distributable to Portfolio II	7,334,288
Total number of Portfolio II units	255.42
Distributable per Portfolio II unit	\$ 28,715

The table below indicates the number of Common OP Units that would be issuable in lieu of specified amounts of cash distributions that a limited partner might waive with respect to a Portfolio I or Portfolio II unit. On , 2007, the last reported sale price of Class A Common Stock on the NYSE was \$. The number of Common OP Units actually issuable with respect to a particular amount of cash waived may differ from the numbers set forth in the table below.

**NUMBER OF COMMON OP UNITS
ISSUED FOR WAIVED CASH AMOUNTS
AT ASSUMED CLASS A COMMON STOCK PRICES**

Assumed Class A Common Stock Prices	Potential Waived Cash Amounts				
	\$ 13,000	\$ 16,000	\$ 19,000	\$ 22,000	\$ 25,000
\$35.00	371.4286	457.1429	542.8571	628.5714	714.2857
\$40.00	325	400	475	550	625
\$45.00	288.8889	355.5556	422.2222	488.8889	555.5556
\$50.00	260	320	380	440	500
\$55.00	236.3636	290.9091	345.4545	400	454.5455
\$60.00	216.6667	266.6667	316.6667	366.6667	416.6667

Estimated Tax Consequences

Refinancing. Repayment of the senior debt at the agreed valuation amount, rather than at the applicable face amount, resulted in cancellation of indebtedness (COD) income allocable to limited partners. COD income is generally taxable as ordinary income, and increases the tax basis of the partner in its partnership interest. However, the COD income should be offset, in part, by deductible interest expense, which reduces the partner's tax basis in its partnership interest.

It is estimated that the COD income, after taking into account the offsetting interest expense, is \$11,847 per unit of Portfolio I and \$11,818 per unit of Portfolio II.

Assuming the limited partners do not object to the Transactions, it is anticipated that a portion of the refinancing proceeds will be distributed to the limited partners, and that such distribution would be at least sufficient to enable the limited partners to pay any tax due on COD income allocated to them.

A partner's basis in its partnership interest is also affected by any net increase or decrease in allocations of any new debt to such partner as compared with the amounts of repaid liabilities that had been allocated to such partner. An increased share of partnership liabilities increases a partner's basis in its partnership interest. A decreased share of partnership liabilities is treated as a cash distribution that decreases a partner's basis in its partnership interest. An actual distribution of refinancing proceeds to a partner will be applied against any basis the partner has in its partnership interest, but, to the extent the proceeds are in excess of such basis, will be taxable gain.

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Unaffiliated Sales. In connection with the Unaffiliated Sales, the Partnerships and the limited partners will recognize taxable gain. The Unaffiliated Sales will generate taxable gain to the Partnerships, which will be allocated to all of the partners of the Partnerships, including the limited partners. Accordingly, partners will recognize gain in the Unaffiliated Sales as a result. The resulting tax liabilities are expected to exceed the cash distribution.

Assuming a purchase price (including assumed liabilities) of \$60,018,500, and basis of the properties as of September 30, 2006, the Managing General Partner estimates that the unrecaptured section 1250 gain per unit will be \$42,516 per unit of Portfolio I and \$42,394 per unit of Portfolio II. When viewing the Unaffiliated Sales on a stand alone basis, the unrecaptured section 1250 gain per unit will be limited to the estimated gain on the sales of \$38,262 per Portfolio I nondefaulted unit and \$38,149 per Portfolio II nondefaulted unit. It is not expected that there will be any additional taxable gain per unit beyond the unrecaptured section 1250 gain.

Tax consequences to particular limited partners may vary depending on the effect of (i) adjustments to the basis of Partnership property with respect to a limited partner that received its interest in the Partnership as a transferee and (ii) the difference between the tax basis of property of the Partnerships or VMS and the fair market value of such property at the time such property was contributed to or revalued by the Partnerships or VMS.

These calculations are estimates based upon information currently available to the Managing General Partner. The amounts to be allocated to the partners may vary depending on the reserves established to satisfy future obligations, if any, actual transaction costs, and factors beyond the control of the Managing General Partner. Each limited partner should consult his or her tax advisor regarding the tax consequences to him or her. See UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTIONS for additional information.

Affiliated Contribution. To the extent that any limited partners receive cash with respect to the Affiliated Contribution, VMS will receive cash from Aimco Properties, LLC, and as a result will recognize taxable income. On the other hand, to the extent that limited partners elect to receive Common OP Units, VMS is not expected to recognize taxable income. Taxable income recognized by VMS will pass through to the Partnerships, and from the Partnerships to the partners, and therefore will be taxable to the partners, including limited partners who elect to receive Common OP Units. **Thus the amount of taxable income recognized by a limited partner who elects to receive Common OP Units will depend, in part, on the extent to which other limited partners receive cash or Common OP Units in connection with the Affiliated Contribution.**

The amounts to be allocated to the partners may vary depending on transaction costs and factors beyond the control of the Managing General Partner. Additionally, tax consequences to particular limited partners may vary depending on the effect of (i) adjustments to the basis of Partnership property with respect to a limited partner that received its interest in the Partnership as a transferee and (ii) the difference between the tax basis of property of the Partnerships or VMS and the fair market value of such property at the time such property was contributed to or received by the Partnerships or VMS.

The total amount of net taxable gain recognized by a limited partner who receives cash is not expected to vary depending on the extent to which other limited partners receive cash or Common OP Units, although the character of such gain may vary. The Managing General Partner estimates that, with respect to units that receive cash, the total taxable gain per unit will be \$179,152 per unit of Portfolio I and \$177,081 per unit of Portfolio II. Of that amount, the unrecaptured 1250 gain per unit is estimated to be \$75,586 per unit of Portfolio I and \$75,265 per unit of Portfolio II. Units that receive cash generally should expect to recognize the same amount of taxable gain regardless of the percentage of other units that elect to receive Common OP Units.

With respect to limited partners that elect to receive Common OP Units, the number of Common OP Units to be issued will be fixed at the time the Affiliated Contribution is consummated, and the market value of the Class A

Common Stock will likely fluctuate between that date and the date of any distribution of Common OP Units to limited partners. Each limited partner should consult his or her tax advisor regarding the tax consequences to him or her. See UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTIONS for additional information.

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The following table is a summary of the estimated allocation to the limited partners of taxable gain from the Affiliated Contribution, assuming that the Transaction was completed September 30, 2006. No position is taken as to the character of such gain as capital gain or ordinary income. These calculations are estimates based upon information currently available to the Managing General Partner. The amount of estimated non-resident withholding tax decreases to the extent limited partners elect to receive Common OP Units as consideration.

**ESTIMATED GAIN FROM AFFILIATED CONTRIBUTION
PER UNIT RECEIVING COMMON OP UNITS**

Cash Percentage	Gain per Unit	Portfolio I	Portfolio II
25% Cash	Total Gain	\$ 49,595	\$ 49,202
	Unrecaptured 1250 Gain	44,291	44,360
50% Cash	Total Gain	99,189	98,405
	Unrecaptured 1250 Gain	52,863	52,884
75% Cash	Total Gain	148,784	147,607
	Unrecaptured 1250 Gain	64,553	64,583

Estimated Distributions and Tax Consequences Combined. The tables below summarize the estimated distributions and tax consequences to the limited partners of taxable gain from the refinancing and the Transactions, assuming that (i) the Transactions were completed on September 30, 2006 and (ii) the indicated percentage of cash was received by the limited partners with respect to the Affiliated Contribution.

The first table below summarizes the estimated cash and taxable gain per unit receiving cash. The amount of state tax withholding will vary depending on the percentage of limited partners that elect to receive Common OP Units, and this variation may affect the amount of the cash distributions. However, such variation is not expected to be material. The second table summarizes the estimated taxable gain per unit receiving Common OP Units rather than cash. As noted above, the amount of taxable income recognized by a limited partner who elects to receive Common OP Units will depend, in part, on the extent to which other limited partners receive cash or Common OP Units in connection with the Affiliated Contribution.

**ESTIMATED CASH AND GAIN
PER UNIT RECEIVING CASH**

	Portfolio I	Portfolio II
Total gain per unit receiving cash	\$ 229,260	\$ 227,049
Unrecaptured 1250 gain per unit receiving cash	118,103	117,659
Cash distribution per unit	52,110	51,741

**ESTIMATED GAIN
PER UNIT RECEIVING COMMON OP UNITS**

Cash Percentage	Gain per Unit	Portfolio I	Portfolio II
25% Cash	Total Gain	\$ 99,703	\$ 99,170

	Unrecaptured 1250 Gain	86,591	86,735
50% Cash	Total Gain	149,298	148,372
	Unrecaptured 1250 Gain	91,278	91,353
75% Cash	Total Gain	198,893	197,575
	Unrecaptured 1250 Gain	104,138	104,212

Special Considerations for Defaulted Units

The estimated distributions and tax consequences described above relate to units of each Partnership that are not in default under the applicable partnership agreement (nondefaulted units). The Managing General Partner has determined, however, that roughly 5% of the units of each Partnership are in default (defaulted units). The Managing General Partner does not expect that any distribution of cash will be made with respect to defaulted units. However, the holders of defaulted units generally will recognize taxable gain. The Managing General Partner estimates that, with respect to defaulted units, the total taxable gain per unit will be \$72,687 per unit of Portfolio I

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and \$74,713 per unit of Portfolio II. Of that amount, the unrecaptured 1250 gain per unit is estimated to be \$45,474 per unit of Portfolio I and \$46,841 per unit of Portfolio II. The Partnerships will be required to withhold state tax with respect to defaulted units, and such withheld tax should be creditable against the tax liability of that partner in the jurisdiction. Limited partners are urged to consult their tax advisors.

Alternatives Considered

The following is a brief discussion of the benefits and disadvantages of the alternatives to the Transactions considered by VMS, the Partnerships, the Managing General Partner, AIMCO/IPT, Inc. (AIMCO/IPT), Aimco Properties, LLC, the Aimco Operating Partnership, AIMCO-GP, Inc. (AIMCO-GP) and Aimco (collectively, the VMS Related Parties) that could have been pursued by the Managing General Partner.

Continue to Hold All VMS Properties

Benefits of Continuing to Hold All VMS Properties. There are several potential benefits associated with retaining the Properties for the foreseeable future. Under certain circumstances, including the refinancing of the VMS bankruptcy debt that has now been completed by the Managing General Partner, and improving rental market conditions, the level of distributions from the Properties might increase over time. Additionally, the refinancing of the VMS bankruptcy debt could result in improved cash flow in the future, which could result in increased distributions in the future. It is also possible that the resale market for apartment properties could improve over time and the disposition of the Properties at some point in the future could result in greater consideration. VMS's continuing to hold the Properties would allow you to continue to participate in any net income from the Properties and any net proceeds from the future sale of the Properties.

Disadvantages of Continuing to Hold All VMS Properties. There are several risks and disadvantages associated with retaining the Properties for the foreseeable future. Based on the estimates of the Managing General Partner, the Properties need substantial capital expenditures to be attractive to tenants. Without these expenditures, the condition of the Properties (and their expected rental income) is expected to deteriorate. Due to the terms of the current mortgage indebtedness encumbering the Properties, including prohibitions on repayment prior to January 1, 2007, refinancing any of the Properties prior to that date would have required the consent of the holders of that indebtedness. Although a refinancing of the existing mortgage indebtedness was completed on January 19, 2007, such refinancing did not generate sufficient cash to satisfy the required capital expenditures and operating requirements of the Properties. The failure of the refinancing to satisfy such capital expenditure and operating requirements led the Managing General Partner to reject the option to hold the Properties for the foreseeable future.

In addition, you are likely to continue to receive allocations of taxable income from the Partnerships without any corresponding distributions. Unless you have losses from passive investments (including VMS) or other tax attributes to offset such taxable income, you may be required to pay taxes in respect of such income without any corresponding receipt of cash. This situation has arisen primarily because of the declining depreciation deductions of the Properties in which the Partnerships have invested through VMS. All of the cash flow is currently dedicated to the payment of operating expenses, capital expenditures and debt service.

Sale of all the Properties to Third-Party Purchasers

Benefits of Selling All of the Properties to Third Parties. As an alternative to contributing some of the Properties to Aimco Properties, LLC, the VMS Related Parties considered selling all the Properties to third parties. A sale to a third party would not have the conflicts of interest that are inherent in a transaction with an affiliate. The terms of such a transaction would be negotiated at arms length, which could result in greater consideration to VMS. The limited partners would benefit from this alternative by receiving a cash distribution from the net proceeds of the sale and from

no longer continuing to recognize taxable income on their limited partnership interests after the liquidation and distribution.

Disadvantages of Selling All of the Properties to Third Parties. A sale of all of the Properties for cash would likely result in greater immediate taxable gain for the limited partners who elect to receive Common OP Units rather than cash with respect to the Affiliated Contribution. The market for the Properties is uncertain, and thus it is possible that a sale of all the Properties to third parties could result in prices lower than the value of the consideration offered in the Affiliated Contribution. There would be increased costs associated with marketing and selling fifteen rather than eight Properties to third parties. The Partnerships would incur some costs they would not incur in a

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contribution to Aimco Properties, LLC such as brokerage fees and fees associated with the full negotiation of purchase agreements with third parties, which the Managing General Partner expects would total approximately \$3,000,000 and which would reduce the net sale proceeds to the Partnerships. Similarly, a sale of the Properties to third parties would likely result in less speed and certainty of closing the transactions as compared to a quicker and more certain closing of a contribution to Aimco Properties, LLC. Each of the above factors led the Managing General Partner to ultimately reject the option of selling all the Properties to third parties.

Other Possible Transactions

The VMS Related Parties considered other potential transactions, such as selling all the Properties to Aimco Properties, LLC or a merger of VMS with another entity. The costs of marketing and selling to third parties, such as brokerage fees, would be reduced or eliminated and closing of sales to Aimco Properties, LLC would likely be quicker and more certain than sales to unaffiliated third parties. Given the geographical locations of the Properties, the existence of a suitable merger partner is uncertain, and thus it is possible that a merger could result in prices lower than the value of the consideration that could be obtained through a transaction with Aimco Properties, LLC. Considerable obstacles to these transactions existed however, such as Aimco Properties, LLC's lack of interest in all of the Properties and the necessity, and potential cost, of identifying a merger partner interested in all of the Properties. Additionally, in light of the large number of holders of limited partnership interests in the Partnerships, the Managing General Partner believes that the unanimous approval of a merger required by Illinois law was unlikely. As a result, these transactions were eliminated from consideration.

Expected Benefits of the Transactions

The VMS Related Parties believe that the Transactions have the following principal advantages to the unaffiliated limited partners:

Potential Tax Deferral. Limited partners that elect to receive Common OP Units as consideration may be entitled to defer a portion of their taxable gain.

Realization of Return on Investment. The tax benefits of continued investment in the Properties have been substantially eliminated for most limited partners due principally to declining depreciation deductions from the Properties. The Unaffiliated Sales would allow partners to realize return on their investment through immediate cash distribution to the partners from the sale proceeds. The Affiliated Contribution would give partners the choice to realize return on their investment through immediate cash distribution or to receive Common OP Units as consideration.

Allows VMS to Avoid Risk of Default and Foreclosure. Even after completion of the refinancing on January 19, 2007, if a disposition of the Properties is not consummated, there will be an increased risk that VMS will not be able to repay some of its debt or fund necessary deficits, capital expenditures, or other costs, and therefore an increased risk that VMS will default upon its indebtedness in the future, and perhaps lose its Properties in the future through mortgage foreclosure.

No More Tax Allocations Without Distributions. Without the completion of the Transactions, at existing rent levels at the Properties, the Partnerships may generate taxable income but will probably not distribute sufficient cash to limited partners to pay resulting tax liabilities for the foreseeable future.

Elimination of Management Fees. Affiliates of Aimco are contractually entitled to receive annual compensation for real estate advisory services and asset management services of \$300,000, adjusted annually by the consumer price index, reimbursement of expenses not to exceed \$100,000 per year and 4% of the gross

receipts from all of the Properties as compensation for providing property management fees. Asset management fees of approximately \$257,000, \$351,000, \$323,000 and \$325,000 were charged by affiliates of the Managing General Partner for the nine months ended September 30, 2006 and years ended December 31, 2005, 2004 and 2003, respectively. VMS paid, or accrued for payment, property management fees to such affiliates of approximately \$1,024,000, \$1,278,000, \$1,201,000 and \$1,253,000 for the nine months ended September 30, 2006 and years ended December 31, 2005, 2004 and 2003. See VMS AND THE PARTNERSHIPS VMS Transactions with Affiliates. Following the transfer of a Property in a Transaction, VMS, and indirectly, the limited partners, will no longer be required to bear the cost of these fees.

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Disposition at Appraised Value. The value of the consideration for each of the Affiliated Contribution Properties is equal to the greater of the appraised market value of the fee simple interest in such Properties based on appraisals dated November and December 2006 and internal valuations prepared annually by Aimco, and last updated February 2006. A sale of the Affiliated Contribution Properties to a third party could result in a lesser purchase price and/or could impose additional costs that do not exist in the Affiliated Contribution, which could lower the net proceeds to the Partnerships.

Growth Potential. The Aimco Operating Partnership's assets, organizational structure and access to capital enable it to pursue acquisition and development opportunities that are not available to VMS. Limited partners that elect to receive Common OP Units would have the opportunity to participate in the Aimco Operating Partnership's enterprise and could benefit from any future increase in the Class A Common Stock price and from any future increase in distributions on the Common OP Units.

Diversification. The Aimco Operating Partnership's portfolio of apartment properties is substantially larger and more diverse than the portfolio of properties that VMS proposes to contribute in the Affiliated Contribution. This exchange would therefore substantially diversify the portfolio of any limited partner that elected to receive Common OP Units as consideration for the Affiliated Contribution.

Elimination of Costs Associated with SEC Filing Requirements. There are various costs associated with being a public reporting company, including costs associated with preparing, auditing and filing periodic reports with the SEC, which would be eliminated if VMS were to terminate its registration under the Exchange Act. The Managing General Partner estimates these expenses to be approximately \$87,000 per year. This represents approximately 13% of VMS's general and administrative expenses and 0.20% of its total expenses (based on 2005 expenses of approximately \$686,000 and \$42,508,000, respectively). In addition, as a result of the Sarbanes-Oxley Act of 2002, the Managing General Partner estimates VMS's costs will increase by approximately 10% beginning in 2007.

Disposition of Unaffiliated Sale Properties Pursuant to Arms-Length Marketing Process. The Unaffiliated Sale Properties were marketed to unaffiliated third parties and the purchase price for the Unaffiliated Sales was attained through arms-length negotiation.

The VMS Related Parties believe that the Transactions have the following principal advantages to VMS and the Partnerships:

Allows VMS to Avoid Risk of Default and Foreclosure. Even after completion of the refinancing on January 19, 2007, if a disposition of the Properties is not consummated, there will be an increased risk that VMS will not be able to repay some of its debt or fund necessary deficits, capital expenditures, or other costs, and therefore an increased risk that VMS will default upon its indebtedness in the future, and perhaps lose its Properties in the future through mortgage foreclosure.

Elimination of Management Fees. Affiliates of Aimco are contractually entitled to receive annual compensation for real estate advisory services and asset management services of \$300,000, adjusted annually by the consumer price index, reimbursement of expenses not to exceed \$100,000 per year and 4% of the gross receipts from all of the Properties as compensation for providing property management fees. Asset management fees of approximately \$257,000, \$351,000, \$323,000 and \$325,000 were charged by affiliates of the Managing General Partner for the nine months ended September 30, 2006 and years ended December 31, 2005, 2004 and 2003, respectively. VMS paid, or accrued for payment, property management fees to such affiliates of approximately \$1,024,000, \$1,278,000, \$1,201,000 and \$1,253,000 for the nine months ended

September 30, 2006 and years ended December 31, 2005, 2004 and 2003. See VMS AND THE PARTNERSHIPS VMS Transactions with Affiliates. Following the transfer of a Property in a Transaction, VMS, and indirectly, the Partnerships, will no longer be required to bear the cost of these fees.

Disposition at Appraised Value. The value of the consideration for each of the Affiliated Contribution Properties is equal to the greater of the appraised market value of the fee simple interest in such Properties based on appraisals dated November and December 2006 and internal valuations prepared annually by Aimco, and last updated February 2006. A sale of the Affiliated Contribution Properties to a third party could

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result in a lesser purchase price and/or could impose additional costs that do not exist in the Affiliated Contribution, which could lower the net proceeds to the Partnerships.

Disposition of Unaffiliated Sale Properties Pursuant to Arms-Length Marketing Process. The Unaffiliated Sale Properties were marketed to unaffiliated third parties and the purchase price for the Unaffiliated Sales was attained through arms-length negotiation.

The VMS Related Parties believe that the Transactions have the following principal advantages to the Managing General Partner:

Allows VMS to Avoid Risk of Default and Foreclosure. Even after completion of the refinancing on January 19, 2007, if a disposition of the Properties is not consummated, there will be an increased risk that VMS will not be able to repay some of its debt or fund necessary deficits, capital expenditures, or other costs, and therefore an increased risk that VMS will default upon its indebtedness in the future, and perhaps lose its Properties in the future through mortgage foreclosure.

Elimination of Ultimate Liability as General Partner. As the managing general partner of the Partnerships, the Managing General Partner is ultimately responsible for liabilities incurred by the Partnerships, to the extent any such liability is not a non-recourse loan and a claimant may pursue claims and any security pledged as collateral for any such liability. Upon completion of the Transactions, the Partnerships will be dissolved pursuant to their respective partnership agreements and the Managing General Partner's liability with respect to the Partnerships will cease to exist.

Benefits as an Affiliate of Aimco. As an affiliate of Aimco, the Managing General Partner will receive the indirect benefits of the Transactions that are received by Aimco and its other affiliates.

Disposition at Appraised Value. The value of the consideration for each of the Affiliated Contribution Properties is equal to the greater of the appraised market value of the fee simple interest in such Properties based on appraisals dated November and December 2006 and internal valuations prepared annually by Aimco, and last updated February 2006. A sale of the Affiliated Contribution Properties to a third party could result in a lesser purchase price and/or could impose additional costs that do not exist in the Affiliated Contribution, which could lower the net proceeds to the Partnerships.

The VMS Related Parties believe that the Transactions have the following principal advantages to AIMCO/IPT:

Benefit as an Affiliate of Aimco. As a shareholder of the Managing General Partner and an affiliate of Aimco, AIMCO/IPT will indirectly receive benefits of the Transactions that are received by the Managing General Partner and Aimco.

The VMS Related Parties believe that the Transactions have the following principal advantages to the Aimco Operating Partnership, in addition to the benefits the Aimco Operating Partnership, as a limited partner, will share with the unaffiliated limited partners as described above:

Future Appreciation of the Properties. The Aimco Operating Partnership will receive the benefit of any future appreciation of the Affiliated Contribution Properties that will be held by Aimco Properties, LLC, its wholly owned subsidiary, after consummation of the Affiliated Contribution.

Sales Proceeds from Unaffiliated Sales. The Aimco Operating Partnership will receive its proportional share of proceeds from the consummation of the Unaffiliated Sales.

Opportunity to Acquire Assets Without Cash. To the extent that the limited partners elect to receive OP Units rather than cash pursuant to the Affiliated Contribution, the Aimco Operating Partnership will acquire the Affiliated Contribution Properties without the payment of cash as compensation.

Increased Operating Flexibility. Following the completion of the Affiliated Contribution, the Affiliated Contribution Properties will be wholly-owned by the Aimco Operating Partnership, which will permit greater flexibility in operating and financing the Affiliated Contribution Properties than currently is possible under the existing ownership structure.

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The interests of Aimco GP, Inc., Aimco Properties, LLC and Aimco are generally aligned with those of the Aimco Operating Partnership. Therefore, the benefits of the Aimco Operating Partnership, described above, are shared by Aimco GP, Inc., Aimco Properties, LLC and Aimco.

Expected Detriments of the Transaction

The VMS Related Parties believe that the Transactions have the following principal detriments to the unaffiliated limited partners:

No Separate Representation of Limited Partners in the Affiliated Contribution. The Managing General Partner is an affiliate of Aimco Properties, LLC. In structuring the Affiliated Contribution and the consideration, no one separately represented the interests of the limited partners and the amount of consideration and the terms of the Affiliated Contribution were determined without an arms-length negotiation. Although the Managing General Partner has a fiduciary duty to the limited partners, it also has responsibilities to its equity holders that could conflict with the interests of the limited partners. The Managing General Partner did not appoint, nor did Aimco Properties, LLC ask it to appoint, a party to represent only the interests of the limited partners. The terms of the Affiliated Contribution, including the value of the consideration, could differ if they were subject to independent negotiations.

Taxable Gain to the Limited Partners. The Unaffiliated Sales will be considered taxable under United States federal tax laws and will result in taxable gain to the limited partners. Also, to the extent that any limited partners receive cash with respect to the Affiliated Contribution, VMS will receive cash from Aimco Properties, LLC, which will result in taxable income to the limited partners, including the limited partners who receive Common OP Units in the Affiliated Contribution. In addition, tax consequences to particular limited partners may vary depending on the effect of: (i) adjustments to the basis of Partnership property with respect to a limited partner that received its interest in the Partnership as a transferee and (ii) the difference between the tax basis of property of the Partnerships or VMS and the fair market value of such property at the time such property was contributed to or revalued by the Partnerships or VMS. Limited partners are urged to consult their tax advisors as to their particular situations and tax consequences.

Uncertain Future Value of Common OP Units and Distributions. In the Affiliated Contribution, limited partners have the option to receive Common OP Units as consideration. Each Common OP Unit is redeemable, at the option of its holder, after a one-year holding period, for one share of Class A Common Stock or cash equal to the market value of one share of Class A Common Stock at the time of redemption, as the Aimco Operating Partnership may elect. For a detailed description of these redemption rights, see DESCRIPTION OF COMMON OP UNITS Redemption Rights of Qualifying Partners. The number of Common OP Units to be issued to those that elected to waive any portion of the cash distribution and receive Common OP Units instead will be equal to (i) the amount of the cash distribution waived by such limited partner divided by (ii) the average daily closing price of a share of Class A Common Stock on the NYSE over the twenty trading-day period ended two days prior to consummation of the Affiliated Contribution. On _____, 2007, the last reported sale price of Class A Common Stock on the NYSE was \$ _____. During the period _____, 2007 to _____, 2007, the high and low sales prices of the Class A Common Stock on the NYSE were \$ _____ and \$ _____, respectively. Limited partners are instructed to contact The Altman Group, Inc. with any questions or requests for information, including an estimate of Common OP Units issuable with respect to waivers of particular cash amounts, as of the most recent practicable date. Please see the information set forth under HOW TO OBTAIN ADDITIONAL INFORMATION. The market price of Class A Common Stock varies from time to time. These variations may be caused by a number of factors, including changes in Aimco's business, operations or prospects, regulatory considerations and general market and economic considerations. The number of Common

OP Units will not be adjusted for any change in the market price of Class A Common Stock. Accordingly, if the market value of Class A Common stock and, correspondingly, Common OP Units declines after the Affiliated Contribution is consummated, the value of the consideration to be received will decline. In addition, because the date that the Affiliated Contribution is completed will be later than the date prior to which limited partners may object to it, limited partners will not know the exact value of the Common OP Units that will be issued in the Affiliated Contribution at the time they determine what form of consideration to elect. In addition, although the Aimco Operating Partnership makes quarterly distributions on its Common OP Units, there can be no assurance

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regarding the amounts of available cash that the Aimco Operating Partnership will generate or the portion that its general partner will choose to distribute. The following table presents the distributions declared and made by the Aimco Operating Partnership on its Common OP Units with respect to the specified periods:

Quarter Ended	Distributions per Unit	
December 31, 2001	\$	0.82
March 31, 2002	\$	0.82
June 30, 2002	\$	0.82
September 30, 2002	\$	0.82
December 31, 2002	\$	0.82
March 31, 2003	\$	0.82
June 30, 2003	\$	0.82
September 30, 2003	\$	0.60
December 31, 2003	\$	0.60
March 31, 2004	\$	0.60
June 30, 2004	\$	0.60
September 30, 2004	\$	0.60
December 31, 2004	\$	0.60
March 31, 2005	\$	0.60
June 30, 2005	\$	0.60
September 30, 2005	\$	0.60
December 31, 2005	\$	0.60
March 31, 2006	\$	0.60
June 30, 2006	\$	0.60
September 30, 2006	\$	0.60
December 31, 2006	\$	0.60

No Participation in Possible Increase in Value of Sold Properties. The Properties may generate increased net income or cash flow or increase in value after their disposition. Because VMS will no longer own the Properties after completion of the Transactions, limited partners will not be able to participate in the net income or cash flow from the Properties or any net proceeds from the future sale of the Properties, although limited partners who elect to receive Common OP Units in lieu of cash will continue to participate indirectly with respect to the Affiliated Contribution Properties.

The VMS Related Parties believe that the Transactions have the following principal detriments to VMS and the Partnerships:

No Separate Representation of Limited Partners in the Affiliated Contribution. The Managing General Partner is an affiliate of Aimco Properties, LLC. In structuring the Affiliated Contribution and the consideration, no one separately represented the interests of the limited partners and the amount of consideration and the terms of the Affiliated Contribution were determined without an arms-length negotiation. Although the Managing General Partner has a fiduciary duty to the limited partners, it also has responsibilities to its equity holders that could conflict with the interests of the limited partners. The Managing General Partner did not appoint, nor did Aimco Properties, LLC ask it to appoint, a party to represent only the interests of the limited partners. The terms of the Affiliated Contribution, including the value of the consideration, could differ if they were subject to independent negotiations.

VMS and the Partnerships will be dissolved and will cease to exist. Because the Properties are the sole assets of VMS, and the interests of VMS are the sole assets of the Partnerships, upon completion of the Transactions the Partnerships and VMS will be dissolved in accordance with the terms of their respective partnership agreements.

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The VMS Related Parties believe that the Transactions have the following principal detriments to the Managing General Partner:

Loss of Ownership Interest in the Properties. Upon completion of the Transactions, the Managing General Partner will no longer hold an ownership interest in the Properties.

Discontinued Receipt of Management Fees. After consummation of the Transactions, the Managing General Partner will no longer be entitled to receive asset management fees and potential future fees from VMS.

The VMS Related Parties believe that the Transactions have the following principal detriments to the Aimco Operating Partnership:

Responsible for All Future Losses. As the sole member of Aimco Properties, LLC, the Aimco Operating Partnership will be responsible for all future losses or decreases in value of the Affiliated Contribution Properties.

Discontinued Receipt of Management Fees. After consummation of the Transactions, the Aimco Operating Partnership will no longer indirectly receive asset management fees and potential future fees from VMS.

Property Management Fees. After consummation of the Transactions, an affiliate of the Aimco Operating Partnership will continue to receive a property management fee on the Affiliated Contribution Properties, but such fee will be borne completely by the Aimco Operating Partnership and will no longer be shared with the limited partners.

Reimbursement for Services. After consummation of the Transactions, affiliates of the Aimco Operating Partnership will not be reimbursed for services provided on behalf of the Aimco Operating Partnership with respect to the Unaffiliated Sale Properties, including administrative and bookkeeping expenses, as well as construction management expenses.

The interests of Aimco GP, Inc., Aimco Properties, LLC, AIMCO/IPT and Aimco are generally aligned with those of the Aimco Operating Partnership. Therefore, the detriments of the Aimco Operating Partnership, described above, are shared by AIMCO GP, Inc., Aimco Properties, LLC, AIMCO/IPT and Aimco.

In addition to the benefits and detriments for each VMS Related Party described above, the following summarizes the accounting treatment in connection with the Transactions:

Accounting by Aimco and the Aimco Operating Partnership. Effective January 1, 2006, Aimco and the Aimco Operating Partnership account for VMS and the Partnerships as consolidated subsidiaries. Accordingly, the assets, liabilities, revenues and expenses of VMS and the Partnerships are reported in the consolidated financial statements of Aimco and the Aimco Operating Partnership. The carrying amounts of the Properties as reported in such consolidated financial statements differ from the corresponding amounts reported in the combined financial statements of the Partnerships due to certain valuation adjustments that were recorded by the Managing General Partner and the Aimco Operating Partnership in connection with their acquisitions of equity interests in the Partnerships in prior years. Units of the Partnerships held by limited partners other than the Aimco Operating Partnership are reported as minority interest in the consolidated financial statements of Aimco and the Aimco Operating Partnership; however the carrying amount of the minority interest is zero and Aimco does not allocate any losses of VMS and the Partnerships to the minority interest.

Aimco and the Aimco Operating Partnership will account for the Affiliated Contribution as an acquisition of a noncontrolling interest in a subsidiary in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*. This accounting treatment will result in increases in the carrying amounts of the Affiliated Contribution Properties by an aggregate amount equal to (i) the aggregate amount of cash and fair value of Common OP Units received by VMS and the limited partners in exchange for the Affiliated Contribution Properties, multiplied by (ii) the aggregate percentage interest in the Partnerships held by limited partners other than the Aimco Operating Partnership. The Aimco Operating Partnership will record

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corresponding increases in partners' capital and minority interest in consolidated real estate partnerships based on the relative proportions of the total consideration for the Affiliated Contribution Properties comprised by Common OP Units and cash, respectively. Aimco's accounting for the Affiliated Contribution will be identical to the accounting applied by the Aimco Operating Partnership, except that the increase in partners' capital described in the preceding sentence will be reported by Aimco as an increase in minority interest in the Aimco Operating Partnership. No gain or loss will be recognized by Aimco or the Aimco Operating Partnership in connection with the Affiliated Contribution.

The Unaffiliated Sales are expected to be accounted for as real estate sales using the full accrual method in accordance with statement of Financial Accounting Standards No. 66, *Accounting for Sales of Real Estate*. Accordingly, upon completion of the Unaffiliated Sales, which may occur on a property-by-property basis, Aimco and the Aimco Operating Partnership will no longer report the carrying amounts of the Unaffiliated Sale Properties in their consolidated financial statements and will recognize gain or loss for the difference between such carrying amounts and the related net sales proceeds. Based on the current carrying amounts and estimated fair values of the Unaffiliated Sale Properties, Aimco and the Aimco Operating Partnership expect to recognize a net gain upon completion of the Unaffiliated Sales.

The Affiliated Contribution, together with the repayment or assumption of related debt and the distribution of any cash proceeds received in the Transaction, will result in a decrease in the partners' deficit of VMS equal to the deficit attributable to the Affiliated Contribution Properties and related debt. Based on net book values of the Affiliated Contribution Properties and related debt balances as of September 30, 2006, the Affiliated Contribution and related transactions will result in a decrease of approximately \$129,914,425 in the partners' deficit of VMS. The amount of the decrease attributable to Aimco and the Aimco Operating Partnership, based on their equity ownership of 22.05% in VMS, is approximately \$28,648,661. The Affiliated Contribution will result in a decrease in the net loss of VMS equal to the aggregate net loss of the Affiliated Contribution Properties. Based on the net losses of VMS and the Affiliated Contribution Properties for the nine months ended September 30, 2006, the Affiliated Contribution and related transactions will result in a decrease of \$10,546,302 in the net loss of VMS. The estimated amount attributable to Aimco and the Aimco Operating Partnership, based on their equity ownership of 22.05% in VMS, is a decrease of approximately \$2,325,665 for the nine months ended September 30, 2006.

Accounting by the Partnerships. For accounting purposes, VMS, the Partnerships and Aimco Properties, LLC are deemed to be entities under common control. Generally accepted accounting principles ordinarily preclude recognition of gains by the transferor entity in a transfer of assets between entities under common control. Accordingly, the Partnerships will not recognize any gain in connection with the transfer of the Affiliated Contribution Properties from VMS to Aimco Properties, LLC. The excess of (i) the aggregate amount of cash and fair value of Common OP Units received by VMS and the limited partners in exchange for the Affiliated Contribution Properties over (ii) the Partnerships' aggregate carrying amount of the Affiliated Contribution Properties will be treated by the Partnerships as capital contributions from the Aimco Operating Partnership and be credited to partners' deficit in the Partnerships' combined financial statements. An offsetting charge to partners' deficit will be recognized for the fair value of Common OP Units distributed to limited partners.

The Partnerships will account for the Unaffiliated Sales as sales of real estate and recognize a net gain upon completion of the sales, as described above for Aimco and the Aimco Operating Partnership. The amount of the net gain recognized by the Partnerships will differ from the amount recognized by Aimco and the Aimco Operating Partnership due to certain valuation adjustments recorded by the Managing General Partner and the Aimco Operating Partnership in connection with their acquisitions of equity interests in the Partnerships in prior years.

FAIRNESS OF THE TRANSACTIONS

The VMS Related Parties believe that each Transaction is fair to VMS, the Partnerships and all unaffiliated limited partners of the Partnerships.

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Affiliated Contribution

In evaluating the fairness of the Affiliated Contribution, the VMS Related Parties considered the following factors and information:

The fact that limited partners electing to receive Common OP Units may be able to achieve more favorable tax results than would be the case upon receipt of the cash distribution to which such limited partner would otherwise be entitled, as further described in UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTIONS.

The fact that limited partners can elect to waive any portion of the cash distribution to be received in connection with the Affiliated Contribution and receive Common OP Units directly from the Aimco Operating Partnership instead, thereby providing limited partners the potential for more favorable tax results arising from the receipt of Common OP Units.

The fact that the Managing General Partner has significant conflicts of interest with respect to the Affiliated Contribution resulting from the fiduciary duties it owes to its sole stockholder, whose affiliate has an interest in obtaining the lowest price possible for the Affiliated Contribution Properties, and the fiduciary duties it owes to the limited partners of the Partnerships, which have an interest in maximizing the consideration to be received for the Affiliated Contribution Properties.

The appraisals provided by KTR, which are described in detail under DETERMINATION OF CONSIDERATION BASED ON INDEPENDENT APPRAISALS, the Aimco internal valuations of the Affiliated Contribution Properties, and the consideration to be received by VMS and the limited partners for the Affiliated Contribution in cash and/or Common OP Units equal to approximately \$230,078,260, which is equal to the greater of the appraised market value of the fee simple interest in the Affiliated Contribution Properties and the internal valuations prepared by Aimco. The Aimco internal valuation for Casa De Monterey is \$17,369,746, whereas the appraised market value is \$18,200,000. The Aimco internal valuation for Buena Vista Apartments is \$19,028,260, whereas the appraised market value is \$17,900,000. The Aimco internal valuation for Mountain View Apartments is \$28,482,135, whereas the appraised market value is \$30,800,000. The Aimco internal valuation for Pathfinder Village Apartments is \$32,036,484, whereas the appraised market value is \$34,700,000. The Aimco internal valuation for Scotchollow Apartments is \$64,502,581, whereas the appraised market value is \$67,800,000. The Aimco internal valuation for Crosswood Park is \$14,792,788, whereas the appraised market value is \$15,750,000. The Aimco internal valuation for Towers of Westchester Park is \$35,557,852, whereas the appraised market value is \$43,800,000. After receipt of KTR's appraisals, the VMS Related parties considered the valuation approaches, methodologies and analyses described by KTR and determined that such valuation approaches, methodologies and analyses were appropriate in fairly valuing real estate assets such as the Affiliated Contribution Properties. Because the consideration for the Affiliated Contribution Properties was based on the greater of the appraised values for each of the Affiliated Contribution Properties and Aimco's internal valuation for each such property, the VMS Related Parties then adopted the valuations established by the appraisals as the consideration for each Affiliated Contribution Property for which such appraised value exceeded Aimco's internal valuation for such Property, resulting in a total consideration valued at approximately \$230,078,260. The VMS Related Parties believe that the payment of the greater of the value determined by Aimco in connection with its annual financial reporting process and the value determined by an independent appraiser in the business of valuing properties like the Affiliated Contribution Properties increases the likelihood that the consideration is fair.

The fact that KTR has performed work for Aimco and its affiliates in the past and that this pre-existing relationship between KTR and Aimco could negatively impact KTR's independence. As noted elsewhere in this

proxy statement-prospectus, the VMS Related Parties believe that this relationship had no effect on the results of the appraisals.

The absence of an unaffiliated representative to act solely on behalf of the Partnerships or the limited partners in negotiating the terms of the Affiliated Contribution on an independent, arms-length basis, which might have resulted in greater consideration for the Affiliated Contribution Properties.

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The lack of a requirement that the Affiliated Contribution be approved by a majority of the limited partners unaffiliated with the Managing General Partner or Aimco, resulting in the direct application of the provisions of the Partnership Agreements which, in light of the limited partnership interests held by Aimco and its affiliates, requires 63.7% of the unaffiliated limited partners to object in order to prevent the Affiliated Contribution from occurring, rather than a simple majority.

An evaluation of the market price of Class A Common Stock, which is traded on the New York Stock Exchange, as compared to the units of the Partnerships, which are not listed on any national securities exchange or quoted on the NASDAQ system, the Electronic Bulletin Board or the Pink Sheets, and therefore have no established public trading market for the units. For more information, see VMS AND THE PARTNERSHIPS Distributions and Transfers of Units.

The fact that current quarterly distributions with respect to the Common OP Units are \$0.60 per unit, that since 1993 the Partnerships have paid no distributions and that limited partners electing to waive cash and receive Common OP Units instead would be entitled to receive such distributions in the future.

Pursuant to the Contribution Agreement, VMS, the Partnerships and Aimco Properties, LLC have provided each limited partner with contractual dissenters appraisal rights with respect to the Affiliated Contribution that are generally based upon the dissenters appraisal rights that a limited partner would have were it a shareholder in a corporate merger under the corporation laws of the state of the Partnerships organization.

Unaffiliated Sales

In evaluating the fairness of the Unaffiliated Sales, the VMS Related Parties considered the fact that the Unaffiliated Sale Properties were marketed to unaffiliated third parties and the purchase price for each Unaffiliated Sale Property was attained through arms-length negotiation. In addition, the VMS Related Parties considered the fact that the consideration to be received for the Unaffiliated Sales would exceed the aggregate Minimum Unaffiliated Sale Price of \$60,018,500. Based on these considerations, the VMS Related Parties determined that the Unaffiliated Sales are fair to VMS, the Partnerships and all unaffiliated limited partners of the Partnerships.

The Transactions

In addition to evaluating the Affiliated Contribution and the Unaffiliated Sales independently, the VMS Related Parties considered the following factors and information in determining that the Transactions, taken as a whole, are fair to VMS, the Partnerships and all unaffiliated limited partners of the Partnerships, regardless of whether such limited partners receive cash or Common OP Units with respect to the Affiliated Contribution:

The fact that completion of the refinancing, which occurred on January 19, 2007, and repayment of the senior mortgages outstanding prior to the refinancing, prior to any default on or before January 1, 2008 will result in greater proceeds to the limited partners than would otherwise be the case.

An analysis of the possible alternatives, including continuation without the proposed disposition of Properties, which included an evaluation of the condition and operating performance of the Properties and the need for substantial capital expenditures. Based on estimates made by the Managing General Partner, the Properties require approximately \$32.1 million in capital expenditures, an amount significantly in excess of the net proceeds of the refinancing. The VMS Related Parties believe that the completion of the Transactions, in light of the available alternatives, creates more certain value for the limited partners and the potential for more favorable tax treatment than any of the available alternatives.

The fact that favorable loans from third parties or the Managing General Partner are not currently available to finance necessary capital expenditures and may not be available in the future or, when available, may not be on terms and conditions acceptable to the Managing General Partner or favorable to the Partnerships, which could result in increased stress on the operations of VMS as the Properties continue to deteriorate.

In evaluating these factors, except as set forth above or in the referenced sections of this proxy statement-prospectus, the VMS Related Parties did not quantify or otherwise attach particular weight to any of them. In similar transactions, the determination of fairness is sometimes evaluated based on other factors, such as current market

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prices of the units, net book value of the properties, going concern value of the Partnerships, liquidation value of the Partnerships and purchase price paid for units in previous purchases. The VMS Related Parties did not consider these factors in the evaluation of either of the Affiliated Contribution or the Unaffiliated Sales. The VMS Related Parties did not consider these factors in the evaluation of the Unaffiliated Sales because the Unaffiliated Sales were negotiated at arms-length with unaffiliated third parties following extensive marketing efforts.

With respect to the Affiliated Contribution, the VMS Related Parties did not consider secondary market sales information because they are of the opinion that secondary market sales information is not a reliable measure of value in light of the limited number of reported trades. The VMS Related Parties did not consider purchase prices paid in previous purchases because there were no previous purchases to consider. The VMS Related Parties are also of the opinion that independent appraisals, which account for a reasonable marketing period, are a more accurate indicator of value for real estate assets such as the Affiliated Contribution Properties than net book value, because accumulated depreciation with respect to the Affiliated Contribution Properties, together with the failure to account for depreciation, if any, in the market value of Properties, results in an understated valuation on a net book value basis. For example, the aggregate net book value of the Affiliated Contribution Properties is \$32,011,000, as compared to the aggregate appraised value of \$228,950,000 and the Affiliated Contribution consideration of \$230,078,260. The VMS Related Parties are also of the opinion that the valuations for the Affiliated Contribution Properties set forth in the appraisals, based on a sales comparison analysis and a gross income multiplier analysis, are a reasonable approximation of the going concern and liquidation values for such Properties. In its sales comparison analysis, the appraiser considered sales of comparable properties in competitive markets and adjusted for differences in location and physical characteristics, which is analogous to a liquidation analysis in the context of a real estate asset. Likewise, in its gross income multiplier analysis, the appraiser valued the Affiliated Contribution Properties based on a review of the relationship between the sale price and the effective gross income of a Property, which is analogous to a going concern valuation in the context of a real estate asset.

Procedural Fairness. Each of the parties to the Affiliated Contribution is aware that Aimco and its affiliates have interests in the Affiliated Contribution or have relationships that present conflicts of interest in connection with the Affiliated Contribution and considered these conflicts of interest along with the other factors enumerated above in making its determination. See CONFLICTS OF INTEREST. In light of the conflicts of interest with respect to the Affiliated Contribution, the VMS Related Parties took into account the absence of the following procedural safeguards: (1) an unaffiliated representative to act solely on behalf of the Partnerships or the unaffiliated limited partners in negotiating the terms of the Affiliated Contribution and (2) the approval of the Affiliated Contribution by a majority of the limited partners unaffiliated with the Managing General Partner or Aimco. The Aimco Operating Partnership is a partnership managed by the Managing General Partner rather than a board of directors. The Managing General Partner is a corporation, the board of which is comprised entirely of affiliates of the VMS Related Parties. As a result, there were no unaffiliated parties available to act as, or to hire, an unaffiliated representative of the unaffiliated limited partners. The VMS Related Parties did not believe any of the procedural safeguards were necessary with respect to the Unaffiliated Sales because the Unaffiliated Sales were negotiated at arms-length with unaffiliated third parties following extensive marketing efforts. Despite the absence of these procedural safeguards, the VMS Related Parties are of the opinion that the Affiliated Contribution is procedurally fair to the unaffiliated limited partners because:

An appraisal of the Affiliated Contribution Properties was obtained from an independent third party appraiser. In each case, the consideration as of the closing date of the Affiliated Contribution for the Affiliated Contribution Properties is at least equal in value to the greater of the appraised value and the Aimco internal valuations. Aimco Properties, LLC has indicated that it would not have paid more for the Affiliated Contribution Properties than the greater of these two amounts, even if an unaffiliated representative had been engaged to represent the interests of the unaffiliated limited partners.

By providing the information required by Form S-4 and Schedules 13E-3 and 14A of the Exchange Act, the Managing General Partner has provided sufficient information to each limited partner to make its own decision with respect to objecting to or electing the form of consideration for the Affiliated Contribution.

The Affiliated Contribution will not be consummated if limited partners holding a majority of the aggregate units of the Partnerships object in writing in the manner described herein.

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The limited partners of the Partnerships have been given their choice of the form of consideration to be received with respect to their distributable portion of the Affiliated Contribution proceeds to give them an opportunity to defer certain tax liability as well as participate in the growth of the Aimco Operating Partnership enterprise.

Pursuant to the Contribution Agreement, VMS, the Partnerships and Aimco Properties, LLC have provided each limited partner with contractual dissenters' appraisal rights with respect to the Affiliated Contribution that are generally based upon the dissenters' appraisal rights that a limited partner would have were it a shareholder in a corporate merger under the corporation laws of Illinois, the state of the Partnerships' organization. To exercise this right, you must take the necessary steps provided by the Contribution Agreement. See APPRAISAL RIGHTS.

In evaluating these factors, the VMS Related Parties did not quantify or otherwise attach particular weight to any of them.

DETERMINATION OF CONSIDERATION BASED ON INDEPENDENT APPRAISALS

Selection and Qualifications of Independent Appraiser. The Managing General Partner, an affiliate of the Aimco Operating Partnership, in its capacity as the managing general partner of VMS, retained the services of KTR Valuation and Consulting Services, LLC (KTR), an independent third party, to appraise the market value of the Affiliated Contribution Properties. Although the Managing General Partner briefly considered other appraisers, it considered KTR's responsiveness, demonstrated on prior engagements with affiliates of the Managing General Partner, to be of particular importance in light of the impending maturity of the then-existing outstanding mortgage indebtedness and the potential need for quick responses and turnarounds on the initial appraisal and subsequent updates. Additionally, due to the geographically dispersed locations of the Properties, the Managing General Partner elected to retain a valuation consulting firm with a national presence. KTR is an experienced independent valuation consulting firm with offices in five U.S. cities. The Managing General Partner selected KTR based on these qualifications.

Factors Considered. KTR performed complete appraisals of each of the Affiliated Contribution Properties. KTR has represented that its report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. VMS furnished the appraiser with all of the necessary information requested by it in connection with the appraisal and represented to KTR that the information was true, correct and complete in all material respects. No limitations were imposed on KTR by VMS, Aimco Properties, LLC or any of their affiliates. In preparing its valuation of the Affiliated Contribution Properties, KTR, among other things:

Inspected the Properties;

Interviewed County and City officials regarding taxes, zoning requirements, flood zone information, demographic data, planned construction, recently completed developments, and other economic impacting events;

Consulted market participants, including real estate brokers and property managers, regarding market parameters and activity;

Consulted with lenders and investor surveys regarding investment parameters;

Interviewed leasing agents for competitive complexes for property specific information;

Analyzed supply and demand factors affecting the local market for each Property;

Reviewed historical income and expense statements;

Reviewed the current rent roll; and

Reviewed other relevant financial and market information.

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

Using the sales comparison approach technique, an appraiser reaches a determination of a property's value by comparing the subject to similar, nearby properties that have recently sold. Essentially, the procedure entails gathering information regarding bona fide, recent arm's length sales of comparable properties and comparing the most important characteristics of the sales to the subject. Adjustments are then made to the comparable properties for differences such as terms of financing, date of sale, location and physical characteristics. Attaining data with a high degree of comparability is most important when this technique is utilized. The reliability of this approach depends upon availability of comparable sales data, verification of the sales data, the degree of comparability and extent of adjustment necessary for differences and the absence of non-typical conditions affecting the sales price.

As part of the sales comparison approach, KTR performed an effective gross income multiplier (EGIM) analysis. The EGIM analysis measures the relationship between the sale price of a property and its effective gross income, which is the total annual income that a property would produce after an allowance for vacancy and credit loss.

The income capitalization approach is a process by which the anticipated flow of future benefits is capitalized into a value indication. KTR reported that the income capitalization approach is widely applied in appraising income producing properties. The reliability of this technique depends upon the reliability of the net income estimate and the capitalization rate. According to the KTR reports, the value derived from the income capitalization approach is well documented and market oriented. Because the Affiliated Contribution Properties are income producing realty and anticipated to continue to be so, KTR employed this approach in the valuation of the Properties.

As part of the income capitalization approach, KTR used a direct capitalization analysis to derive value for the Affiliated Contribution Properties. According to KTR's report, the basic steps in the direct capitalization analysis are as follows: (i) calculate potential gross income from the dwelling units; (ii) estimate vacancy and credit loss to arrive at effective gross income; (iii) estimate operating expenses to arrive at the stabilized net operating income (NOI); (iv) develop the overall capitalization rate; and (v) divide NOI by the capitalization rate to arrive at the value.

The final step in the appraisal process is the reconciliation of the value indicators into a single value estimate. KTR considered the relative applicability of each of the approaches, examined the range between the value indications and placed major emphasis on the approach that appeared to produce the most reliable solution to the specific appraisal problem. The purpose of the appraisal, the type of property and the adequacy and reliability of the data were analyzed and appropriate weight was given to each of the approaches to value.

For the appraisal of the Affiliated Contribution Properties, KTR relied principally on the income capitalization approach to valuation and secondarily on the sales comparison approach. According to KTR's report, although the sales comparison approach is considered a reliable method for valuing property, KTR believes that the income capitalization approach is the primary approach used for valuing income producing property, such as the Properties.

Summary of Independent Appraisals of the Properties. KTR performed complete appraisals of the seven Affiliated Contribution Properties to be contributed in the Affiliated Contribution. The appraisals were first conducted in April of 2006 and were subsequently updated by KTR in November and December of 2006. The summaries set forth below describe the material conclusions reached by KTR in April, 2006 and November and December, 2006, based on the values determined under the valuation approaches and subject to the assumptions and limitations described below. The estimated aggregate fair market value of the fee simple estate of the Affiliated Contribution Properties is \$228,950,000, which is the sum of the higher of the appraised values determined by KTR for each of the Affiliated

Contribution Properties.

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CASA DE MONTEREY

The following is a summary of the appraisal of Casa de Monterey dated November 28, 2006:

Valuation Under the Sales Comparison Approach. KTR examined and analyzed the sales of five multifamily apartment properties in the competitive market. The sales reflected per unit unadjusted sales prices ranging from \$124,116 to \$168,304. After adjustment, the comparable sales illustrated a range from \$126,334 to \$134,643 per unit with an average of \$128,827 per unit. According to KTR's report, a few of the sales required minor adjustments for location as well as adjustment because of superior and inferior physical characteristics. Based on the adjustments considered and indicators exhibited by the sales data with primary emphasis placed on three of the sales, KTR estimated a value of \$126,000 per unit for Casa de Monterey. Applied to Casa de Monterey's 144 units, this resulted in KTR's total value estimate of approximately \$18,100,000.

KTR also performed an EGIM analysis. KTR estimated the operating expense ratio of Casa de Monterey to be 47%, with the expense ratio of the five comparable properties ranging from 33% to 40%, with EGIMs ranging from 10.9 to 11.9. KTR concluded an EGIM of 9.5 for Casa de Monterey and applied the EGIM to the effective gross income for Casa de Monterey (\$1,965,336), resulting in a value indication of approximately \$18,700,000.

KTR estimated the value using the price per unit analysis at \$18,100,000 and the value using EGIM analysis at \$18,700,000. Due to the similarity of the resulting value indicators, KTR gave relatively equal consideration to both techniques when it concluded a final value via the sales comparison approach of \$18,400,000.

Valuation Under the Income Capitalization Approach. Using the income capitalization approach, KTR performed a direct capitalization analysis to derive a value for Casa de Monterey. The assumptions employed by KTR to determine the value of Casa de Monterey under the income capitalization approach included:

monthly economic rent potential of \$172,432 and annual gross rent potential of \$2,069,184;

a loss to lease expense of 5.0%;

a concession loss of 0.5%;

a combined vacancy and credit loss allowance of 7.0%;

estimated utility income of \$475 per unit;

other income of 4.3% of the gross rent potential or \$86,400;

total expenses of \$919,173; and

capitalization rate of 5.75%.

Using the income capitalization approach, KTR capitalized the estimated net operating income of \$1,046,163 at 5.75%, resulting in a value conclusion for Casa de Monterey of approximately \$18,200,000.

Reconciliation of Values and Conclusions of KTR. The sales comparison approach resulted in a value of \$18,400,000, and the income capitalization approach resulted in a value of \$18,200,000. KTR reported that the local market is active in terms of investment sales of similar apartment complexes and sufficient sales data was available to develop a defensible value via the sales comparison approach. KTR also stated in its report that the value derived through the

use of the sales comparison approach supports the value concluded for the property via the income capitalization approach. Due to the income producing nature of Casa de Monterey, KTR emphasized the income capitalization approach when it determined a final estimate of value for Casa de Monterey of \$18,200,000.

The following is a summary of the appraisal of Casa de Monterey dated April 11, 2006:

Valuation Under the Sales Comparison Approach. KTR examined and analyzed the sales of five multifamily apartment properties in the competitive market. The sales reflected per unit unadjusted sales prices ranging from \$124,116 to \$167,157. After adjustment, the comparable sales illustrated a range from \$120,469 to \$130,322 per unit with an average of \$125,433 per unit. According to KTR's report, a few of the sales required minor adjustments for location as well as adjustment because of superior and inferior physical characteristics. Based on the adjustments considered and indicators exhibited by the sales data with primary emphasis placed on four of the

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sales, KTR estimated a value of \$125,000 per unit for Casa de Monterey. Applied to Casa de Monterey's 144 units, this resulted in KTR's total value estimate of approximately \$18,000,000.

KTR also performed an EGIM analysis. KTR estimated the operating expense ratio of Casa de Monterey to be 47%, with the expense ratio of the five comparable properties ranging from 35% to 47%, with EGIMs ranging from 9.2 to 12.5. KTR concluded an EGIM of 9.5 for Casa de Monterey and applied the EGIM to the effective gross income for Casa de Monterey (\$1,951,068), resulting in a value indication of approximately \$18,500,000.

KTR estimated the value using the price per unit analysis at \$18,000,000 and the value using EGIM analysis at \$18,500,000. Due to the similarity of the resulting value indicators, KTR gave relatively equal consideration to both techniques when it concluded a final value via the sales comparison approach of \$18,250,000.

Valuation Under the Income Capitalization Approach. Using the income capitalization approach, KTR performed a direct capitalization analysis to derive a value for Casa de Monterey. The assumptions employed by KTR to determine the value of Casa de Monterey under the income capitalization approach included:

monthly economic rent potential of \$168,864 and annual gross rent potential of \$2,026,368;

a loss to lease expense of 4.0%;

a concession loss of 0.5%;

a combined vacancy and credit loss allowance of 6.5%;

estimated utility income of \$425 per unit;

other income of 4.3% of the gross rent potential or \$86,400;

total expenses of \$918,603; and

capitalization rate of 5.75%.

Using the income capitalization approach, KTR capitalized the estimated net operating income of \$1,032,465 at 5.75%, resulting in a value conclusion for Casa de Monterey of approximately \$18,000,000.

Reconciliation of Values and Conclusions of KTR. The sales comparison approach resulted in a value of \$18,250,000, and the income capitalization approach resulted in a value of \$18,000,000. KTR reported that the local market is active in terms of investment sales of similar apartment complexes and sufficient sales data was available to develop a defensible value via the sales comparison approach. KTR also stated in its report that the value derived through the use of the sales comparison approach supports the value concluded for the property via the income capitalization approach. Due to the income producing nature of Casa de Monterey, KTR emphasized the income capitalization approach when it determined a final estimate of value for Casa de Monterey of \$18,000,000.

BUENA VISTA APARTMENTS

The following is a summary of the appraisal of Buena Vista Apartments dated December 8, 2006:

Valuation Under the Sales Comparison Approach. KTR examined and analyzed the sales of five multifamily apartment properties in the competitive market. The sales reflected per unit adjusted sales prices ranging from

\$168,304 to \$222,619. After adjustment, the comparable sales illustrated a range from \$176,719 to \$211,488 per unit with an average of \$193,090 per unit. According to KTR's report, three of the five sales required adjustments for location. Three of the sales required adjustment for superior average unit size. One of the sales required adjustment because of superior age and condition. Based on the adjustments considered and indicators exhibited by the sales data and equal emphasis placed on all of the sales, KTR estimated a value of \$192,000 per unit for Buena Vista Apartments. Applied to Buena Vista Apartment's 92 units, this resulted in KTR's total value estimate of approximately \$17,700,000.

KTR also performed an EGIM analysis. KTR estimated the operating expense ratio of Buena Vista Apartments to be 40%, with the expense ratio of the five comparable properties ranging from 30% to 34%, with EGIMs ranging from 11.4 to 13.4. KTR concluded an EGIM of 10.5 for Buena Vista Apartments and applied the EGIM to the

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effective gross income for Buena Vista Apartments (\$1,706,033), resulting in a value indication of approximately \$17,900,000.

KTR estimated the value using the price per unit analysis at \$17,700,000 and the value using EGIM analysis at \$17,900,000. Due to the similarity of the resulting value indicators, relatively equal consideration was given to both techniques when KTR concluded a final value via the sales comparison approach of \$17,800,000.

Valuation Under the Income Capitalization Approach. Using the income capitalization approach, KTR performed a direct capitalization analysis to derive a value for Buena Vista Apartments. The assumptions employed by KTR to determine the value of Buena Vista Apartments under the income capitalization approach included:

monthly economic rent potential of \$143,678 and annual gross rent potential of \$1,724,136;

a loss to lease expense of 3.0%;

a concession loss of 1.0%;

a combined vacancy and credit loss allowance of 2.5%;

estimated utility income of \$272 per unit;

other income of 3.0% of the gross rent potential or \$51,724;

total expenses of \$679,351; and

capitalization rate of 5.75%.

Using the income capitalization approach, KTR capitalized the estimated net operating income of \$986,094 at 5.75%, resulting in a value conclusion for Buena Vista Apartments of approximately \$17,900,000.

Reconciliation of Values and Conclusions of KTR. The sales comparison approach resulted in a value of \$17,800,000, and the income capitalization approach resulted in a value of \$17,900,000. KTR reported that the local market is active in terms of investment sales of similar apartment complexes and sufficient sales data was available to develop a defensible value via the sales comparison approach. KTR also stated in its report that the value derived through the use of the sales comparison approach supports the value concluded for the property via the income capitalization approach. Due to the income producing nature of Buena Vista Apartments, KTR emphasized the income capitalization approach when it determined a final estimate of value for Buena Vista Apartments of \$17,900,000.

The following is a summary of the appraisal of Buena Vista Apartments dated April 11, 2006:

Valuation Under the Sales Comparison Approach. KTR examined and analyzed the sales of five multifamily apartment properties in the competitive market. The sales reflected per unit unadjusted sales prices ranging from \$160,214 to \$229,190. After adjustment, the comparable sales illustrated a range from \$178,317 to \$200,656 per unit with an average of \$190,733 per unit. According to KTR's report, most of the sales required adjustments for location. Two of the sales required adjustments because of superior physical characteristics. Based on the adjustments considered and indicators exhibited by the sales data and equal emphasis placed on all of the sales, KTR estimated a value of \$191,000 per unit for Buena Vista Apartments. Applied to Buena Vista Apartment's 92 units, this resulted in KTR's total value estimate of approximately \$17,500,000.

KTR also performed an EGIM analysis. KTR estimated the operating expense ratio of Buena Vista Apartments to be 40%, with the expense ratio of the five comparable properties ranging from 28% to 47%, with EGIMs ranging from 9.2 to 13.4. KTR concluded an EGIM of 10.25 for Buena Vista Apartments and applied the EGIM to the effective gross income for Buena Vista Apartments (\$1,623,821), resulting in a value indication of approximately \$16,600,000.

KTR estimated the value using the price per unit analysis at \$17,500,000 and the value using E