

APARTMENT INVESTMENT & MANAGEMENT CO
Form 10-Q
July 31, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended June 30, 2015

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

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

Apartment Investment and Management Company
AIMCO Properties, L.P.
(Exact name of registrant as specified in its charter)

Maryland (Apartment Investment and Management Company) 84-1259577
Delaware (AIMCO Properties, L.P.) 84-1275621
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification
No.)

4582 South Ulster Street, Suite 1100
Denver, Colorado 80237
(Address of principal executive offices) (Zip Code)
(303) 757-8101
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

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

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

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

Apartment Investment and Management Company:

Large accelerated filer Accelerated filer

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

AIMCO Properties, L.P.:

Large accelerated filer Accelerated filer

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

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

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

The number of shares of Apartment Investment and Management Company

Class A Common Stock outstanding as of July 30, 2015: 156,281,519

The number of Partnership Common Units outstanding as of July 30, 2015: 163,892,509

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EXPLANATORY NOTE

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

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

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

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

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

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

We believe it is important to understand the few differences between Aimco and the Aimco Operating Partnership in the context of how Aimco and the Aimco Operating Partnership operate as a consolidated company. Aimco has no assets or liabilities other than its investment in the Aimco Operating Partnership. Also, Aimco is a corporation that issues publicly traded equity from time to time, whereas the Aimco Operating Partnership is a partnership that has no publicly traded equity. Except for the net proceeds from stock offerings by Aimco, which are contributed to the Aimco Operating Partnership in exchange for additional limited partnership interests (of a similar type and in an amount equal to the shares of stock sold in the offering), the Aimco Operating Partnership generates all remaining capital required by its business. These sources include the Aimco Operating Partnership’s working capital, net cash provided by operating activities, borrowings under its revolving credit facility, the issuance of debt and equity securities, including additional partnership units, and proceeds received from the sale of apartment communities. Equity, partners’ capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of Aimco and those of the Aimco Operating Partnership. Interests in the Aimco Operating Partnership held by entities other than Aimco, which we refer to as OP Units, are classified within partners’ capital in the Aimco Operating Partnership’s financial statements and as noncontrolling interests in Aimco’s financial statements. To help investors understand the differences between Aimco and the Aimco Operating Partnership, this report provides separate consolidated financial statements for Aimco and the Aimco Operating Partnership; a single set of consolidated notes to such financial statements that includes separate discussions of each entity’s stockholders’ equity or partners’ capital, as applicable; and a combined Management’s Discussion and Analysis of Financial Condition and Results of Operations section that includes discrete information related to each entity.

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

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

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

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

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

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

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

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

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

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

See notes to condensed consolidated financial statements.

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AIMCO PROPERTIES, L.P.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

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

See notes to condensed consolidated financial statements.

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AIMCO PROPERTIES, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per unit data)

(Unaudited)

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

See notes to condensed consolidated financial statements.

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AIMCO PROPERTIES, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

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

See notes to condensed consolidated financial statements.

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AIMCO PROPERTIES, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

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

See notes to condensed consolidated financial statements.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(Unaudited)

Note 1 — Organization

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

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

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

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

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

Basis of Presentation

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

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

Principles of Consolidation

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

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

As of June 30, 2015, we were the primary beneficiary of, and therefore consolidated, 61 VIEs, which owned 47 apartment communities with 7,459 apartment homes. Substantially all these VIEs are partnerships that are involved in the ownership or operation of qualifying affordable housing apartment communities and which are structured to provide for the pass-through of low-income housing tax credits and deductions to their partners. Real estate with a carrying value of \$348.6 million collateralized \$328.9 million of debt of those VIEs. Any significant amounts of assets and liabilities related to our consolidated VIEs are identified parenthetically on our accompanying condensed consolidated balance sheets. The creditors of the consolidated VIEs do not have recourse to our general credit. In addition to the consolidated VIEs discussed above, at June 30, 2015, our consolidated financial statements included certain consolidated and unconsolidated VIEs that are part of the legacy asset management business we sold during 2012, which is discussed in Note 4. The assets and liabilities related to these consolidated and unconsolidated VIEs are each condensed into single line items within other assets and accrued liabilities and other, respectively, in our condensed consolidated balance sheets.

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

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

Temporary Equity and Partners' Capital

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

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

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Aimco Equity (including Noncontrolling Interests)

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

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

Partners' Capital attributable to the Aimco Operating Partnership

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

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

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

Use of Estimates

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

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Recent Accounting Pronouncements

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

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

Note 3 — Disposals and Assets Held for Sale

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

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

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

Note 4 — Other Significant Transactions

Investments in Apartment Communities

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

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

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Asset Management Business Disposition

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

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

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

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

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

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

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

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

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

Equity and Partners' Capital Transactions

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

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

Note 5 — Fair Value Measurements

Recurring Fair Value Measurements

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

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

Our investments classified as AFS are presented within other assets in the accompanying consolidated balance sheets. We hold the most subordinate position in the securitization, along with several mezzanine positions. We estimate the fair value of these investments using an income and market approach with primarily observable inputs, including yields and other information regarding similar types of investments, and adjusted for certain unobservable inputs specific to these investments. We are accreting the discount to the \$100.9 million face value of the investments into interest income using the effective interest method over the remaining expected term of the investments, which, as of June 30, 2015, was approximately 5.9 years. Our amortized cost basis for these investments, which represents the original cost adjusted for interest accretion less interest payments received, was \$65.7 million and \$63.6 million at June 30, 2015 and December 31, 2014, respectively. The amortized cost exceeded the fair value of the most

subordinate position at June 30, 2015, primarily due to a decrease in demand for similar investments as compared to when we purchased the investments. We currently expect to hold each of the investments to their maturity dates and we believe we will fully recover our basis in the investments. Accordingly, we believe the current impairment in the fair value, as compared to the amortized cost basis, of the most subordinate position is temporary and we have not recognized any of the decline in value in earnings.

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

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

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

Fair Value Disclosures

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

Note 6 — Commitments and Contingencies

Commitments

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

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

Tax Credit Arrangements

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

Income Taxes

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

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Legal Matters

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

Limited Partnerships

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

Environmental

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

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

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

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Note 7 — Earnings per Share/Unit

Aimco

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

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

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The Aimco Operating Partnership

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

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

Aimco and the Aimco Operating Partnership

As of June 30, 2015, the common share equivalents or common partnership unit equivalents that could potentially dilute basic earnings per share or unit in future periods totaled 1.9 million. These securities represent options to purchase shares of Common Stock, which, if exercised, would result in Aimco's issuance of additional shares and the Aimco Operating Partnership's issuance to Aimco of additional common partnership units equal to the number of shares purchased under the options. The effect of these securities was dilutive for the three and six months ended

June 30, 2015 and 2014, and accordingly has been included in the denominator for calculating diluted earnings per share and unit during these periods. Participating securities, consisting of unvested restricted shares of Common Stock, receive dividends similar to shares of Common Stock and common partnership units and totaled 0.8 million shares and 0.5 million shares at June 30, 2015 and 2014, respectively. The effect of participating securities is

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

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

Note 8 — Business Segments

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

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

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

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

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	Conventional Real Estate Operations	Affordable Real Estate Operations	Proportionate Adjustments (1)	Corporate and Amounts Not Allocated to Segments (2)	Consolidated
Three Months Ended June 30, 2014:					
Rental and other property revenues	\$ 182,934	\$ 23,613	\$ 7,225	\$ 25,720	\$ 239,492
Tax credit and asset management revenues	—	—	—	6,926	6,926
Total revenues	182,934	23,613	7,225	32,646	246,418
Property operating expenses	62,153	9,589	1,942	20,816	94,500
Investment management expenses	—	—	—	1,021	1,021
Depreciation and amortization	—	—	—	71,399	71,399
General and administrative expenses	—	—	—	10,119	10,119
Other expenses, net	—	—	—	3,582	3,582
Total operating expenses	62,153	9,589	1,942	106,937	180,621
Net operating income (loss)	120,781	14,024	5,283	(74,291)	65,797
Other items included in continuing operations	—	—	—	(47,854)	(47,854)
Income (loss) from continuing operations	\$ 120,781	\$ 14,024	\$ 5,283	\$(122,145)	\$ 17,943
	Conventional Real Estate Operations	Affordable Real Estate Operations	Proportionate Adjustments (1)	Corporate and Amounts Not Allocated to Segments (2)	Consolidated
Six Months Ended June 30, 2015:					
Rental and other property revenues	\$ 398,678	\$ 48,391	\$ 18,049	\$ 11,808	\$ 476,926
Asset management and tax credit revenues	—	—	—	12,122	12,122
Total revenues	398,678	48,391	18,049	23,930	489,048
Property operating expenses	133,209	19,333	6,843	24,037	183,422
Investment management expenses	—	—	—	2,689	2,689
Depreciation and amortization	—	—	—	149,582	149,582
General and administrative expenses	—	—	—	—	—