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APARTMENT INVESTMENT & MANAGEMENT CO
Form S-4/A
July 12, 2002

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 12, 2002

REGISTRATION NOS. 333-90588, 333-90588-01

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

APARTMENT INVESTMENT AND MANAGEMENT COMPANY
AIMCO PROPERTIES, L.P.
(Exact name of co-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
AIMCO PROPERTIES, L.P. -
(IRS Employer Identific

2000 SOUTH COLORADO BOULEVARD, SUITE 2-1000
DENVER, COLORADO 80222
(303) 757-8101
(Address, including zip code, and telephone number, including area code, of
registrants' principal executive offices)

PETER K. KOMPANIEZ
VICE CHAIRMAN AND PRESIDENT
COLORADO CENTER, TOWER TWO
2000 SOUTH COLORADO BOULEVARD, SUITE 2-1000
DENVER, COLORADO 80222
(303) 757-8101
(Name, address, including zip code, and telephone number, including area code,
of agent for service)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to time after this registration statement becomes effective.

If the only securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. []

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

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, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS 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 JULY 12, 2002

PROSPECTUS

AIMCO PROPERTIES, L.P.

IS OFFERING TO ACQUIRE UP TO 120 UNITS OF LIMITED PARTNERSHIP INTEREST OF

VMS NATIONAL RESIDENTIAL PORTFOLIO II
(A PARTICIPANT IN VMS NATIONAL PROPERTIES JOINT VENTURE)
IN EXCHANGE FOR YOUR CHOICE PER UNIT OF:

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64.50 OF OUR PARTNERSHIP COMMON UNITS; OR
\$3,000 IN CASH.

Generally, you will not recognize any immediate taxable gain or loss if you exchange your units solely for our securities. However, you will recognize taxable gain or loss if you exchange your units for cash.

Our offer consideration will be reduced for any distributions subsequently made or declared by your partnership prior to the expiration of our offer.

We will only accept a maximum of 120 units in response to our offer. If more units are tendered to us, we will generally accept units on a pro rata basis according to the number of units tendered by each person. Our offer is not subject to any minimum number of units being tendered. In addition, if units are validly tendered and not properly withdrawn prior to the expiration date and the purchase of all such units would result in there being fewer than 320 unitholders, we will not purchase any units tendered in the offer.

You will not pay any fees or commissions if you tender your units.

Our offer and your withdrawal rights will expire at midnight, New York City time, on [], 2002, unless we extend the deadline. You may withdraw any tendered units at any time before we have accepted them for payment.

SEE "RISK FACTORS" BEGINNING ON PAGE 29 OF THIS PROSPECTUS FOR A DESCRIPTION OF RISK FACTORS THAT YOU SHOULD CONSIDER IN CONNECTION WITH OUR OFFER, INCLUDING THE FOLLOWING:

- We determined the offer consideration of \$3,000 per unit without any arms-length negotiations. Our offer consideration is near the low end of the range of our estimated liquidation values of your partnership (\$0 to \$20,633 per unit), and is less than our estimated going concern value of your partnership of \$12,387 per unit. Accordingly, our offer consideration may not reflect the fair market value of your units.
- A sale of your units for cash may result in a tax liability that exceeds the amount of cash you receive from us.
- If AIMCO fails to qualify as a REIT, it may have a material adverse effect on the value of our units.
- Your general partner is a subsidiary of ours and, therefore, has substantial conflicts of interest with respect to our offer.
- We are making this offer with a view to making a profit and there is a conflict between our desire to purchase your units at a low price and your desire to sell your units at a high price.
- Continuation of your partnership will result in our affiliates continuing to receive management fees from your partnership which would not be payable if your partnership was liquidated.
- It is possible that we may conduct a subsequent offer at a higher price after expiration of this offer.
- Unlike your partnership, our policy is to reinvest proceeds from the sale of our properties or refinancing of our indebtedness.
- We may change our investment, acquisition or financing policies without a vote of our security holders.

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- If you acquire our securities, your investment will change from holding an interest in a few properties to holding an interest in our large portfolio of properties, thereby fundamentally changing the nature of your investment.
- We cannot predict when the properties owned by your partnership may be sold. Your partnership will be required to sell such properties and liquidate if your partnership cannot refinance or repay its indebtedness at maturity in 2008.
- There is currently no market for our units.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IF YOU ARE A RESIDENT OF THE STATE OF [] OR [], THE STATE SECURITIES COMMISSION IN YOUR STATE HAS NOT APPROVED THE OFFERING OF OP UNITS PURSUANT TO THIS PROSPECTUS. ACCORDINGLY, YOU ARE ONLY ENTITLED TO EXCHANGE YOUR UNITS FOR CASH.

The Attorney General of the State of New York has not passed on or endorsed the merits of this offer. Any representation to the contrary is unlawful.

[], 2002

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SUMMARY

This summary highlights some of the information in this prospectus. We urge you to read this entire prospectus, including the information and the financial statements and notes thereto are incorporated herein by reference. See "Where You Can Find More Information." Your partnership is one of two joint venture participants in VMS National Properties Joint Venture ("VMS"), which owns the properties in which you own an indirect interest.

THE OFFER

In exchange for each of your units, we are offering you a choice of:

- 64.50 of our Partnership Common Units (the "OP Units");
- \$3,000 in cash; or
- any combination thereof;

in each case, subject to reduction for any distribution subsequently made or declared by your partnership prior to the expiration of our offer.

We will accept a maximum of 120 units in response to our offer. Our offer is not subject to any minimum number of units being tendered.

If you are a resident of the State of [] or [], the state securities commission in your state has not approved the offering of OP Units pursuant to this prospectus. Accordingly, you are only entitled to exchange your units for cash.

Our offer will expire at midnight, New York City time, on [], 2002, unless we extend the deadline. We will not have a subsequent offering period after the expiration date of the initial offering period (including any extensions).

For the five years ended December 31, 2001, your partnership paid no distributions.

AIMCO AND THE AIMCO OPERATING PARTNERSHIP

AIMCO Properties, L.P. is the "AIMCO Operating Partnership." It conducts substantially all of the operations of Apartment Investment and Management Company, or "AIMCO." AIMCO is a Maryland corporation and a real estate investment trust that owns and manages multifamily apartment properties throughout the United States. Through its wholly owned subsidiary, AIMCO-GP, Inc., AIMCO acts as the sole general partner of the AIMCO Operating Partnership. As of March 31, 2002, AIMCO-GP and another AIMCO subsidiary, AIMCO-LP, Inc., a limited partner of the AIMCO Operating Partnership, owned approximately an 86%

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interest in the AIMCO Operating Partnership. As of March 31, 2002, our portfolio of owned or managed properties included 333,496 apartment units in 1,887 properties located in 47 states, the District of Columbia and Puerto Rico. Based on apartment unit data compiled by the National Multi-Housing Council, we believe that we are one of the largest owners and managers of multifamily apartment properties in the United States. As of March 31, 2002, we:

- owned or controlled (consolidated) and managed 171,059 units in 666 apartment properties;
- held an equity interest (unconsolidated) and managed 133,278 units in 999 apartment properties; and
- managed for third party owners 29,159 units in 222 apartment properties, primarily pursuant to long term, non-cancelable agreements.

Our principal executive offices are located at 2000 South Colorado Boulevard, Tower Two, Suite 2-1000, Denver, Colorado 80222-7900, and our telephone number is (303) 757-8101.

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AFFILIATION WITH YOUR GENERAL PARTNER

We own the general partner of your partnership, MAERIL, Inc., and the company that manages the properties owned by VMS.

RISK FACTORS

You should carefully consider the risks set forth under "Risk Factors" beginning on page 29 of this prospectus. The following highlights some of the risks associated with our offer and the disadvantages of the offer to you and should be considered when you review "Summary -- Background and Reasons for the Offer -- Expected Benefits of the Offer":

RISKS TO UNITHOLDERS WHO TENDER THEIR UNITS IN THE OFFER

Offer Consideration Not Based on Third Party Appraisal or Arms-Length Negotiation. We did not use any third-party appraisal or valuation to determine the value of any property owned by VMS. We established the terms of our offer, including the exchange ratio and the cash consideration, without any arms-length negotiations.

Offer Consideration May Not Represent Fair Market Value. There is no established or regular trading market for your units, nor is there another reliable standard for determining the fair market value of your units. The offer consideration does not necessarily reflect the price that you would receive in an open market for your units. Such prices could be higher or lower than our offer consideration.

Offer Consideration Does Not Reflect Future Prospects. Our offer consideration is based on your partnership's current property income. It does not ascribe any value to potential future improvements in the operating performance of your partnership.

Offer Consideration Based on Our Estimate of Liquidation Proceeds. The offer consideration represents only our estimate of the amount you would receive if we liquidated your partnership and VMS. In determining the liquidation value, we used the direct capitalization method to estimate the value of the VMS properties because we think a prospective purchaser of the properties would

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value the properties using this method. In doing so, we applied a capitalization rate to annual property income. We determined property income using annualized revenue for the quarter ended March 31, 2002 and actual costs and expenses for the fiscal year ended December 31, 2001. If actual property income, property income for a different period or a different capitalization rate was used, a higher valuation could result. Other methods of valuing your units could also result in a higher valuation.

Offer Consideration May Be Less Than Liquidation Value. The actual proceeds obtained from a liquidation are highly uncertain and could be more or less than our estimate. Accordingly, our offer consideration could be less than the net proceeds that you would realize upon an actual liquidation of your partnership and VMS. Our cash offer consideration of \$3,000 is near the low end of the range of our estimated liquidation values of your partnership of \$0 to \$20,633 per unit. Even if our cash offer consideration is equal to liquidation value, if you accept OP Units, you may not ultimately receive an amount equal to the cash offer consideration when you sell such OP Units or any AIMCO shares you may receive upon redemption of such OP Units.

Holding Units May Result in Greater Future Value. You might receive more value if you retain your units until your partnership and VMS are liquidated. Our cash offer consideration of \$3,000 is less than our estimated going value of your partnership of \$12,387 per unit.

Conflicts of Interest With Respect to the Offer. Your general partner is a subsidiary of ours and, therefore, has substantial conflicts of interest with respect to our offer. We are making this offer with a view to making a profit. There is a conflict between our desire to purchase your units at a low price and your desire to sell your units at a high price.

Conflicts of Interest Relating to Management Fees. Because our subsidiaries receive fees for managing your partnership and the VMS properties, a conflict of interest exists between our continuing the

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partnership and receiving such fees, and the liquidation of the partnership and the termination of such fees.

Possible Subsequent Offer at a Higher Price. It is possible that we may make a subsequent offer at a higher price. Such a decision will depend on, among other things, the performance of your partnership, prevailing economic conditions, and our interest in acquiring additional units.

Possible Recognition of Taxable Gain on a Sale of Your Units. In general, if you exchange your units solely for our units, it will not be a taxable transaction. If you sell your units for cash, you will recognize taxable gain or loss in an amount equal to the difference between the amount realized on the sale and your adjusted tax basis in your units. If you exchange your units for both cash and units, it will be treated, for Federal income tax purposes, as a partial taxable sale of such units for cash and as a partial tax-free contribution of such units to the AIMCO Operating Partnership. If you tender your units for cash or for both cash and units, the "amount realized" will be measured by the sum of the cash received plus the portion of your partnership's liabilities allocated to the units sold for Federal income tax purposes. To the extent that the amount of cash received plus the allocable share of your partnership's liabilities exceeds your tax basis for the units sold, you will recognize gain. Consequently, your tax liability resulting from such gain could exceed the amount of cash you receive from us.

The particular tax consequences of the offer to you will depend upon a number of factors related to your individual tax situation, including your tax

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basis in your units, whether you dispose of all of your units in your partnership, and whether the "passive loss" rules apply to your investments. You should review "United States Federal Income Tax Consequences," "-- Taxation of the AIMCO Operating Partnership and OP Unitholders" and "-- Taxation of AIMCO and AIMCO Stockholders." Because the income tax consequences of an exchange of units will not be the same for everyone, you should consult your tax advisor before determining whether to tender your units pursuant to our offer.

Loss of Future Distributions from Your Partnership. For any units that we acquire from you, you will not receive any future distributions from your partnership's operating cash flow or upon a sale of property owned by VMS or a refinancing of any of its debt. If you tender your units in exchange for OP Units, you will be entitled to future distributions from us from our operating cash flow and upon a dissolution, liquidation or wind-up of the AIMCO Operating Partnership.

Potential Delay in Payment. We reserve the right to extend the period of time during which our offer is open and thereby delay acceptance for payment of any tendered units. The offer may be extended and no payment will be made in respect of tendered units until the expiration of the offer and the acceptance of units for payment.

RISKS TO UNITHOLDERS EXCHANGING UNITS FOR OP UNITS IN THE OFFER

Fundamental Change in Nature of Investment. If you tender your units in exchange for our OP Units, you will have changed fundamentally the nature of your investment from a partnership that distributes to its partners the proceeds from a sale of a property or a refinancing of its indebtedness, to a partnership that reinvests the proceeds from sales of properties and refinancings of its indebtedness. You will have changed from a small partnership with a partnership termination date of December 31, 2030 to a much larger partnership with a partnership termination date of 2093.

Fundamental Change in Number of Properties Owned. If you tender your units for our OP Units, you will have changed your investment from an interest in a partnership that indirectly owns 15 properties through its interest in VMS, to an interest in a partnership that invests in and manages a large portfolio of properties.

Value of OP Unit Consideration. The value of the OP Units that we are offering for each of your units may be less than our cash offer consideration. Each OP Unit is redeemable (after a one year holding period) for one share of AIMCO's Class A common stock (or cash equal to the market value of one share at the time of redemption). In determining the number of OP Units we are offering for each unit in your partnership, we divided the cash offer consideration of \$3,000 by \$46.63. However, on June 7, 2002, the

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last reported sale price of the Class A common stock was \$46.60. If you exchange your units for OP Units and subsequently redeem the OP Units, the value of the shares of AIMCO Class A common stock you receive may be less than our current cash offer price.

Lack of Trading Market for OP Units. There is no public market for our OP Units. In addition, the AIMCO Operating Partnership's agreement of limited partnership restricts the transferability of OP Units. We have no plans to list the OP Units on a securities exchange. It is unlikely that any person will make a market in the OP Units, or that an active market for the OP Units will develop.

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Uncertain Future Distributions. Although the AIMCO Operating Partnership makes quarterly distributions based on its available cash, there can be no assurance regarding the amounts of available cash that the AIMCO Operating Partnership will generate or the portion that we will choose to distribute.

Possible Recognition of Taxable Gain on OP Units. There are tax risks associated with the acquisition, retention and disposition of OP Units. Although your general partner (which is our subsidiary) has no present intention to liquidate or sell your partnership's property or prepay the current mortgage on the property within any specified time period, any such action in the future generally will require you to fully recognize any deferred taxable gain if you exchange your units for OP Units. See "Federal Income Taxation of the AIMCO Operating Partnership and OP Unitholders."

Limitations on Effecting a Change of Control. Our charter has restrictions on the ownership of our equity securities in order to comply with certain REIT tax requirements. The limited partners of the AIMCO Operating Partnership are unable to remove the general partner of the AIMCO Operating Partnership or to vote in the election of AIMCO's directors unless they own shares of AIMCO. As a result, our limited partners and stockholders are limited in their ability to effect a change of control of the AIMCO Operating Partnership and AIMCO.

Limitations on Transfer of OP Units. Investors in our partnership must hold the OP Units for one year, subject to exceptions. Thereafter transfers may be made subject to applicable transfer restrictions.

Limited Voting Rights of Holders of OP Units. The AIMCO Operating Partnership is managed and operated by its general partner. Unlike the holders of common stock in a corporation, holders of OP Units have only limited voting rights on matters affecting the AIMCO Operating Partnership's business. Holders of OP Units have no right to elect the general partner on an annual or other continuing basis, and the general partner may not be removed by holders of limited partnership interests. As a result, holders of OP Units have limited influence on matters affecting the operation of the AIMCO Operating Partnership and third parties may find it difficult to attempt to gain control or influence the activities of the AIMCO Operating Partnership. Such matters affecting the operation of the AIMCO Operating Partnership include liquidation and distribution policies, property purchases, and potential mergers or acquisitions.

Litigation Associated with Partnership Acquisitions. We often acquire interests in limited partnerships that own apartment properties. In some cases (such as your partnership), we have acquired the general partner of a partnership and then made an offer to acquire the limited partners' interests in the partnership. There is a risk that we will be subject to litigation based on claims that the general partner has breached its fiduciary duties to its limited partners or that the transaction violates the relevant partnership agreement. As a result, we may incur costs associated with defending or settling such litigation or paying any judgment if we lose. As of the present time, no limited partners of your partnership have initiated lawsuits on such grounds.

Dilution of Interests of Holders of OP Units. We may issue an unlimited number of additional OP Units or other securities for such consideration and on such terms as we may establish, without the approval of the holders of OP Units. Such securities could have priority over the OP Units as to cash flow, distributions and liquidation proceeds. The effect of any such issuance may be to dilute the interests of holders of OP Units.

Limitation of Liability. The limitations on the liability of limited partners for the obligations of a limited partnership have not been clearly established in some states. If it were determined that the

AIMCO Operating Partnership had been conducting business in any state without compliance with the applicable limited partnership statute, or that the right or the exercise of the right by the OP Unitholders as a group to make specific amendments to the agreement of limited partnership or to take other action under the agreement of limited partnership constituted participation in the "control" of the AIMCO Operating Partnership's business, then an OP Unitholder could be held liable under specific circumstances for the AIMCO Operating Partnership's obligations to the same extent as the general partner.

Conflicts of Interest and Fiduciary Responsibility. Conflicts of interest have arisen and could arise in the future as a result of the relationships between the general partner and its affiliates, on the one hand, and the AIMCO Operating Partnership or any partner thereof, on the other. The directors and officers of general partner have fiduciary duties to manage the general partner in a manner beneficial to AIMCO, as the sole stockholder of the general partner. At the same time, the general partner, as the general partner, has fiduciary duties to manage the AIMCO Operating Partnership in a manner beneficial to the AIMCO Operating Partnership and its partners. The duties of the general partner, as general partner, to the AIMCO Operating Partnership and its partners may therefore come into conflict with the duties of the directors and officers of the general partner to its sole stockholder, AIMCO.

Certain United States Tax Risks Associated with an Investment in the OP Units. For a general discussion of certain United States Federal income tax consequences resulting from the acquisition, holding, exchanging, and otherwise disposing of OP Units, see "United States Federal Income Tax Consequences -- Taxation of the AIMCO Operating Partnership and OP Unitholders."

State, Local And Other Tax Considerations. In addition to United States Federal income taxes, the AIMCO Operating Partnership and its OP Unitholders may be subject to state, local and foreign taxation, and may be required to file tax returns, in various jurisdictions in which the AIMCO Operating Partnership does business, owns property or resides. Each prospective investor is urged to consult his tax advisor in this regard.

RISKS ASSOCIATED WITH INVESTING IN AIMCO

Acquisitions May Adversely Affect Results of Operations. The selective acquisition, development and expansion of apartment properties are one component of our growth strategy but we can make no assurance as to our ability to successfully complete transactions in the future. Although we seek to acquire, develop and expand properties only when such activities increase our net income on a per share basis, such transactions may fail to perform in accordance with our expectations. In addition, we may not successfully integrate any acquired businesses or properties. If we fail to successfully integrate such businesses, our results of operations could be adversely affected.

Risks Associated with Debt Financing. Our strategy is generally to incur debt to increase the return on our equity while maintaining acceptable interest coverage ratios. Payments of principal and interest may leave us with insufficient cash resources to operate our properties or pay distributions required to be paid in order to maintain our qualification as a REIT. We are also subject to the risk that our cash flow from operations will be insufficient to make required payments of principal and interest, and the risk that existing indebtedness may not be refinanced or that the terms of any refinancing will not be as favorable as the terms of existing indebtedness. If we fail to make required payments of principal and interest on any debt, our lenders could foreclose on the properties securing such debt with a consequent loss of income

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and asset value to us.

Increases in Interest Rates. An increase in interest rates could increase our interest expense and reduce our cash flow and our ability to service our indebtedness and make distributions.

Losses Due to Interest Rate Hedging Transactions. From time to time, in anticipation of refinancing debt, we enter into agreements to reduce the risks associated with increases in short term interest rates. Although these agreements provide us with some protection against rising interest rates, these agreements also reduce the benefits to us when interest rates decline.

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Covenant Restrictions of Restricted Payments. Some of our debt and other securities contain covenants that restrict our ability to make distributions or other payments to our investors unless certain financial tests or other criteria are satisfied. In some cases, our subsidiaries are subject to similar provisions, which may restrict their ability to make distributions to us.

Dependence on Distributions from Subsidiaries. All of our properties are owned, and all of our operations are conducted, by the AIMCO Operating Partnership and our other subsidiaries. As a result, we depend on distributions and other payments from the subsidiaries in order to satisfy our financial obligations and make payments to our investors. The ability of the subsidiaries to make such distributions and other payments is dependent upon their earnings and may be subject to statutory or contractual limitations.

Changes in the Real Estate Market. Our ability to make payments to our investors depends on our ability to generate funds from operations in excess of required debt payments and capital expenditure requirements. Funds from operations and the value of our properties may be adversely affected by events or conditions beyond our control, such as the general economic climate, competition from other apartment communities and alternative housing and changes in interest rate levels and the availability of financing

Environmental Liabilities. Various Federal, state and local laws subject property owners or operators to liability for the costs of removal or remediation of certain hazardous substances released on a property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of the hazardous substances. The presence of, or the failure to properly remediate, hazardous substances may adversely affect occupancy at contaminated apartment communities and our ability to sell or borrow against contaminated properties.

Compliance with Laws Benefiting Disabled Persons. Under the Americans with Disabilities Act of 1990, or ADA, all places of public accommodation are required to meet certain Federal requirements related to access and use by disabled persons. Likewise, the Fair Housing Amendments Act of 1988, or FHAA, requires apartment properties first occupied after March 13, 1990 to be accessible to the handicapped. We may incur unanticipated expenses to comply with the ADA and the FHAA.

Affordable Housing Regulations. As of December 31, 2001, we owned or controlled 28 properties, held an equity interest, with a combined average ownership percentage of 25%, in 353 properties and managed for third parties 112 properties that benefit from governmental programs intended to provide housing to people with low or moderate incomes. These programs, which are usually administered by the United States Department of Housing and Urban Development, or HUD, or state housing finance agencies, typically provide mortgage insurance, favorable financing terms or rental assistance payments to the property owners.

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As a condition to the receipt of assistance under these programs, the properties must comply with various requirements, which typically limit rents to pre-approved amounts. We must obtain the approval of HUD in order to manage, or acquire a significant interest in, a HUD-assisted or HUD-insured property. If permitted rents on a property are insufficient to cover costs, a sale of the property may become necessary, which could result in a loss of management fee revenue.

Loss of Property Management Contracts. We manage some properties owned by third parties. In 2001, we received \$17.3 million of revenue from the management of such properties. We may suffer a loss of revenue if we lose our right to manage these properties or if the rental revenues upon which our management fees are based decline.

Dependence on Key Personnel. Although we have entered into employment agreements with our Chairman and Chief Executive Officer, Terry Considine, and our Vice Chairman and President, Peter K. Kompaniez, the loss of any of their services could have an adverse effect on our operations.

Failure to Qualify as a REIT. AIMCO believes that it operates in a manner that enables it to meet the requirements for qualification as a REIT for Federal income tax purposes; however, future economic, market, legal, tax or other considerations may cause it to fail to qualify as a REIT, or its board of directors may determine to revoke its REIT status. If AIMCO fails to qualify as a REIT, it will not be allowed a deduction for dividends paid to its stockholders in computing its taxable income, and AIMCO

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will be subject to Federal income tax at regular corporate rates. This would substantially reduce the funds available for payment to AIMCO's investors.

Limitation on Available Cash. As a REIT, AIMCO is subject to annual distribution requirements, which limit the amount of cash it has available for other business purposes, including amounts to fund its growth.

Legislative or Other Actions Affecting REITs. The rules dealing with Federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. Changes in the tax laws (which may have retroactive application), could adversely affect AIMCO's investors.

Other Tax Liabilities. Even if AIMCO qualifies as a REIT, AIMCO and its subsidiaries may be subject to certain Federal, state and local taxes on its income and property. Any such taxes would reduce AIMCO's operating cash flow.

Antitakeover Provisions. The 8.7% ownership limit contained in AIMCO's charter may have the effect of precluding acquisition of control of AIMCO by a third party without the consent of AIMCO's board of directors. AIMCO's charter authorizes its board of directors to issue up to 510,587,500 shares of capital stock. Under the charter, the board of directors has the authority to classify and reclassify any of AIMCO's unissued shares of capital stock into shares of preferred stock with such preferences, rights, powers and restrictions as the board of directors may determine. The authorization and issuance of preferred stock could have the effect of delaying or preventing someone from taking control of AIMCO, even if a change in control were in stockholders' best interests.

Maryland Business Statutes. In addition, as a Maryland corporation, AIMCO is subject to various Maryland laws which may have the effect of discouraging offers to acquire AIMCO and of increasing the difficulty of consummating any such offers, even if AIMCO's acquisition would be in its stockholders' best

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interests.

RISKS TO UNITHOLDERS WHO DO NOT TENDER THEIR UNITS IN THE OFFER

Balloon Payments. VMS has approximately \$93,243,000 of balloon payments due on its senior mortgage debt in 2008 and \$28,250,000 due on its junior mortgage debt in 2008. If VMS cannot refinance or repay its indebtedness in 2008, VMS will be required to sell its properties and liquidate under the VMS plan of reorganization.

Recognition of Income Because of the Declining Amount of Depreciation Deductions from the VMS Properties Without any Corresponding Distributions. As a limited partner, you are likely to continue to receive allocations of taxable income from your partnership 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. We currently estimate, based on certain projections, that partners in your partnership will receive taxable income of approximately \$120,010 for 2002, \$996,611 for 2003, \$1,123,893 for 2004, \$1,232,876 for 2005, \$1,328,159 for 2006, \$1,411,870 for 2007 and \$1,474,653 for 2008. The foregoing are merely estimates, and there can be no assurance that such estimates will prove accurate in the future. This situation has arisen primarily because of the declining amount of depreciation deductions from the properties in which your partnership has invested through VMS. All of the cash flow is currently dedicated to the payment of operating expenses, capital expenditures and debt service. Accordingly, we estimate that over the next seven years, the owner of one limited partnership unit will realize approximately \$29,498 in taxable income from your partnership without any cash distributions to pay the tax due thereon.

Possible Increase in Control of Your Partnership. As a result of the offer, we may increase our ability to influence voting decisions with respect to your partnership. However, we will not be able to control voting decisions unless we acquire more units in another transaction. Also, removal of your general partner (which is our subsidiary) or the manager of any property owned by your partnership may become more difficult or impossible without our consent or approval.

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Recognition of Gain Resulting from Possible Future Reduction in Your Partnership's Liabilities. Generally, a decrease in your share of your partnership's liabilities is treated, for Federal income tax purposes, as a deemed cash distribution. Although your general partner (which is our subsidiary) has no current plan or intention to reduce the liabilities of your partnership, it is possible that future economic, market, legal, tax or other considerations may cause your general partner to reduce the liabilities of your partnership. If the liabilities of your partnership were to be reduced, and you do not tender all of your units pursuant to our offer, you will be treated as receiving a hypothetical distribution of cash resulting from a decrease in your share of the liabilities of your partnership. Any such hypothetical distribution of cash would be treated as a nontaxable return of capital to the extent of your adjusted tax basis in your units and thereafter as gain.

Risk of Inability to Transfer Units for 12-Month Period. Your partnership's agreement of limited partnership prohibits any transfer of units without the consent of your general partner (which is our subsidiary). Such consent may be withheld by your general partner in its sole discretion. Your general partner must withhold its consent if such transfer would result in the termination of your partnership for tax purposes which would occur if 50% or more of the total interest in your partnership is transferred within a 12-month period. If we acquire a significant percentage of the interest in your

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partnership in this offer, you may not be able to a transfer your units for a 12-month period following our offer.

Uncertain Time Frame for Sale of Properties. There may be no way to liquidate your investment in your partnership in the future until the properties are sold and VMS is liquidated. VMS currently owns 15 properties. The general partner of your partnership continually considers whether a property should be sold or otherwise disposed of after consideration of relevant factors, including prevailing economic conditions, availability of favorable financing and tax considerations, with a view to achieving maximum capital appreciation for your partnership. We cannot predict when the properties will be sold or otherwise disposed of. However, there is no current plan or intention to sell the properties in the near future.

VALUATION OF UNITS

We determined the offer consideration by estimating the value of the VMS properties using the direct capitalization method. This method involves applying a capitalization rate to the annual property income. A capitalization rate is a percentage (rate of return), commonly applied by purchasers of residential real estate to property income to determine the present value of income property. The lower the capitalization rate utilized the higher the value produced, and the higher the capitalization rate utilized the lower the value produced. We determined property income for VMS using annualized revenue for the quarter ended March 31, 2002 and actual costs and expenses for the fiscal year ended December 31, 2001. Our method for selecting a capitalization rate begins with each property being assigned a location and condition rating (e.g., "A" for excellent, "B" for good, "C" for fair, and "D" for poor). We then adjust the capitalization rate based on whether the mortgage debt of the properties bear interest at a rate above or below 7.5% per annum. Generally, for every 0.5% in excess of 7.5%, the capitalization rate would be increased by 0.25%. The evaluation of a property's location and condition, and the determination of an appropriate capitalization rate for a property, is subjective in nature, and others evaluating the same property might use a different capitalization rate and derive a different property value. Although the direct capitalization method is a widely-accepted way of valuing real estate, there are a number of other methods available to value real estate, each of which may result in different valuations of a property. Further, in applying the direct capitalization method, others may make different assumptions and obtain different results. The proceeds that you would receive if you sold your units to someone else or if your partnership and VMS were actually liquidated might be higher or lower than our offer consideration. Based on our low and high estimated total gross property values for the VMS properties of \$178,219,000 to \$219,188,000, respectively,

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we derived a range of estimated unit values of your partnership of \$0 to \$20,633. Based on this range of unit values, we have decided to offer you \$3,000 per unit.

	LOW -----	HIGH -----
Gross valuation of partnership properties.....	\$ 178,219,000	\$ 219,188,000
Plus: Cash and cash equivalents.....	2,058,923	2,058,923
Plus: Other partnership assets, net of security deposits.....	4,047,336	4,047,336
Less: Mortgage debt, including accrued interest.....	(132,338,390)	(132,338,390)
Less: GP loans.....	(3,677,261)	(3,677,261)

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Less: Class 3C Claims to PLT & ContiTrade.....	(39,585,360)	(42,138,521)
Less: Share to MF VMS.....	(5,387,756)	(25,872,256)
Less: Accounts payable and accrued expenses.....	(1,182,200)	(1,182,200)
Less: Other liabilities.....	(957,524)	(957,524)
	-----	-----
Partnership valuation before taxes and certain costs....	\$ 1,196,768	\$ 19,128,107
Less: Extraordinary capital expenditures and deferred maintenance.....	(407,673)	(407,673)
Less: Closing costs.....	(789,095)	(789,095)
	-----	-----
Estimated net valuation of your partnership.....	\$ 0	\$ 17,931,339
Percentage of estimated net valuation allocated to holders of units.....	n/a	29.39%
	-----	-----
Estimated net valuation of units.....	\$ 0	\$ 5,270,021
Total number of units*.....	255.42	255.42
	-----	-----
Estimated valuation per unit.....	\$ 0.00	\$ 20,633.00
	=====	=====

* Includes only non-default limited partners.

In order to determine the number of OP Units we are offering for each of your units, we divided the cash offer consideration of \$3,000 by a price of \$46.63 to get 64.50 OP Units per unit.

BACKGROUND AND REASONS FOR THE OFFER

BACKGROUND OF THE OFFER

We are in the business of acquiring direct and indirect interests in apartment properties such as the VMS properties in which your partnership indirectly owns an interest. Our offer provides us with an opportunity to increase our ownership interest in these properties while providing you and other investors with an opportunity to liquidate your current investment and to invest in our OP Units or receive cash, or to retain your units.

In June 1999, we commenced a cash tender offer for your partnership at the price of \$98 per unit, and acquired 18.49 units. On May 15, 2000, we commenced a cash tender offer for your partnership at the price of \$288 per unit, and acquired 11.99 units. On October 18, 2001, we commenced a cash tender offer at the price of \$1,077 per unit, and acquired 6.33 units in that offer.

Through subsidiaries, AIMCO currently owns, in the aggregate, a 16.17% interest (or 39.83 units) in your partnership, including the interest held by the general partner of your partnership.

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ALTERNATIVES CONSIDERED

The following is a brief discussion of the benefits and disadvantages of alternatives to our offer that could have been pursued by your general partner (which is our subsidiary):

Liquidation. One alternative to our offer would be for VMS to sell its

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assets, distribute the net liquidation proceeds to its partners and for your partnership, in turn, to distribute its share of such proceeds to its partners in accordance with your partnership's agreement of limited partnership, and then dissolve. Partners would be at liberty to use the net liquidation proceeds after taxes for investment, business, personal or other purposes, at their option. If VMS were to sell its assets and liquidate, you and your partners would not need to rely upon capitalization of income or other valuation methods to estimate the fair market value of your partnership's assets. Instead, such assets would be valued through negotiations with prospective purchasers. However, a liquidating sale of property would be a taxable event for you and your partners and could result in significant amounts of taxable income to you and your partners.

Continuation of Your Partnership Without the Offer. A second alternative would be for your partnership and VMS to continue operating without our offer. A number of advantages could result from the continued operation of your partnership and VMS. Given improving rental market conditions or improved operating performance, the level of distributions might increase over time. We believe it is possible that the private resale market for apartment properties could improve over time, making a sale of properties in a private transaction at some point in the future a more viable option than it is currently. However, there are several risks and disadvantages that result from continuing the operations of your partnership and VMS without the offer. If your partnership and VMS were to continue operating as presently structured, VMS will be required to sell its properties and liquidate under the VMS plan of reorganization if VMS cannot refinance or repay its indebtedness at maturity in 2008. If VMS were to sell its properties and liquidate, the liquidation proceeds payable to you and your partners could be more or less than our offer consideration.

In addition, continuation of your partnership without the offer would deny you and your partners the benefits that your general partner (which is our subsidiary) expects to result from the offer. For example, a partner of your partnership would have no opportunity for liquidity unless the units were sold in a private transaction. Any such sale would likely be at a very substantial discount from fair market value.

EXPECTED BENEFITS OF THE OFFER

There are five principal advantages of exchanging your units for OP Units:

- Tax Deferral. You generally will not recognize any immediate taxable gain if you exchange your units solely for OP Units.
- Enhanced Liquidity After One Year. While the holders of the OP Units must hold such units for one year, subject to certain exceptions, after a one-year holding period, you may choose to redeem your OP Units and receive, at our option, shares of AIMCO's Class A Common Stock (on a one-for-one basis, subject to adjustment in certain circumstances) or an equivalent amount of cash. AIMCO's Class A Common Stock is listed and traded on the NYSE.
- Quarterly Distributions. Your partnership paid no distributions for the fiscal year ended December 31, 2001. All of the cash flow from your partnership is currently dedicated to the payment of operating expenses, capital expenditures and debt service. In addition, you are likely to continue to receive allocations of taxable income from your partnership without any corresponding distributions. Current annualized distributions on the OP Units are \$3.28 per unit. Assuming no change in the level of our distributions, this is equivalent to a distribution of \$211.56 per year on the number of OP Units you will receive in exchange for each of your partnership units.
- Growth Potential. Our assets, organizational structure and access to

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capital enables us to pursue acquisition and development opportunities that are not available to your partnership. You would

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have the opportunity to participate in the growth of our enterprise and would benefit from any future increase in the AIMCO stock price and from any future increase in distributions on the OP Units.

- Diversification. We have a substantially larger and more diverse portfolio of apartment properties than your partnership.

The principal advantage if you tender your units for cash is immediate liquidity. However, tendering your units for cash may cause you to recognize taxable gain for Federal income tax purposes.

DISADVANTAGES OF THE OFFER.

The principal disadvantages of the offer are:

- Lack of Independent Price Determination. We determined the offer price and the terms of the offer, including the exchange ratio for OP Units. The terms of the offer and the nature of the securities could differ if they were subject to independent third party negotiations.
- No Separate Representation of Limited Partners. In structuring the offer and determining the offer consideration, no one separately represented the interests of the limited partners. Although we have a fiduciary duty to the limited partners, we also have conflicting responsibilities to our equity holders. We did not appoint, or ask the limited partners to appoint, a party to represent only their interests.
- No Proposal to Sell the Property. We are not proposing to try to liquidate the partnership and sell the property and distribute the net proceeds. An arms-length sale of such property after offering it for sale through licensed real estate brokers might be a better way to determine the true value of the property rather than the method we chose. The sale of the property and the liquidation of the partnership might result in greater pretax cash proceeds to you than our offer.
- OP Units. OP Units lack a public market, have transfer restrictions and must be held for one year before they can be redeemed by a holder. The ultimate return on the OP Units is directly tied to the future price of AIMCO's Class A Common Stock. If you exchange your units for OP Units, you could ultimately receive less for such OP Units than the cash price in our offer.
- Continuation of the Partnership. We are proposing to continue to operate your partnership and not liquidate it at the present time. Thus, our offer does not satisfy any expectation that you would receive the return of your investment in the partnership through a sale of the VMS properties at the present time. Although the actual proceeds obtained from a sale of the VMS properties is highly uncertain, we believe that at the present time, a sale of such properties would result in proceeds close to the low end of our current estimated range of values for such properties. Under these circumstances, limited partners of your partnership would not receive any proceeds from such sale. In addition, a sale of the VMS properties would be a taxable event to the limited partners of your partnership and could result in significant taxable income to the limited partners without any corresponding distributions.

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In determining the fairness of the offer, we and your general partner were aware of the fact that if VMS and your partnership were liquidated, your general partner (which is our subsidiary) would not continue to receive the fees that it currently receives. However, this fact did not affect our determination of whether or not to sell the VMS properties. The term of your partnership will expire on December 31, 2030, and the term of VMS will expire on September 26, 2044. If VMS cannot refinance or repay its indebtedness at maturity in 2008, VMS would be required to liquidate and sell its properties under the VMS plan of reorganization.

- Possible Recognition of Taxable Gain. If you exercise your redemption right with respect to the OP Units within two years of the date that you transfer your units to the AIMCO Operating Partnership, your exchange of units for OP Units and cash could be treated as a disguised sale of your units and you would be required to recognize gain or loss in the year of the exchange on such disguised sale. See "United States Federal Income Tax Consequences -- Disguised Sales."

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For a description of certain risks of our offer, see "Risk Factors."

FAIRNESS OF THE OFFER

Fairness to Unitholders. Your general partner is our subsidiary. As a result, your general partner has a conflict of interest and makes no recommendation to you as to whether you should tender or refrain from tendering your units. Your general partner did not participate in the structuring of the offer. We and your general partner believe that the offer and all forms of consideration offered are fair to you and the other limited partners of your partnership. You should make your decision whether to tender based upon a number of factors, including your financial needs, other financial opportunities available to you and your tax position.

The terms of our offer have been established by us and are not the result of arms-length negotiations.

If you choose not to tender any units, your interest in your partnership will remain unchanged, except that we may own a larger share of the limited partnership units in your partnership than we did before the offer. If we acquire a substantial number of units pursuant to the offer, we may be in a position to influence voting decisions with respect to your partnership. Your general partner (which is our subsidiary) has no present intention to liquidate, sell, finance or refinance the VMS properties within any specified time period. If VMS cannot refinance or repay its indebtedness at maturity in 2008, VMS will be required to sell its properties and liquidate under the VMS plan of reorganization.

Comparison of Offer Price to Other Values. In evaluating the offer, your general partner (which is our subsidiary) has compared our cash offer consideration to:

- your general partner's estimate of the net proceeds that would be distributed to you and your partners if VMS and your partnership were liquidated;
- your general partner's estimate of the going concern value of your partnership if VMS continues to own and operate its properties; and
- the net asset value of your partnership.

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The results of these comparative analyses are summarized as follows:

COMPARISON TABLE

	PER UNIT

Cash offer price.....	\$ 3,000
Alternatives:	
Prior cash offer price.....	\$ 1,077
Estimated range of liquidation proceeds.....	\$0 to \$20,633
Estimated going concern value(1).....	\$ 12,387
Net asset value.....	\$ 0

(1) Assumes a sale of the partnership property in 2008 when the mortgage is due rather than a refinancing of the mortgages.

YOUR PARTNERSHIP

General. VMS was organized in September 1984 under the laws of the State of Illinois. 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 which offer potential capital appreciation and cash distributions to its limited partners.

The general partners of VMS are VMS National Residential Portfolio I and VMS National Residential Portfolio II (your partnership). Your partnership owns a 29.31% participation interest in VMS.

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A wholly owned subsidiary of AIMCO serves as manager of the VMS properties. There are currently 267 units of your partnership issued and outstanding, which are held of record by 289 limited partners.

VMS's investment portfolio currently consists of the following 15 residential apartment complexes: Buena Vista, a 92-unit complex in Pasadena, California; Casa de Monterey, a 144-unit complex in Norwalk, California; Crosswood Park, a 180-unit complex in Citrus Heights, California; Mountain View, a 168-unit complex in San Dimas, California; Pathfinders Village, a 246-unit complex in Fremont, California; Scotchollow, a 418-unit complex in San Mateo, California; The Bluffs, a 137-unit complex in Milwaukee, Oregon; Vista Village, a 220-unit complex in El Paso, Texas; Chapelle Le Grande, a 105-unit complex in Merrillville, Indiana; Shadowood, a 120-unit complex in Monroe, Louisiana; 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, a 140-unit complex in Little Rock, Arkansas; and Forest Ridge, a 278-unit complex in Flagstaff, Arizona.

Your partnership's and general partner's principal executive offices are located at Colorado Center, Tower Two, 2000 South Colorado Boulevard, Suite 2-1000, Denver, Colorado 80222, telephone (303) 757-8101.

For additional information about your partnership and VMS, please refer to the reports and other information filed by VMS with the Securities and Exchange

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Commission. See "Where You Can Find More Information."

Investment Objectives and Policies; Sale or Financing of Investments. Your general partner (which is our subsidiary) regularly evaluates each property owned by VMS by considering various factors, such as its financial position and real estate and capital markets conditions. The general partner monitors the property's specific locale and sub-market conditions including stability of the surrounding neighborhood, evaluating current trends, competition, new construction and economic changes. It oversees the property's operating performance and continuously evaluates the physical improvement requirements. In addition, the financing structure for the property including any prepayment penalties, tax implications, availability of attractive mortgage financing to a purchaser, and the investment climate are all considered. Any of these factors, and possibly others, could potentially contribute to any decision by the general partner to sell, refinance, upgrade with capital improvements or retain the property. If rental market conditions improve, the level of distributions might increase over time. It is possible that the private resale market for properties could improve over time, making a sale of the property in a private transaction at some point in the future a more viable option than it is currently. After taking into account the foregoing considerations, your general partner is not currently seeking a sale of any VMS property primarily because it expects operating performance to improve in the long term. In making this assessment, your general partner noted recent occupancy and rental rates. In particular, the general partner noted that it expects to spend approximately \$407,673 for extraordinary capital improvements and deferred maintenance at the properties in 2002 to repair and update the properties. Although there can be no assurance as to future performance, these expenditures are expected to improve the desirability of the properties to tenants. The general partner does not believe that a sale of any property at the present time would adequately reflect its future prospects. Another significant factor considered by your general partner is the likely tax consequences of a sale of a property for cash. Such a transaction would likely result in tax liabilities for many limited partners.

Term of Your Partnership. Under the VMS joint venture agreement, the term of VMS will continue until September 26, 2044. However, under your partnership's agreement of limited partnership, the term of your partnership will expire December 31, 2030, unless sooner terminated as provided in your partnership agreement or by law. Limited partners could, as an alternative to tendering their units, take a variety of possible actions, including voting to liquidate the partnership or amending the agreement of limited partnership to authorize limited partners to cause the partnership to merge with another entity or engage in a "roll-up" or similar transaction.

Capital Replacements. VMS was restricted to annual capital improvements of \$300 per unit for all of the properties, which was the limit set by the senior and junior mortgage agreements for funding of

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capital improvements. AIMCO-LP, VMS and the servicer of the senior debt have agreed to a procedure to assess whether or not capital expenditures, in addition to those permitted under the \$300 per unit limit, are needed at the properties and the methodology for funding any such capital expenditures. This procedure was completed for each of the properties. The parties agreed upon approximately \$407,673 in required extraordinary capital expenditures and deferred maintenance for 2002 and that these costs would be funded out of the cash flows from the properties that otherwise would be utilized to pay debt service on the junior debt. As a result, the balloon payment due on the junior debt may be higher at maturity in January 2008 as accrued but unpaid interest is added to the principal balance.

Borrowing Policies. Your partnership's agreement of limited partnership

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allows your partnership to incur debt. As of December 31, 2001, VMS had mortgage debt outstanding of \$133,272,000. Your partnership's agreement of limited partnership also allows the general partner of your partnership to lend funds to your partnership. As of December 31, 2001, your general partner had loans outstanding of \$3,608,000 to your partnership.

Plan of Reorganization. In February 1991, VMS filed for Chapter 11 bankruptcy protection. The VMS plan of reorganization became effective in September 1993. The plan of reorganization provided that, for both your partnership and VMS National Residential Portfolio I, operating cash flow distributions would be made first to the limited partners in an amount equal to 12% per year (on a noncumulative basis) of the contributed capital of the limited partners; then, to the general partners, a subordinated incentive fee equal to 10.45% of remaining operating cash flow; and finally, of the balance to be distributed, 98% to the limited partners and 2% to the general partners.

Under the reorganization plan, if your partnership and VMS were liquidated, after payment of all liabilities of VMS, the liquidation proceeds of VMS would be distributed as follows: (1) first to the limited partners of your partnership and VMS National Residential Portfolio I up to an amount equal to the aggregate capital contributions of the limited partners; (2) then to the general partners of VMS up to an amount equal to the aggregate capital contributions of the general partners; (3) then, among the limited partners of your partnership and VMS National Residential Portfolio I, any remaining proceeds up to an amount equal to \$62,000,000, allocated based on the participating interest of your partnership and VMS National Residential Portfolio I in VMS; and (4) finally, 76% of any remaining proceeds to the limited partners and 24% to the general partners of VMS.

If VMS cannot refinance or repay its indebtedness at maturity in 2008, VMS will be required to sell its properties and liquidate under the VMS plan of reorganization. The net liquidation proceeds would be distributed in accordance with the VMS plan of reorganization.

TERMS OF THE OFFER

General. We are offering to acquire up to 120 units of your partnership (out of 255.42 units currently outstanding), for consideration per unit of 64.50 OP Units or \$3,000 in cash. If you tender units pursuant to the offer, you may choose to receive any combination of such forms of consideration for your units. The offer is made upon the terms and subject to the conditions set forth in this prospectus and the accompanying Letter of Transmittal, including the instructions thereto, as the same may be supplemented or amended from time to time. To be eligible to receive OP Units or cash pursuant to the offer, you must validly tender and not withdraw your units on or prior to the expiration date. For administrative purposes, the transfer of units tendered pursuant to the offer will be deemed to take effect as of April 1, 2002, although you will be entitled to retain any distributions you may have received after such date and prior to our commencement of this offer.

We intend to solicit any lender consents that may be required in connection with our offer or any transfer of partnership interests in VMS, VMS National Residential Portfolio I or your partnership or interests in any entity controlling such partnerships. Our offer is not conditioned on obtaining such lender consents.

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[], the state securities commission in your state has not approved the offering of OP Units pursuant to this prospectus. Accordingly, you are only entitled to exchange your units for cash.

If you accept our offer and do not specify the consideration you desire on the Letter of Transmittal, you will receive cash in exchange for your units.

Expiration Date. Our offer will expire at midnight, New York City time, on [], 2002, unless extended.

Conditions of the Offer. Our offer is not conditioned on the tender of any minimum number of units. However, our offer is conditioned on a number of other factors.

Procedures for Tendering. If you desire to accept our offer, you must complete and sign the Letter of Transmittal in accordance with the instructions contained therein and forward or hand deliver it, together with any other required documents, to the Information Agent.

Proration. If the number of units properly tendered and not withdrawn prior to the expiration date exceeds 47.21% of the outstanding units, upon the terms and subject to the conditions of the offer, we will accept all units properly tendered and not withdrawn prior to the expiration date on a pro rata basis. In the event that proration of tendered units is required, we will determine the final proration factor as promptly as practicable after the expiration date. If the purchase of all validly tendered units would result in there being fewer than 320 holders of units, we will not purchase any units tendered in the offer.

Withdrawal Rights. You may withdraw your tender of units pursuant to the offer at any time prior to the their acceptance for payment as provided for herein.

Purpose of the Offer. The purpose of our offer is to provide us with an opportunity to increase our investment in apartment properties, and provide you and your partners with an opportunity to liquidate your current investment and to invest in the AIMCO Operating Partnership or receive cash, or to retain your units.

Fractional OP Units. We will issue fractional OP Units, if necessary.

Delivery of OP Units and Cash. We will deliver OP Units and cash as soon as practicable after acceptance of units for purchase.

Extension; Termination; Amendment. We expressly reserve the right, in our sole discretion, at any time and from time to time, to:

- extend the period of time during which the offer is open and thereby delay acceptance of, and payment for, any tendered units;
- terminate the offer and not accept for payment any units not previously accepted for payment or paid for;
- upon the failure to satisfy any of the conditions to the offer, delay the acceptance of, or payment for, any units not already accepted for payment or paid for; and
- amend the offer in any respect (subject to applicable rules regarding tender offers), including the nature and form of consideration.

Effects of the Offer. As a result of the offer, in our capacity as a limited partner of your partnership, we will participate in any subsequent

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distributions to limited partners, to the extent of units we own, including those we purchase in the offer. The offer will not affect the operation of any property owned by VMS because the general partner (which is our subsidiary) of your partnership and the property manager will remain unchanged.

Voting by the AIMCO Operating Partnership. If we acquire a substantial number of units pursuant to our offer, we may be in a position to influence voting decisions with respect to your partnership.

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However, we will not be able to control voting decisions unless we acquire more units in another transaction.

Future Plans for Your Partnership. We currently intend that, upon consummation of the offer, your partnership will continue its business and operations substantially as they are currently being conducted. We do not have any present plans or proposals which relate to or would result in any material changes in your partnership's structure or business. We have no present intention to cause VMS to sell its properties or to prepay the current mortgages within any specified time period. If VMS cannot refinance or repay its indebtedness at maturity in 2008, VMS will be required to sell its properties and liquidate under the VMS plan of reorganization.

Certain Legal Matters. Except as set forth in this section, based on information provided by your general partner (which is our subsidiary), we are not aware of any licenses or regulatory permits that would be material to the business of your partnership, and that might be adversely affected by our acquisition of units as contemplated herein. On the same basis, we are not aware of any filings, approvals or other actions by or with any domestic or foreign governmental authority or administrative or regulatory agency that would be required prior to our acquisition of units in this offer that have not been made or obtained. We are not aware of any jurisdiction in which the making of the offer is not in compliance with applicable law. If we become aware of any jurisdiction in which the making of the offer would not be in compliance with applicable law, we will make a good faith effort to comply with any such law.

Fees and Expenses. We will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of units pursuant to the offer. We will pay the Information Agent reasonable and customary compensation for its services in connection with the offer, plus reimbursement for out-of-pocket expenses. We will indemnify the Information Agent against certain liabilities and expenses in connection therewith, including liabilities under the Federal securities laws. We will pay all costs and expenses of printing and mailing this prospectus and the Letter of Transmittal, and the legal and accounting fees and expenses in connection with the offer. We estimate that our total costs and expenses in making the offer (excluding the purchase price of the units payable to you and your partners) will be approximately \$116,033.

Accounting Treatment. Upon consummation of the offer, we will account for our investment in any acquired units under the purchase method of accounting. There will be no effect on the accounting treatment of your partnership as a result of the offer.

No Dissenters' Rights. You are not entitled to dissenters' (appraisal) rights in connection with the offer.

Other Offers. The AIMCO Operating Partnership is also making a similar exchange offer to limited partners of VMS National Residential Portfolio I. Such exchange offer is being made by a separate prospectus.

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Information Agent. River Oaks Partnership Services, Inc. is serving as Information Agent in connection with the offer. Its telephone numbers are (888) 349-2005 and (201) 896-1900. Its fax number is (201) 896-0910.

FEDERAL INCOME TAX CONSEQUENCES

You generally will not recognize any immediate taxable gain or loss for Federal income tax purposes if you exchange your units solely for OP Units. You will recognize a gain or loss for Federal income tax purposes on units you sell for cash. The exchange of your units for cash and OP Units will be treated, for Federal income tax purposes, as a partial sale of such units for cash and as a partial tax-free contribution of such units to the AIMCO Operating Partnership.

The foregoing summary is a general discussion of the material Federal income tax consequences of tendering units in the offer. This summary does not discuss all aspects of Federal income taxation that may be relevant to you in light of your specific circumstances or if you are subject to special treatment

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under the Federal income tax laws. The particular tax consequences of the offer to you will depend on a number of factors related to your tax situation. You should review "United States Federal Income Tax Consequences," and "-- Taxation of AIMCO and AIMCO Stockholders," and consult your tax advisors for a full understanding of the tax consequences to you of the offer.

COMPARISON OF YOUR PARTNERSHIP AND THE AIMCO OPERATING PARTNERSHIP

There are a number of significant differences between your partnership and the AIMCO Operating Partnership relating to, among other things, form of organization, permitted investments, policies and restrictions, management structure, compensation and fees, and investor rights. For example, your general partner (which is our subsidiary) may be removed by the limited partners while the limited partners of the AIMCO Operating Partnership cannot remove the general partner. Also, your partnership is limited as to the number of limited partner interests it may issue while the AIMCO Operating Partnership has no such limitation.

COMPARISON OF YOUR UNITS AND AIMCO OP UNITS

There are a number of significant differences between your units and OP Units relating to, among other things, the nature of the investment, voting rights, distributions and liquidity and transferability/ redemption. For example, unlike the AIMCO OP Units, you have no redemption rights with respect to your units.

As of March 31, 2002, the AIMCO Operating Partnership had 12,742,302 OP Units outstanding (excluding interests held by AIMCO). The number of OP Units you may acquire from us in exchange for your units will represent a lower percentage of the outstanding limited partnership interests in the AIMCO Operating Partnership than that of your current ownership interest in your partnership. In response to our offer, you could elect to receive \$3,000 in cash, 64.50 OP Units or any combination thereof. Both your units and the OP Units are subject to transfer restrictions and it is unlikely that a real trading market will ever develop for any of such securities. If you subsequently redeem OP Units for AIMCO Class A Common Stock, we can make no assurance as to the value of such shares of AIMCO stock at that time, which may be less than the cash offer price of \$3,000.

CONFLICTS OF INTEREST

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Conflicts of Interest with Respect to the Offer. Your general partner is our subsidiary and, therefore, has substantial conflicts of interest with respect to the offer, including the fact that replacement of your general partner could result in a decrease or elimination of the management fees paid to an affiliate for managing the VMS properties, and our desire to purchase units at a low price and your desire to sell units at a high price. Your general partner makes no recommendation as to whether you should tender or refrain from tendering your units.

Conflicts of Interest that Currently Exist for Your Partnership. We own both the general partner of your partnership and the manager of the VMS properties. Your partnership agreement provides that the general partner and its affiliates receive fees for services rendered to your partnership or VMS. In addition, the general partner and its affiliates are reimbursed by your partnership for out-of-pocket expenses incurred on behalf of your partnership or VMS. The general partner and its affiliates received total fees and reimbursements of \$1,463,000 for the fiscal year ended December 31, 2001. The property manager received management fees of \$1,344,000 for the fiscal year ended December 31, 2001. We have no current intention of changing the fee structure for your partnership.

Competition Among Properties. The VMS properties and other properties owned or managed by us may compete with one another for tenants. However, in some cases it may be difficult to determine precisely the confines of the market area for particular properties and some competition may exist. Furthermore, you should bear in mind that we anticipate acquiring properties in general market areas where the VMS properties are located. It is believed that this concentration of properties in a general market area will facilitate overall operations through collective advertising efforts, staffing and other

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operational efficiencies. In managing our properties, we attempt to reduce such conflicts between competing properties by referring prospective tenants to the property considered to be most conveniently located for the tenants' needs.

Features Discouraging Potential Takeovers. Certain provisions of our governing documents, as well as statutory provisions under certain state laws, could be used by our management to delay, discourage or thwart efforts of third parties to acquire control of us, or a significant equity interest in us. AIMCO's charter limits ownership of its common stock by any single stockholder to 8.7% of the outstanding shares (or 15% in the case of certain pension trusts, registered investment companies and AIMCO's Chairman, Terry Considine). The 8.7% ownership limit may have the effect of precluding acquisition of control of us by a third party without the consent of our board of directors. Under AIMCO's charter, the board of directors has the authority to classify and reclassify any of its unissued shares of capital stock into shares of preferred stock with such preferences, rights, powers and restrictions as the board of directors may determine. The authorization and issuance of preferred stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders' best interests. As a Maryland corporation, AIMCO is subject to various Maryland laws which may have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if our acquisition would be in our stockholders' best interests. The Maryland General Corporation Law restricts mergers and other business combination transactions between us and any person who acquires beneficial ownership of shares of our stock representing 10% or more of the voting power without our board of directors' prior approval. Any such business combination transaction could not be completed until five years after the person acquired such voting power, and only with the approval of

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stockholders representing 80% of all votes entitled to be cast and two-thirds of the votes entitled to be cast, excluding the interested stockholder, or upon payment of a fair price. Maryland law also provides that a person who acquires shares of our stock that represent 10% or more of the voting power in electing directors will have no voting rights unless approved by a vote of two-thirds of the shares eligible to vote, excluding the control shares. In addition, Maryland law may make it more difficult for someone to acquire us, such as a board of directors' ability to adopt stockholders' rights plans and to fix the record date, time and place for special meetings of the stockholders.

Future Exchange Offers. Although we have no current plans to conduct further exchange offers for your units, our plans may change based on future circumstances. Any such future offers that we might make could be for consideration that is more or less than the consideration we are currently offering. We might pay a higher price for any future exchange offers we may make for units of your partnership.

SOURCE AND AMOUNT OF FUNDS AND TRANSACTIONAL EXPENSES

We expect that approximately \$477,773 plus expenses will be required to purchase all of the units sought in our offer, if such units are tendered for cash. We will obtain all such funds from cash from operations, equity issuances and short term borrowings. For a detailed description of estimated expenses to be incurred in the offer, see "Source and Amount of Funds and Transactional Expenses."

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SELECTED FINANCIAL INFORMATION OF AIMCO

The selected financial information of AIMCO set forth below for the years ended December 31, 2001, 2000 and 1999 is based on audited financial statements. The selected financial information set forth below for the three months ended March 31, 2002 and 2001 is based on unaudited financial statements. This information should be read in conjunction with such financial statements, including notes thereto, which are incorporated by reference herein, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in AIMCO's Annual Report on Form 10-K for the year ended December 31, 2001, and Quarterly Report on Form 10-Q for the quarter ended March 31, 2002. See "Where You Can Find More Information." The selected financial information of AIMCO set forth below for the years ended December 31, 1998 and 1997 is based on audited financial statements previously filed with the Securities and Exchange Commission.

	FOR THE THREE MONTHS ENDED MARCH 31,		FOR THE YEAR ENDED		
	2002	2001 (1)	2001 (1)	2000 (1)	1999 (1)
	(UNAUDITED)				
	(DOLLARS IN THOUSANDS, EXCEPT PER UNIT)				
OPERATING DATA:					
Rental and other property revenues...	\$ 331,484	\$ 316,807	\$1,276,476	\$1,045,912	\$ 533,000
Property operating and owned management expenses.....	(127,201)	(119,062)	(500,716)	(437,148)	(214,000)
Income from property operations.....	204,283	197,745	775,760	608,764	319,000

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Income (loss) from investment management business.....	6,250	5,773	27,591	15,795	9
General and administrative expenses.....	(3,096)	(4,092)	(18,530)	(18,123)	(15)
Depreciation of rental property(2)...	(70,526)	(93,057)	(338,455)	(297,179)	(131)
Interest expense.....	(81,766)	(84,528)	(306,730)	(269,063)	(139)
Interest and other income, net.....	18,743	14,659	68,593	66,241	55
Operating earnings.....	74,216	26,958	149,797	106,776	84
Distribution from (to) minority interest partners in excess of income.....	1,586	(10,940)	(46,359)	(24,375)	
Discontinued operations, net of tax.....	3,971	(681)	16,356	27,316	(1)
Income before minority interest in AIMCO Operating Partnership.....	79,773	15,337	119,794	109,717	83
Net income.....	70,059	14,018	107,352	99,178	77
Net income attributable to preferred stockholders.....	25,479	18,695	90,331	63,183	53
Net income attributable to common stockholders.....	44,580	(4,677)	17,021	35,995	24
BALANCE SHEET INFORMATION:					
Real estate, before accumulated depreciation.....	\$9,444,296	\$7,682,070	\$8,261,651	\$6,857,818	\$4,508
Real estate, net of accumulated depreciation.....	7,794,732	6,485,978	6,658,340	5,950,590	4,092
Total assets.....	9,674,861	8,137,627	8,322,536	7,699,874	5,684
Total indebtedness.....	5,592,196	4,601,947	4,637,661	4,224,264	2,581
Mandatorily redeemable convertible preferred securities.....	20,637	32,270	20,637	32,330	149
Stockholders' equity.....	2,897,531	2,714,257	2,716,390	2,501,657	2,259

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	FOR THE THREE MONTHS ENDED MARCH 31,		FOR THE YEAR ENDED		
	2002	2001 (1)	2001 (1)	2000 (1)	1999 (1)

(UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT PER UN

OTHER INFORMATION:

Total owned or controlled properties (end of period).....	666	580	557	566	
Total owned or controlled apartment units (end of period).....	171,059	157,368	157,256	153,872	106
Total equity properties (end of period).....	999	612	569	683	
Total equity apartment units (end of period).....	133,278	99,374	91,512	111,748	133
Units under management (end of period).....	29,159	56,634	31,520	60,669	124
Basic earnings per common share.....	\$ 0.59	\$ (0.07)	\$ 0.23	\$ 0.53	\$
Diluted earnings paid per common share.....	\$ 0.58	\$ (0.07)	\$ 0.23	\$ 0.52	\$
Dividends paid per common share.....	\$ 0.82	\$ 0.78	\$ 3.12	\$ 2.80	\$
Funds from operations(3).....	\$ 135,238	\$ 126,779	\$ 532,251	\$ 439,830	\$ 321

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Net cash provided by operating activities.....	\$ 119,844	\$ 85,153	\$ 494,457	\$ 400,364	\$ 253
Net cash (used in) provided by investing activities.....	\$ (290,790)	\$ 56,955	\$ (132,010)	\$ (546,981)	\$ (281)
Net cash provided by (used in) financing activities.....	\$ 198,278	\$ (185,484)	\$ (439,562)	\$ 202,128	\$ 58

- (1) Certain reclassifications have been made to the 2001, 2000, 1999, 1998 and 1997 amounts to conform with the 2002 presentation. These reclassifications represent certain eliminations of self-charged management fee income and expenses in accordance with consolidation accounting principles, as well as discontinued operations resulting from the adoption of Statement of Financial Accounting Standard No. 144. Effective January 1, 2001, AIMCO began consolidating its previously unconsolidated subsidiaries. Prior to this date, AIMCO had significant influence but did not have control. Accordingly, such investments were accounted for under the equity method.

- (2) Effective July 1, 2001 for certain assets and October 1, 2001 for the majority of the portfolio, AIMCO extended the estimated useful lives of its buildings and improvements from a weighted average composite life of 25 years to a weighted average composite life of 30 years. This change increased net income by approximately \$31 million or \$0.42 per diluted unit in 2001.

- (3) AIMCO's management believes that the presentation of funds from operations or "FFO", when considered with the financial data determined in accordance with generally accepted accounting principles, provides a useful measure of performance. However, FFO does not represent cash flow and is not necessarily indicative of cash flow or liquidity available to AIMCO, nor should it be considered as an alternative to net income or as an indicator of operating performance. The Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income (loss), computed in accordance with generally accepted accounting principles, excluding gains and losses from extraordinary items and disposals from discontinued operations, net of related income taxes, plus real estate related depreciation and amortization (excluding amortization of financing costs), including depreciation for unconsolidated partnerships, joint ventures and discontinued operations. AIMCO calculates FFO based on the NAREIT definition, as further adjusted for minority interest in the AIMCO Operating Partnership, plus amortization of intangibles, plus distributions, to or less distributions from, minority interest partners in excess of income, and less dividends on preferred stock. AIMCO calculates FFO (diluted) by adding back the interest expense and preferred dividends relating to convertible securities whose conversion is dilutive to FFO. AIMCO's management believes that presentation of FFO provides investors with industry-accepted measurements which help facilitate an understanding of its ability to make required dividend payments, capital expenditures and principal payments on its debt. There can be no assurance that AIMCO's basis of computing FFO is comparable with that of other REITs.

The following is a reconciliation of net income to funds from operations:

FOR THE THREE
MONTHS ENDED

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	MARCH 31,		FOR THE YEAR ENDED D		
	2002	2001	2001	2000	1999
Net income.....	\$ 70,059	\$ 14,018	\$107,352	\$ 99,178	\$ 77,527
Real estate depreciation, net of minority interests.....	62,363	85,696	325,854	275,967	121,539
Real estate depreciation related to unconsolidated entities.....	7,593	14,698	57,506	59,360	104,419
Discontinued operations depreciation, net of minority interests.....	735	1,483	7,195	1,767	495
Distribution to (from) minority interest partners in excess of income.....	(1,586)	10,940	47,701	24,375	--
Extraordinary item.....	--	--	--	--	--
Amortization of intangibles.....	1,124	4,901	18,729	12,068	36,731
Income tax arising from disposals from discontinued operations.....	768	--	3,202	--	--
Gain on disposals from discontinued operations.....	(3,956)	(66)	(17,394)	(26,335)	1,785
Gain on disposition of land.....	--	--	3,843	--	--
Deferred income tax benefit.....	--	--	--	154	1,763
Interest expenses on mandatorily redeemable convertible preferred securities.....	260	525	1,568	8,869	4,858
Preferred stock dividends and distributions.....	(11,836)	(6,735)	(35,747)	(26,112)	(33,943)
Minority interest in AIMCO Operating Partnership.....	9,714	1,319	12,442	10,539	6,185
Funds from operations.....	\$135,238	\$126,779	\$532,251	\$439,830	\$321,359

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SELECTED FINANCIAL INFORMATION OF AIMCO PROPERTIES, L.P.

The selected financial information of the AIMCO Operating Partnership set forth below for the years ended December 31, 2001, 2000 and 1999 is based on audited financial statements. The selected financial information set forth below for the three months ended March 31, 2002 and 2001 is based on unaudited financial statements. This information should be read in conjunction with such financial statements, including notes thereto, which are incorporated by reference herein, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the AIMCO Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2001, and Quarterly Report on Form 10-Q for the quarter ended March 31, 2002. See "Where You Can Find More Information." The selected financial information of the AIMCO Operating Partnership set forth below for the years ended December 31, 1998 and 1997 is based on audited financial statements previously filed with the Securities and Exchange Commission.

FOR THE THREE MONTHS ENDED MARCH 31,		FOR THE YEAR ENDED DECEMBER 31			
2002	2001(1)	2001(1)	2000(1)	1999(1)	1998
(UNAUDITED)					
(DOLLARS IN THOUSANDS, EXCEPT PER UNIT DATA)					

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Rental and other property revenues.....	\$ 331,484	\$ 316,807	\$1,276,476	\$1,045,912	\$ 530,981	\$ 37
Property operating and owned management expenses.....	(127,201)	(119,062)	(500,716)	(437,148)	(214,110)	(14
Income from property operations.....	204,283	197,745	775,760	608,764	316,871	22
Income (loss) from investment management business.....	6,250	5,773	27,591	15,795	8,605	(
General and administrative expenses.....	(3,096)	(4,092)	(18,530)	(18,123)	(14,152)	(1
Depreciation of rental property(2).....	(70,526)	(93,057)	(338,455)	(297,179)	(131,107)	(8
Interest expense.....	(81,766)	(84,528)	(306,730)	(269,063)	(138,976)	(8
Interest and other income, net.....	18,743	14,659	68,593	66,241	54,098	2
Operating earnings.....	74,216	26,958	149,797	106,776	81,971	6
Distribution from (to) minority interest partners in excess of income.....	1,586	(10,940)	(46,359)	(24,375)	--	
Discontinued operations, net of tax.....	3,122	(681)	17,626	27,316	(1,281)	
Net income.....	78,924	15,337	121,064	109,717	80,690	6
Net income attributed to preferred unitholders.....	28,195	20,796	100,134	70,217	54,173	2
Net income attributed to common unitholders.....	50,729	(5,459)	20,930	39,500	26,517	4

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FOR THE THREE MONTHS
ENDED MARCH 31,

FOR THE YEAR ENDED DECEMBER 31

	2002	2001 (1)	2001 (1)	2000 (1)	1999 (1)	1998
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(UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT PER UNIT DATA)

BALANCE SHEET
INFORMATION:

Real estate, before accumulated depreciation.....	\$9,444,296	\$7,682,070	\$8,261,651	\$6,857,818	\$4,508,221	\$2,76
Real estate, net of accumulated depreciation.....	7,795,237	6,486,483	6,658,845	5,951,095	4,092,534	2,53
Total assets.....	9,573,810	8,136,927	8,216,615	7,699,174	5,684,251	4,18
Total indebtedness.....	5,592,196	4,601,947	4,637,661	4,224,264	2,581,901	1,60
Mandatorily redeemable convertible preferred securities.....	20,637	32,270	20,637	32,330	149,500	14
Partners capital.....	3,326,572	3,032,646	3,085,846	2,831,964	2,486,889	2,15

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OTHER INFORMATION:

Total owned or controlled properties (end of period).....	661	580	552	566	373	
Total owned or controlled apartment units (end of period).....	169,945	157,368	156,142	153,872	106,148	6
Total equity properties (end of period).....	1,004	612	574	683	751	
Total equity apartment units (end of period).....	134,392	99,374	92,626	111,748	133,113	17
Units under management (end of period).....	29,159	56,634	31,520	60,669	124,201	14
Basic earnings per unit.....	\$ 0.58	\$ (0.07)	\$ 0.25	\$ 0.53	\$ 0.39	\$
Dividends paid per unit.....	\$ 0.57	\$ (0.07)	\$ 0.25	\$ 0.52	\$ 0.38	\$
Distributions paid per common OP unit.....	\$ 0.82	\$ 0.78	\$ 3.12	\$ 2.80	\$ 2.50	\$
Funds from operations(3).....	\$ 134,181	\$ 126,779	\$ 528,653	\$ 439,830	\$ 320,434	\$ 19
Net cash provided by operating activities...	\$ 119,368	\$ 85,153	\$ 491,846	\$ 400,364	\$ 254,380	\$ 14
Net cash (used in) provided by investing activities.....	\$ (290,412)	\$ 56,955	\$ (140,638)	\$ (545,981)	\$ (241,078)	\$ (34)
Net cash provided by (used in) financing activities.....	\$ 198,166	\$ (185,484)	\$ (430,245)	\$ 201,128	\$ 35,470	\$ 21

- (1) Certain reclassifications have been made to the 2001, 2000, 1999, 1998 and 1997 amounts to conform with the 2002 presentation. These reclassifications represent certain eliminations of self-charged management fee income and expenses in accordance with consolidation accounting principles, as well as discontinued operations resulting from the adoption of Statement of Financial Accounting Standard No. 144. Effective January 1, 2001, the AIMCO Operating Partnership began consolidating its previously unconsolidated subsidiaries. Prior to this date, the AIMCO Operating Partnership had significant influence but did not have control. Accordingly, such investments were accounted for under the equity method.
- (2) Effective July 1, 2001 for certain assets and October 1, 2001 for the majority of the portfolio, the AIMCO Operating Partnership extended the estimated useful lives of its buildings and improvements from a weighted average composite life of 25 years to a weighted average composite life of 30 years. This change increased net income by approximately \$36 million or \$0.42 per diluted unit in 2001.
- (3) The AIMCO Operating Partnership's management believes that the presentation of funds from operations or "FFO", when considered with the financial data determined in accordance with

generally accepted accounting principles, provides a useful measure of performance. However, FFO does not represent cash flow and is not necessarily indicative of cash flow or liquidity available to the AIMCO

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Operating Partnership, nor should it be considered as an alternative to net income or as an indicator of operating performance. The Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income (loss), computed in accordance with generally accepted accounting principles, excluding gains and losses from extraordinary items and disposals from discontinued operations, net of related income taxes, plus real estate related depreciation and amortization (excluding amortization of financing costs), including depreciation for unconsolidated partnerships, joint ventures and discontinued operations. The AIMCO Operating Partnership calculates FFO based on the NAREIT definition, plus amortization of intangibles, plus distributions to, or less distributions from, minority interest partners in excess of income, and less dividends on preferred units. The AIMCO Operating Partnership calculates FFO (diluted) by adding back the interest expense and preferred distributions relating to convertible securities whose conversion is dilutive to FFO. The AIMCO Operating Partnership's management believes that presentation of FFO provides investors with industry-accepted measurements which help facilitate an understanding of its ability to make required dividend payments, capital expenditures and principal payments on its debt. There can be no assurance that the AIMCO Operating Partnership's basis of computing FFO is comparable with that of other REITs.

The following is a reconciliation of net income to funds from operations:

	FOR THE THREE MONTHS ENDED MARCH 31,		FOR THE YEAR ENDED DECEMBER			
	2002	2001	2001	2000	1999	1998
Net income.....	\$ 78,924	\$ 15,337	\$121,064	\$109,717	\$ 80,690	\$ 68,000
Real estate depreciation, net of minority interests.....	62,363	85,696	326,309	275,967	121,617	79,000
Discontinued operations depreciation, net of minority interest.....	527	1,483	3,326	1,767	495	--
Real estate depreciation related to unconsolidated entities.....	7,593	14,698	57,506	59,360	103,726	34,000
Extraordinary item.....	--	--	--	--	--	--
Amortization of intangibles.....	1,124	4,901	18,729	12,068	36,731	26,000
Income tax arising from disposals from discontinued operations.....	768	--	3,202	--	--	--
Distribution (from) to minority interest partners in excess of income.....	(1,586)	10,940	47,701	24,375	--	--
Gain on disposals from discontinued operations.....	(3,956)	(66)	(18,848)	(26,335)	1,785	(4,000)
Gain on disposition of land.....	--	--	3,843	--	--	--
Deferred income tax benefit.....	--	--	--	154	1,763	9,000
Interest expenses on mandatorily redeemable convertible preferred securities.....	260	525	1,568	8,869	6,892	--
Preferred unit distributions.....	(11,836)	(6,735)	(35,747)	(26,112)	(33,265)	(20,000)
Funds from operations.....	\$134,181	\$126,779	\$528,653	\$439,830	\$320,434	\$193,000
	=====	=====	=====	=====	=====	=====

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SELECTED FINANCIAL INFORMATION OF VMS NATIONAL PROPERTIES JOINT VENTURE

The selected financial information of VMS set forth below for the years ended December 31, 2001, 2000 and 1999 is based on audited financial statements. The selected financial information set forth below for the three months ended March 31, 2002 and 2001 is based on unaudited financial statements. This information should be read in conjunction with such financial statements, including notes thereto, which are incorporated by reference herein, and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Your Partnership" in the Annual Report on Form 10-K of VMS for the year ended December 31, 2001, and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2002. See "Where You Can Find More Information." The selected financial information of VMS set forth below for the years ended December 31, 1998 and 1997 is based on audited financial statements previously filed with the Securities and Exchange Commission.

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,			
	2002	2001	2001	2000	1999	1998
	(UNAUDITED)		(DOLLARS IN THOUSANDS, EXCEPT PER UNIT DATA)			
OPERATING DATA:						
Total revenues.....	\$ 7,885	\$ 8,235	\$ 33,249	\$ 31,015	\$ 28,658	\$ 27,9
Net income (loss).....	(1,396)	310	(2,910)	(40)	(6,402)	(6,9
Net income (loss) per Limited Partnership Unit (Portfolio II).....	(1,502)	333	(3,131)	(45)	(6,992)	(7,4
Distributions per Limited Partnership Unit.....	0	0	0	0	0	
BALANCE SHEET DATA:						
Cash and cash equivalents...	2,505	2,603	5,048	2,153	2,004	9
Investment property, net of accumulated depreciation.....	59,515	60,236	60,485	60,375	61,686	65,8
Total assets.....	66,249	68,384	68,919	68,879	68,445	71,9
Mortgage note payable.....	131,325	137,262	133,272	137,732	137,811	139,7
Partners' capital (deficit).....	(162,350)	(157,734)	(160,954)	(158,044)	(158,009)	(151,6
CASH FLOWS:						
Net increase (decrease) in cash and cash equivalents.....	(2,543)	450	2,895	149	1,073	(1,5
Net cash provided by operating activities.....	1,224	2,073	7,958	8,632	6,260	5,5

COMPARATIVE PER UNIT DATA

Set forth below are historical cash distributions per unit of your partnership for the year ended December 31, 2001, and the cash distributions payable on the number of OP Units issuable in exchange therefor:

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DISTRIBUTIONS

Units of VMS National Residential Portfolio II.....	\$ 0
Equivalent cash distributions on OP Units(1).....	\$201.24

(1) Calculated by multiplying the exchange ratio of 64.50 OP Units per unit by the distributions paid on the OP Units of \$3.12 per unit for the year ended December 31, 2001.

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AIMCO AND THE AIMCO OPERATING PARTNERSHIP

AIMCO Properties, L.P. is the "AIMCO Operating Partnership." It conducts substantially all of the operations of AIMCO. AIMCO is a Maryland corporation and a real estate investment trust that owns and manages multifamily apartment properties throughout the United States. Through its wholly owned subsidiaries, AIMCO-GP, the sole general partner of the AIMCO Operating Partnership, and AIMCO-LP, as of March 31, 2002, AIMCO held approximately an 86% interest in the AIMCO Operating Partnership. Based on apartment unit data compiled by the National Multi-Housing Council, we believe that AIMCO is one of the largest owners and managers of multifamily apartment properties in the United States, with a total portfolio of 333,496 apartment units in 1,887 properties located in 47 states, the District of Columbia and Puerto Rico. As of March 31, 2002, AIMCO:

- owned or controlled (consolidated) and managed 171,059 units in 666 apartment properties;
- held an equity interest (unconsolidated) and managed 133,278 units in 999 apartment properties; and
- managed for third party owners 29,159 units in 222 apartment properties, primarily pursuant to long term, non-cancelable agreements.

AIMCO's Class A Common Stock is listed and traded on the NYSE under the symbol "AIV." On June 7, 2002, the last reported sale price of AIMCO Class A Common Stock on the NYSE was \$46.60. The following table shows the high and low reported sales prices and dividends declared per share of AIMCO's Class A Common Stock for the periods indicated. The table also shows the distributions per unit declared on the OP Units for the same periods.

CALENDAR QUARTERS	CLASS A COMMON STOCK			PARTNERSHIP COMMON UNITS DISTRIBUTIO
	HIGH	LOW	DIVIDEND	
-----nary shares will be changed into a right to convert it into the kind and amount of cash, securities and other property that you would have received if you had converted your notes immediately prior to the transaction. If the transaction also constitutes a designated event, you can require us to repurchase all or a portion of your notes as described under "--Repurchase at Option of the Holder Upon a Designated Event."				

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CONVERSION PROCEDURES

The initial conversion rate for the notes is 23.1911 ordinary shares per \$1,000 principal amount of notes, subject to adjustment as described below, which represents an initial conversion price of \$43.12 per share. We will not issue fractional ordinary shares upon conversion of notes. Instead, we will pay cash in lieu of fractional shares based on the closing sale price of the ordinary shares on the trading day prior to the conversion date. Except as described above, you will not receive any accrued interest or dividends upon conversion.

To convert your note into ordinary shares you must do the following (or comply with DTC procedures for doing so in respect of your beneficial interest in notes evidenced by a global note):

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- complete and manually sign the conversion notice on the back of the note or facsimile of the conversion notice and deliver this notice to the conversion agent;
- surrender the note to the conversion agent;
- if required, furnish appropriate endorsements and transfer documents;
- if required, pay all transfer or similar taxes; and
- if required, pay funds equal to interest payable on the next interest payment date.

The date you comply with these requirements is the conversion date under the indenture.

CONVERSION RATE ADJUSTMENTS

We will adjust the conversion rate if any of the following events occurs:

- (1) We issue ordinary shares as a dividend or distribution on our ordinary shares.
- (2) We issue to all holders of ordinary shares certain rights or warrants to purchase our ordinary shares, for a period expiring within 45 days of the record date for such issuance, at a price per share that is less than the average of the closing sale prices of our ordinary shares for the 10 trading days preceding the declaration date for such distribution.
- (3) We subdivide or combine our ordinary shares.
- (4) We distribute to all holders of our ordinary shares any shares of our capital stock, evidences of indebtedness or assets, including cash and securities but excluding rights or warrants specified above and dividends or distributions specified above.

If we distribute shares of capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, then the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of our ordinary shares, in each case based on the average of the closing

sale prices of those securities (where such closing sale prices are available) for the 10 trading days commencing on and including the fifth trading day after the date on which "ex-dividend trading" commences for such distribution on the New York Stock Exchange or such other national or regional exchange or market on which the securities are then listed or quoted.

If we distribute cash (excluding any dividend or distribution in connection with our liquidation, dissolution or winding up), then the conversion rate shall be increased so that it equals the rate determined by multiplying the conversion rate in effect on the record date with respect to the cash distribution by a fraction, (1) the numerator of which shall be the current market price of our ordinary shares on the record date, and (2) the denominator of which will be the current market price of our ordinary shares on the record date minus the amount per share of such distribution.

- (5) We or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our ordinary shares to the extent that the cash and value of any other consideration included in the payment per share of ordinary shares exceeds the closing sale price per share of ordinary shares on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer.
- (6) Someone other than us or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer in which, as of the closing date of the offer, our board of directors is not recommending rejection of the offer.

The adjustment referred to in this clause (6) will only be made if:

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- the tender offer or exchange offer is for an amount that increases the offeror's ownership of ordinary shares to more than 25% of the total ordinary shares outstanding; and
- the cash and value of any other consideration included in the payment per share of ordinary shares exceeds the closing sale price per share of ordinary shares on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to the tender or exchange offer.

However, the adjustment referred to in this clause (6) will generally not be made if as of the closing of the offer, the offering documents disclose a plan or an intention to cause us to engage in a consolidation or merger or a sale of all or substantially all of our assets.

"Current market price" of our ordinary shares on any day means the average of the closing price per share of our ordinary shares for each of the 10 consecutive trading days ending on the earlier of the day in question and the day before the "ex-date" with respect to the issuance or distribution requiring such computation. For purposes of this paragraph, "ex-date" means the first date on which our ordinary shares trade on the applicable exchange or in the applicable market, regular way, without the right to receive such issuance or distribution.

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To the extent that we have a rights plan in effect upon conversion of the notes into ordinary shares, you will receive, in addition to the ordinary shares, the rights under the rights plan, unless prior to any conversion, the rights have separated from the ordinary shares, in which case the conversion rate will be adjusted at the time of separation as if we distributed to all holders of our ordinary shares, shares of our capital stock, evidences of indebtedness or assets as described above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

In the event of:

- any reclassification of our ordinary shares;
- a consolidation, merger or combination involving us; or
- a sale or conveyance to another person or entity of all or substantially all of our property and assets;

in which holders of our ordinary shares would be entitled to receive stock, other securities, other property, assets or cash for their ordinary shares, upon conversion of your notes you will be entitled to receive the same type of consideration that you would have been entitled to receive if you had converted the notes into our ordinary shares immediately prior to any of these events.

We may, from time to time, increase the conversion rate if our Board of Directors has made a determination that this increase would be in our best interests. Any such determination by our board will be conclusive. In addition, we may increase the conversion rate if our board of directors deems it advisable to avoid or diminish any income tax to holders of ordinary shares resulting from any stock or rights distribution. See "Certain United States Federal Income Tax Considerations--Tax Consequences to U.S. Holders--Adjustment to Conversion Rate."

The holders of the notes may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal income tax as a dividend as a result of the adjustments to the conversion rate described above. See "Certain United States Federal Income Tax Considerations--Tax Consequences to U.S. Holders--Adjustment to Conversion Rate."

We will not be required to make an adjustment in the conversion rate unless the adjustment would require a change of at least 1% in the conversion rate. However, we will carry forward any adjustments that are less than 1% of the conversion rate. Except as described above in this section, we will not adjust the conversion rate for any issuance of our ordinary shares or convertible or exchangeable securities or rights to purchase our ordinary shares or convertible or exchangeable securities.

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OPTIONAL REDEMPTION BY AMDOCS

Beginning March 20, 2009, we may redeem the notes in whole or in part for cash at any time at a redemption price equal to 100% of the principal amount of notes, plus accrued and unpaid interest and liquidated damages, if any, to, but excluding, the redemption date. If such redemption date falls after a record date but on or prior to the next succeeding interest payment date, we will pay the full amount of accrued and unpaid interest, and liquidated damages, if any, on such interest payment date to the holder of record on the close of business on the corresponding record date. We are required to give notice of redemption by mail to holders not more than 60 but not less than 30 days prior to the redemption date.

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If less than all of the outstanding notes are to be redeemed, the trustee will select the notes to be redeemed in principal amounts of \$1,000 or multiples of \$1,000 by lot, pro rata or by another method the trustee considers fair and appropriate. If a portion of your notes is selected for partial redemption and you convert a portion of your notes, the converted portion will be deemed to the extent practicable to be of the portion selected for redemption.

We may not redeem the notes if we have failed to pay any interest on the notes and such failure to pay is continuing, or if the principal amount of the notes has been accelerated.

REPURCHASE AT OPTION OF THE HOLDER

You have the right to require us to repurchase your notes, in whole or in part, on March 15 of 2009, 2014 and 2019. We will be required to repurchase any outstanding note for which you deliver a written repurchase notice to the paying agent. This notice must be delivered during the period beginning at any time from the opening of business on the date that is 20 business days prior to the repurchase date until the close of business on the repurchase date. If a repurchase notice is given and withdrawn during that period, we will not be obligated to repurchase the notes listed in the notice. Our repurchase obligation will be subject to certain additional conditions.

The repurchase price payable for a note will be equal to the principal amount to be repurchased, plus accrued and unpaid interest and liquidated damages, if any, to, but excluding, the repurchase date.

At our option, instead of paying the repurchase price in cash, we may pay it in our ordinary shares or a combination of cash and our ordinary shares valued at 100% of the average of the closing sales prices of such ordinary shares on the NYSE (or such other national or regional exchange or market on which the securities are then listed or quoted) for the five consecutive trading days ending on the third trading day prior to the repurchase date. We may only pay the repurchase price in ordinary shares if we satisfy certain conditions provided in the indenture, including:

- registration of the ordinary shares to be issued upon repurchase under the Securities Act and the Securities Exchange Act of 1934, referred to herein as the Exchange Act, if required;
- qualification of the ordinary shares to be issued upon repurchase under applicable state securities laws, if necessary, or the availability of an exemption therefrom; and
- listing of the ordinary shares on a United States national securities exchange or quotation thereof in an inter-dealer quotation system of any registered United States national securities association.

If any condition is not satisfied, such as the condition that there be no restrictions on any transfer of the shares, the repurchase price may be paid only in cash. For a discussion of the tax treatment of a holder receiving cash, ordinary shares or any combination thereof, see "Certain United States Federal Income Tax Considerations." We may, at any time, irrevocably relinquish our right to pay the repurchase price in ordinary shares by entering into a supplemental indenture with the trustee.

You may withdraw any written repurchase notice by delivering a written notice of withdrawal to the paying agent prior to the close of business on the repurchase date. The withdrawal notice must state:

- the principal amount of the withdrawn notes;
- if certificated notes have been issued, the certificate numbers of the withdrawn notes (or, if your notes are not certificated, your withdrawal notice must comply with appropriate DTC procedures); and
- the principal amount, if any, that remains subject to the repurchase notice.

We must give notice of an upcoming repurchase date to all note holders not less than 20 business days prior to the repurchase date at their addresses shown in the register of the registrar. We will also give notice to beneficial owners as required by applicable law. This notice will state, among other things: whether we will pay the repurchase price of the notes in cash or ordinary shares, or both cash and ordinary shares (in which case the relative percentages will be specified); if we elect to pay all or a portion of the repurchase price in ordinary shares, the method by which we are required to calculate market price of the ordinary shares; and the procedures that holders must follow to require us to repurchase their notes.

Payment of the repurchase price for a note for which a repurchase notice has been delivered and not withdrawn is conditioned upon book-entry transfer or delivery of the note, together with necessary endorsements, to the paying agent at its office in the Borough of Manhattan, The City of New York, or any other office of the paying agent, at any time after delivery of the repurchase notice. Payment of the repurchase price for the note will be made promptly following the later of the repurchase date and the time of book-entry transfer or delivery of the note. If the paying agent holds money sufficient to pay the repurchase price of the note on the business day following the repurchase date, then, on and after the date:

- the note will cease to be outstanding;
- interest will cease to accrue; and
- all other rights of the holder will terminate, other than the right to receive the repurchase price upon delivery of the note.

This will be the case whether or not book-entry transfer of the note has been made or the note has been delivered to the paying agent.

No notes may be repurchased by us at the option of the holders if the principal amount of the notes has been accelerated, and such acceleration has not been rescinded, on or prior to the indicated repurchase date. We may be unable to repurchase the notes if you elect to require us to repurchase the notes pursuant to this provision. If you elect to require us to repurchase the notes on March 15 of 2009, 2014 or 2019, we may not have enough funds to pay the repurchase price for all tendered notes. Any future credit agreements or other agreements relating to our indebtedness may contain provisions prohibiting the repurchase of the notes under certain circumstances. If you elect to require us to repurchase the notes at a time when we are prohibited from repurchasing notes, we could seek the consent of our lenders to repurchase the notes or attempt to refinance this debt. If we do not obtain consent, we would not be permitted to repurchase the notes. Our failure to repurchase tendered notes would constitute an event of default under the indenture, which might constitute a default under the terms of our other indebtedness.

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We will comply with the provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act that may be applicable at the time of the tender offer. To the extent applicable, we will file a Schedule TO or any other schedule required in connection with any offer by us to repurchase the notes.

REPURCHASE AT OPTION OF THE HOLDER UPON A DESIGNATED EVENT

If a designated event occurs at any time prior to the maturity of the notes, you may require us to repurchase your notes, in whole or in part, on a repurchase date that is not less than 20 nor more than 35 business days after the date of our notice of the designated event. The notes will be repurchased only in integral multiples of \$1,000 principal amount.

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We will repurchase the notes at a price equal to 100% of the principal amount to be repurchased, plus accrued and unpaid interest, and liquidated damages, if any, to, but excluding, the repurchase date. If such repurchase date falls after a record date and on or prior to the corresponding interest payment date, we will pay the full amount of accrued and unpaid interest payable on such interest payment date to the holder of record on the close of business on the corresponding record date.

At our option, instead of paying the repurchase price in cash, we may pay it in our ordinary shares or, if applicable, our parent's common equity, or a combination of cash and shares valued at 100% of the average of the closing sales prices of such shares on the New York Stock Exchange (or such other national or regional exchange or market on which the securities are then listed or quoted) for the five consecutive trading days ending on the third trading day prior to the repurchase date. We may only pay the repurchase price in shares if we satisfy certain conditions provided in the indenture, including:

- registration of the shares to be issued upon redemption under the Securities Act and the Exchange Act, if required;
- qualification of the shares to be issued upon redemption under applicable state securities laws, if necessary, or the availability of an exemption therefrom; and
- listing of the shares on a United States national securities exchange or quotation thereof in an inter-dealer quotation system of any registered United States national securities association.

If any condition is not satisfied, such as the condition that there be no restrictions on any transfer of the shares, the repurchase price may be paid only in cash. We may, at any time, irrevocably relinquish our right to pay the repurchase price in shares by entering into a supplemental indenture with the trustee.

We will mail to all record holders a notice of a designated event within 15 days after it has occurred. This notice will state, among other things: whether we will pay the repurchase price of the notes in cash, shares of our ordinary shares or, if applicable, our parent's common equity, or both cash and shares (in which case the relative percentages will be specified); if we elect to pay all or a portion of the repurchase price in shares, the method by which we are required to calculate market price of the shares; and the procedures that holders must follow to require us to repurchase their notes. We are also required to deliver to the trustee a copy of the designated event notice. If you elect to require us to repurchase your notes, you must deliver to us or our designated agent, on or before the repurchase date specified in our designated event notice, your repurchase notice and any notes to be repurchased,

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duly endorsed for transfer. We will promptly pay the repurchase price for notes surrendered for repurchase following the repurchase date.

You may withdraw any written repurchase notice by delivering a written notice of withdrawal to the paying agent prior to the close of business on the repurchase date. The withdrawal notice must state:

- the principal amount of the withdrawn notes;
- if certificated notes have been issued, the certificate numbers of the withdrawn notes (or, if your notes are not certificated, your withdrawal notice must comply with appropriate DTC procedures); and
- the principal amount, if any, that remains subject to the repurchase notice.

Payment of the repurchase price for a note for which a repurchase notice has been delivered and not withdrawn is conditioned upon book-entry transfer or delivery of the note, together with necessary endorsements, to the paying agent at its corporate trust office in the Borough of Manhattan, The City of New York, or any other office of the paying agent, at any time after delivery of the repurchase notice. Payment of the repurchase price for the note will be made promptly following the later of the repurchase date and the time of book-entry transfer or delivery of the note. If the paying agent holds money sufficient to pay the repurchase price of the note on the repurchase date, then, on and after the business day following the repurchase date:

- the note will cease to be outstanding;

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- interest will cease to accrue; and
- all other rights of the holder will terminate, other than the right to receive the repurchase price upon delivery of the note.

This will be the case whether or not book-entry transfer of the note has been made or the note has been delivered to the paying agent.

A "designated event" will be deemed to have occurred upon a fundamental change or a termination of trading.

A "fundamental change" is any transaction or event (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise) in connection with which all or substantially all of our ordinary shares are exchanged for, converted into, acquired for or constitute solely the right to receive, consideration that is not all or substantially all common stock (or comparable equity security of a non-U.S. entity) that:

- is listed on, or immediately after the transaction or event will be listed on, a United States national securities exchange, or
- is approved, or immediately after the transaction or event will be approved, for quotation on the NASDAQ National Market or any similar United States system of automated dissemination of quotations of securities prices.

A "termination of trading" will be deemed to have occurred if our ordinary shares (or other securities into which the notes are then convertible)

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are neither listed for trading on a United States national securities exchange nor approved for trading on the NASDAQ National Market.

We will comply with the provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act that may be applicable at the time of a designated event. To the extent applicable, we will file a Schedule TO or any other schedule required in connection with any offer by us to repurchase the notes in the event of a designated event.

These designated event repurchase rights could discourage a potential acquirer of Amdocs. However, this designated event repurchase feature is not the result of management's knowledge of any specific effort to obtain control of us by means of a merger, tender offer or solicitation, or part of a plan by management to adopt a series of anti-takeover provisions. The term "designated event" is limited to specified transactions and may not include other events that might adversely affect our financial condition or business operations. Our obligation to offer to repurchase the notes upon a designated event would not necessarily afford you protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us. No notes may be repurchased by us at the option of holders upon a designated event if the principal amount of the notes has been accelerated and such acceleration has not been rescinded.

We may be unable to repurchase the notes in the event of a designated event. If a designated event were to occur, we may not have enough funds to pay the repurchase price for all tendered notes. Any future credit agreements or other agreements relating to our indebtedness may contain provisions prohibiting repurchase of the notes under certain circumstances, or expressly prohibit our repurchase of the notes upon a designated event or may provide that a designated event constitutes an event of default under that agreement. If a designated event occurs at a time when we are prohibited from repurchasing notes, we could seek the consent of our lenders to repurchase the notes or attempt to refinance this debt. If we do not obtain consent, we would not be permitted to repurchase the notes. Our failure to repurchase tendered notes would constitute an event of default under the indenture, which might constitute a default under the terms of our other indebtedness.

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ADDITIONAL TAX AMOUNTS

All amounts payable (whether in respect of principal, interest, liquidated damages or otherwise) in respect of the notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Guernsey or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, levies, assessments or governmental charges is required by law. In that event, we will pay, or cause to be paid, such additional amounts as may be necessary in order that the net amounts receivable by the holder after such withholding or deduction shall equal the respective amounts that would have been receivable by such holder in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any of the notes:

- to, or to a third party on behalf of, a person who is liable for such taxes, duties, levies, assessments or governmental charges in respect of such note by reason of his having some connection with (including being a citizen of, being incorporated or engaged in a trade or business in, or having a residence or principal

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place of business or other presence in) Guernsey other than (a) the mere holding of such note or (b) the receipt of principal, interest or other amount in respect of such note; or

- presented for payment more than 30 days after the relevant date (as defined below), except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on or before the expiry of such period of 30 days; or
- on account of any inheritance, gift, estate, personal property, sales, or similar taxes duties, levies, assessments or similar governmental charges; or
- on account of any taxes, duties, levies, assessments or governmental charges that are payable otherwise than by withholding from payments in respect of such note.

The "relevant date" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the trustee on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to holders, notice to that effect shall have been duly given to the holders of the notes.

If Amdocs becomes subject generally at any time to any taxing jurisdiction other than or in addition to Guernsey, references to Guernsey in this section and the following section shall be read and construed as references to such other jurisdiction(s) and/or to Guernsey.

Notwithstanding the foregoing discussion concerning withholding taxes, in the event that any deduction or withholding on account of tax is required to be made, or is made, in connection with the European Union directive on the taxation of savings income adopted on June 3, 2003, or any law, regardless of whether or not enacted by a member state of the European Union or otherwise, required by such directive implementing or complying with, or introduced in order to conform to, such directive, no additional amounts shall be payable or paid by us to any holder in respect of the notes. See "Certain Guernsey Tax Considerations--European Union Savings Tax Directive."

Any reference in this section to "principal" and/or "interest" in respect of the notes shall be deemed also to refer to any additional amounts that may be payable under this section. Unless the context otherwise requires, any reference in this section to "principal" shall include any redemption amount and any other amounts in the nature of principal payable pursuant to this section and "interest" shall include all amounts payable pursuant to this section and any other amounts in the nature of interest payable pursuant to this section, including liquidated damages.

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TAX REDEMPTION

Subject to the conditions described below, the notes may be redeemed for cash, in whole but not in part, at our option, upon not less than 30 days' nor more than 60 days' prior notice to the holders at the redemption price equal to 100% of the principal amount, plus accrued and unpaid interest and liquidated damages, if any, to, but excluding, the date fixed for redemption, if we determine, based on an opinion received from a tax advisor who is an expert in the tax laws of the relevant jurisdiction, that on the next succeeding interest payment date, as a result of any change in or amendment to the laws or treaties,

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or any regulations or rulings promulgated thereunder, of Guernsey or any political subdivision thereof or any authority or agency therein or thereof having power to tax and affecting taxation, or any proposed change in such laws, treaties, regulations or rulings (including a holding by a court of competent jurisdiction) which change or amendment becomes effective or is proposed on or after the closing date of the sale of the notes, Amdocs has or will become obligated to pay additional amounts on any notes, provided, however, that (i) the obligation to withhold or deduct cannot be avoided by us by using our reasonable best efforts to obtain an exemption from such deduction or withholding obligation (in the event application to the appropriate authorities is reasonably required in order to avoid such obligation) and such application has been denied, and (ii) no such notice of redemption may be given earlier than 90 days prior to the earliest date on which we would be obligated to pay such additional amounts.

Notwithstanding the foregoing, if we give notice of redemption as described above, each holder of notes will have the right to elect that such holder's notes will not be subject to such redemption. If a holder of notes elects not to be subject to such redemption, we will not be required to pay any additional amounts with respect to payments made on that holder's notes (solely as a result of the change in Guernsey tax law that caused additional amounts to be payable) following the redemption date fixed by us, and all subsequent payments on such holder's notes whether in cash or ordinary shares will be subject to applicable Guernsey taxes. In such event, payments of interest on the notes arising on maturity, redemption, purchase or conversion of a note or on an assignment or other transfer of a note to a person resident in Guernsey may be subject to Guernsey taxes, and the tax consequences to holders of notes described under "Certain Guernsey Tax Considerations" will no longer apply.

Because the tax consequences to holders in such circumstances could be material and adverse, holders of notes should consult their own tax advisors in considering whether to elect their option to avoid redemption in such circumstances. In the event that cash payments which a holder would otherwise be entitled to receive from us are insufficient to pay applicable Guernsey taxes, we may require from a holder as a condition to the holder's right to receive any ordinary shares on conversion or other amounts from us an amount of cash sufficient to pay applicable Guernsey taxes. Holders of notes must elect their option to avoid such redemption by written notice to the trustee no later than the 15th day prior to the redemption date fixed by us.

MERGER AND SALE OF ASSETS BY AMDOCS

The indenture provides that we may not consolidate with or merge with or into any other person or convey, transfer, sell or lease our properties and assets substantially as an entirety to another person, and we may not permit any person to consolidate with or merge into us or convey, transfer, sell or lease such person's properties and assets substantially as an entirety to us, unless among other items:

- the person formed by such consolidation or into or with which we are merged or the person to which our properties and assets are so conveyed, transferred, sold or leased, shall be a corporation, limited liability company, partnership or trust organized and validly existing under either (1) the laws of Guernsey, the United States, any state within the United States or the District of Columbia or any other country (including its political subdivisions) which on the issue date is a member of the Organization for Economic Cooperation and Development or (2) any other country whose legal and jurisprudential system is principally based on, or substantially similar to, English common law so long as the location of that entity in such common law country would not adversely affect the rights of holders and, in

each case, if we

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are not the surviving person, the surviving person files a supplement to the indenture and expressly assumes the payment of the principal and interest on the notes and the performance of our other covenants under the indenture;

- after giving effect to such transaction, there is no event of default under the indenture, and no event which, after notice or passage of time or both, would become an event of default; and
- other requirements as described in the indenture are met.

EVENTS OF DEFAULT; NOTICE AND WAIVER

The following are events of default under the indenture:

- we fail to pay principal when due at maturity, upon redemption, repurchase or otherwise on the notes;
- we fail to pay any interest and liquidated damages, if any, on the notes, when due and such failure continues for a period of 30 days;
- we fail to provide timely notice of a designated event;
- we fail to perform or observe any of the covenants in the indenture for 60 days after written notice to us from the trustee (or to us and the trustee from the holders of at least 25% in principal amount of the outstanding notes);
- payment defaults or other defaults causing acceleration of indebtedness prior to maturity, where the principal amount of the indebtedness subject to such defaults aggregates \$50.0 million or more;
- we fail to deliver our ordinary shares upon conversion of the notes within the time period required by the indenture, and such failure continues for a period of five days; or
- certain events involving our bankruptcy, insolvency or reorganization.

The trustee may withhold notice to the holders of the notes of any default, except defaults in payment of interest or liquidated damages, if any, on the notes. However, the trustee must consider it to be in the interest of the holders of the notes to withhold this notice.

If an event of default occurs and continues, the trustee or the holders of at least 25% in principal amount of the outstanding notes may declare the principal, and accrued interest and liquidated damages, if any, on the outstanding notes to be immediately due and payable. In case of certain events of bankruptcy or insolvency involving us, the principal, and accrued interest and liquidated damages, if any, on the notes will automatically become due and payable. However, if we cure all defaults, except the nonpayment of principal, interest or liquidated damages, if any, that became due as a result of the acceleration, and meet certain other conditions, with certain exceptions, this declaration may be cancelled and the holders of a majority of the principal amount of outstanding notes may waive these past defaults.

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Payments of principal or interest or liquidated damages, if any, on the notes that are not made when due will accrue interest from the required payment date at the annual rate of 1% above the then applicable interest rate for the notes.

The holders of a majority of outstanding notes will have the right to direct the time, method and place of any proceedings for any remedy available to the trustee, subject to limitations specified in the indenture.

No holder of the notes may pursue any remedy under the indenture, except in the case of a default in the payment of principal or interest on the notes, unless:

- the holder has given the trustee written notice of an event of default;

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- the holders of at least 25% in principal amount of outstanding notes make a written request and offer indemnity reasonably satisfactory to the trustee to pursue the remedy;
- the trustee does not receive an inconsistent direction from the holders of a majority in principal amount of the notes;
- the holder or holders have offered security or indemnity reasonably satisfactory to the trustee against any costs, liability or expense of the trustee; and
- the trustee fails to comply with the request within 60 days after receipt of the request and offer of indemnity.

MODIFICATION AND WAIVER

The consent of the holders of a majority in principal amount of the outstanding notes is required to modify or amend the indenture. However, a modification or amendment requires the consent of the holder of each outstanding note if it would:

- extend the fixed maturity of any note;
- reduce the rate or extend the time for payment of interest, or liquidated damages, if any, on any note;
- reduce the principal amount of any note;
- reduce any amount payable upon redemption or repurchase of any note;
- adversely change our obligation to repurchase any note at the option of a holder or upon a designated event;
- impair the right of a holder to institute suit for payment on any note;
- change the currency in which any note is payable;
- impair the right of a holder to convert any note or reduce the number of ordinary shares or the amount of any other property receivable upon conversion;

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- reduce the quorum or voting requirements under the indenture;
- subject to specified exceptions, modify certain of the provisions of the indenture relating to modification or waiver of provisions of the indenture; or
- reduce the percentage of notes required for consent to any modification of the indenture.

We are permitted to modify certain provisions of the indenture without the consent of the holders of the notes.

FORM, DENOMINATION AND REGISTRATION

The notes were issued:

- in fully registered form;
- without interest coupons; and
- in denominations of \$1,000 principal amount and integral multiples of \$1,000.

GLOBAL NOTE, BOOK-ENTRY FORM

Notes are evidenced by one or more global notes. We deposited the global note or notes with DTC and register the global notes in the name of Cede & Co. as DTC's nominee. Except as set forth

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below, a global note may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee.

Beneficial interests in a global note may be held directly through DTC if such holder is a participant in DTC, or indirectly through organizations that are participants in DTC (called "participants"). Transfers between participants will be effected in the ordinary way in accordance with DTC rules and will be settled in clearing house funds. The laws of some states require that certain persons take physical delivery of securities in definitive form. As a result, the ability to transfer beneficial interests in the global note to such persons may be limited.

Holders who are not participants may beneficially own interests in a global note held by DTC only through participants, or certain banks, brokers, dealers, trust companies and other parties that clear through or maintain a custodial relationship with a participant, either directly or indirectly (called "indirect participants"). So long as Cede & Co., as the nominee of DTC, is the registered owner of a global note, Cede & Co. for all purposes will be considered the sole holder of such global note. Except as provided below, owners of beneficial interests in a global note will:

- not receive physical delivery of certificates in definitive registered form; and
- not be considered holders of the global note.

We will pay interest on and the redemption price and the repurchase price of a global note to Cede & Co., as the registered owner of the global note, by wire transfer of immediately available funds on each interest payment

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date or the redemption or repurchase date, as the case may be. Neither we, the trustee nor any paying agent will be responsible or liable:

- for the records relating to, or payments made on account of, beneficial ownership interests in a global note; or
- for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

Neither we, the trustee, registrar, paying agent nor conversion agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations. DTC has advised us that it will take any action permitted to be taken by a holder of notes, including the presentation of notes for exchange, only at the direction of one or more participants to whose account with DTC interests in the global note are credited, and only in respect of the principal amount of the notes represented by the global note as to which the participant or participants has or have given such direction.

DTC has advised us that it is:

- a limited purpose trust company organized under the laws of the State of New York, and a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the Uniform Commercial Code; and
- a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants. Participants include securities brokers, dealers, banks, trust companies and clearing corporations and other organizations. Some of the participants or their representatives, together with other entities, own DTC. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

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DTC has agreed to the foregoing procedures to facilitate transfers of interests in a global note among participants. However, DTC is under no obligation to perform or continue to perform these procedures, and may discontinue these procedures at any time.

We will issue the notes in definitive certificated form if DTC notifies us that it is unwilling or unable to continue as depository or DTC ceases to be a clearing agency registered under the Exchange Act and a successor depository is not appointed by us within 90 days. In addition, beneficial interests in a global note may be exchanged for definitive certificated notes upon request by or on behalf of DTC in accordance with customary procedures. We may determine at any time and in our sole discretion that notes shall no longer be represented by global notes, in which case we will issue certificates in definitive form in exchange for the global notes.

REGISTRATION RIGHTS

We entered into a registration rights agreement dated March 5, 2004 with the initial purchasers pursuant to which we have, at our own expense, for

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the benefit of the noteholders, filed with the SEC the shelf registration statement of which this prospectus is a part, covering resale of the notes and the ordinary shares issuable upon conversion of the notes. Our obligation to keep the shelf registration statement effective terminates upon the earlier of:

- such time as all of the registrable securities have been sold pursuant to the shelf registration statement or sold to the public pursuant to Rule 144 under the Securities Act, or any other similar provision then in force (but not Rule 144A); or
- the expiration of the holding period applicable to such securities held by persons that are not affiliates of Amdocs under Rule 144(k) under the Securities Act, or any successor provision.

When we use the term "registrable securities" in this section, we are referring to the notes and the ordinary shares issuable upon conversion of the notes until the earliest of:

- the effective registration under the Securities Act and the resale of the securities in accordance with the registration statement;
- the expiration of the holding period with respect to the registrable securities under Rule 144(k) under the Securities Act; and
- the sale of the registrable securities to the public pursuant to Rule 144 under the Securities Act.

We may, upon written notice to all the holders of registrable securities, postpone having the shelf registration statement declared effective for a reasonable period not to exceed 90 days if we in good faith reasonably believe that we possess material non-public information, the disclosure of which would have a material adverse effect on us and our subsidiaries taken as a whole.

We may suspend the use of the prospectus under certain circumstances relating to pending corporate developments, public filings with the SEC and similar events. Any suspension period shall not exceed:

- 30 days in any three-month period; or
- an aggregate of 90 days for all periods in any 12-month period.

Notwithstanding the foregoing, we will be permitted to suspend the use of the prospectus for up to 60 days in any three-month period under certain circumstances, relating to possible acquisitions, financings or other similar transactions.

We will pay predetermined liquidated damages on the interest payment dates for the notes if the shelf registration statement is not timely filed or declared effective or if the prospectus included in such registration statement is unavailable for periods in excess of those permitted above:

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- on the notes at an annual rate equal to 0.25% of the aggregate principal amount of the notes outstanding for the first 90-day period immediately following the failure to timely file or make effective a shelf registration statement or the failure to make

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the prospectus available for periods described above, and such rate will increase to 0.50% per annum thereafter until the registration statement is filed or made effective or until the prospectus is made available; and

- on the ordinary shares that have been issued upon conversion of the notes, at an annual rate equal to 0.25% of an amount equal to \$1,000 divided by the conversion rate during such periods for the first 90-day period immediately following the failure to timely file or make effective a shelf registration statement or the failure to make the prospectus available for periods described above, and such rate will increase to 0.50% per annum thereafter until the registration statement is filed or made effective or until the prospectus is made available.

In no event will liquidated damages accrue at an annual rate exceeding 0.50%.

As a result of the shelf registration statement not being declared effective within the time periods described above, we became obligated to pay to the holders of the notes aggregate liquidated damages in the amount of \$68,750. We paid \$43,750 of this amount on September 15, 2004 in conjunction with our interest payment to the record holders of the notes as of the close of business on September 1, 2004, and we will pay the balance in connection with our March 15, 2005 interest payment to the record holders of the notes as of the close of business on March 1, 2005.

A holder who elects to sell registrable securities pursuant to the shelf registration statement will be required to:

- be named as a selling securityholder in the related prospectus;
- deliver a prospectus to purchasers; and
- be subject to the provisions of the registration rights agreement, including indemnification provisions.

Under the registration rights agreement we will:

- pay all customary expenses with respect to the shelf registration statement;
- provide each registered holder copies of the prospectus;
- notify holders when the shelf registration statement has become effective; and
- take other reasonable actions as are required to permit unrestricted resales of the registrable securities in accordance with the terms and conditions of the registration rights agreement.

The plan of distribution of the shelf registration statement, of which this prospectus is a part, permits resales of registrable securities by selling securityholders through brokers and dealers.

We agreed in the registration rights agreement to give notice to all holders of the filing and effectiveness of the shelf registration statement, of which this prospectus is a part.

This summary in this prospectus of provisions of the registration rights agreement is not complete. This summary is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, a copy of which has previously been filed with the SEC.

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RULE 144A INFORMATION REQUEST

We will furnish to the holders or beneficial holders of the notes or the underlying ordinary shares and prospective purchasers, upon their request, the information required under Rule 144A(d)(4) under the Securities Act until such time as such securities are no longer "restricted securities" within the meaning of Rule 144 under the Securities Act, assuming these securities have not been owned by an affiliate of ours.

INFORMATION CONCERNING THE TRUSTEE

We have appointed The Bank of New York, the trustee under the indenture, as paying agent, conversion agent, note registrar and custodian for the notes. The trustee or its affiliates may provide banking and other services to us in the ordinary course of their business.

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The indenture contains certain limitations on the rights of the trustee, if it or any of its affiliates is then our creditor, to obtain payment of claims in certain cases or to realize on certain property received on any claim as security or otherwise. The trustee and its affiliates are permitted to engage in other transactions with us. However, if the trustee or any affiliate continues to have any conflicting interest and a default occurs with respect to the notes, the trustee must eliminate such conflict or resign.

GOVERNING LAW

The notes and the indenture are governed by, and construed in accordance with, the laws of the State of New York.

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DESCRIPTION OF SHARE CAPITAL

The following description summarizes the most important terms of our share capital. Because it is only a summary, it does not contain all of the information that may be important to you. For a complete description, you should refer to our Articles of Association.

The share capital of Amdocs is (pound)5,750,000 divided into (i) 25,000,000 preferred shares with a par value of (pound)0.01 per share and (ii) 550,000,000 ordinary shares with a par value of (pound)0.01 per share, consisting of 500,000,000 voting ordinary shares and 50,000,000 non-voting ordinary shares. As of September 30, 2004, 201,334,057 ordinary shares were outstanding (net of treasury shares) and no non-voting ordinary shares or preferred shares were outstanding. The rights, preferences and restrictions attaching to each class of the shares are as follows:

PREFERRED SHARES

- Issue-- the preferred shares may be issued from time to time in one or more series of any number of shares up to the amount authorized.
- Authorization to Issue Preferred Shares -- authority is vested in the directors from time to time to authorize the issue of one or more series of preferred shares and to provide for the designations, powers, preferences and relative participating,

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optional or other special rights and qualifications, limitations or restrictions thereon.

- Relative Rights -- all shares of any one series of preferred shares must be identical with each other in all respects, except that shares of any one series issued at different times may differ as to the dates from which dividends shall be cumulative.
- Liquidation -- in the event of any liquidation, dissolution or winding-up, the holders of our preferred shares are entitled to preference with respect to payment and to receive payment (at the rate fixed in any resolution or resolutions adopted by the directors in such case) plus an amount equal to all dividends accumulated to the date of final distribution to such holders. The holders of preferred shares are entitled to no further payment other than that stated above. If upon any liquidation our assets are insufficient to pay in full the amount stated above, then such assets shall be distributed among the holders of our preferred shares.
- Voting Rights -- except as otherwise provided for by the directors upon the issue of any new series of preferred shares, the holders of shares of preferred shares have no right or power to vote on any question or in any proceeding or to be represented at, or to receive notice of, any meeting of members.

ORDINARY SHARES AND NON-VOTING ORDINARY SHARES

Except as otherwise provided by the Memorandum of Association and Articles of Association, the ordinary shares and non-voting ordinary shares are identical and entitle holders thereof to the same rights and privileges.

- Dividends -- when and as dividends are declared on our shares, the holders of voting ordinary shares and non-voting ordinary shares are entitled to share equally, share for share, in such dividends except that if dividends are declared which are payable in voting ordinary shares or non-voting ordinary shares, dividends must be declared which are payable at the same rate in both classes of shares.
- Conversion of Non-Voting Ordinary Shares into Voting Ordinary Shares -- upon the transfer of non-voting ordinary shares from the original holder thereof to any third party not affiliated with such original holder, non-voting ordinary shares are redesignated in our books as voting ordinary shares and automatically convert into the same number of voting ordinary shares.

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- Liquidation -- upon any liquidation, dissolution or winding-up, any of our assets remaining after creditors and the holders of any preferred shares have been paid in full shall be distributed to the holders of voting ordinary shares and non-voting ordinary shares equally share for share.
- Voting Rights -- the holders of voting ordinary shares are entitled to vote on all matters to be voted on by the members, and the holders of non-voting ordinary shares are not entitled to any voting rights.

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- Preferences -- the voting ordinary shares and non-voting ordinary shares are subject to all the powers, rights, privileges, preferences and priorities of the preferred shares as are set out in the Articles of Association.

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COMPARISON OF UNITED STATES AND GUERNSEY CORPORATE LAW

The following discussion is a summary of the material differences between United States and Guernsey corporate law relevant to an investment in the notes and our ordinary shares. The following discussion is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change.

Under the laws of many jurisdictions in the United States, controlling shareholders generally have certain "fiduciary" responsibilities to minority shareholders. Shareholder action by controlling shareholders must be taken in good faith and actions by such shareholders that are obviously unreasonable may be declared null and void. Guernsey law protecting the interests of minority shareholders may not be as protective in all circumstances as the law protecting minority shareholders in United States jurisdictions.

Under Guernsey law, an individual shareholder cannot, without the authority of the majority of the shareholders of the corporation, initiate litigation in the corporation's name, but an individual shareholder may seek to enforce the corporation's rights by suing in representative form on behalf of himself and all of the other shareholders of the corporation (except the wrongdoers where the complaint is against other shareholders) against the wrongdoers, who may include directors. In these circumstances, the corporation itself may be joined as a nominal defendant in order that it can be bound by the judgment and, if an action results in any property or damages recovered, such recovery goes not to the plaintiff, but to the corporation. Alternatively, Guernsey law makes specific provision to enable a shareholder to apply to the court for relief on the ground that the affairs of the corporation are being or have been conducted in a manner that is unfairly prejudicial to the interests of certain shareholders (including at least himself) or any actual or proposed act or omission of the corporation is or would be so prejudicial. In such circumstances, the court has wide discretion to make orders to regulate the conduct of the corporation's affairs in the future, to require the corporation to refrain from doing or continuing to do an act that the applicant has complained it has omitted to do, to authorize civil proceedings to be brought in the name and on behalf of the corporation and to provide for the purchase of shares of any shareholder of the corporation by other members or by the corporation itself.

As in most United States jurisdictions, unless approved by a special resolution of our shareholders, our directors do not have the power to take certain actions, including an amendment of our Memorandum of Association or Articles of Association or an increase or reduction in our authorized capital. Directors of a Guernsey corporation, without shareholder approval, in certain instances may, among other things, implement a reorganization and effect certain mergers or consolidations, certain sales, transfers, exchanges or dispositions of assets, property, parts of the business or securities of the corporation; or any combination thereof, if they determine any such action is in the best interests of the corporation, its creditors or its shareholders.

As in most United States jurisdictions, the board of directors of a Guernsey corporation is charged with the management of the affairs of the corporation. In most United States jurisdictions, directors owe a fiduciary duty to the corporation and its shareholders, including a duty of care, pursuant to

which directors must properly apprise themselves of all reasonably available information, and a duty of loyalty, pursuant to which they must protect the interests of the corporation and refrain from conduct that injures the corporation or its shareholders or that deprives the corporation or its shareholders of any profit or advantage. Under Guernsey law, directors have comparable fiduciary duties. Many United States jurisdictions have enacted various statutory provisions that permit the monetary liability of directors to be eliminated or limited. Guernsey has not adopted provisions eliminating or limiting the liabilities of directors, although Guernsey law protecting the interests of shareholders may not be as protective in all circumstances as the law protecting shareholders in United States jurisdictions. Under our Articles of Association, we are obligated to indemnify any person who is made or threatened to be made a party to a legal or administrative proceeding by virtue of being a director, officer or agent of Amdocs, provided that

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we have no obligation to indemnify any such persons for any claims they incur or sustain by or through their own willful act or default.

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes the anticipated material United States federal income tax consequences of the purchase, ownership and disposition of the notes and ordinary shares into which the notes may be converted, as of the date hereof. The information provided below is based on the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions all as in effect as of the date hereof, all of which may be repealed, revoked or modified with possible retroactive effect. The summary applies only to holders that purchase notes in the initial offering at their issue price and hold the notes and ordinary shares into which the notes may be converted as capital assets for tax purposes. The summary does not address tax considerations that may be relevant to particular investors because of their specific circumstances, or because they are subject to special rules. For example, this summary does not address tax considerations applicable to investors to whom special tax rules may apply, such as:

- banks or other financial institutions;
- entities treated as partnerships or other flow-through entities for United States federal income tax purposes;
- U.S. Holders (as defined below) whose functional currency is other than the United States dollar;
- tax-exempt entities;
- insurance companies;
- regulated investment companies;
- dealers in securities or currencies; or
- persons that will hold notes or the ordinary shares into which the notes may be converted as a hedge against currency risk or as part of a straddle, synthetic security, conversion transaction or other integrated investment comprised of the notes or the ordinary shares into which the notes may be converted (as the

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case may be) and one or more other investments.

Finally, the summary does not describe the effect of the federal gift or estate tax laws or the effect of any applicable foreign, state or local laws. This discussion is for general information only and is not intended as legal or tax advice to any particular investor. This summary does not provide a complete analysis or listing of all potential tax considerations. Prospective holders should consult their tax advisors as to the particular tax consequences to them of purchasing, holding or disposing of the notes and the ordinary shares into which the notes may be converted.

For purposes of this discussion, the term "U.S. Holder" means a beneficial owner of a note or our ordinary shares acquired upon conversion of a note that is, for United States federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or other entity subject to tax as a corporation for United States federal income tax purposes that is created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of source, or (iv) a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have authority to control all of its substantial decisions. A "Non-U.S. Holder" is any beneficial owner of a note or our ordinary shares acquired upon conversion of a note that is not a U.S. Holder. If a partnership or other flow-through entity is a beneficial owner of a note or ordinary shares, the tax treatment of the partner will depend upon the status of the partner or other owner and the activities of the partnership or other entity.

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TAX CONSEQUENCES TO U.S. HOLDERS

INTEREST

U.S. Holders will be required to recognize as ordinary income any interest paid or accrued on the notes at the time that such payments are accrued or received, in accordance with their regular method of accounting. In general, if the terms of a debt instrument entitle a holder to receive payments, other than fixed periodic interest and certain de minimis payments, that exceed the issue price of the instrument, the holder may be required to recognize the additional amounts as "original issue discount" over the term of the instrument. We believe that the notes will not be issued with original issue discount for U.S. federal income tax purposes.

We may make payments of liquidated damages or certain other contingent payments to holders of the notes:

- if we do not file, or cause to be declared effective, or keep effective, a registration statement, or if the prospectus included in such registration statement is unavailable for specified periods, as described under "Description of Notes -- Registration Rights";
- if Guernsey imposes an obligation to withhold or deduct certain amounts from the payments in respect of the notes, as described under "Description of Notes -- Additional Tax Amounts"; and
- if we choose to pay the repurchase price of the notes in ordinary shares or a combination of cash and ordinary shares, as described under "Description of Notes--Repurchase at Option of the Holder".

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We believe that there is only a remote possibility that we will make any of these payments, and therefore we do not intend to treat the notes as subject to the special rules governing certain "contingent payment" debt instruments (which, if applicable, would affect the timing, amount and character of income with respect to a note). Our determination in this regard, while not binding on the U.S. Internal Revenue Service, or the IRS, is binding on holders unless they disclose their contrary position to the IRS. If, contrary to expectations, we make any of the payments described above, U.S. Holders may be required to recognize additional interest income.

CONVERSION OF NOTES INTO ORDINARY SHARES

A U.S. Holder will not recognize gain or loss upon conversion of the notes solely into our ordinary shares, except with respect to cash received in lieu of a fractional share. The U.S. Holder's basis in the ordinary shares received on conversion will be the same as the U.S. Holder's adjusted tax basis in the notes at the time of conversion (reduced by any basis allocable to any fractional share interest). The holding period for the ordinary shares received on conversion will generally include the holding period of the notes that were converted.

Cash received in lieu of a fractional share upon conversion will generally be treated as a payment in exchange for such fractional share. Accordingly, the receipt of cash in lieu of a fractional share will generally result in capital gain or loss (measured by the difference between the cash received for the fractional share and the holder's adjusted tax basis in the fractional share).

ADJUSTMENT TO CONVERSION RATE

The conversion rate of the notes will be adjusted if we distribute cash with respect to shares of our ordinary shares and in certain other circumstances. See "Description of Notes - Conversion of Notes." Under section 305(c) of the Code and the applicable Treasury regulations, an increase in the conversion rate as a result of a taxable distribution to our ordinary shareholders will generally result in a deemed distribution to you. Other adjustments in the conversion rate (or failures to make such adjustments) that have the effect of increasing your proportionate interest in our assets or earnings may have the same result. Any deemed distribution to you will be subject to tax as a dividend to the extent of

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our current or accumulated earnings and profits. In such a case, U.S. Holders will recognize dividend income as a result of an event pursuant to which they receive no cash or other property that could be used to pay the related tax. See "--Dividends" below. Such deemed dividend income may not qualify for preferential U.S. income tax rates generally afforded to dividend income under recently enacted legislation. Holders of notes are advised to consult with their tax advisors with respect to the potential tax consequences of such constructive distributions.

SALE, EXCHANGE, REDEMPTION OR OTHER TAXABLE DISPOSITION OF NOTES

A U.S. Holder will generally recognize capital gain or loss upon the sale, exchange, redemption or other taxable disposition of the notes in an amount equal to the difference between (i) the amount of cash proceeds and the fair market value of any property received (except to the extent such amount is attributable to accrued interest income not previously included in income, which is subject to tax as ordinary income) and (ii) such U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note will generally

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equal the cost of the note to such holder. Such capital gain or loss will be long-term capital gain or loss if the notes were held for more than one year. The deductibility of capital losses is subject to certain limitations. If we repurchase the notes in exchange for our ordinary shares in certain circumstances at the option of the holder, such a repurchase generally will be treated in the same manner as a conversion to the extent of the portion of the notes exchanged for our ordinary shares. See "--Conversion of Notes into Ordinary Shares."

DIVIDENDS

Dividends paid on our ordinary shares will generally be includable in the income of a U.S. Holder as ordinary income to the extent of our current or accumulated earnings and profits, with any excess treated first as a return of capital to the extent of the U.S. Holder's basis in the ordinary shares, which will not be subject to tax, and thereafter as capital gain. Pursuant to recently enacted legislation, dividends on our ordinary shares paid to certain U.S. Holders (including individuals) may qualify for preferential U.S. federal income tax rates (a maximum rate of 15%) if we constitute a "qualified foreign corporation" and certain other conditions are satisfied. We believe that we constitute a "qualified foreign corporation."

SALE, EXCHANGE OR OTHER TAXABLE DISPOSITION OF ORDINARY SHARES

Upon the sale, exchange, or other taxable disposition of our ordinary shares, a U.S. Holder will generally recognize capital gain or loss equal to the difference between (i) the amount of cash and the fair market value of any property received upon the sale or exchange and (ii) such holder's adjusted tax basis in the ordinary shares. Such capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period of the ordinary shares is more than one year at the time of the sale or exchange. The deductibility of capital losses is subject to certain limitations.

PASSIVE FOREIGN INVESTMENT COMPANY CONSIDERATIONS

If, during any taxable year, 75% or more of our gross income consists of certain types of passive income, or the average value during a taxable year of passive assets (generally assets that generate passive income) is 50% more of the average value of all of our assets, we will be treated as a "passive foreign investment company" under U.S. federal income tax law for such year and succeeding years. If we are treated as a passive foreign investment company, a U.S. Holder may be subject to increased tax liability upon the sale of our ordinary shares or upon the receipt of certain distributions, unless such U.S. Holder makes an election to mark our ordinary shares to market annually.

Based on an analysis of our financial position, we believe that we have not been a passive foreign investment company for U.S. federal income tax purposes for any preceding taxable year and expect that we will not become a passive foreign investment company during the current taxable year. However, because the tests for determining passive foreign investment company status are applied as of the end of each taxable year and are dependent upon a number of factors, some of which are beyond our control, including the value of our assets, based on the market price of our ordinary shares, and the amount and

type of our gross income, we cannot assure you that we will not become a passive foreign investment company in the future or that the IRS will agree with our conclusion regarding our current passive foreign investment company status. We intend to use reasonable efforts to avoid becoming a passive foreign investment company.

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Rules relating to a passive foreign investment company are very complex. U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax considerations discussed above and the applicability of passive foreign investment company rules to their investments in our ordinary shares.

SPECIAL TAX RULES APPLICABLE TO NON-U.S. HOLDERS

Payments (or deemed payments attributable to adjustments in the conversion rate) on the notes or the ordinary shares to a Non-U.S. Holder, or gain realized on the sale, exchange or redemption of the notes or the ordinary shares by a Non-U.S. Holder, will not be subject to U.S. federal income or withholding tax, as the case may be, unless such income is effectively connected with a trade or business conducted by such Non-U.S. Holder in the United States, or, in the case of gain, such Non-U.S. Holder is a nonresident alien individual who holds the notes or ordinary shares, as the case may be, as a capital asset and who is present in the United States more than 182 days in the taxable year of the sale and certain other conditions are met.

U.S. trade or business income of a Non-U.S. Holder will generally be subject to regular United States federal income tax in the same manner as if it were realized by a U.S. Holder. Non-U.S. Holders that realize U.S. trade or business income with respect to the notes or ordinary shares should consult their tax advisors as to the treatment of such income or gain.

BACKUP WITHHOLDING AND INFORMATION REPORTING

U.S. HOLDERS

Payments of interest or dividends made by us on, or the proceeds of the sale or other disposition of, the notes or ordinary shares may be subject to information reporting and United States federal backup withholding tax at the rate of 28% if the U.S. Holder who receives such payments fails to supply an accurate taxpayer identification number or otherwise fails to comply with applicable United States information reporting or certification requirements. Any amount withheld from a payment to a U.S. Holder under the backup withholding rules is allowable as a credit against the holder's United States federal income tax, provided that the required information is furnished to the IRS.

NON-U.S. HOLDERS.

A Non-U.S. Holder may be required to comply with certification procedures to establish that the holder is not a U.S. person in order to avoid backup withholding tax and information reporting requirements.

THE PRECEDING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS TAX ADVISOR AS TO THE PARTICULAR U.S. FEDERAL, STATE, AND LOCAL TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES AND OUR ORDINARY SHARES. TAX ADVISORS SHOULD ALSO BE CONSULTED AS TO THE U.S. ESTATE AND GIFT TAX CONSEQUENCES AND THE FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES AND OUR ORDINARY SHARES, AS WELL AS THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

CERTAIN GUERNSEY TAX CONSIDERATIONS

Under the laws of Guernsey, as currently in effect, a holder of the

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notes (and, upon conversion, a holder of ordinary shares) who is not a resident of Guernsey and who does not carry on business in Guernsey through a permanent establishment situated there, would be exempt from Guernsey income tax on interest and dividends paid with respect to such notes and such ordinary shares, respectively, and would not be liable for Guernsey income tax on gains realized upon the sale or other disposition of such notes and such ordinary shares. In addition, Guernsey would not impose a withholding tax on interest and dividends paid by us to the holders of such notes and such ordinary shares.

There are no capital gains, gift or inheritance taxes levied by Guernsey, and the notes and ordinary shares generally would not be subject to any transfer taxes, stamp duties or similar charges on issuance or transfer.

EUROPEAN UNION SAVINGS TAX DIRECTIVE

The European Union adopted a directive regarding taxation of savings income on June 3, 2003. It is proposed that, subject to a number of important conditions being met, each EU member state will, from January 1, 2005, be required to provide to the tax authorities of another EU member state details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other EU member state; however, Austria, Belgium and Luxembourg will instead apply a withholding tax system for a transitional period in relation to such payments.

Although Guernsey is not subject to the EU savings tax directive, the Advisory and Finance Committee of Guernsey has announced that, in keeping with Guernsey's policy of constructive international engagement, Guernsey proposes to introduce a withholding tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU member state by an issuer or paying agent situated in Guernsey. The withholding tax system would apply for a transitional period prior to the implementation of a system of automatic exchange of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU member state will be entitled to request an issuer or paying agent situated in Guernsey not to withhold tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU member state in which the beneficial owner is resident.

As indicated above under "Description of Notes--Additional Tax Amounts," we will not make any additional payments to holders to compensate them for any tax that is required to be withheld as a result of these proposals.

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SELLING SECURITYHOLDERS

We originally issued the notes on March 5, 2004 to Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, whom we refer to as the initial purchasers of the notes. The initial purchasers advised us that the notes were resold by them in transactions exempt from the registration requirements of the Securities Act to persons reasonably believed by the initial purchasers to be "qualified institutional buyers," as defined in Rule 144A of the Securities Act. These subsequent purchasers, listed below as selling securityholders, or their transferees, pledgees or donees or their successors, may from time to time offer and sell any or all the notes and ordinary shares issuable upon conversion of the notes pursuant to this prospectus.

The selling securityholders have represented to us that they purchased the notes and the ordinary shares issuable upon conversion of the notes for their own account for investment only and not with a view toward selling or

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distributing them, except through sales registered under the Securities Act or exemptions therefrom. We agreed with the initial purchasers to file this registration statement to register the resale of the notes and the sale of the ordinary shares issuable upon conversion of the notes. We agreed to prepare and file all necessary amendments and supplements to the registration statement to keep it effective until the date on which the notes and the ordinary shares issuable upon conversion of the notes no longer qualify as "registrable securities" under our registration rights agreement.

The following table sets forth, to our knowledge, certain information regarding the selling securityholders based upon information provided by or on behalf of the selling securityholders in a questionnaire and is as of the date specified by the securityholders in those questionnaires. The percentages set forth below are based on 201,334,057 of our ordinary shares outstanding as of September 30, 2004.

The selling securityholders may offer all, some or none of the notes or ordinary shares issuable upon conversion of the notes. Thus, we cannot estimate the amount of the notes or the ordinary shares issuable upon conversion of the notes that will be held by the selling securityholders upon termination of any sales. The column showing ownership after completion of the offering assumes that the selling securityholders will sell all of the securities offered by this prospectus. In addition, the selling securityholders identified below may have sold, transferred or otherwise disposed of all or a portion of their notes since the date on which they provided the information about their notes in transactions exempt from the registration requirements of the Securities Act.

The information contained under the column "Ordinary Shares Beneficially Owned Upon Conversion of the Notes" represents ordinary shares issuable upon conversion of the principal amount of notes listed and assumes conversion of the full amount of the notes at the initial conversion rate of 23.1911 shares per each \$1,000 principal of the notes. However, the maximum conversion rate is subject to adjustment as described under "Description of Notes - Conversion of Notes - Conversion Rate Adjustments." As a result, the amount of ordinary shares issuable upon conversion of the notes may increase or decrease in the future.

Except as indicated below, none of the selling securityholders has had any material relationship with us or our affiliates within the past three years. This table assumes that other holders of notes or any future transferees from any such holder do not beneficially own any ordinary shares other than ordinary shares issuable upon conversion of the notes.

NAME OF SELLING SECURITYHOLDER	PRINCIPAL AMOUNT OF NOTES BENEFICIALLY OWNED THAT MAY BE SOLD (\$)	ORDINARY SHARES BENEFICIALLY OWNED UPON CONVERSION OF THE NOTES	
		NUMBER	PERCENTAGE
Acuity Master Fund, Ltd. ACUITY Capital Management LLC	1,440,000	33,395	*

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4 Greenwich Office Park, 3rd Floor
Greenwich, CT 06831 USA

Allstate Insurance Company (1)..... Allstate Investments, LLC 3075 Sanders Road Suite G6B Northbrook, IL 60062-7127	3,250,000	75,371	*
Allstate Life Insurance Company..... Allstate Investments, LLC 3075 Sanders Road Suite G6B Northbrook, IL 60062-7127	3,000,000	69,573	*
AM International E MAC 63 Ltd. 350 Park Avenue, 4th Floor New York, NY 10022	630,000	14,610	*
AM Master Fund I, LP. 350 Park Avenue, 4th Floor New York, NY 10022	8,470,000	196,428	*
American Investors Life Insurance Co. Inflective Asset Management, LLC 1334 Parkview Avenue Suite 310 Manhattan Beach, CA 90266	700,000	16,233	*
AmerUs Life Insurance Company..... Inflective Asset Management, LLC 1334 Parkview Avenue Suite 310 Manhattan Beach, CA 90266	4,200,000	97,402	*
The Animi Master Fund, Ltd. Archeus Capital Management, LLC 360 Madison Avenue, 10th Floor New York, NY 10017	14,000,000	324,675	*
Arbitex Master Fund L.P. (1)..... Arbitex Asset Management L.P. 1601 Elm Street, Suite 4000 Dallas, TX 75201	9,000,000	208,719	*
Argent Classic Convertible Arbitrage Fund (Bermuda) Ltd. Argent Financial Group (Bermuda) Ltd. 73 Front Street Hamilton HM12 Bermuda	6,955,000	161,294	*
Argent Classic Convertible Arbitrage Fund II, L.P..... Argent 55 Vilcom Circle Suite 200 Chapel Hill, NC 27514	255,000	5,913	*
Argent Classic Convertible Arbitrage Fund L.P..... Argent 55 Vilcom Circle Suite 200	1,150,000	26,669	*

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Chapel Hill, NC 27514

Argent LowLev Convertible Arbitrage Fund LLC.....	1,770,000	41,048	*
Argent 55 Vilcom Circle Suite 200 Chapel Hill, NC 27514			
Argent LowLev Convertible Arbitrage Fund II, LLC.....	280,000	6,493	*
Argent 55 Vilcom Circle Suite 200 Chapel Hill, NC 27514			
Argent LowLev Convertible Arbitrage Fund Ltd.	10,280,000	238,404	*
Argent Financial Group (Bermuda) Ltd. PO Box 3013 Hamilton, HMMX Bermuda			
Aviva Life Insurance Co.....	250,000	5,797	*
Aviva Life Insurance Co Morley Fund Management No. 1 Poultry London EC2R 8EJ			
Aviva Life Insurance Co.....	2,750,000	63,775	*
Aviva Life Insurance Co Morley Fund Management No. 1 Poultry London EC2R 8EJ			
Bankers Life Insurance Company of New York.....	75,000	1,739	*
Inflective Asset Management, LLC 1334 Parkview Avenue Suite 310 Manhattan Beach, CA 90266			
Bear, Stearns & Co. Inc.(1).....	6,250,000	144,944	*
Bear, Stearns & Co. Inc. 383 Madison Avenue 23rd Floor, Global Fund New York, NY 10179 USA			
Black Diamond Convertible Offshore LDC.....	2,300,000	53,339	*
UBS Fund Services [Cayman] Limited P.O. Box 852 UBS House, 75 Fort Street George Town, Grand Cayman Cayman Islands BWI			
Black Diamond Offshore Ltd.	1,360,000	31,539	*
UBS Fund Services [Cayman] Limited P.O. Box 852 UBS House, 75 Fort Street George Town, Grand Cayman Cayman Islands BWI			
Citadel Credit Trading Ltd. (1).....	11,775,000	273,075	*
Citadel Investment Group, L.L.C. 131 South Dearborn Chicago, IL 60603 USA			

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Citadel Equity Fund Ltd. (1).....	66,725,000	1,547,426	*
Citadel Investment Group, L.L.C. 131 South Dearborn Chicago, IL 60603 USA			
Citigroup Global Markets Inc. (2).....	4,400,000	102,040	*
Citigroup Global Markets Inc. 390 Greenwich Street, 3rd Floor Convertible Trading New York, NY 10013			
Class C Trading Company, Ltd.	700,000	16,233	*
Argent 55 Vilcom Circle Suite 200 Chapel Hill, NC 27514			
Commissioners of the Land Office.....	1,000,000	23,191	*
Lord, Abbett & Co. LLC 90 Hudson Street Jersey City, NJ 07302			
Context Convertible Arbitrage Fund, LP.....	1,350,000	31,307	*
Context Capital Management, LLC 12626 High Bluff Drive, #440 San Diego, CA 92130			
Context Convertible Arbitrage Offshore Fund, LTD.	3,800,000	88,126	*
Context Capital Management, LLC 12626 High Bluff Drive, #440 San Diego, CA 92130			
Custom Investments PCC, Ltd.	220,000	5,102	*
Argent 55 Vilcom Circle Suite 200 Chapel Hill, NC 27514			
Deephaven Domestic Convertible Trading Ltd (1).....	22,622,000	524,629	*
Deephaven Domestic Convertible Trading Ltd. 130 Chesire Lane Suite 102 Minnetonka, MN 55305			
Deutsche Bank Securities Inc. (2).....	200,000	4,638	*
1251 Avenue of the Americas 26th Floor, Mail Stop NYCO7-2638 New York, NY 10020			
Diaco Investments LP.....	360,000	8,348	*
Diaco Invesments 1271 Avenue of the Americas New York, NY 10020			
Double Black Diamond Offshore LDC.....	7,319,000	169,735	*
UBS Fund Services [Cayman] Limited P.O. Box 852 UBS House, 75 Fort Street George Town, Grand Cayman Cayman Islands BWI			
Georgia Firefighters Pension Fund.....	450,000	10,435	*

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Lord, Abbett & Co. LLC 90 Hudson Street Jersey City, NJ 07302		
GLG Market Neutral Fund.....1,000,000 GLG Partners LP One Curzon Street London W1J5HB United Kingdom	23,191	*
Guggenheim Portfolio Co. XV, LLC.....1,360,000 Ramius Capital Group, LLC 666 Third Avenue, 26th Floor New York, NY 10017	31,539	*
HFR CA Global Select Master Trust Account..... 440,000 Argent 55 Vilcom Circle Suite 200 Chapel Hill, NC 27514	10,204	*
HSBC Asset Management (Americas) Inc. for the HSBC Multi-Strategy Arbitrage Fund (1).....1,000,000 HSBC Asset Management (Americas) Inc. 452 5th Avenue, 18th Floor New York, NY 10018	23,191	*
Huntrise Capital Leveraged Partners, LLC..... 31,000 Inflective Asset Management, LLC 1334 Parkview Avenue Suite 310 Manhattan Beach, CA 90266	718	*
Indianapolis Life Insurance Co.21,100,000 Inflective Asset Management, LLC 1334 Parkview Avenue Suite 310 Manhattan Beach, CA 90266	489,332	*
Inflective Convertible Opportunity Fund I, L.P. 725,000 Inflective Asset Management, LLC 1334 Parkview Avenue Suite 310 Manhattan Beach, CA 90266	16,813	*
Inflective Convertible Opportunity Fund I, LTD..... 35,000 Inflective Asset Management, LLC 1334 Parkview Avenue Suite 310 Manhattan Beach, CA 90266	811	*
Injured Workers Insurance Fund.....1,450,000 Lord, Abbett & Co. LLC 90 Hudson Street Jersey City, NJ 07302	33,627	*
Intl. Truck & Engine Corp. Non Contributory Retirement Plan Trust.....1,000,000 Lord, Abbett & Co. LLC 90 Hudson Street Jersey City, NJ 07302	23,191	*
Intl. Truck & Engine Corp. Retirement Plan for		

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Salaried Employee's Trust.....	1,700,000	39,424	*
Lord, Abbett & Co. LLC 90 Hudson Street Jersey City, NJ 07302			
Jefferies Umbrella Fund US Convertible Bonds.....	150,000	3,478	*
Jefferies Asset Management LTD. Uraniastrasse 12 CH-8023 Zurich, Switzerland			
JP Morgan Securities Inc. (2).....	2,500,000	57,977	*
500 Stanton Christiana Road Newark, DE 19713			
KBC Financial Products USA Inc. (2).....	4,200,000	97,402	*
KBC Financial Products 140 East 45th Street 2 Grand Central Tower, 42nd Floor New York, NY 10017-3144			
KeySpan Foundation.....	75,000	1,739	*
Lord, Abbett & Co. LLC 90 Hudson Street Jersey City, NJ 07302			
KeySpan Insurance Company.....	100,000	2,319	*
Lord, Abbett & Co. LLC 90 Hudson Street Jersey City, NJ 07302			
Lehman Brothers (2).....	1,050,000	24,350	*
745 Seventh Avenue 16th Floor New York, NY 10019			
Lord Abbett Investment Trust - LA Convertible Fund.....	1,750,000	40,584	*
Lord, Abbett & Co. LLC 90 Hudson Street Jersey City, NJ 07302			
Lydian Global Opportunities Master Fund Limited.....	7,500,000	173,933	*
495 Post Road East Westport, CT 06880			
Lydian Overseas Partners Master Fund LP.....	10,000,000	231,911	*
495 Post Road East Westport, CT 06880			
Lyxor/AM Investment Fund LTD.....	1,870,000	43,367	*
350 Park Avenue, 4th Floor New York, NY 10022			
Lyxor/Context Fund LTD (1).....	650,000	15,074	*
Context Capital Management, LLC 12626 High Bluff Drive, #440 San Diego, CA 92130			
Lyxor/Inflective Convertible Opportunity Fund LTD.....	325,000	7,537	*
Inflective Asset Management, LLC 1334 Parkview Avenue			

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Suite 310
Manhattan Beach, CA 90266

Lyxor Master Fund Ref: Argent/LowLev CB c/o			
Argent.....	1,750,000	40,584	*
Argent			
55 Vilcom Circle			
Suite 200			
Chapel Hill, NC 27514			
National Bank of Canada (1).....	550,000	12,755	*
Context Capital Management, LLC			
12626 High Bluff Drive, #440			
San Diego, CA 92130			
National Benefit Life Insurance Company (1).....	112,000	2,597	*
Citigroup Insurance Company			
242 Trumbull Street			
PO Box 150449			
Hartford, CT 06115-0449			
Nomura Securities Int'l Inc (2).....	15,000,000	347,866	*
Nomura Securities International Inc.			
2 World Financial Center, 18th Floor			
New York, NY 10281 USA			
Partners Group Alternative Strategies PCC LTD.....	800,000	18,552	*
Argent			
55 Vilcom Circle			
Suite 200			
Chapel Hill, NC 27514			
Primerica Life Insurance Company (1).....	1,031,000	23,910	*
Citigroup Insurance Company			
242 Trumbull Street			
PO Box 150449			
Hartford, CT 06115-0449			
R2 Investments, LDC (1).....	660,000	15,306	*
c/o Amalgamated Gadget, L.P. as Investment			
Manager			
301 Commerce, Suite 2975			
Ft. Worth, TX 76102			
Radian Asset Assurance, Inc.	2,625,000	60,876	*
Lord, Abbett & Co. LLC			
90 Hudson Street			
Jersey City, NJ 07302			
Radian Group Convertible Securities.....	1,300,000	30,148	*
Lord, Abbett & Co. LLC			
90 Hudson Street			
Jersey City, NJ 07302			
Radian Guaranty.....	5,950,000	137,987	*
Lord, Abbett & Co. LLC			
90 Hudson Street			
Jersey City, NJ 07302			
Ramius Capital Group (1).....	425,000	9,856	*
Ramius Capital Group, LLC			
666 Third Avenue, 26th Floor			

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New York, NY 10017

Ramius Master Fund, LTD (1).....	6,715,000	155,728	*
Ramius Capital Group, LLC 666 Third Avenue, 26th Floor New York, NY 10017			
RCG Halifax Master Fund, LTD (1).....	425,000	9,856	*
Ramius Capital Group, LLC 666 Third Avenue, 26th Floor New York, NY 10017			
RCG Latitude Master Fund, LTD (1).....	6,885,000	159,670	*
Ramius Capital Group, LLC 666 Third Avenue, 26th Floor New York, NY 10017			
RCG Multi Strategy Master Fund, LTD (1).....	850,000	19,712	*
Ramius Capital Group, LLC 666 Third Avenue, 26th Floor New York, NY 10017			
Royal Bank of Canada (Norshield) (1).....	475,000	11,015	*
Context Capital Management, LLC 12626 High Bluff Drive, #440 San Diego, CA 92130			
Silver Convertible Arbitrage Fund, LDC.....	700,000	16,233	*
Argent 55 Vilcom Circle Suite 200 Chapel Hill, NC 27514			
Sphinx Convertible Arbitrage Fund SPC.....	588,000	13,636	*
Deephaven Domestic Convertible Trading Ltd. 130 Chesire Lane Suite 102 Minnetonka, MN 55305			
State of Florida Division of Treasury.....	1,300,000	30,148	*
Frolely Revy Investment Co. Inc. 10900 Wilshire Blvd. Ste. 900 Los Angeles, CA 90024			
Teachers Insurance and Annuity Association of America.....	23,300,000	540,352	*
TIAA-CREF 730 Third Avenue New York, NY 10017 USA			
Thomas Weisel Partners (2).....	3,500,000	81,168	*
Thomas Weisel Partners 1 Montgomery Street, 37th Floor San Francisco, CA 94104			
Thrivent Financial For Lutherans (1).....	1,000,000	23,191	*
Thrivent Financial for Lutherans 625 Fourth Avenue South Minneapolis, MN 55415 USA			
Total Fina Elf Finance USA, Inc.	300,000	6,957	*
Lord, Abbett & Co. LLC			

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90 Hudson Street
Jersey City, NJ 07302

Travelers Insurance Company - Life (1).....	2,604,000	60,389	*
Citigroup Insurance Company 242 Trumbull Street PO Box 150449 Hartford, CT 06115-0449			
Travelers Insurance Company Separate Account TLAC (1).....	88,000	2,040	*
Citigroup Insurance Company 242 Trumbull Street PO Box 150449 Hartford, CT 06115-0449			
Travelers Life and Annuity Company (1).....	154,000	3,571	*
Citigroup Insurance Company 242 Trumbull Street PO Box 150449 Hartford, CT 06115-0449			
Travelers Series Trust Convertible Bond Portfolio.....	1,500,000	34,786	*
Citigroup Insurance Company 242 Trumbull Street PO Box 150449 Hartford, CT 06115-0449			
University of Arkansas.....	450,000	10,435	*
Lord, Abbett & Co. LLC 90 Hudson Street Jersey City, NJ 07302			
University of Arkansas Foundation.....	450,000	10,435	*
Lord, Abbett & Co. LLC 90 Hudson Street Jersey City, NJ 07302			
Univest Convertible Arbitrage Fund II LTD (Norshield).....	175,000	4,058	*
Context Capital Management, LLC 12626 High Bluff Drive, #440 San Diego, CA 92130			
Vermont Mutual Insurance Company.....	175,000	4,058	*
Lord, Abbett & Co. LLC 90 Hudson Street Jersey City, NJ 07302			
White River Securities L.L.C. (2).....	6,250,000	144,944	*
Bear, Stearns & Co. Inc. 383 Madison Avenue 23rd Floor, Global Fund New York, NY 10179 USA			
Worldwide Transactions Ltd.....	221,000	5,125	*
Worldwide Transactions Ltd. Washington Mall-Phase I Church Street, 3rd Floor Hamilton HM 11 Bermuda			
Xavex Convertible Arbitrage 5 Fund.....	340,000	7,884	*

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Ramius Capital Group, LLC
 666 Third Avenue, 26th Floor
 New York, NY 10017

Xavex Convertible Arbitrage 10 Fund.....	640,000	14,842	*
Argent 55 Vilcom Circle Suite 200 Chapel Hill, NC 27514			
Xavex Convertible Arbitrage 2 Fund.....	400,000	9,276	*
Argent 55 Vilcom Circle Suite 200 Chapel Hill, NC 27514			
Any other holder of notes or future transferee, pledgee, donee or successor of any holder (3).....	101,015,190	2,342,692	*

 * Less than one percent.

- (1) The selling securityholder is an affiliate of a registered broker-dealer and has informed us that it acquired the notes in the ordinary course of business, and at the time of the acquisition of the notes had no agreements, understandings or arrangements with any other persons, either directly or indirectly, to distribute the notes.
- (2) The selling securityholder is a registered broker-dealer and an "underwriter" within the meaning of the Securities Act.
- (3) Information about other selling securityholders will be set forth in an amendment to the registration statement of which this prospectus is a part and information about future transferees, pledgees, donees or successors of any holder named as a selling securityholder in this prospectus will be set forth in prospectus amendments or supplements, as required.

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NAME OF SELLING SECURITYHOLDER	NATURAL PERSON OR PERSONS WITH VOTING RIGHTS
Acuity Master Fund, Ltd.	Howard Needle and David J. Harris
Allstate Insurance Company.....	(1)
Allstate Life Insurance Company.....	(1)
AM Master Fund I, LP.	Adam Stern and Mark Friedman
AM International E MAC 63 Ltd.	Adam Stern and Mark Friedman
American Investors Life Insurance Co.	Thomas J. Ray
AmerUs Life Insurance Company.....	Thomas J. Ray
The Animi Master Fund, Ltd.	(2)
Arbitex Master Fund L.P.	Clark Hunt, Jonathan Bren and Ken T
Argent Classic Convertible Arbitrage Fund (Bermuda) Ltd.	Nathanial Brown and Robert Richards
Argent Classic Convertible Arbitrage Fund II, L.P.....	Nathanial Brown and Robert Richards
Argent Classic Convertible Arbitrage Fund L.P.....	Nathanial Brown and Robert Richards
Argent LowLev Convertible Arbitrage Fund LLC.	Nathanial Brown and Robert Richards
Argent LowLev Convertible Arbitrage Fund II, LLC.	Nathanial Brown and Robert Richards
Argent LowLev Convertible Arbitrage Fund Ltd.	Nathanial Brown and Robert Richards
Aviva Life Insurance Co.	David Clott
Aviva Life Insurance Co.	David Clott
Bankers Life Insurance Company of New York.....	Thomas J. Ray
Bear, Stearns & Co. Inc.	Yan Erlikh & David Liebowitz
Black Diamond Convertible Offshore LDC.....	Clint D. Carlson
Black Diamond Offshore Ltd.	Clint D. Carlson
Citadel Credit Trading Ltd.	(4)
Citadel Equity Fund Ltd.	(4)
Citigroup Global Markets Inc.	(5)
Class C Trading Company, Ltd.	Nathanial Brown and Robert Richards
Commissioners of the Land Office.....	Maren Lindstrom
Context Convertible Arbitrage Fund, LP.	Michael Rosen and William Fertig
Context Convertible Arbitrage Offshore Fund, LTD.	Michael Rosen and William Fertig

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Custom Investments PCC, Ltd.Nathanial Brown and Robert Richards

Deephaven Domestic Convertible Trading Ltd.Colin Smith

Deutsche Bank Securities Inc.(6)

Diaco Investments LP.Simon Glick

Double Black Diamond Offshore LDC.Clint D. Carlson

Georgia Firefighters Pension Fund.....Maren Lindstrom

GLG Market Neutral Fund.....(7)

Guggenheim Portfolio Co. XV, LLC.Alex Adair

HFR CA Global Select Master Trust Account.Nathanial Brown and Robert Richards

HSBC Asset Management (Americas) Inc. for the HSBC
Multi-Strategy Arbitrage Fund.....Warren Stein and John Moore Stanley

Hunrise Capital Leveraged Partners, LLC.Thomas J. Ray

Indianapolis Life Insurance Co.Thomas J. Ray

Inflective Convertible Opportunity Fund I, L.P.Thomas J. Ray

Inflective Convertible Opportunity Fund I, LTD.Thomas J. Ray

Injured Workers Insurance Fund.....Maren Lindstrom

Intl. Truck & Engine Corp. Non Contributory Retirement
Plan Trust.....Maren Lindstrom

Intl. Truck & Engine Corp. Retirement Plan for Salaried
Employee's Trust.....Maren Lindstrom

Jefferies Umbrella Fund US Convertible Bonds.....Andre Sager and Evelyne Kaser

JP Morgan Securities Inc.Craig Petherick

KBC Financial Products USA Inc.(8)

KeySpan Foundation.....Maren Lindstrom

KeySpan Insurance Company.....Maren Lindstrom

Lehman Brothers.....Kevin Lowe

Lord Abbett Investment Trust - LA Convertible Fund.....Maren Lindstrom

Lydian Overseas Partners Master Fund.....(9)

Lydian Global Opportunities Master Fund Limited.....(9)

Lyxor/AM Investment Fund LTD.(3)

Lyxor/Context Fund LTD.Michael Rosen and William Fertig

Lyxor/Inflective Convertible Opportunity Fund LTD.Thomas J. Ray

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Lyxor Master Fund Ref: Argent/LowLev CB c/o Argent.....Nathanial Brown and Robert Richards
National Bank of Canada.....Michael Rosen and William Fertig
National Benefit Life Insurance Company.....David A. Tyson and Robert Simmons
Nomura Securities Int'l Inc.Simon Pharr
Partners Group Alternative Strategies PCC LTD.Nathanial Brown and Robert Richards
Primerica Life Insurance Company.....David A. Tyson and Robert Simmons
R2 Investments, LDC.(10)
Radian Asset Assurance, Inc.Maren Lindstrom
Radian Group Convertible Securities.....Maren Lindstrom
Radian Guaranty.....Maren Lindstrom
Ramius Capital Group.....Alex Adair
Ramius Master Fund, LTD.Alex Adair
RCG Halifax Master Fund, LTD.Alex Adair
RCG Latitude Master Fund, LTD.Alex Adair
RCG Multi Strategy Master Fund, LTD.Alex Adair
Royal Bank of Canada (Norshield).....Michael Rosen and William Fertig
Silver Convertible Arbitrage Fund, LDC.Nathanial Brown and Robert Richards
Sphinx Convertible Arbitrage Fund SPC.Colin Smith
State of Florida Division of Treasury.....Ann Houlihan
Teachers Insurance and Annuity Association of America.....Elizabeth Black and Edward L. Toy
Thrivent Financial For Lutherans.....(11)
Thomas Weisel Partners.....Tim Heekin
Total Fina Elf Finance USA, Inc.....Maren Lindstrom
Travelers Insurance Company - Life.....David A. Tyson and Robert Simmons
Travelers Insurance Company Separate Account TLAC.....David A. Tyson and Robert Simmons
Travelers Life and Annuity Company.....David A. Tyson and Robert Simmons
Travelers Series Trust Convertible Bond Portfolio.....David A. Tyson and Robert Simmons
University of Arkansas.....Maren Lindstrom
University of Arkansas Foundation.....Maren Lindstrom
Univest Convertible Arbitrage Fund II LTD (Norshield).....Michael Rosen and William Fertig
Vermont Mutual Insurance Company.....Maren Lindstrom

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White River Securities L.L.C.....Yan Erlikh & David Liebowitz
Worldwide Transactions Ltd. (12)
Xavex Convertible Arbitrage 5 Fund.....Alex Adair
Xavex Convertible Arbitrage 10 Fund.....Nathanial Brown and Robert Richards
Xavex Convertible Arbitrage 2 Fund.....Nathanial Brown and Robert Richards

- (1) The securityholder is a wholly owned subsidiary of The Allstate Corporation, a reporting entity with the Securities and Exchange Commission. The Allstate Corporation has voting and investment control over the securities held by the securityholder.
- (2) Archeus Capital Management, LLC is the Investment Manager for The Animi Master Fund, Ltd., the selling securityholder. Peter Hirsch is a Managing Member of Archeus Capital Management, LLC and its Chief Investment Officer on behalf of The Animi Master Fund, Ltd. and, as a result, exercises voting and dispositive power of the securities held by the selling securityholder. Mr. Hirsch disclaims beneficial ownership of the securities held by Animi Master Fund, Ltd.
- (3) AM Investment Partners LLC has the authority to vote over the Company's securities as Investment Managers. The principals of AM Investment Partners LLC are Adam Stern and Mark Friedman and as a result, they exercise voting and investment control over the securities held by the selling securityholder.
- (4) Citadel Limited Partnership ("Citadel") is the trading manager of this securityholder and consequently has investment discretion over the referenced securities held by the securityholder. Citadel disclaims beneficial ownership of the shares beneficially owned by the securityholder. Kenneth C. Griffin indirectly controls Citadel and therefore has ultimate investment discretion over securities held by the securityholder. Mr. Griffin disclaims beneficial ownership of the shares held by the securityholder.
- (5) Citigroup Global Markets Inc. is an indirect wholly owned subsidiary of Citigroup Inc., which is a reporting company under the Exchange Act.
- (6) The securityholder is a reporting entity with the Securities and Exchange Commission.
- (7) GLG Market Neutral Fund is a publicly owned company listed on the Irish Stock Exchange. GLG Partners LP, an English limited partnership, acts as the investment manager of the fund and has voting and dispositive power over the securities held by the fund. The general partner of GLG Partners LP is GLG Partners Limited, an English limited company. The shareholders of GLG Partners Limited are Noam Gottesman, Pierre Lagrange, Jonathan Green, Philippe Jabre and Lehman (Cayman) Limited, a subsidiary of Lehman Brothers, Inc., a publicly held entity, and as a result, each has voting and dispositive power over the securities held by the selling securityholder. GLG Partners LP, GLG Partners Limited, Noam Gottesman, Pierre Lagrange, Jonathan Green, Philippe Jabre and Lehman (Cayman) Limited disclaim beneficial ownership of the securities held by the fund, except for their pecuniary interest therein.

- (8) KBC Financial Products USA Inc. exercises voting and investment control over any ordinary shares issuable upon conversion of the notes owned by this selling securityholder. Luke Edwards, Managing Director, exercises voting and investment control on behalf of KBC Financial Products USA Inc.
- (9) Lydian Asset Management is the investment advisor for the selling securityholder. David Friezo is a principal of Lydian Asset Management and, as a result, exercises voting and dispositive power over the securities held by the selling securityholder.
- (10) Amalgamated Gadget, L.P. has the sole power to vote or direct the vote and to dispose or direct the disposition of the securities pursuant to an Investment Management Agreement with R2 Investments, LDC. Amalgamated Gadget, L.P. is controlled by Scepter Holdings, Inc., its sole general partner, which is in turn controlled by Geoffrey Raynor, the president and sole shareholder of Scepter Holdings, Inc.
- (11) John Pickering, Michael Swendsen, Mark Swanson and Rand Mattsson
- (12) Pursuant to an Investment Management Agreement between Carlson Capital, L.P. and Worldwide Transactions Ltd., Carlson Capital, L.P. exercises voting and investment control over the securities held by the selling securityholder. Clint D. Carlson is the CIO of Carlson Capital, L.P. and therefore exercises voting and investment control over the securities held by the selling securityholder. Mr. Carlson disclaims beneficial ownership of the securities held by the selling securityholder.

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PLAN OF DISTRIBUTION

We will not receive any of the proceeds from the sale of the notes and the ordinary shares issuable upon conversion of the notes offered by this prospectus. The selling securityholders may offer and sell the notes and ordinary shares covered by this prospectus from time to time. The selling securityholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. If the notes and the ordinary shares issuable upon conversion of the notes are sold through underwriters, broker-dealers or agents, the selling securityholders will be responsible for underwriting discounts or commissions or agent's commissions. Such notes and shares may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time or at negotiated prices. Such sales may be effected in one or more transactions, which may involve block transactions:

- on any national securities exchange or quotation service on which the notes and shares may be listed or quoted at the time of sale;
- in the over-the-counter market; or
- in transactions otherwise than on such exchanges or services or in the over-the-counter market.

In addition, the selling securityholders may sell ordinary shares issuable upon conversion of the notes by one or more of, or a combination of, the following methods:

- purchases by a broker-dealer as principal and resale by such

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- broker-dealer for its own account pursuant to this prospectus;
- ordinary brokerage transactions and transactions in which the broker solicits purchasers;
- block trades in which the broker-dealer so engaged will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- in privately negotiated transactions; and
- in options transactions.

In addition, the selling securityholders may sell any shares that qualify for sale under Rule 144 rather than pursuant to this prospectus.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution. In connection with distributions of the notes and the ordinary shares issuable upon conversion of the notes, the selling securityholders may pledge the notes and the ordinary shares issuable upon conversion of the notes to a broker-dealer or other financial institution, and, upon a default, such broker-dealer or other financial institution, may effect sales of the pledged notes and the ordinary shares issuable upon conversion of the notes pursuant to this prospectus, as supplemented or amended to reflect such transaction. The selling securityholders may also loan the notes and the ordinary shares issuable upon conversion of the notes to a broker-dealer that in turn may sell the securities.

In effecting sales, broker-dealers or agents engaged by the selling securityholders may arrange for other broker-dealers to participate. Broker-dealers or agents may receive commissions, discounts or concessions from the selling securityholders in customary or specifically negotiated amounts.

In offering the notes and ordinary shares issuable upon conversion of the notes covered by this prospectus, the selling securityholders and any broker-dealers who execute sales for the selling securityholders may be treated as "underwriters" within the meaning of the Securities Act in connection

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with such sales. Any profits realized by the selling securityholders and the compensation of any broker-dealer may be treated as underwriting discounts and commissions.

Our ordinary shares are listed on the New York Stock Exchange.

In order to comply with the securities laws of some states, if applicable, the selling securityholders may be required to sell their notes and ordinary shares issuable upon conversion of the notes in such jurisdictions only through registered or licensed brokers or dealers. In addition, some states may restrict the selling securityholders from selling notes and ordinary shares issuable upon conversion of the notes unless the securities have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

We have advised the selling securityholders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of notes and ordinary shares issuable upon conversion of the notes in the market and to the activities of the selling securityholders and their affiliates. In addition, we will make copies of this prospectus, as it may be supplemented or amended from time to time, available to the selling securityholders for the purpose of

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satisfying the prospectus delivery requirements of the Securities Act, which may include delivery through the facilities of the New York Stock Exchange pursuant to Rule 153 under the Securities Act with respect to our ordinary shares. The selling securityholders may indemnify any broker-dealer that participates in transactions involving the sale of the notes and ordinary shares issuable upon conversion of the notes against certain liabilities, including liabilities arising under the Securities Act.

At the time a particular offer of notes and ordinary shares issuable upon conversion of the notes is made, if required, we will distribute a prospectus supplement that will set forth the number of notes and ordinary shares issuable upon conversion of the notes being offered and the terms of the offering, including the name of any underwriter, dealer or agent, the purchase price paid by any underwriter, any discount, commission and other item constituting compensation, any discount, commission or concession allowed or reallocated or paid to any dealer, and the proposed selling price to the public. In addition, to the extent required, we may amend or supplement this prospectus from time to time to describe a particular plan of distribution.

In addition, upon receiving notice from a selling securityholder that a donee, pledgee or transferee or other successor-in-interest intends to sell notes or ordinary shares covered by this prospectus, we will file a supplement to this prospectus pursuant to Rule 424(b) under the Securities Act to identify the transferee.

We have agreed to indemnify the selling securityholders against certain liabilities, including certain liabilities under the Securities Act.

We have agreed with the selling securityholders to keep the registration statement of which this prospectus constitutes a part effective until the earlier of (1) the date there are no longer any registrable securities and (2) the date on which all of the securities being offered hereby held by persons that are not our affiliates can be sold under Rule 144(k) under the Securities Act, whichever occurs first.

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LEGAL MATTERS

The validity of the ordinary shares and the notes offered hereby will be passed upon for us by Carey Olsen, Island of Guernsey. Certain legal matters in connection with the offering will be passed upon for us by Wilmer Cutler Pickering Hale and Dorr LLP, New York, New York.

Carey Olson has rendered an opinion as to the validity of the Notes and Wilmer Cutler Pickering Hale and Dorr LLP has rendered an opinion that the Notes are binding obligations of the Company under the laws of the state of New York. The foregoing opinions are exhibits to the registration statement of which this prospectus is included and are subject to the qualifications and assumptions set forth in such opinions.

EXPERTS

The consolidated financial statements and schedule of Amdocs Limited appearing in Amdocs Limited's Annual Report (Form 20-F/A Amendment No. 1) for the year ended September 30, 2003, have been audited by Ernst & Young LLP, independent registered public accountants, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements and schedule are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

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The consolidated financial statements of Certen Inc. incorporated in this prospectus by reference from Amdocs Limited's Annual Report on Form 20-F/A (Amendment No. 1) for the year ended September 30, 2003, have been audited by Deloitte & Touche LLP, an independent registered accounting firm as stated in their report, which is incorporated by reference and has been so incorporated in reliance upon the report of such firm given their authority as experts in accounting and auditing.

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of the Island of Guernsey. Several of our directors and officers are not residents of the United States, and a significant portion of our assets and the assets of those persons are located outside the United States. Where legal proceedings are commenced in the courts of the United States under the civil liability provisions of the U.S. federal securities laws against us, our officers or directors resident in a foreign country, or against any underwriters or experts named in the registration statement, the question of service will be governed by U.S. law for the purposes of the action.

The United States and the United Kingdom are parties to the Hague Convention of November 15, 1965 on the service abroad of judicial and extrajudicial documents in civil and commercial matters (the "Hague Convention") and the United Kingdom has extended the application of the Hague Convention to the Channel Islands, including Guernsey. It is expected that it would be possible for U.S. court documents to be served in Guernsey on us, our officers or directors, or any underwriters or experts named in the registration statement (provided such persons are resident in Guernsey) in the manners permitted under the terms of the Hague Convention.

It is doubtful that the Royal Court of Guernsey would recognize service of Guernsey legal proceedings on us or any officer or director, or any underwriter or expert named in the registration statement, outside of Guernsey unless permission had first been obtained from that court so to do. The Royal Court of Guernsey does recognize service of Guernsey legal proceedings by the Sergeant's office in Guernsey on us at our registered office in Guernsey.

We have been advised by Carey Olsen, our Guernsey counsel, that there is doubt as to the enforceability against our directors and officers in Guernsey, whether in original actions in a Guernsey court or in actions in a Guernsey court for the enforcement of judgments of a U.S. court, of civil liabilities predicated solely upon the laws of the United States, including the federal securities laws.

If non-Guernsey resident investors obtained a judgment based on the civil liability provisions of the U.S. federal securities laws from the Royal Court of Guernsey against us, our officers or directors, underwriters or experts named in the registration statement, such judgment would be enforceable against any of the defendants in the same manner as any judgment of the Royal Court of Guernsey. That is to say that the judgment creditors would be entitled to enforce their judgment against any Guernsey assets (whether personalty or realty) of the judgment debtors.

There is no statutory regime under which the reciprocal enforcement of judgments may be effected between the United States and Guernsey. However, subject to certain time and other limitations, the Royal Court of Guernsey may permit the foreign judgment creditor to sue in Guernsey on the foreign judgment.

In order for the Royal Court of Guernsey to entertain an action to sue on a foreign judgment, it is expected that the following criteria would have to be met:

1. The foreign court is recognized by the Royal Court of Guernsey as

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having jurisdiction to determine the dispute. It is likely that such jurisdiction will be recognized in the following circumstances:

- If the judgment debtor was present in the foreign country at the time the foreign proceedings were instituted;
 - If the judgment debtor was claimant or counterclaimant in the proceedings in the foreign court;
 - If the judgment debtor, being a defendant in the foreign court, submitted to the jurisdiction of that court by voluntarily appearing in the proceedings; or
 - If the judgment debtor, being a defendant in the original court, had before the commencement of the proceedings agreed, in respect of the subject matter of the proceedings to submit to the jurisdiction of that court or of the courts of that country.
2. The foreign judgment was not obtained by fraud, is not contrary to public policy in Guernsey and the proceedings were not contrary to the principles of natural justice. This is likely to include the requirement that the judgment debtor was given sufficient notice of the proceedings.
- The foreign judgment must be final and conclusive on the merits and is for a definite sum of money, other than a sum in respect of taxes, fines or other penalties.

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INCORPORATION OF DOCUMENTS BY REFERENCE

We incorporate by reference into this prospectus the documents listed below and any future filings we make with the SEC, under Sections 13(a), 13(c) or 15(d) of the Exchange Act, including any filings or submissions after the date of this prospectus, until the selling securityholders have sold all of the ordinary shares to which this prospectus relates:

- o Our annual report on Form 20-F for the fiscal year ended September 30, 2003, filed on December 24, 2003;
- o Amendment No. 1 to our annual report on Form 20-F for the fiscal year ended September 30, 2003, filed on September 21, 2004;
- o Our reports on Form 6-K with respect to our offering of 0.50% Convertible Senior Notes due 2024, filed on March 1, March 2 and March 5, 2004;
- o Our reports on Form 6-K, filed on September 30, 2004 and October 1, 2004; and
- o The description of our ordinary shares contained in our Registration Statement on Form 8-A filed on June 17, 1998 under Section 12 of the Exchange Act, including any amendment or report updating this description.

The information incorporated by reference is an important part of this prospectus. Any statement in a document incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in (1) this prospectus or (2) any other subsequently filed document that is incorporated by reference into this prospectus modifies or supersedes such statement.

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You may request a copy of any or all of the documents referred to above other than exhibits to such documents that are not specifically incorporated by reference therein. Written or telephone requests should be directed to Thomas G. O'Brien, Secretary and Treasurer, Amdocs, Inc., 1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017, telephone (314) 212-8328. Copies of such documents may also be obtained from various alternative sources. See "Where You Can Find More Information."

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the reporting requirements of foreign private issuers under the Exchange Act. Pursuant to the Exchange Act, we file reports with the SEC, including an Annual Report on Form 20-F, and we submit reports to the SEC, including Reports of Foreign Private Issuers on Form 6-K. These reports and other information may be inspected and copied at the Public Reference Section of the SEC at 450 Fifth Street, N.W, Judiciary Plaza, Washington, D.C. 20549-1004. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Reports and information statements and other information filed electronically with the SEC are available at the SEC's website at <http://www.sec.gov>. Some of this information may also be found on our website at www.amdocs.com.

This prospectus is part of a registration statement that we filed with the SEC. The registration statement contains more information than this prospectus regarding us and our ordinary shares, including certain exhibits and schedules. You can obtain a copy of the registration statement from the SEC at the address listed above or from the SEC's Internet site.

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UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2004

AMDOCS LIMITED
CONSOLIDATED BALANCE SHEETS
(in U.S. dollars, unless otherwise stated)
(in thousands, except per share data)

ASSETS

Current assets:

- Cash and cash equivalents
- Short-term interest-bearing investments
- Accounts receivable, net
- Deferred income taxes and taxes receivable
- Prepaid expenses and other current assets

Total current assets

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Equipment, vehicles and leasehold improvements, net
Deferred income taxes
Goodwill
Intangible assets, net
Other noncurrent assets

Total assets

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable
Accrued expenses and other current liabilities
Accrued personnel costs
2% convertible notes
Financing arrangements
Deferred revenue
Short-term portion of capital lease obligations
Deferred income taxes and taxes payable

Total current liabilities

Deferred income taxes
0.50% convertible notes
Noncurrent liabilities and other

Total liabilities

Shareholders' equity:

Preferred Shares - Authorized 25,000 shares; (pound)0.01 par value; 0 shares
issued and outstanding
Ordinary Shares - Authorized 550,000 shares; (pound)0.01 par value; 224,854 and
223,790 issued and 206,135 and 216,058 outstanding, respectively
Additional paid-in capital
Treasury stock, at cost - 18,719 and 7,732 Ordinary Shares, respectively
Accumulated other comprehensive (loss) income
Unearned compensation
Retained earnings (accumulated deficit)

Total shareholders' equity

Total liabilities and shareholders' equity

The accompanying notes are an integral part of these
consolidated financial statements.

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AMDOCS LIMITED

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)

Three months ended
June 30,

Nine months ended
June 30,

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	2004	2003	2004	2003
Revenue:				
License (*)	\$ 17,298	\$ 11,491	\$ 52,026	\$ 51,176
Service (*)	432,926	365,677	1,269,251	1,020,392
	450,224	377,168	1,321,277	1,071,568
Operating expenses:				
Cost of license	1,448	1,455	3,807	4,137
Cost of service	283,109	230,323	833,470	646,389
Research and development	31,665	29,941	92,247	88,888
Selling, general and administrative	52,745	50,943	159,078	153,644
Amortization of purchased intangible assets	4,558	4,524	13,423	14,303
Restructuring charges	--	--	--	9,956
	373,525	317,186	1,102,025	917,317
Operating income	76,699	59,982	219,252	154,251
Interest income and other, net (*)	121	3,269	2,899	12,432
Income before income taxes	76,820	63,251	222,151	166,683
Income taxes	16,900	15,813	48,873	41,671
Net income	\$ 59,920	\$ 47,438	\$ 173,278	\$ 125,012
Basic earnings per share	\$ 0.29	\$ 0.22	\$ 0.82	\$ 0.58
Diluted earnings per share	\$ 0.28	\$ 0.21	\$ 0.80	\$ 0.57
Basic weighted average number of shares outstanding	206,093	215,938	210,409	215,786
Diluted weighted average number of shares outstanding	211,801	220,792	216,186	218,953

(*) See Note 4.

The accompanying notes are an integral part of these consolidated financial statements.

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	Ordinary Shares		Additional Paid-in Capital	Treasury Stock	Acc C (
	Shares	Amount			
Balance as of September 30, 2003	216,058	\$ 3,580	\$ 1,820,956	\$ (109,281)	
Comprehensive income:					
Net income	--	--	--	--	
Unrealized loss on foreign currency hedging contracts, net of \$(991) tax	--	--	--	--	
Unrealized loss on cash equivalents and short-term interest-bearing investments, net of \$(348) tax	--	--	--	--	
Comprehensive income					
Issuance of ordinary shares related to acquisition, net	561	--	747	14,392	
Employee stock options exercised	1,064	19	11,345	--	
Tax benefit of stock options exercised	--	--	2,738	--	
Repurchase of ordinary shares	(11,548)	--	--	(307,471)	
Expense related to vesting of stock options	--	--	6	--	
Stock options granted	--	--	951	--	
Amortization of unearned compensation	--	--	--	--	
Balance as of June 30, 2004	206,135	\$ 3,599	\$ 1,836,743	\$ (402,360)	\$

	Unearned Compensation	Retained Earnings (Accumulated Deficit)	Accumulated Equity
Balance as of September 30, 2003	\$ --	\$ (127,370)	\$ 1,591,600
Comprehensive income:			
Net income	--	173,278	173,278
Unrealized loss on foreign currency hedging contracts, net of \$(991) tax	--	--	(2,846)

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Unrealized loss on cash equivalents and short-term interest-bearing investments, net of \$(348) tax	--	--	(1,227)
Comprehensive income			169,205
Issuance of ordinary shares related to acquisition, net	--	--	15,139
Employee stock options exercised	--	--	11,364
Tax benefit of stock options exercised	--	--	2,738
Repurchase of ordinary shares	--	--	(307,471)
Expense related to vesting of stock options	--	--	6
Stock options granted	(951)	--	--
Amortization of unearned compensation	380	--	380
Balance as of June 30, 2004	\$ (571)	\$ 45,908	\$ 1,482,961

As of June 30, 2004 and September 30, 2003, accumulated other comprehensive (loss) income is comprised of unrealized gain on derivatives, net of tax, of \$837 and \$3,683, respectively, and unrealized (loss) gain on cash equivalents and short-term interest-bearing investments, net of tax, of \$(1,195) and \$32, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

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AMDOCS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Nine months ended June 30,	
	2004	2003
Cash Flow from Operating Activities:		
Net income	\$ 173,278	\$ 125,012
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	76,944	69,973
(Gain) loss on sale of equipment	(444)	427
Gain on repurchase of 2% convertible notes	(13)	--
Deferred income taxes	(8,093)	10,556
Tax benefit of stock options exercised	2,738	221

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Realized loss from short-term interest-bearing investments	1,039	199
Net changes in operating assets and liabilities, net of amounts acquired:		
Accounts receivable	(69,503)	32,365
Prepaid expenses and other current assets	14,879	(12,597)
Other noncurrent assets	(41,941)	(18,795)
Accounts payable and accrued expenses	32,947	20,436
Deferred revenue	54,543	47,889
Income taxes payable	27,735	5,411
Noncurrent liabilities and other	(6,442)	2,920
	-----	-----
Net cash provided by operating activities	257,667	284,017
	-----	-----
 Cash Flow from Investing Activities:		
Proceeds from sale of equipment, vehicles and leasehold improvements	1,841	1,710
Payments for purchase of equipment, vehicles, leasehold improvements and other	(33,532)	(47,192)
Proceeds from sale of short-term interest-bearing investments	863,304	631,845
Purchase of short-term interest-bearing investments	(1,158,407)	(637,148)
(Cash paid for) reimbursement of cash in acquisition	(10,567)	11,111
	-----	-----
Net cash used in investing activities	(337,361)	(39,674)
	-----	-----
 Cash Flow from Financing Activities:		
Proceeds from employee stock options exercised	11,364	2,024
Net proceeds from issue of long-term 0.50% convertible notes	441,736	--
Repurchase of ordinary shares	(307,471)	--
Redemption of 2% convertible notes	(395,110)	--
Repurchase of 2% convertible notes	(4,987)	--
Borrowings under financing arrangements	910	--
Principal payments under financing arrangements	(1,651)	--
Principal payments on capital lease obligations	(20,251)	(7,714)
	-----	-----
Net cash used in financing activities	(275,460)	(5,690)
	-----	-----
Net (decrease) increase in cash and cash equivalents	(355,154)	238,653
Cash and cash equivalents at beginning of period	847,600	466,655
	-----	-----
Cash and cash equivalents at end of period	\$ 492,446	\$ 705,308
	=====	=====
 Supplementary Cash Flow Information		
Cash paid for:		
Income taxes, net of refunds	\$ 22,734	\$ 25,611
Interest	9,733	9,323

Non-Cash Investing and Financing Activities

In the nine months ended June 30, 2004, the Company issued 561 ordinary shares in connection with the acquisition of XACCT (as defined below). See Note 10.

The accompanying notes are an integral part of these consolidated financial statements.

AMDOCS LIMITED

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(dollar and share amounts in thousands, except per share data)

1. Basis of Presentation

Amdocs Limited (the "Company") is a leading provider of software products and services to the communications industry. The Company and its subsidiaries operate in one operating segment, providing integrated customer management systems and related services primarily for the communications industry. The Company designs, develops, markets, implements, supports and operates information systems solutions, including Managed Services, primarily for leading communications companies throughout the world.

The unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). In the opinion of the Company's management, all adjustments considered necessary for a fair presentation of the unaudited interim consolidated financial statements have been included herein and are of a normal recurring nature.

The preparation of financial statements during interim periods requires management to make numerous estimates and assumptions that impact the reported amounts of assets, liabilities, revenue and expenses. Estimates and assumptions are reviewed periodically and the effect of revisions is reflected in the results of operations of the interim periods in which changes are determined to be necessary.

The results of operations for the interim periods presented herein are not necessarily indicative of the results to be expected for the full fiscal year. These statements do not include all information and footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with GAAP. These statements should be read in conjunction with the Company's consolidated financial statements for the fiscal year ended September 30, 2003, set forth in the Company's Annual Report on Form 20-F filed on December 24, 2003 with the Securities and Exchange Commission.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Significant Accounting Policy

Accounting for Stock-Based Compensation

The Company follows Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" in accounting for its employee stock options. Pursuant to this accounting standard, the Company records deferred compensation for share options granted to employees at the date of grant based on the difference between the exercise price of the options and the market value of the underlying shares at that date. Deferred compensation is amortized to compensation expense over the vesting period of the underlying options. Employee stock-based compensation cost of \$354 and \$380 is reflected in net income for the three months and nine months ended June 30, 2004, respectively. No employee stock-based compensation cost was

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reflected in net income for the three months and nine months ended June 30, 2003.

As presented below, the Company determined net income and earnings per share information as if the fair value method described in Statements of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of Financial Accounting Standards Board Statement No. 123", had been applied to its employee stock-based compensation. The Company utilized the Black-Scholes option-pricing model to estimate fair value, which is one of several methods that can be used under SFAS No. 123. The Black-Scholes option valuation model was developed for use

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AMDOCS LIMITED

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(dollar and share amounts in thousands, except per share data)

in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected share price volatility. The Company's options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimates.

The fair value of options granted was estimated at the date of grant using the Black-Scholes pricing model with the following assumptions for the presented periods (all in weighted averages):

	Three months ended June 30,		Nine mo Jun
	2004	2003	2004
Risk-free interest rate	3.10%	2.56%	2.14%
Expected life of options	3.00	2.98	3.00
Expected annual volatility	44.1%	51.1%	44.3%
Expected dividend yield	None	None	None
Fair value per option	\$ 11.2	\$ 7.01	\$ 10.4

The following table sets forth the pro forma effect of applying SFAS No. 123 on net income and earnings per share for the three months and nine months ended June 30, 2004 and 2003:

	Three months ended June 30,		Nine m Ju
--	--------------------------------	--	--------------

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	2004 -----	2003 -----	2004 -----
Net income, as reported	\$ 59,920	\$ 47,438	\$ 173,278
Add: Stock-based employee compensation expense included in net income, net of related tax effects	276	4	301
Less: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(7,131)	(17,182)	(26,335)
Pro forma net income	\$ 53,065 =====	\$ 30,260 =====	\$ 147,244 =====
Basic earnings per share:			
As reported	\$ 0.29 =====	\$ 0.22 =====	\$ 0.82 =====
Pro forma	\$ 0.26 =====	\$ 0.14 =====	\$ 0.70 =====
Diluted earnings per share:			
As reported	\$ 0.28 =====	\$ 0.21 =====	\$ 0.80 =====
Pro forma	\$ 0.25 =====	\$ 0.14 =====	\$ 0.68 =====

The pro forma results for the three months and nine months ended June 30, 2003 have been revised due to a correction of the stock based employee compensation expense amounts for such periods. These corrections resulted in a decrease in pro forma net income of \$15,499 and \$32,552 in the three months and nine months ended June 30, 2003, respectively, and a decrease in pro forma diluted earnings per share of \$0.07 and \$0.15 in the three months and nine months ended June 30, 2003, respectively. The correction for fiscal 2003 resulted in a decrease in pro forma net income of \$33,732 and a decrease in pro forma diluted earnings per share of \$0.15. The Company has analyzed the impact of the correction only for the aforementioned periods.

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AMDOCS LIMITED

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(dollar and share amounts in thousands, except per share data)

3. New Accounting Standards

Variable Interest Entities

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46 ("FIN No. 46"), "Consolidation of Variable Interest Entities", which was further revised in December 2003. FIN No. 46 requires the consolidation of entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. FIN No. 46 currently has no effect on the Company's consolidated financial position

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and results of operations.

4. Related Party Transactions

The Company had licensed software and provided computer systems integration and related services to Certen Inc. ("Certen") prior to the acquisition of the remaining 90% of Certen by the Company on July 2, 2003 (see Note 10). As a result of the acquisition of the remaining 90% of Certen by the Company, commencing on the acquisition date, the fair market value of Certen's assets and liabilities has been included in the Company's consolidated balance sheet and the results of Certen's operations are included in the Company's consolidated statements of income. Certen is now a wholly owned subsidiary of the Company, and Certen ceased to be a related party as of July 2, 2003, according to SFAS No. 57, "Related Party Disclosures".

The following related party revenue is included in the statements of income for the three months and nine months ended June 30, 2003:

	Three months ended June 30, ----- 2003 -----	Nine months ended June 30, ----- 2003 -----
Revenue:		
License	\$ 583	\$ 3,827
Service	32,374	84,122

The following related party expense is included in the statements of income for the three months and nine months ended June 30, 2003:

	Three months ended June 30, ----- 2003 -----	Nine months ended June 30, ----- 2003 -----
Interest income and other, net (1)	\$ 564	\$ 1,662

- (1) Represents interest and exchange rate differences, net of hedging, on the convertible debentures of Certen. Absent hedging, these amounts would be \$4,733 and \$9,344 for the three and nine months ended June 30, 2003, respectively.

5. Accounts Receivable, Net

Accounts receivable, net consists of the following:

As of

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	June 30, 2004	September 30, 2003
	-----	-----
Accounts receivable -billed	\$ 269,660	\$ 200,220
Accounts receivable -unbilled	16,086	16,072
Less - allowances	(15,186)	(18,018)
	-----	-----
Accounts receivable, net	\$ 270,560	\$ 198,274
	=====	=====

6. Comprehensive Income

Comprehensive income represents the change in shareholders' equity during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity except those resulting from investments by owners and distributions to owners.

The following table sets forth the reconciliation from net income to comprehensive income for the following periods:

	Three months ended June 30,		Nine m Ju
	2004	2003	2004
	-----	-----	-----
Net income	\$ 59,920	\$ 47,438	\$ 173,278
Other comprehensive income (loss):			
Unrealized income (loss) on foreign currency hedging contracts, net of tax	2,716	6,151	(2,846)
Unrealized loss on short-term interest-bearing investments, net of tax	(1,687)	(882)	(1,227)
	-----	-----	-----
Comprehensive income	\$ 60,949	\$ 52,707	\$ 169,205
	=====	=====	=====

7. Income Taxes

The provision for income taxes for the following periods consisted of:

	Three months ended June 30,		Nine J
	2004	2003	2004
	-----	-----	-----
Current	\$ 32,755	\$ 10,571	\$ 56,966
Deferred	(15,855)	5,242	(8,093)
	-----	-----	-----
	\$ 16,900	\$ 15,813	\$ 48,873
	=====	=====	=====

AMDOCS LIMITED

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(dollar and share amounts in thousands, except per share data)

The effective income tax rate varied from the statutory Guernsey tax rate as follows for the following periods:

	Three months ended June 30,		Nine
	2004	2003	2004
Statutory Guernsey tax rate	20%	20%	2
Guernsey tax-exempt status	(20)	(20)	(2)
Foreign taxes	22	25	2
Effective income tax rate	22%	25%	2

As a Guernsey corporation with tax-exempt status, the Company's overall effective tax rate is attributable solely to foreign taxes and for fiscal year 2004 is expected to approximate 22%.

8. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended June 30,		Nine
	2004	2003	2004
Numerator:			
Net income	\$ 59,920	\$ 47,438	\$ 173,2
Denominator:			
Denominator for basic earnings per share- weighted average number of shares outstanding (1)	206,093	215,938	210,4
Effect of dilutive stock options granted	5,708	4,854	5,7

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Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions (1)	211,801	220,792	216,1
Basic earnings per share	\$ 0.29	\$ 0.22	\$ 0.
Diluted earnings per share	\$ 0.28	\$ 0.21	\$ 0.

(1) The weighted average number of shares outstanding during the three months and nine months ended June 30, 2003 includes exchangeable shares held by shareholders of Amdocs Canada, Inc. (formerly Solect Technology Group Inc. ("Solect")) pursuant to the Company's acquisition of Solect in April 2000, which were exchangeable for the Company's ordinary shares on a one-for-one basis. As of August 2003, none of the exchangeable shares remained outstanding.

The effect of the 2% Convertible Notes due June 1, 2008 issued by the Company in May 2001 (the "2% Notes") on diluted earnings per share was anti-dilutive for the three months and nine months ended June 30, 2004 and 2003, and, therefore, was not included in the above calculation. The effect of the 0.50% Convertible Senior Notes due 2024 (the "0.50% Notes") issued by the Company in March 2004 on diluted earnings per share was not included in the above calculation due to the conditions on their conversion (see Note 11). The weighted average effect of the repurchase of ordinary shares by the Company has been included in the calculation of basic earnings per share.

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AMDOCS LIMITED

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(dollar and share amounts in thousands, except per share data)

9. Repurchase of Securities

Ordinary Shares

On November 5, 2003, the Company announced that its board of directors had authorized a share repurchase program of up to 5,000 ordinary shares during fiscal 2004. The authorization permits the Company to purchase ordinary shares in the open market or in privately negotiated transactions and at prices the Company deems appropriate. The Company stated that one of the main purposes of the repurchase program was to offset the dilutive effect of any future share issuances, including issuances pursuant to employee equity plans or in connection with acquisitions. During the three months ended December 31, 2003 the Company repurchased 4,990 ordinary shares under this repurchase program, for an aggregate purchase price of \$123,993. No share repurchases under this program were made in the six months ended June 30, 2004.

In connection with the Company's acquisition of XACCT Technologies Ltd. (see Note 10), the Company's board of directors approved the repurchase of ordinary shares to offset the dilutive effect of share issuances in the

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acquisition. The closing of the acquisition occurred in February 2004, and the Company repurchased 484 ordinary shares in February 2004 for an aggregate purchase price of \$13,417.

In connection with the Company's issuance of the 0.50% Notes (see Note 11), the board of directors approved the repurchase of ordinary shares sold short by purchasers of the 0.50% Notes in negotiated transactions, concurrently with the sale of the notes, to offset the dilutive effect of the ordinary shares issuable upon conversion of the 0.50% Notes. The closing of the sale of the 0.50% Notes occurred in March 2004, and the Company repurchased 6,074 ordinary shares for an aggregate purchase price of \$170,061, out of the 10,436 ordinary shares issuable upon conversion of the 0.50% Notes, based on a conversion rate of 23.1911 shares per \$1,000 principal amount.

On July 28, 2004 the Company announced that its board of directors had extended the Company's share repurchase program by authorizing the repurchase of up to \$100,000 of its outstanding ordinary shares. The authorization permits the Company to purchase its ordinary shares in open market or privately negotiated transactions at times and prices considered appropriate by the Company. As of August 10, 2004, the Company had repurchased 2,219 ordinary shares under this repurchase program, for an aggregate purchase price of \$46,811.

Convertible Notes

In July 2002, the board of directors authorized the Company to repurchase its outstanding 2% Notes, in such amounts, at such prices and at such times considered appropriate by the Company. During the three months ended December 31, 2003, the Company repurchased \$5,000 aggregate principal amount of the 2% Notes for an aggregate purchase price of \$4,987. During fiscal 2003 and 2002, the Company repurchased \$99,546 aggregate principal amount of the 2% Notes for an aggregate purchase price of \$93,087.

On June 1, 2004, the Company completed a cash offer for the 2% Notes. Pursuant to the indenture for the 2% Notes, each holder of the 2% Notes had the right to require the Company to repurchase on June 1, 2004 all or any part of such holder's notes at a price equal to 100% of the principal amount plus accrued and unpaid interest. Under the terms of the 2% Notes, the Company had the option to pay for the 2% Notes with cash, ordinary shares, or a combination of cash and ordinary shares. The Company elected to pay for the notes solely with cash. The Company accepted for payment \$395,110 principal amount of 2% Notes surrendered for repurchase pursuant to the offer. The untendered \$344 principal amount of 2% Notes will remain as obligations of the Company, due June 1, 2008, in accordance with

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AMDOCS LIMITED

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(dollar and share amounts in thousands, except per share data)

their terms, and are included in "Noncurrent liabilities and other" in the accompanying consolidated balance sheet as of June 30, 2004.

10. ACQUISITIONS

CERTEN INC.

On July 2, 2003, the Company acquired from Bell Canada ("Bell") its 90%

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ownership interest in Certen (renamed Amdocs Canada Managed Services, Inc.) for approximately \$66,000 in cash. In addition, the Company had related transaction costs of approximately \$3,000. The Company and Bell formed Certen in January 2001 to provide customer care and billing solutions to Bell and a number of Bell's affiliated companies. Prior to this acquisition, the Company owned 10% of Certen. As a result of the acquisition, Certen is now a wholly owned subsidiary of the Company. Since Certen's inception, the Company has provided customer care and billing software required by Certen, including related customization, installation, maintenance and other services. This acquisition expanded the Company's Managed Services offerings and positioned it as a major provider of Managed Services to the communications industry, and was its next logical step in the evolution of its relationship with Bell. In addition, as a result of this acquisition, the Company continued to develop an integrated billing platform to replace legacy systems built on a product-by-product basis. Following the acquisition, Certen continued to provide Managed Services to Bell as it did prior to the acquisition, and the wholly owned subsidiary contributes a positive cash flow to the Company. The acquisition did not affect the Company's liquidity position. The fair market value of Certen's assets and liabilities has been included in the Company's consolidated balance sheet and the results of Certen's operations have been included in the Company's consolidated statements of income, commencing on July 2, 2003.

The following is the revised allocation of the purchase price and deferred tax liability:

Purchase price	\$	65,
Estimated transaction costs		2,

Total purchase price		68,
Write-off of deferred revenue and allowance on Amdocs books, net of tax		(33,

Net amount for purchase price allocation	\$	35,
		=====
Allocation of purchase price:		
90% tangible assets acquired, net of capitalized Amdocs system on Certen's books	\$	80,
90% liabilities assumed		(241,

Net liabilities acquired		(160,
Customer arrangement		36,
Adjustment to fair value of pension and other post-employment benefit liabilities		(12,
EITF 95-3 and other liabilities		(2,
Deferred taxes resulting from the difference between the assigned value of certain assets and liabilities and their respective tax bases		73,

Net fair value of liabilities acquired		(65,
Goodwill		101,
		=====

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AMDOCS LIMITED

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(dollar and share amounts in thousands, except per share data)

The following table sets forth the unaudited pro forma revenue, operating income, net income and earnings per share figures for the three months and nine months ended June 30, 2003, as if Certen had been acquired as of October 1, 2001:

	THREE MONTHS ENDED	NINE MONTHS ENDED
	----- JUNE 30, 2003 -----	
Revenue	\$ 432,383	\$ 1,210,198
Operating income	51,727	129,381
Net income	40,883	104,107
Basic earnings per share	0.19	0.48
Diluted earnings per share	0.19	0.48

XACCT TECHNOLOGIES LIMITED

On February 19, 2004, the Company acquired XACCT Technologies Ltd. ("XACCT"), a privately-held provider of mediation software to communications service providers. The Company acquired XACCT's outstanding shares for \$28,425, of which \$13,286 was paid in cash and the balance in 561 of the Company's ordinary shares. In addition, the Company had related transaction costs of approximately \$750. This acquisition further expands the scope of the Company's billing capabilities in the network mediation space, enabling the collection, formatting and distribution of network usage events. With this acquisition, the Company achieves the capability to support end-to-end event processing, from network mediation through billing, for voice, data, content and commerce prepaid and postpaid transactions. The Company repurchased 484 ordinary shares in February 2004 to offset the dilutive effect of shares issued in the acquisition. The fair market value of XACCT's assets and liabilities has been included in the Company's balance sheet and the results of XACCT's operations have been included in the Company's consolidated statements of income, commencing on February 19, 2004.

The following is the revised preliminary allocation of the purchase price and deferred tax assets:

Net assets acquired	\$ 551
Technology	9,209
Customer arrangements	1,064
Deferred tax assets	8,164
Goodwill	10,187

	\$29,175
	=====

Pro forma information on the Company's consolidated results of operations for the nine months and three months ended June 30, 2004 and

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2003 to reflect the XACCT acquisition is not presented, as its results of operations during such periods are not material to the Company's consolidated results of operations.

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AMDOCS LIMITED

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(dollar and share amounts in thousands, except per share data)

11. 0.50% Convertible Senior Notes Due 2024

In March 2004, the Company issued \$450,000 aggregate principal amount of 0.50% Notes. The Company is obligated to pay interest on the 0.50% Notes semi-annually on March 15 and September 15 of each year. The 0.50% Notes are senior unsecured obligations of the Company and rank equal in right of payment with all existing and future senior unsecured indebtedness of the Company. The 0.50% Notes are convertible, at the option of the holders at any time before the maturity date, into ordinary shares of the Company at a conversion rate of 23.1911 shares per one thousand dollars principal amount, representing a conversion price of approximately \$43.12 per share, as follows: (i) during any fiscal quarter commencing after March 31, 2004, and only during that quarter if the closing sale price of the Company's ordinary shares exceeds 130% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the proceeding fiscal quarter (initially 130% of \$43.12, or \$56.06); (ii) upon the occurrence of specified credit rating events with respect to the notes; (iii) subject to certain exceptions, during the five business day period after any five consecutive trading day period in which the trading price per note for each day of that measurement period was less than 98% of the product of the closing sale price of the Company's ordinary shares and the conversion rate; provided, however, holders may not convert their notes (in reliance on this subsection) if on any trading day during such measurement period the closing sale price of the Company's ordinary shares was between 100% and 130% of the then current conversion price of the notes (initially, between \$43.12 and \$56.06); (iv) if the notes have been called for redemption, or (v) upon the occurrence of specified corporate events. The 0.50% Notes are subject to redemption at any time on or after March 20, 2009, in whole or in part, at the option of the Company, at a redemption price of 100% of the principal amount plus accrued and unpaid interest, if any, on such redemption date. The 0.50% Notes are subject to repurchase, at the holders' option, on March 15, 2009, 2014 and 2019, at a repurchase price equal to 100% of the principal amount plus accrued and unpaid interest, if any, on such repurchase date. The Company may choose to pay the repurchase price in cash, ordinary shares or a combination of cash and ordinary shares.

12. Operational Efficiency and Cost Reduction Programs

Fiscal Year Ended September 30, 2003

In the first quarter of fiscal 2003, the Company implemented a series of measures designed to reduce costs and improve productivity, with targeted quarterly savings of approximately \$8,000. As part of this plan, the Company reduced its workforce by approximately 400 employees, representing approximately 4% of the Company's worldwide workforce of 9,000

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full-time employees, vacated facilities in different centers around the world and implemented other cost reduction measures, including travel cuts and reduction in other discretionary costs.

The restructuring charge associated with these actions and recorded in the first quarter of fiscal 2003 was \$9,956. Approximately \$5,816 of the total charge was paid in cash as of June 30, 2004. The remainder of the charge, comprised of facility related costs, is expected to be paid out through June 2008.

Details of \$9,956 Restructuring Charge:

The Company recorded a charge of \$4,011 related to employee separation costs in connection with the termination of employment of software information technology specialists and administrative professionals from various locations around the world. The Company recorded a charge of \$4,022 related to facilities, representing rent obligations relating to vacated facilities in Raanana, Israel and St. Louis,

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AMDOCS LIMITED

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(dollar and share amounts in thousands, except per share data)

Missouri. The Company also recorded a provision of \$1,829 for asset write-offs, principally for leasehold improvements in Raanana, Israel and St. Louis, Missouri that were abandoned.

The first quarter of fiscal 2003 restructuring charge is comprised of the following as of June 30, 2004:

	EMPLOYEE SEPARATION COSTS	FACILITIES	ASSET WRITE-OFFS	OTHER	
	-----	-----	-----	-----	-----
Balance as of October 1, 2002	\$ --	\$ --	\$ --	\$ --	\$ --
Charges	4,011	4,022	1,829	94	
Cash payments	(3,890)	(467)	--	(94)	
Non cash	--	--	(1,829)	--	
Adjustments	38	(453)	--	--	
	-----	-----	-----	-----	
Balance as of September 30, 2003	159	3,102	--	--	
Cash payments	(167)	(1,198)	--	--	
Adjustments	8	--	--	--	
	-----	-----	-----	-----	
Balance as of June 30, 2004	\$ --	\$ 1,904	\$ --	\$ --	\$ --
	=====	=====	=====	=====	=====

The financial savings of these actions, of approximately \$8,000 quarterly commencing in the second quarter of 2003, is reflected as a reduction in operating expense. These cost savings may not be permanent as increased activity levels resulting from, among other factors, acquisitions, new Managed Services agreements and increased revenue, may

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require an increase in headcount and other increased spending.

Fiscal Year Ended September 30, 2002

In the fourth quarter of fiscal 2002, the Company implemented a cost reduction program targeted to reduce costs by approximately \$30,000 quarterly in response to a decline of the forecasted revenue for the third and fourth quarters of fiscal 2002. The decline resulted from, among other factors, slowdowns in customer buying decisions in the third quarter of fiscal 2002, stemming from overall reductions in the capital investment budgets of many communications service providers, leading to fewer new contracts than expected, as well as from smaller than expected initial spending commitments and reduced discretionary spending under contracts with some customers.

The restructuring charge associated with these actions and recorded in the fourth quarter of fiscal 2002 was \$20,919. Approximately \$16,957 of the total charge was paid in cash as of June 30, 2004. The remainder of the charge, comprised of facility related costs, is expected to be paid out through April 2012.

Details of \$20,919 Restructuring Charge:

The Company recorded a charge of \$11,353 related to employee separation costs in connection with the termination of employment of approximately 1,000 employees, representing approximately 10% of the Company's worldwide workforce of 9,900 full-time employees. The actual number of employees terminated approximated original estimates. There was not a single group of employees or business function that was solely impacted by these measures; instead it impacted information technology specialists and administration professionals across a broad range of functions according to the areas with reduced activities. The Company recorded a charge of \$7,880 related to facilities, representing rent obligations relating to vacated facilities in various locations in Canada, Israel and the United States.

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AMDOCS LIMITED

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(dollar and share amounts in thousands, except per share data)

The Company also recorded a provision of \$1,584 for asset write-offs, principally for leasehold improvements in Canada, Israel and the United States that were abandoned.

The fourth quarter of fiscal 2002 restructuring charge is comprised of the following as of June 30, 2004:

	Employee Separation Costs	Facilities	Asset Write-offs	Oth
	-----	-----	-----	-----
Balance as of October 1, 2001	\$ -	\$ -	\$ -	\$

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Charges	11,353	7,880	1,584	
Cash payments	(8,053)	(456)	-	
Non cash	-	-	(1,584)	
	-----	-----	-----	-----
Balance as of September 30, 2002	3,300	7,424	-	
Cash payments	(3,240)	(4,082)	-	
Adjustments	22	(148)	-	
	-----	-----	-----	-----
Balance as of September 30, 2003	82	3,194	-	
Cash payments	-	(1,024)	-	
Adjustments	(82)	43	-	
	-----	-----	-----	-----
Balance as of June 30, 2004	\$ -	\$ 2,213	\$ -	\$ -
	=====	=====	=====	=====

The financial savings of these actions of approximately \$30,000 quarterly commencing in the first quarter of fiscal 2003, is reflected as a reduction in operating expense. These cost savings may not be permanent as increased activity levels resulting from, among other factors, acquisitions, Managed Services agreements and increased revenue, may require an increase in headcount and other increased spending.

In the first quarter of fiscal 2002, as part of a plan to achieve increased operational efficiency and to more closely monitor and reduce costs, the Company consolidated its Stamford, Connecticut data center into its Champaign, Illinois facility and closed the Stamford facility.

The restructuring charge associated with this action and recorded in the first quarter of fiscal 2002 was \$13,311. Approximately \$6,789 of the total charge was paid in cash as of June 30, 2004. The remainder of the charge, comprised of facility related costs, is expected to be paid out through August 2008.

Details of \$13,311 Restructuring charge:

Approximately \$6,255 of the total restructuring charge related to facilities and represented rent obligations outstanding for the Stamford site. Approximately \$4,126 of the total restructuring charge related to the write-off of leasehold improvements at the Stamford site that were abandoned. The Company also recorded a provision of \$2,530 related to employee separation costs in connection with the termination of employment of 166 employees.

The restructuring charge related to the consolidation of the Stamford and Champaign facilities is comprised of the following as of June 30, 2004:

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	Employee Separation Costs	Facilities	Asset Write-offs	Other
	-----	-----	-----	-----
Balance as of October 1, 2001	\$ -	\$ -	\$ -	\$ -
Charges	2,530	6,255	4,126	
Cash payments	(2,473)	(2,592)	-	
Non cash	-	-	(4,126)	
	-----	-----	-----	-----
Balance as of September 30, 2002	57	3,663	-	
Cash payments	-	(785)	-	
Adjustments	(57)	(168)	-	
	-----	-----	-----	-----
Balance as of September 30, 2003	-	2,710	-	
Cash payments	-	(793)	-	
	-----	-----	-----	-----
Balance as of June 30, 2004	\$ -	\$ 1,917	\$ -	\$ -
	=====	=====	=====	=====

The operating costs related to the Stamford site that were eliminated were approximately \$8,500 in its last quarter of activity.

13. Employee Benefits

FASB Statement No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits", requires additional disclosures about assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other post-retirement benefit plans.

As a result of the Company's acquisition of Certen (see Note 10) on July 2, 2003, the Company now maintains several non-contributory defined benefit plans that provide for pension, other retirement and post-employment benefits for Certen employees based on length of service and rate of pay. Contributions by the Company are based on various generally accepted actuarial methods and reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits. Plan assets consist primarily of Canadian and other equities, government and corporate bonds, debentures and secured mortgages, which are held in units of the BCE Master Trust Fund, a trust established by Bell.

The net periodic benefit cost under these plans for the three months and nine months ended June 30, 2004, was as follows:

	Three months ended June 30, 2004		Nine months June 30, 2004	
	-----	-----	-----	-----
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
	-----	-----	-----	-----
Service costs	\$ 515	\$ 94	\$ 1,488	\$ 2,000
Interest on benefit obligations	673	97	1,943	2,000

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Expected return on plan assets	(575)	-	(1,661)
	-----	-----	-----
	\$ 613	\$ 191	\$ 1,770
	=====	=====	=====

For the three and nine months ended June 30, 2004, no contributions were made by the Company, although the Company expects that contributions for the fiscal year ending September 30, 2004 will approximate the net periodic benefit cost.

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AMDOCS LIMITED

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(dollar and share amounts in thousands, except per share data)

14. Contingencies

Legal Proceedings

On December 2, 2003 the Company announced that the United States District Court for the Eastern District of Missouri had issued an order granting the Company's motion to dismiss the securities class action lawsuits that had been pending against the Company and certain of its directors and officers since June 2002. The court's order also directed that judgment be entered in favor of the defendants. The consolidated complaint filed in the action alleged that the Company and the individual defendants had made false or misleading statements about the Company's business and future prospects during a putative class period between July 18, 2000 and June 20, 2002. On December 29, 2003 the lead plaintiffs appealed to the United States Court of Appeals for the Eighth Circuit from the final judgment entered on December 1, 2003.

The Company is involved in various other legal proceedings arising in the normal course of its business. Based upon the advice of counsel, the Company does not believe that the ultimate resolution of these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Securities and Exchange Commission Investigation

The Company has been informed that the Midwest Regional Office of the SEC is conducting a private investigation into the events leading up to the Company's announcement in June 2002 of revised projected revenue for the third and fourth quarters of fiscal 2002. The investigation appears to be focused on, but is not explicitly limited to, the Company's forecasting beginning with its April 23, 2002 press release. Although the Company believes that it will be able to satisfy any concerns the SEC staff may have in this regard, the Company is unable to predict the duration, scope, or outcome of the investigation. The Company is cooperating fully with the SEC staff.

Guarantor's Accounting and Disclosure Requirements for Guarantees

The Company is a party to an agreement entered into prior to December 31, 2002 that includes an indemnification of one of its customers for any

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withholding tax that might be required under the customer's local tax laws from certain payments made to the Company under this agreement. The indemnification under this agreement expires in December 2005. As of June 30, 2004 and September 30, 2003, the maximum potential amount of the Company's future exposure under this guarantee as determined in accordance with Financial Accounting Standards Board Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" was \$4,717.

The Company generally sells its ClarifyCRM products with a limited warranty for a period of 90 days. The Company's policy is to accrue for warranty costs, if needed, based on historical trends in product failure. Based on the Company's experience, only minimal warranty services have been required and, as a result, the Company did not accrue any amounts for product warranty liability during the nine months ended June 30, 2004 and 2003.

The Company generally indemnifies its customers against claims of intellectual property infringement made by third parties arising from the use of the Company's software. To date, the Company has incurred only minimal costs as a result of such obligations and has not accrued any liabilities related to such indemnification in its consolidated financial statements.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2004

Introduction

In this section, we discuss the general financial condition and the results of operations for Amdocs and its subsidiaries including:

- the factors that affect our business,
- our revenue and costs for the nine months and three months ended June 30, 2004 and 2003,
- the reasons why such revenue and costs were different from period to period,
- the sources of our revenue,
- how all of this affects our overall financial condition,
- our expenditures for the nine months and three months ended June 30, 2004 and 2003, and
- the sources of our cash to pay for future capital expenditures and possible acquisitions.

In this section, we also analyze and explain the changes in the specific line items in our consolidated statements of income between the nine-month and three-month periods ended June 30, 2004 and 2003. You should read this section in conjunction with our consolidated financial statements.

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Overview of Business and Trend Information

Our market focus is primarily the communications industry, and we are a leading provider of software products and services to major communications companies in North America, Europe and the rest of the world. The products and services that we provide are known as integrated customer management systems, which we refer to as "Integrated Customer Management". Our Integrated Customer Management product offerings consist primarily of billing and customer relationship management systems, which we refer to, collectively, as "Customer Care and Billing Systems", or "CC&B Systems". We refer to customer relationship management products included within CC&B Systems as "CRM" products. Our portfolio of products also includes a full range of directory sales and publishing systems, which we refer to as "Directory Systems", for publishers of both traditional printed yellow page and white page directories and electronic Internet directories.

Our Integrated Customer Management systems are designed to meet the mission-critical needs of leading communications service providers. We support a wide range of communications services, including wireline, wireless, voice, data, broadband, content, electronic and mobile commerce and Internet Protocol ("IP") based services. We also support companies that offer bundled or convergent service packages. Due to the complexity of our customers' projects and the expertise required for system support, we also provide extensive implementation, system integration, system modification, ongoing support, system enhancement and maintenance services. In addition, we offer Managed Services, which include a combination of services, such as system modernization and consolidation, management and operation of data centers, purchase and management of related hardware assets, billing operations and application support, in all cases on either or a combination of a fixed or unit charge basis to our customers.

Our business is conducted on a global basis. We maintain five development facilities located in Israel, the United States, Cyprus, Ireland and Canada. Recently, we established a new development center in India. We expect this development center to grow and support the overall activity of our business worldwide, at comparatively lower operating costs.

As part of our strategy, we may pursue acquisitions and other initiatives in order to offer new products or services or otherwise enhance our market position or strategic strengths.

We derive our revenue principally from:

- the initial sales of our products and related services, including license fees and modification, implementation and integration services,
- providing Managed Services and other related services for our solutions, and
- recurring revenue from ongoing support and maintenance provided to our customers, and from incremental license fees resulting from increases in a customer's business volume.

Revenue is recognized only when all of the following conditions have been met: (i) there is persuasive evidence of an arrangement; (ii) delivery has occurred; (iii) the fee is fixed and determinable; and (iv) collectability of the fee is reasonably assured. We usually sell our software licenses as part of an overall solution offered to a customer, that combines the sale of software licenses with a broad range of services, which normally include significant customization, modification, implementation and integration. As a result, we

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generally recognize combined license and service revenue over the course of these long-term projects, using the percentage of

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completion method of accounting. Initial license fee revenue is recognized as work is performed, using the percentage of completion method of accounting. Subsequent license fee revenue is recognized upon completion of specified conditions in each contract, based on a customer's subscriber level or number of users when greater than the level specified in the contract for the initial license fee. Service revenue that involves significant ongoing obligations, including fees for software customization, implementation and modification, also is recognized as work is performed, under the percentage of completion method of accounting. Revenue from software solutions that do not require significant customization and modification is recognized upon delivery. In Managed Services contracts, we typically recognize revenue from the operation of a customer's system either ratably over the service period or as services are performed. Revenue from ongoing support services is recognized as work is performed. Revenue from third-party hardware and software sales is recognized upon installation and delivery, respectively. Maintenance revenue is recognized ratably over the term of the maintenance agreement. As a result of a significant portion of our revenue being subject to the percentage of completion accounting method, the size and timing of customer projects and our progress in completing such projects may significantly affect our annual and quarterly operating results.

Our business is subject to the effects of general global economic conditions and, in particular, market conditions in the communications industry. As a result of the slowdown in the communications industry during the last two years, the market value, financial results and prospects, and capital spending levels of communications companies declined or degraded. The challenging environment in the communications industry significantly impacted our business. During the last two years, delays in customer buying decisions stemming from rigorous management of operating expenses and overall reductions in the capital investment budgets of many communications service providers led to fewer new contracts, as well as smaller initial spending commitments and reduced discretionary spending under contracts with some of our customers. As a result of the market conditions during fiscal 2002 mentioned above, our revenue in the fiscal 2002 third quarter decreased by more than \$75 million from the previous quarter. Revenue continued to decline in the fourth quarter of fiscal 2002 and the first quarter of fiscal 2003. During calendar 2003, the market began to stabilize. As a result, we resumed sequential revenue growth in the second quarter of fiscal 2003. During the nine months ended June 30, 2004, communications service providers demonstrated a greater readiness to commit to new projects, although the market has not grown at the rate expected. While difficulties remain in the communications industry, we believe that, with the overall improvement of market conditions, we should achieve very modest sequential growth in the coming quarters.

Our quarterly revenue for the last eleven quarters is summarized below (in millions):

	Q1	Q2	Q3	Q4
	-----	-----	-----	-----
Fiscal 2004	\$ 428.3	\$ 442.8	\$ 450.2	NA

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Fiscal 2003	\$ 339.4	\$ 355.0	\$ 377.2	\$ 411.7
Fiscal 2002	\$ 422.6	\$ 455.3	\$ 380.2	\$ 355.5

Due to our heavy dependence on the communications industry and a limited number of significant customers, we can be adversely affected by consolidations of service providers and by bankruptcies or other business failures in that industry. The potential loss of a customer due to consolidation or failures in the communications industry could harm our business and might have a material adverse effect on our consolidated operating results and financial condition.

We believe that we are a leading global provider of CC&B Systems. We provide a broad set of billing and CRM products, with proven functionality and scalability, accompanied by a comprehensive range of support services.

We believe that demand for our CC&B Systems is driven by, among other key factors:

- the global penetration of communications service providers,
- the emergence of new communications products and services, especially IP, data and content services,
- technological changes, such as the introduction of wireless Internet services via GPRS (General Packet Radio Services) and UMTS (Universal Mobile Telecommunications System) technology,

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- the ongoing consolidation within the communications industry,
- the business needs of communications service providers to reduce costs and retain high value customers, and
- a shift from in-house management to vendor solutions.

We also believe that additional drivers of demand are the continuing trend for communications service providers to offer their subscribers multiple service packages, commonly referred to as bundled or convergent services (combinations of voice, broadband, electronic and mobile commerce and IP services), and the ability of our CC&B Systems to improve productivity.

License and service revenue from the sale of CC&B Systems and Directory Systems includes revenue from Managed Services arrangements. Managed Services projects are a significant part of our business, and generate substantial, long-term revenue streams, cash flow and operating income. In the initial period of our Managed Services projects, we generally invest in modernization and consolidation of the customer's systems. Invoices are usually structured on a periodic fixed or unit charge basis. As a result, Managed Services projects can be less profitable in the initial period. Margins tend to improve over time as we benefit from the operational efficiencies provided by system modernization and consolidation. We expect that our Managed Services relationships will generate margins comparable to sales of our other products and related license and services over the entire relationships. Revenue related to Managed Services agreements in the three months and nine months ended June 30, 2004 was approximately 40% of total revenue for such periods.

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Results of Operations

The following table sets forth for the nine months and three months ended June 30, 2004 and 2003 certain items in our consolidated statements of income reflected as a percentage of total revenue:

	Three months ended June 30,		Nine months ended June 30,	
	2004	2003	2004	2003
Revenue:				
License	3.8%	3.0%	3.9%	4.8%
Service	96.2	97.0	96.1	95.2
	100.0	100.0	100.0	100.0
Operating expenses:				
Cost of license	0.3	0.4	0.3	0.4
Cost of service	62.9	61.1	63.1	60.4
Research and development	7.0	7.9	7.0	8.3
Selling, general and administrative	11.7	13.5	12.0	14.3
Amortization of purchased intangible assets	1.0	1.2	1.0	1.3
Restructuring charges	--	--	--	0.9
	82.9	84.1	83.4	85.6
Operating income	17.1	15.9	16.6	14.4
Interest income and other, net	0.0	0.9	0.2	1.2
	17.1	16.8	16.8	15.6
Income before income taxes	3.8	4.2	3.7	3.9
Income taxes	13.3%	12.6%	13.1%	11.7%
Net income				

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NINE MONTHS ENDED JUNE 30, 2004 AND 2003

The following is a tabular presentation of our results of operations for the nine months ended June 30, 2004 compared to the nine months ended June 30, 2003. Following the table is a discussion and analysis of our business and results of operations for such periods.

NINE MONTHS ENDED JUNE 30,	INCREASE (DECREASE)
-------------------------------	---------------------

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	2004	2003	AMOUNT	%
	(in thousands)			
Revenue:				
License	\$ 52,026	\$ 51,176	\$ 850	1.7%
Service	1,269,251	1,020,392	248,859	24.4
	-----	-----	-----	
	1,321,277	1,071,568	249,709	23.3
	-----	-----	-----	
Operating expenses:				
Cost of license	3,807	4,137	(330)	(8.0)
Cost of service	833,470	646,389	187,081	28.9
Research and development ..	92,247	88,888	3,359	3.8
Selling, general and administrative	159,078	153,644	5,434	3.5
Amortization of purchased intangible assets	13,423	14,303	(880)	(6.2)
Restructuring charges	--	9,956	(9,956)	(100.0)
	-----	-----	-----	
	1,102,025	917,317	184,708	20.1
	-----	-----	-----	
Operating income	219,252	154,251	65,001	42.1
Interest income and other, net	2,899	12,432	(9,533)	(76.7)
	-----	-----	-----	
Income before income taxes ...	222,151	166,683	55,468	33.3
Income taxes	48,873	41,671	7,202	17.3
	-----	-----	-----	
Net income	\$ 173,278	\$ 125,012	\$ 48,266	38.6%
	=====	=====	=====	

REVENUE. The increase in total revenue in the nine months ended June 30, 2004 is due to an increase in service revenue as a result of the Managed Services agreements signed during fiscal 2003 and additional revenue resulting from our acquisition of Certen in the fourth quarter of fiscal 2003. Revenue related to Managed Services agreements in the nine months ended June 30, 2004 was approximately 40% of total revenue. The net revenue impact of the Managed Services agreements entered into during fiscal 2003, including the effect of the Certen acquisition, was approximately \$208 million in the nine months ended June 30, 2004.

Managed Services arrangements accounted for the majority part of the increase in revenue during the nine months ended June 30, 2004 and include only a small license revenue component, therefore, in the nine months ended June 30,

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2004, such arrangements had the effect of decreasing license revenue, as a percentage of revenue, by 0.9% compared to the nine months ended June 30, 2003.

License and service revenue from the sale of CC&B Systems was \$1,144.7 million for the nine months ended June 30, 2004, an increase of \$218.1 million, or 23.5%, over the nine months ended June 30, 2003. Approximately two-thirds of the increase is attributable to our acquisition of Certen in the fourth quarter of fiscal 2003, and the remainder is attributable to additional revenue from existing and new customers. License and service revenue from the sale of CC&B Systems represented 86.6% and 86.5% of our total revenue in the nine months ended June 30, 2004 and 2003, respectively. The demand for our CC&B Systems is primarily driven by the need for communications companies to continue to integrate their billing, CRM and order management systems into Integrated Customer Management products and services. In fiscal 2003, many communications companies reduced or delayed expenditures on system upgrades as a result of the slowdown in the communications industry. Recently, however, there has been an improvement in market conditions contributing to the increase in revenue in the nine months ended June 30, 2004.

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License and service revenue from the sale of Directory Systems was \$176.6 million for the nine months ended June 30, 2004, an increase of \$31.6 million, or 21.8%, over the nine months ended June 30, 2003. Approximately \$59 million of the increase in Directory Systems revenue in the nine months ended June 30, 2004 was attributable to the Managed Services agreements. This revenue was partially offset by the completion of certain implementation projects that accounted for \$27 million of revenue in the comparable period of fiscal 2003. License and service revenue from the sale of Directory Systems represented 13.4% and 13.5% of our total revenue in the nine months ended June 30, 2004 and 2003, respectively. We believe that we are a leading provider of Directory Systems in most of the markets we serve. We expect that our revenue from Directory Systems will remain relatively stable in fiscal 2004.

In the nine months ended June 30, 2004, revenue from customers in North America, Europe and the rest of the world accounted for 66.8%, 26.4% and 6.8%, respectively, of total revenue compared to 61.1%, 30.2% and 8.7%, respectively, for the nine months ended June 30, 2003. Approximately 90.0% of the increase in revenue from customers in North America is attributable to Managed Services agreements, including the acquisition of Certen, which expanded our activity and revenue from customers in North America, and approximately 10.0% is attributable to the expansion of relationships with existing customers in North America. The decreased contribution to revenue from customers in Europe relative to customers in North America, as a percentage of revenue, resulted from the relatively greater growth in activity from customers in North America than in Europe during the nine months ended June 30, 2004. Revenue from customers in the rest of the world in absolute amount was relatively stable in the nine months ended June 30, 2004 compared to the nine months ended June 30, 2003.

Cost of License. Cost of license mainly includes amortization of purchased computer software and intellectual property rights. Because such amortization is relatively stable from period to period and, absent impairment, is generally fixed in amount, an increase or decrease in license revenue will cause a significant fluctuation in cost of license as a percentage of license revenue. In the nine months ended June 30, 2004, cost of license, as a percentage of license revenue, was 7.3% compared to 8.1% in the nine months ended June 30, 2003.

Cost of Service. The increase in cost of service in the nine months ended June 30, 2004 was 28.9%, which was higher than 23.3%, the increase in our total

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revenue in the nine months ended June 30, 2004, and resulted in a 2.6% decrease in our gross margin. Our gross margin was affected by the Managed Services agreements signed during fiscal 2003, which we expect to be less profitable in their initial period, and to a lesser extent, by the decrease, as a percentage of revenue, in our license revenue.

Research and Development. Research and development expense was primarily comprised of compensation expense attributed to research and development activities, which involve the development of new software modules and product offerings, either in conjunction with customer projects or as part of our internal product development program. We are currently focusing significant development efforts on the integration between our products in order to provide Integrated Customer Management to our customers, while continuing to upgrade our existing systems. The majority of our research and development expenditures are directed to our billing and CRM systems, and the remainder to directory, content, mediation, order management solutions and other activities. The increase in research and development expense was proportionally less than the increase in our total revenue. Although we intend to continue to devote resources to research and development, our research and development budget, like all of our costs, is sensitive to our overall financial condition. We believe that our research and development efforts are a key element of our strategy and are essential to our success. However, an increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin.

Selling, General and Administrative. Selling, general and administrative expense is primarily comprised of compensation expense. The increase in selling, general and administrative expense in the nine months ended June 30, 2004 was attributable to the overall increase in our operations, as well as to the increase in our selling and marketing efforts. The increase in selling, general and administrative expense in the nine months ended June 30, 2004 was 3.5%, which was proportionally less than the 23.3% increase in our total revenue.

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Restructuring Charges. The restructuring charge in the nine months ended June 30, 2003 consisted of the cost reduction program we implemented during the first quarter of fiscal 2003.

Operating Income. The increase in operating income in the nine months ended June 30, 2004 resulted from the 23.3% increase in our total revenue, which was partially offset by the 2.6% decrease in our gross margin attributable to the relative low gross margin of our Managed Services projects in their early stages of implementation, and to the effect of the \$10.0 million restructuring charge in the nine months ended June 30, 2003.

Interest Income and Other, Net. The decrease in interest income and other, net, in the nine months ended June 30, 2004 is primarily attributable to the decline in interest rates on our short-term interest-bearing investments, which resulted from our decision to shorten the duration of our investments due to volatility in the interest rate environment, and was also affected by the decrease of interest income on debentures issued by Certen to us that was eliminated as a result of the Certen acquisition.

Income Taxes. Our effective tax rate in the nine months ended June 30, 2004 was 22% compared to 25% in the nine months ended June 30, 2003. Our effective tax rate for fiscal year 2004 is expected to be approximately 22% due to the corporate income tax rates in the various countries in which we operate and the relative magnitude of our business in those countries. The reduction in our

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effective tax rate is due to our continued expansion into countries with lower effective tax rates.

Net Income. The increase in net income in the nine months ended June 30, 2004 is attributable to the 23.3% increase in our total revenue and to the effect of the \$10.0 million restructuring charge in the nine months ended June 30, 2003. The increase was partially offset by the 2.6% decrease in our gross margin attributable to the relative low gross margin of our Managed Services projects in their early stages of implementation.

Diluted Earnings Per Share. Diluted earnings per share were \$0.80 for the nine months ended June 30, 2004, compared to \$0.57 in the nine months ended June 30, 2003.

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THREE MONTHS ENDED JUNE 30, 2004 AND 2003

The following is a tabular presentation of our results of operations for the three months ended June 30, 2004 compared to the three months ended June 30, 2003. Following the table is a discussion and analysis of our business and results of operations for such periods.

	THREE MONTHS ENDED JUNE 30,		INCREASE (DECREASE)	
	2004	2003	AMOUNT	%
(in thousands)				
Revenue:				
License	\$ 17,298	\$ 11,491	\$ 5,807	50.5%
Service	432,926	365,677	67,249	18.4
	-----	-----	-----	
	450,224	377,168	73,056	19.4
	-----	-----	-----	
Operating expenses:				
Cost of license	1,448	1,455	(7)	(0.5)
Cost of service	283,109	230,323	52,786	22.9
Research and development	31,665	29,941	1,724	5.8
Selling, general and administrative	52,745	50,943	1,802	3.5
Amortization of purchased intangible assets	4,558	4,524	34	0.8
	-----	-----	-----	
	373,525	317,186	56,339	17.8
	-----	-----	-----	

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Operating income	76,699	59,982	16,717	27.9
Interest income and other, net	121	3,269	(3,148)	(96.3)
	-----	-----	-----	
Income before income taxes	76,820	63,251	13,569	21.5
Income taxes	16,900	15,813	1,087	6.9
	-----	-----	-----	
Net income	\$ 59,920	\$ 47,438	\$ 12,482	26.3%
	=====	=====	=====	

REVENUE. The increase in total revenue in the three months ended June 30, 2004 is due primarily to an increase in service revenue as a result of Managed Services agreements signed during fiscal 2003 and additional revenue resulting from our acquisition of Certen in the fourth quarter of fiscal 2003. Revenue related to Managed Services agreements in the three months ended June 30, 2004 was approximately 40% of total revenue. The net revenue impact of the Managed Services agreements entered into during fiscal 2003, including the effect of the Certen acquisition, was approximately \$58 million in the three months ended June 30, 2004.

License revenue in the three months ended June 30, 2004 increased compared to the three months ended June 30, 2003, as a result of new contracts that we obtained from new and existing customers during fiscal 2004.

License and service revenue from the sale of CC&B Systems was \$388.0 million for the three months ended June 30, 2004, an increase of \$65.9 million, or 20.4%, over the three months ended June 30, 2003. Approximately two-thirds of the increase is attributable to our acquisition of Certen in the fourth quarter of fiscal 2003, and the remainder is attributable to additional revenue from existing and new customers. License and service revenue from the sale of CC&B Systems represented 86.2% and 85.4% of our total revenue in the three months ended June 30, 2004 and 2003, respectively. The demand for our CC&B Systems is primarily driven by the need for communications companies to continue to integrate their billing, CRM and order management systems into Integrated Customer Management products and services. In fiscal 2003, many communications companies reduced or delayed expenditures on system upgrades as a result of the slowdown in the communications industry. Recently, however, there has been an improvement in market conditions contributing for the increase in revenue in the third quarter of fiscal 2004.

License and service revenue from the sale of Directory Systems was \$62.2 million for the three months ended June 30, 2004, an increase of \$7.2 million, or 13.1%, over the three months ended June 30, 2003. Approximately \$15 million of the increase in Directory Systems revenue in the three months ended June 30,

2004 was attributable to the Managed Services agreements. This revenue was partially offset by the completion of certain implementation projects that accounted for \$8 million of revenue in the comparable period of fiscal 2003. License and service revenue from the sale of Directory Systems represented 13.8% and 14.6% of our total revenue in the three months ended June 30, 2004 and 2003, respectively. We believe that we are a leading provider of Directory Systems in most of the markets we serve. We expect that our revenue from Directory Systems will remain relatively stable in fiscal 2004.

In the three months ended June 30, 2004, revenue from customers in North

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America, Europe and the rest of the world accounted for 65.9%, 26.1% and 8.0%, respectively, of total revenue compared to 62.9%, 28.1% and 9.0%, respectively, for the three months ended June 30, 2003. Approximately 95.0% of the increase in revenue from customers in North America is attributable to Managed Services agreements, including the acquisition of Certen, which expanded our activity and revenue from customers in North America, and approximately 5.0% to the expansion of relationships with existing customers in North America. The decreased contribution to revenue from customers in Europe relative to customers in North America, as a percentage of revenue, resulted from the relatively greater growth in activity from customers in North America than in Europe during the three months ended June 30, 2004. Revenue from customers in the rest of the world in absolute amount was relatively stable in the three months ended June 30, 2004 compared to the three months ended June 30, 2003.

Cost of License. Cost of license mainly includes amortization of purchased computer software and intellectual property rights. Because such amortization is relatively stable from period to period and, absent impairment, is generally fixed in amount, an increase or decrease in license revenue will cause a significant fluctuation in cost of license as a percentage of license revenue. In the three months ended June 30, 2004, cost of license, as a percentage of license revenue, was 8.4%, compared to 12.7% in the three months ended June 30, 2003.

Cost of Service. The increase in cost of service in the three months ended June 30, 2004 was 22.9%, which was higher than 19.4%, the increase in our total revenue in the three months ended June 30, 2004, and resulted in a 1.7% decrease in our gross margin. Our gross margin was affected by the Managed Services agreements signed during fiscal 2003, which we expect to be less profitable in their initial period.

Research and Development. Research and development expense was primarily comprised of compensation expense attributed to research and development activities, which involve the development of new software modules and product offerings, either in conjunction with customer projects or as part of our internal product development program. We are currently focusing significant development efforts on the integration between our products in order to provide Integrated Customer Management to our customers, while continuing to upgrade our existing systems. The majority of our research and development expenditures are directed to our billing and CRM systems, and the remainder to directory, content, mediation and order management solutions. The increase in research and development expense was proportionally less than the increase in our total revenue. Although we intend to continue to devote resources to research and development, our research and development budget, like all of our costs, is sensitive to our overall financial condition. We believe that our research and development efforts are a key element of our strategy and are essential to our success. However, an increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin.

Selling, General and Administrative. Selling, general and administrative expense is primarily comprised of compensation expense. The increase in selling, general and administrative expense in the three months ended June 30, 2004 was attributable to overall increase in our operations, as well as to the increase in our selling and marketing efforts. The increase in selling, general and administrative expense in the three months ended June 30, 2004 was 3.5%, which was proportionally less than the 19.4% increase in our total revenue.

Operating Income. The increase in operating income in the three months ended June 30, 2004 resulted from the 19.4% increase in our total revenue, partially offset by the 1.7% decrease in our gross margin attributable to the relative low gross margin of our Managed Services projects in their early stages of implementation.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 8. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Guernsey law permits a company's articles of association to provide for the indemnification of officers and directors except to the extent that such a provision may be held by the courts of Guernsey to be contrary to public policy (for instance, for purporting to provide indemnification against the consequences of committing a crime) and except to the extent that Guernsey law prohibits the indemnification of any director against any specific provisions of Guernsey Company law under which personal liability may be imposed or incurred.

Under our Articles of Association, we are obligated to indemnify any person who is made or threatened to be made a party to a legal or administrative proceeding by virtue of being a director, officer or agent of Amdocs, provided that we have no such obligation to indemnify any such persons for any claims they incur or sustain by or through their own willful act or default.

We have entered into an indemnity agreement with our directors and some of our officers, under which we have agreed to pay the indemnified party the amount of Loss (as defined therein) suffered by that party due to claims made against that party for a Wrongful Act (as defined therein).

ITEM 9. EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
4.1	Memorandum and Articles of Association of Amdocs Limited (incorporated by reference to Exhibits 3.1 and 3.2 to Amdocs' Registration Statement on Form F-1 dated June 19, 1998; Registration No. 333-8826)
4.2	Specimen Certificate for the ordinary shares of Amdocs Limited (incorporated by reference to Exhibit 4.1 to Amdocs' Registration Statement on Form F-1 dated June 19, 1998; Registration No. 333-8826)
4.3	Indenture, dated March 5, 2004, between Amdocs Limited and The Bank of New York, as trustee, for 0.50% Convertible Senior Notes due 2024 (incorporated by reference to Exhibit 99.1 to Amdocs' Report on Form 6-K, filed March 5, 2004)
4.4	Registration Rights Agreement, dated March 5, 2004, among Amdocs Limited and Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co. and Merrill Lynch, Pierce Fenner & Smith Incorporated (incorporated by reference to Exhibit 99.2 to Amdocs' Report on Form 6-K, filed March 5, 2004)
5.1*	Opinion of Carey Olsen.

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- 5.2* Opinion of Wilmer Cutler Pickering Hale and Dorr LLP.
- 12.1* Computation of Ratio of Earnings to Fixed Charges.
- 23.1 Consent of Ernst & Young LLP.
- 23.2 Consent of Deloitte & Touche, LLP.
- 23.3* Consent of Carey Olsen (included in Exhibit 5.1).
- 23.4* Consent of Wilmer Cutler Pickering Hale and Dorr LLP (included in Exhibit 5.2).
- 24.1* Power of Attorney.
- 25.1 Form T-1, Statement of Eligibility under the Trust Indenture Act of The Bank of New York.
- 99.1* Share Purchase Agreement dated as of May 28, 2003 between Amdocs Holdings ULC and Bell Canada.
- 99.2*+ Software Master Agreement between Amdocs Software Systems Limited and SBC Services, Inc., effective December 10, 2003.
- 99.3*+ Agreement between Amdocs Inc. and SBC Services, Inc. for Software and Professional Services, effective August 7, 2003.

* Previously filed.

+ Confidential treatment requested as to certain portions, which portions have been filed separately with the Securities and Exchange Commission.

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ITEM 10. UNDERTAKINGS.

Item 512(a) of Regulation S-K. The undersigned Registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

- (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

- (ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in the volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be

reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement.

- (2) That, for the purposes of determining any liability under the Securities Act, each post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Item 512(b) of Regulation S-K. The Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Item 512(h) of Regulation S-K. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the indemnification provisions described herein, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as

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expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-3 and has duly caused this Post-Effective Amendment No. 2 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of New York, State of New York, on this 29th day of October, 2004.

AMDOCS LIMITED

By: /s/ Thomas G. O'Brien

Thomas G. O'Brien
Treasurer and Secretary
Authorized U.S. Representative

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, as amended, this Post-Effective Amendment No. 2 to Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
* ----- Bruce K. Anderson	Chairman of the Board	October 29,
/s/ Dov Baharav ----- Dov Baharav	Director and Principal Executive Officer	October 29,

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/s/ Ron Moskovitz ----- Ron Moskovitz	Principal Accounting Officer	October 29
* ----- Robert A. Minicucci	Director	October 29
* ----- Adrian Gardner	Director	October 29

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*	Director	October 29

Julian A. Brodsky		
*	Director	October 29

Charles E. Foster		
*	Director	October 29

Eli Gelman		
*	Director	October 29

James S. Kahan		
*	Director	October 29

Nehmeia Lemelbaum		
*	Director	October 29

John T. McLennan		
*	Director	October 29

Mario Segal		

* By: /s/ Thomas G. O'Brien

 Thomas G. O'Brien
 Attorney-in-Fact

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Exhibit Index

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