
Section 1: 8-K (8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

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

Date of Report (Date of earliest event reported) July 25, 2018

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

(Exact name of registrant as specified in its charter)

MARYLAND (Apartment Investment and Management Company)

1-13232

84-1259577

DELAWARE (AIMCO Properties, L.P.)

0-24497

84-1275621

**(State or other jurisdiction
of incorporation or organization)**

**(Commission
File Number)**

**(I.R.S. Employer
Identification No.)**

**4582 SOUTH ULSTER STREET
SUITE 1100, DENVER, CO 80237**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (303) 757-8101

NOT APPLICABLE

(Former name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the exchange act.

ITEM 2.01. Completion of Acquisition or Disposition of Assets.

On July 25, 2018, AIMCO Properties, L.P., or the Aimco Operating Partnership, which holds all of Apartment Investment and Management Company's, or Aimco, assets and manages the daily operations of Aimco's business, sold its Asset Management portfolio and four affordable real estate communities to Related Companies' affordable division, or Related, for a gross sales price of \$590 million. Aimco and the Aimco Operating Partnership are not affiliated with Related and the terms of the transaction were determined through arm's-length negotiations.

Unaudited pro forma financial information for Aimco and the Aimco Operating Partnership which gives effect to the sale is included as Exhibit 99.1 to this report.

In connection with this sale, we estimate that we will recognize a \$469 million gain on sale during the three month period ended September 30, 2018, which is presented as an adjustment to equity in the accompanying unaudited pro forma consolidated balance sheets.

ITEM 9.01. Financial Statements and Exhibits.

(b) Pro Forma Financial Information

The unaudited pro forma financial information as of March 31, 2018 and for the year ended December 31, 2017 and for the three months ended March 31, 2018, including notes thereto, is included as Exhibit 99.1 to this report and incorporated herein by reference.

(d) The following exhibit is filed with this report:

| Exhibit Number | Description |
|----------------------|---|
| 99.1 | Unaudited pro forma condensed consolidated balance sheets and unaudited pro forma condensed consolidated statement operations, including notes thereto, of Aimco and the Aimco Operating Partnership. |

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

APARTMENT INVESTMENT AND MANAGEMENT COMPANY

By: /s/ PAUL BELDIN
Paul Beldin
Executive Vice President and Chief Financial Officer
(duly authorized officer and principal financial officer)

AIMCO PROPERTIES, L.P.

By: AIMCO-GP, Inc., its general partner

By: /s/ PAUL BELDIN
Paul Beldin
Executive Vice President and Chief Financial Officer
(duly authorized officer and principal financial officer)

Date: July 30, 2018

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Section 2: EX-99.1 (EXHIBIT 99.1)

APARTMENT INVESTMENT AND MANAGEMENT COMPANY AND AIMCO PROPERTIES, L.P. PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

This pro forma financial information combines the pro forma condensed consolidated financial statements, and notes thereto, of Apartment Investment and Management Company, or Aimco, and AIMCO Properties, L.P., or the Aimco Operating Partnership. Where it is important to distinguish between the two entities, we refer to them specifically. Otherwise, references to “we,” “us” or “our” mean, collectively, Aimco, the Aimco Operating Partnership and their consolidated entities.

On July 25, 2018, we sold our Asset Management business and four affordable apartment communities, or the Hunters Point communities, to Related Companies, or Related for a gross sales price of \$590 million.

The accompanying pro forma condensed consolidated financial statements have been prepared to reflect the effect of the sale as described in Item 2.01 of the Current Report on Form 8-K with which this Exhibit 99.1 is filed, and are presented to comply with Article 11 of Regulation S-X and follow guidelines of the Securities and Exchange Commission, or the SEC. The pro forma condensed consolidated statements of operations for the three months ended March 31, 2018 and the year ended December 31, 2017 are based on our historical consolidated statements of operations, and give effect to the sale as if it had occurred on January 1, 2017. The pro forma condensed consolidated balance sheets as of March 31, 2018 are based on our consolidated balance sheets on that date and give effect to the sale as if it occurred on March 31, 2018. The pro forma financial information excludes the effect of our acquisition of four apartment communities located in Philadelphia and all other transactions that occurred subsequent to March 31, 2018.

The pro forma condensed consolidated financial statements presented below are based on assumptions and adjustments set forth in the notes thereto. The pro forma adjustments made in the compilation of the pro forma consolidated financial statements were directly attributable to the sale, are factually supportable, are based upon available information and assumptions, that we consider reasonable, and have been made solely for purposes of developing such unaudited pro forma financial information for illustrative purposes in compliance with the disclosure requirements of the SEC. The pro forma financial information is presented for informational purposes only and should not be considered indicative of actual results that would have been achieved had the sale actually been consummated on the dates indicated and does not purport to be indicative of the financial condition as of any future date or results of operation for any future period.

The pro forma financial information should be read in conjunction with our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on March 1, 2018.

APARTMENT INVESTMENT AND MANAGEMENT COMPANY
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS

As of March 31, 2018
(In thousands, except share data)
(Unaudited)

| | As Reported (A) | Effect of Sale (B) | Use of Proceeds (C) | Pro Forma |
|--|---------------------|-----------------------|------------------------|---------------------|
| ASSETS | | | | |
| Real estate, net | 5,514,330 | (52,964) (B1) | — | 5,461,366 |
| Cash and cash equivalents | 51,894 | 505,944 (B2) | (328,635) | 229,203 |
| Restricted cash | 38,999 | (2,006) (B1) | — | 36,993 |
| Other assets | 371,152 | (34,337) (B3) | — | 336,815 |
| Assets of partnerships served by Asset Management business: | | | | |
| Real estate, net | 220,408 | (220,408) (B1) | — | — |
| Cash and cash equivalents | 18,374 | (18,374) (B1) | — | — |
| Restricted cash | 29,764 | (29,764) (B1) | — | — |
| Other assets | 10,369 | (10,369) (B1) | — | — |
| Total assets | <u>\$ 6,255,290</u> | <u>\$ 137,722</u> | <u>\$ (328,635)</u> | <u>\$ 6,064,377</u> |
| LIABILITIES AND EQUITY | | | | |
| Non-recourse property debt secured by Real Estate communities, net | \$ 3,700,979 | \$ (68,484) (B4) | \$ — | \$ 3,632,495 |
| Term loan, net | 249,729 | — | (249,729) | — |
| Revolving credit facility borrowings | 78,635 | — | (78,635) | — |
| Total indebtedness associated with Real Estate portfolio | <u>4,029,343</u> | <u>(68,484)</u> | <u>(328,364)</u> | <u>3,632,495</u> |
| Accrued liabilities and other | 207,202 | (1,973) | — | 205,229 |
| Liabilities of partnerships served by Asset Management business: | | | | |
| Non-recourse property debt, net | 225,502 | (225,502) (B1) | — | — |
| Accrued liabilities and other | 17,404 | (17,404) (B1) | — | — |
| Deferred income | 11,814 | (11,814) (B1) | — | — |
| Total liabilities | <u>4,491,265</u> | <u>(325,177)</u> | <u>(328,364)</u> | <u>3,837,724</u> |
| Preferred noncontrolling interests in Aimco Operating Partnership | 101,378 | — | — | 101,378 |
| Equity: | | | | |
| Perpetual Preferred Stock | 125,000 | — | — | 125,000 |
| Common Stock, \$0.01 par value, 500,787,260 shares authorized, 157,326,117 shares issued/outstanding at March 31, 2018 | 1,573 | — | — | 1,573 |
| Additional paid-in capital | 3,885,279 | — | — | 3,885,279 |
| Accumulated other comprehensive income | 3,544 | — | — | 3,544 |
| Distributions in excess of earnings | (2,345,206) | 442,531 (B5) | (259) | (1,902,934) |
| Total Aimco equity | <u>1,670,190</u> | <u>442,531</u> | <u>(259)</u> | <u>2,112,462</u> |
| Noncontrolling interests in consolidated real estate partnerships | (2,755) | — | — | (2,755) |
| Common noncontrolling interests in Aimco Operating Partnership | (4,788) | 20,368 (B5) | (12) | 15,568 |
| Total equity | <u>1,662,647</u> | <u>462,899</u> | <u>(271)</u> | <u>2,125,275</u> |
| Total liabilities and equity | <u>\$ 6,255,290</u> | <u>\$ 137,722</u> | <u>\$ (328,635)</u> | <u>\$ 6,064,377</u> |

AIMCO PROPERTIES, L.P.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS
As of March 31, 2018
(In thousands)
(Unaudited)

| | As Reported (A) | Effect of Sale (B) | Use of Proceeds (C) | Pro Forma |
|--|---------------------|-----------------------|------------------------|---------------------|
| ASSETS | | | | |
| Real estate, net | 5,514,330 | (52,964) (B1) | — | 5,461,366 |
| Cash and cash equivalents | 51,894 | 505,944 (B2) | (328,635) | 229,203 |
| Restricted cash | 38,999 | (2,006) (B1) | — | 36,993 |
| Other assets | 371,152 | (34,337) (B3) | — | 336,815 |
| Assets of partnerships served by Asset Management business: | | | | |
| Real estate, net | 220,408 | (220,408) (B1) | — | — |
| Cash and cash equivalents | 18,374 | (18,374) (B1) | — | — |
| Restricted cash | 29,764 | (29,764) (B1) | — | — |
| Other assets | 10,369 | (10,369) (B1) | — | — |
| Total assets | <u>\$ 6,255,290</u> | <u>\$ 137,722</u> | <u>\$ (328,635)</u> | <u>\$ 6,064,377</u> |
| LIABILITIES AND EQUITY | | | | |
| Non-recourse property debt secured by Real Estate communities, net | \$ 3,700,979 | \$ (68,484) (B4) | \$ — | \$ 3,632,495 |
| Term loan, net | 249,729 | — | (249,729) | — |
| Revolving credit facility borrowings | 78,635 | — | (78,635) | — |
| Total indebtedness associated with Real Estate portfolio | <u>4,029,343</u> | <u>(68,484)</u> | <u>(328,364)</u> | <u>3,632,495</u> |
| Accrued liabilities and other | 207,202 | (1,973) | — | 205,229 |
| Liabilities of partnerships served by Asset Management business: | | | | |
| Non-recourse property debt, net | 225,502 | (225,502) (B1) | — | — |
| Accrued liabilities and other | 17,404 | (17,404) (B1) | — | — |
| Deferred income | 11,814 | (11,814) (B1) | — | — |
| Total liabilities | <u>4,491,265</u> | <u>(325,177)</u> | <u>(328,364)</u> | <u>3,837,724</u> |
| Redeemable preferred units | 101,378 | — | — | 101,378 |
| Partners' capital: | | | | |
| Preferred units | 125,000 | — | — | 125,000 |
| General Partner and Special Limited Partner | 1,545,190 | 442,531 (B5) | (259) | 1,987,462 |
| Limited Partners | (4,788) | 20,368 (B5) | (12) | 15,568 |
| Partners' capital attributable to the Aimco Operating Partnership | <u>1,665,402</u> | <u>462,899</u> | <u>(271)</u> | <u>2,128,030</u> |
| Noncontrolling interests in consolidated real estate partnerships | (2,755) | — | — | (2,755) |
| Total partners' capital | <u>1,662,647</u> | <u>462,899</u> | <u>(271)</u> | <u>2,125,275</u> |
| Total liabilities and partners' capital | <u>\$ 6,255,290</u> | <u>\$ 137,722</u> | <u>\$ (328,635)</u> | <u>\$ 6,064,377</u> |

APARTMENT INVESTMENT AND MANAGEMENT COMPANY
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended March 31, 2018
(In thousands, except per share data)
(Unaudited)

| | As Reported (D) | Amounts Related to Sale (E) | Other (F) | Pro Forma |
|--|------------------|-----------------------------------|-----------------|------------------|
| REVENUES | | | | |
| Rental and other property revenues attributable to Real Estate | \$ 225,393 | \$ (4,764) | \$ — | \$ 220,629 |
| Rental and other property revenues of partnerships served by Asset Management business | 18,808 | (18,808) | — | — |
| Tax credit and transaction revenues | 3,519 | (1,874) | — | 1,645 |
| Total revenues | <u>247,720</u> | <u>(25,446)</u> | <u>—</u> | <u>222,274</u> |
| OPERATING EXPENSES | | | | |
| Property operating expenses attributable to Real Estate | 78,287 | (1,453) | — | 76,834 |
| Property operating expenses of partnerships served by Asset Management business | 9,195 | (9,195) | — | — |
| Depreciation and amortization | 92,548 | (7,753) | — | 84,795 |
| General and administrative and other expenses, net | 14,313 | (772) (E1) | — | 13,541 |
| Total operating expenses | <u>194,343</u> | <u>(19,173)</u> | <u>—</u> | <u>175,170</u> |
| Operating income | 53,377 | (6,273) | — | 47,104 |
| Interest income (expense) and other, net | (45,399) | 3,627 | 2,383 | (39,389) |
| Income before income taxes and gain on dispositions | 7,978 | (2,646) | 2,383 | 7,715 |
| Income tax benefit | 37,388 | (33,247) | — | 4,141 |
| Income before gain on dispositions | 45,366 | (35,893) | 2,383 | 11,856 |
| Gain (loss) on dispositions of real estate, inclusive of related income tax | 50,324 | — | — | 50,324 |
| Net income | 95,690 | (35,893) | 2,383 | 62,180 |
| Noncontrolling interests: | | | | |
| Net income attributable to noncontrolling interests in consolidated real estate partnerships | (6,206) | — | — | (6,206) |
| Net income attributable to preferred noncontrolling interests in Aimco Operating Partnership | (1,937) | — | — | (1,937) |
| Net income attributable to common noncontrolling interests in Aimco Operating Partnership | (3,755) | 1,579 | (105) | (2,281) |
| Net income attributable to noncontrolling interests | <u>(11,898)</u> | <u>1,579</u> | <u>(105)</u> | <u>(10,424)</u> |
| Net income attributable to Aimco | 83,792 | \$ (34,314) | \$ 2,278 | \$ 51,756 |
| Net income attributable to Aimco preferred stockholders | (2,148) | — | — | (2,148) |
| Net income attributable to participating securities | (119) | 28 | (3) | (94) |
| Net income attributable to Aimco common stockholders | <u>\$ 81,525</u> | <u>\$ (34,286)</u> | <u>\$ 2,275</u> | <u>\$ 49,514</u> |
| Net income attributable to Aimco per common share – basic and diluted | <u>\$ 0.52</u> | | | <u>\$ 0.32</u> |
| Weighted average common shares outstanding – basic | <u>156,609</u> | | | <u>156,609</u> |
| Weighted average common shares outstanding – diluted | <u>156,740</u> | | | <u>156,740</u> |

AIMCO PROPERTIES, L.P.
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended March 31, 2018
(In thousands, except per unit data)
(Unaudited)

| | As Reported (D) | Amounts Related to Sale (E) | Other (F) | Pro Forma |
|--|------------------|-----------------------------------|-----------------|------------------|
| REVENUES | | | | |
| Rental and other property revenues attributable to Real Estate | \$ 225,393 | \$ (4,764) | \$ — | \$ 220,629 |
| Rental and other property revenues of partnerships served by Asset Management business | 18,808 | (18,808) | — | — |
| Tax credit and transaction revenues | 3,519 | (1,874) | — | 1,645 |
| Total revenues | <u>247,720</u> | <u>(25,446)</u> | <u>—</u> | <u>222,274</u> |
| OPERATING EXPENSES | | | | |
| Property operating expenses attributable to Real Estate | 78,287 | (1,453) | — | 76,834 |
| Property operating expenses of partnerships served by Asset Management business | 9,195 | (9,195) | — | — |
| Depreciation and amortization | 92,548 | (7,753) | — | 84,795 |
| General and administrative and other expenses, net | 14,313 | (772) (E1) | — | 13,541 |
| Total operating expenses | <u>194,343</u> | <u>(19,173)</u> | <u>—</u> | <u>175,170</u> |
| Operating income | 53,377 | (6,273) | — | 47,104 |
| Interest income (expense) and other, net | (45,399) | 3,627 | 2,383 | (39,389) |
| Income before income taxes and gain on dispositions | 7,978 | (2,646) | 2,383 | 7,715 |
| Income tax benefit | 37,388 | (33,247) | — | 4,141 |
| Income before gain on dispositions | 45,366 | (35,893) | 2,383 | 11,856 |
| Gain (loss) on dispositions of real estate, inclusive of related income tax | 50,324 | — | — | 50,324 |
| Net income | 95,690 | (35,893) | 2,383 | 62,180 |
| Net income attributable to noncontrolling interests in consolidated real estate partnerships | (6,206) | — | — | (6,206) |
| Net income attributable to the Aimco Operating Partnership | 89,484 | (35,893) | 2,383 | 55,974 |
| Net income attributable to the Aimco Operating Partnership's preferred unitholders | (4,085) | — | — | (4,085) |
| Net income attributable to participating securities | (125) | 31 | (3) | (97) |
| Net income attributable to the Aimco Operating Partnership's common unitholders | <u>\$ 85,274</u> | <u>\$ (35,862)</u> | <u>\$ 2,380</u> | <u>\$ 51,792</u> |
| Net income attributable to the Aimco Operating Partnership per common unit – basic and diluted | <u>\$ 0.52</u> | | | <u>\$ 0.32</u> |
| Weighted average common units outstanding – basic | <u>163,825</u> | | | <u>163,825</u> |
| Weighted average common units outstanding – diluted | <u>163,959</u> | | | <u>163,959</u> |

APARTMENT INVESTMENT AND MANAGEMENT COMPANY
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the year ended December 31, 2017
(In thousands, except per share data)
(Unaudited)

| | As Reported (D) | Amounts Related to Sale (E) | Other (F) | Pro Forma |
|--|-------------------|-----------------------------------|-----------------|-------------------|
| REVENUES: | | | | |
| Rental and other property revenues attributable to Real Estate | \$ 918,148 | \$ (18,666) | \$ — | \$ 899,482 |
| Rental and other property revenues of partnerships served by Asset Management business | 74,046 | (74,046) | — | — |
| Tax credit and transaction revenues | 13,243 | (10,695) | — | 2,548 |
| Total revenues | <u>1,005,437</u> | <u>(103,407)</u> | <u>—</u> | <u>902,030</u> |
| OPERATING EXPENSES: | | | | |
| Property operating expenses attributable to Real Estate | 318,939 | (5,743) | — | 313,196 |
| Property operating expenses of partnerships served by Asset Management business | 35,440 | (35,440) | — | — |
| Depreciation and amortization | 366,184 | (30,278) | — | 335,906 |
| General and administrative and other expenses, net | 55,010 | (3,267) (E1) | — | 51,743 |
| Provision for real estate impairment loss | 35,881 | — | — | 35,881 |
| Total operating expenses | <u>811,454</u> | <u>(74,728)</u> | <u>—</u> | <u>736,726</u> |
| Operating income | <u>193,983</u> | <u>(28,679)</u> | <u>—</u> | <u>165,304</u> |
| Interest income (expense) and other, net | (178,589) | 13,909 | 8,849 | (155,831) |
| Income (loss) before income taxes and gain on dispositions | <u>15,394</u> | <u>(14,770)</u> | <u>8,849</u> | <u>9,473</u> |
| Income tax benefit | 32,126 | 1,596 | — | 33,722 |
| Income before gain on dispositions | <u>47,520</u> | <u>(13,174)</u> | <u>8,849</u> | <u>43,195</u> |
| Gain on dispositions of real estate, net of tax | 299,559 | — | — | 299,559 |
| Net income | <u>347,079</u> | <u>(13,174)</u> | <u>8,849</u> | <u>342,754</u> |
| Noncontrolling interests: | | | | |
| Net income attributable to noncontrolling interests in consolidated real estate partnerships | (9,084) | — | — | (9,084) |
| Net income attributable to preferred noncontrolling interests in Aimco Operating Partnership | (7,764) | — | — | (7,764) |
| Net income attributable to common noncontrolling interests in Aimco Operating Partnership | (14,457) | 603 | (405) | (14,259) |
| Net income attributable to noncontrolling interests | <u>(31,305)</u> | <u>603</u> | <u>(405)</u> | <u>(31,107)</u> |
| Net income attributable to Aimco | <u>315,774</u> | <u>(12,571)</u> | <u>8,444</u> | <u>311,647</u> |
| Net income attributable to Aimco preferred stockholders | (8,594) | — | — | (8,594) |
| Net income attributable to participating securities | (319) | 13 | (9) | (315) |
| Net income attributable to Aimco common stockholders | <u>\$ 306,861</u> | <u>\$ (12,558)</u> | <u>\$ 8,435</u> | <u>\$ 302,738</u> |
| Net income attributable to Aimco per common share – basic | <u>\$ 1.96</u> | | | <u>\$ 1.94</u> |
| Net income attributable to Aimco per common share – diluted | <u>\$ 1.96</u> | | | <u>\$ 1.93</u> |
| Weighted average common shares outstanding – basic | <u>156,323</u> | | | <u>156,323</u> |
| Weighted average common shares outstanding – diluted | <u>156,796</u> | | | <u>156,796</u> |

AIMCO PROPERTIES, L.P.
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the year ended December 31, 2017
(In thousands, except per unit data)
(Unaudited)

| | As Reported (D) | Amounts Related to Sale (E) | Other (F) | Pro Forma |
|--|-------------------|-----------------------------------|-----------------|-------------------|
| REVENUES: | | | | |
| Rental and other property revenues attributable to Real Estate | \$ 918,148 | \$ (18,666) | \$ — | \$ 899,482 |
| Rental and other property revenues of partnerships served by Asset Management business | 74,046 | (74,046) | — | — |
| Tax credit and transaction revenues | 13,243 | (10,695) | — | 2,548 |
| Total revenues | <u>1,005,437</u> | <u>(103,407)</u> | <u>—</u> | <u>902,030</u> |
| OPERATING EXPENSES: | | | | |
| Property operating expenses attributable to Real Estate | 318,939 | (5,743) | — | 313,196 |
| Property operating expenses of partnerships served by Asset Management business | 35,440 | (35,440) | — | — |
| Depreciation and amortization | 366,184 | (30,278) | — | 335,906 |
| General and administrative and other expenses, net | 55,010 | (3,267) (E1) | — | 51,743 |
| Provision for real estate impairment loss | 35,881 | — | — | 35,881 |
| Total operating expenses | <u>811,454</u> | <u>(74,728)</u> | <u>—</u> | <u>736,726</u> |
| Operating income | 193,983 | (28,679) | — | 165,304 |
| Interest income (expense) and other, net | (178,589) | 13,909 | 8,849 | (155,831) |
| Income (loss) before income taxes and gain on dispositions | 15,394 | (14,770) | 8,849 | 9,473 |
| Income tax benefit | 32,126 | 1,596 | — | 33,722 |
| Income before gain on dispositions | 47,520 | (13,174) | 8,849 | 43,195 |
| Gain on dispositions of real estate, net of tax | 299,559 | — | — | 299,559 |
| Net income | 347,079 | (13,174) | 8,849 | 342,754 |
| Net income attributable to noncontrolling interests in consolidated real estate partnerships | (9,084) | — | — | (9,084) |
| Net income attributable to the Aimco Operating Partnership | 337,995 | (13,174) | 8,849 | 333,670 |
| Net income attributable to the Aimco Operating Partnership's preferred unitholders | (16,358) | — | — | (16,358) |
| Net income attributable to participating securities | (337) | 14 | (9) | (332) |
| Net income attributable to the Aimco Operating Partnership's common unitholders | <u>\$ 321,300</u> | <u>\$ (13,160)</u> | <u>\$ 8,840</u> | <u>\$ 316,980</u> |
| Net income attributable to the Aimco Operating Partnership per common unit – basic | <u>\$ 1.96</u> | | | <u>\$ 1.94</u> |
| Net income attributable to the Aimco Operating Partnership per common unit – diluted | <u>\$ 1.96</u> | | | <u>\$ 1.93</u> |
| Weighted average common units outstanding – basic | <u>163,746</u> | | | <u>163,746</u> |
| Weighted average common units outstanding – diluted | <u>164,218</u> | | | <u>164,218</u> |

APARTMENT INVESTMENT AND MANAGEMENT COMPANY AND AIMCO PROPERTIES, L.P.
NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Pro Forma Adjustments

- (A) Reflects our consolidated balance sheet as of March 31, 2018, as presented in the historical financial statements and notes thereto in our Quarterly Report on Form 10-Q for the three months ended March 31, 2018.
- (B) The pro forma adjustments represent the elimination of the assets and liabilities related to the partnerships served by our Asset Management business and the Hunters Point communities. These adjustments also include the receipt of proceeds of approximately \$512.0 million, net of the payment of certain property-level debt paid at closing of \$68.3 million and other transaction costs, which totaled approximately \$78.0 million.
- (B1) Represents the assets and liabilities transferred upon sale of our interests in the Asset Management business and the Hunters Point communities.
- (B2) Represents net proceeds we received upon the sale of our interests in the Asset Management business and the Hunters Point communities.
- (B3) Includes reduction of deferred tax asset recognized as a result of an intercompany transfer of assets related to the Asset Management business of \$33.6 million.
- (B4) Represents Non-recourse property debt encumbering the Hunters Point communities. This debt was repaid at closing.
- (B5) Represents the estimated gain on sale we would have recognized upon completion of the sale transaction as if the sale occurred as of March 31, 2018, and was calculated as follows:

| | | |
|--|----|----------------|
| Sales price | \$ | 590,000 |
| Debt associated with the Asset Management business | | 225,502 |
| Less: Estimated transaction costs and other adjustments (i) | | (77,968) |
| Less: Portfolio basis as of 3/31/2018 | | (241,044) |
| Less: Deferred tax asset associated with the Asset Management business | | (33,591) |
| Total estimated gain (ii) | \$ | <u>462,899</u> |

- (i) Amount includes payment of property level debt encumbering the Hunters Point communities of \$68.3 million, which was paid at closing.
- (ii) We are recording an estimated \$469 million gain on sale from this transaction as of July 25, 2018 as a result of additional depreciation expense and changes in the basis from March 31, 2018.
- (C) Represents use of proceeds to repay the principal balance on our revolving credit facility and term loan.
- (D) Reflects our consolidated results of operations for the three months ended March, 31, 2018 and the year ended December 31, 2017, as presented in the historical financial statements and notes thereto in our Quarterly Report on Form 10-Q for the three months ended March 31, 2018 and our Annual Report on Form 10-K for the year ended December 31, 2017.
- (E) Represents revenues and expenses of the communities owned by the partnerships served by our Asset Management business and the Hunters Point communities for the three months ended March 31, 2018 and the year ended December 31, 2017.
- (E1) The adjustment to general and administrative expenses relates to compensation of team members who directly supported the Asset Management business and whose employment will end shortly after the sale. In addition to the reduction in costs reflected in the year ended December 31, 2017 pro forma adjustment, we expect additional savings of \$1.1 million on an annual basis as a result of planned corporate headcount reductions and cost savings that are indirectly attributable to the sale and, therefore, excluded from the pro forma adjustment.
- (F) Represents an adjustment made to interest expense in connection with the sale. Interest expense represents the reduction of interest expense on our term loan and revolving line of credit, which were repaid with proceeds from the sale, that would have occurred if the sale occurred on January 1, 2017. The adjustment is actual interest incurred during the periods.

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