

MID AMERICA APARTMENT COMMUNITIES INC  
Form 10-Q  
August 05, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-12762

MID-AMERICA APARTMENT COMMUNITIES, INC.  
(Exact name of registrant as specified in its charter)

TENNESSEE  
(State or other jurisdiction of  
incorporation or organization)

62-1543819  
(I.R.S. Employer Identification No.)

6584 POPLAR AVENUE  
MEMPHIS, TENNESSEE  
(Address of principal executive offices)

38138  
(Zip Code)

(901) 682-6600  
(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated  Smaller Reporting Company   
filer  (Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
 Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Number of Shares Outstanding at July 21, 2010
Common Stock, \$0.01 par value	32,798,079

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## MID-AMERICA APARTMENT COMMUNITIES, INC.

Condensed Consolidated Balance Sheets  
 June 30, 2010 (Unaudited) and December 31, 2009  
 (Dollars in thousands, except per share data)

	June 30, 2010	December 31, 2009
<b>Assets:</b>		
Real estate assets:		
Land	\$ 258,394	\$ 255,425
Buildings and improvements	2,410,202	2,364,918
Furniture, fixtures and equipment	78,577	73,975
Capital improvements in progress	4,256	10,517
	2,751,429	2,704,835
Less accumulated depreciation	(836,933)	(788,260)
	1,914,496	1,916,575
Land held for future development	1,306	1,306
Commercial properties, net	8,157	8,721
Investments in real estate joint ventures	12,385	8,619
Real estate assets, net	1,936,344	1,935,221
Cash and cash equivalents	25,245	13,819
Restricted cash	730	561
Deferred financing costs, net	13,658	13,369
Other assets	17,961	19,731
Goodwill	4,106	4,106
Assets held for sale	-	19
Total assets	\$ 1,998,044	\$ 1,986,826
<b>Liabilities and Shareholders' Equity:</b>		
Liabilities:		
Notes payable	\$ 1,363,195	\$ 1,399,596
Accounts payable	1,483	1,702
Fair market value of interest rate swaps	56,862	51,160
Accrued expenses and other liabilities	67,608	69,528
Security deposits	8,092	8,789
Liabilities associated with assets held for sale	-	23
Total liabilities	1,497,240	1,530,798
Redeemable stock	2,900	2,802
Shareholders' equity:		
Preferred stock, \$0.01 par value per share, 20,000,000 shares authorized, \$25 per share liquidation preference; 8.30% Series H Cumulative Redeemable Preferred Stock, 6,200,000 shares authorized, 3,099,999 and 6,200,000 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	31	62
Common stock, \$0.01 par value per share, 50,000,000 shares authorized; 32,299,493 and 29,095,251 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively (1)	322	290
Additional paid-in capital	1,074,147	988,642
Accumulated distributions in excess of net income	(541,725)	(510,993)
Accumulated other comprehensive income	(56,836)	(47,435)
Total Mid-America Apartment Communities, Inc. shareholders' equity	475,939	430,566
Noncontrolling interest	21,965	22,660

Total Equity	497,904	453,226
Total liabilities and equity	\$ 1,998,044	\$ 1,986,826

(1) Number of shares issued and outstanding represent total shares of common stock regardless of classification on the consolidated balance sheet. The number of shares classified as redeemable stock on the consolidated balance sheet for June 30, 2010 and December 31, 2009 are 56,336 and 58,038, respectively.

See accompanying notes to consolidated financial statements.

## MID-AMERICA APARTMENT COMMUNITIES, INC.

## Condensed Consolidated Statements of Operations

Three and six months ended June 30, 2010 and 2009

(Dollars in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
<b>Operating revenues:</b>				
Rental revenues	\$ 91,049	\$ 89,593	\$ 181,357	\$ 178,791
Other property revenues	7,697	4,906	14,717	9,308
Total property revenues	98,746	94,499	196,074	188,099
Management fee income	155	63	291	127
Total operating revenues	98,901	94,562	196,365	188,226
<b>Property operating expenses:</b>				
Personnel	12,717	11,962	25,075	23,326
Building repairs and maintenance	3,661	3,287	6,988	6,099
Real estate taxes and insurance	11,321	11,059	23,219	23,043
Utilities	5,671	5,231	11,270	10,739
Landscaping	2,518	2,490	5,033	4,794
Other operating	6,764	4,893	12,618	9,216
Depreciation	24,943	23,818	50,023	47,403
Total property operating expenses	67,595	62,740	134,226	124,620
Acquisition expenses	486	107	462	109
Property management expenses	4,479	4,503	8,756	8,744
General and administrative expenses	3,110	2,686	5,921	5,143
Income from continuing operations before non-operating items	23,231	24,526	47,000	49,610
Interest and other non-property income	86	68	401	148
Interest expense	(13,993)	(14,472)	(27,884)	(28,701)
Loss on debt extinguishment	-	(141)	-	(138)
Amortization of deferred financing costs	(648)	(588)	(1,243)	(1,194)
Asset impairment	(1,590)	-	(1,590)	-
Net casualty gain (loss) and other settlement proceeds	102	-	629	(144)
Income from continuing operations before loss from real estate joint ventures	7,188	9,393	17,313	19,581
Loss from real estate joint ventures	(298)	(156)	(574)	(352)
Income from continuing operations	6,890	9,237	16,739	19,229
<b>Discontinued operations:</b>				
Income from discontinued operations before (loss) gain on sale	-	326	-	747
(Loss) gain on sale of discontinued operations	(2)	1,155	(2)	2,587
Consolidated net income	6,888	10,718	16,737	22,563
Net income attributable to noncontrolling interests	228	570	665	1,276
Net income attributable to Mid-America Apartment Communities, Inc.	6,660	10,148	16,072	21,287
Preferred dividend distributions	2,704	3,217	5,920	6,433
Premiums and original issuance costs associated with the redemption of preferred stock	2,573	-	2,573	-

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Net income available for common shareholders	\$	1,383	\$	6,931	\$	7,579	\$	14,854
Weighted average shares outstanding (in thousands):								
Basic		30,628		28,105		29,883		28,095
Effect of dilutive securities		108		79		84		80
Diluted		30,736		28,184		29,967		28,175
Net income available for common shareholders	\$	1,383	\$	6,931	\$	7,579	\$	14,854
Discontinued property operations		2		(1,481)		2		(3,334)
Income from continuing operations available for common shareholders	\$	1,385	\$	5,450	\$	7,581	\$	11,520
Earnings per share - basic:								
Income from continuing operations available for common shareholders	\$	0.04	\$	0.20	\$	0.25	\$	0.41
Discontinued property operations		-		0.05		-		0.12
Net income available for common shareholders	\$	0.04	\$	0.25	\$	0.25	\$	0.53
Earnings per share - diluted:								
Income from continuing operations available for common shareholders	\$	0.04	\$	0.20	\$	0.25	\$	0.41
Discontinued property operations		-		0.05		-		0.12
Net income available for common shareholders	\$	0.04	\$	0.25	\$	0.25	\$	0.53
Dividends declared per common share	\$	0.615	\$	0.615	\$	1.230	\$	1.230

See accompanying notes to consolidated financial statements.

Mid-America Apartment Communities, Inc.  
Condensed Consolidated Statements of Cash Flows  
Six Months Ended June 30, 2010 and 2009  
(Dollars in thousands)

	2010	2009
Cash flows from operating activities:		
Consolidated net income	\$ 16,737	\$ 22,563
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of deferred financing costs	51,266	48,597
Stock compensation expense	1,131	623
Redeemable stock issued	213	167
Amortization of debt premium	(180)	(180)
Loss from investments in real estate joint ventures	574	352
Loss on debt extinguishment	-	138
Derivative interest expense	300	616
Loss (gain) on sale of discontinued operations	2	(2,587)
Asset impairment	1,590	-
Net casualty (gains) loss and other settlement proceeds	(629)	144
Changes in assets and liabilities:		
Restricted cash	(169)	(212)
Other assets	1,447	3,522
Accounts payable	(234)	703
Accrued expenses and other	(4,436)	(693)
Security deposits	(696)	181
Net cash provided by operating activities	66,916	73,934
Cash flows from investing activities:		
Purchases of real estate and other assets	(69,718)	(17,729)
Improvements to existing real estate assets	(22,595)	(21,707)
Renovations to existing real estate assets	(2,858)	(4,249)
Development	-	(3,910)
Distributions from real estate joint ventures	1,481	95
Contributions to real estate joint ventures	(6,006)	(195)
Proceeds from disposition of real estate assets	48,074	14,745
Net cash used in investing activities	(51,622)	(32,950)
Cash flows from financing activities:		
Net change in credit lines	(55,000)	44,831
Proceeds from notes payable	19,500	-
Principal payments on notes payable	(721)	(44,059)
Payment of deferred financing costs	(5,731)	(941)
Repurchase of common stock	(813)	(669)
Proceeds from issuances of common shares and units	161,999	596
Distributions to noncontrolling interests	(2,927)	(3,112)
Dividends paid on common shares	(36,198)	(34,543)
Dividends paid on preferred shares	(6,467)	(6,433)
Redemption of preferred stock	(77,510)	-
Net cash used in financing activities	(3,868)	(44,330)



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Net increase (decrease) in cash and cash equivalents	11,426	(3,346)
Cash and cash equivalents, beginning of period	13,819	9,426
Cash and cash equivalents, end of period	\$ 25,245	\$ 6,080
Supplemental disclosure of cash flow information:		
Interest paid	\$ 28,458	\$ 27,132
Supplemental disclosure of noncash investing and financing activities:		
Conversion of units to common shares	\$ 1,190	\$ -
Accrued construction in progress	\$ 2,139	\$ 4,528
Interest capitalized	\$ -	\$ 109
Marked-to-market adjustment on derivative instruments	\$ (10,063)	\$ 23,361
Reclass of redeemable stock to liabilities	\$ 269	\$ -

See accompanying notes to consolidated financial statements.

Mid-America Apartment Communities, Inc.  
Notes to Condensed Consolidated Financial Statements  
June 30, 2010 (Unaudited) and 2009 (Unaudited)

1. Consolidation and Basis of Presentation

Mid-America Apartment Communities, Inc., or Mid-America, is a self-administered real estate investment trust, or REIT, that owns, acquires, renovates, develops and manages apartment communities in the Sunbelt region of the United States. As of June 30, 2010, we owned or owned interests in a total of 150 multifamily apartment communities comprising 44,462 apartments located in 13 states, including two communities comprising 626 apartments owned through our joint venture, Mid-America Multifamily Fund I, LLC, and two communities comprising 773 apartments owned through our joint venture, Mid-America Multifamily Fund II, LLC.

The accompanying unaudited condensed consolidated financial statements have been prepared by our management in accordance with U.S. generally accepted accounting principles for interim financial information and applicable rules and regulations of the Securities and Exchange Commission, or the SEC, and our accounting policies in effect as of December 31, 2009 as set forth in our annual consolidated financial statements, as of such date. The accompanying unaudited condensed consolidated financial statements include the accounts of Mid-America Apartment Communities, Inc. and its subsidiaries, including Mid-America Apartments, L.P. In our opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included and all such adjustments were of a normal recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three and six month periods ended June 30, 2010 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K filed with the SEC on February 25, 2010.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates.

2. Segment Information

As of June 30, 2010, we owned or had an ownership interest in 150 multifamily apartment communities in 13 different states from which we derived all significant sources of earnings and operating cash flows. Senior management evaluates performance and determines resource allocations by reviewing apartment communities individually and in the following reportable operating segments:

- Large same store communities are generally communities in markets with a population of at least 1 million that we have owned and have been stabilized for at least a full 12 months and have not been classified as held for sale.
- Secondary same store communities are generally communities in markets with populations of less than 1 million that we have owned and have been stabilized for at least a full 12 months and have not been classified as held for sale.
- Non same store communities include recent acquisitions, communities in development or lease-up and communities that have been classified as held for sale.

On the first day of each calendar year we determine the composition of our operating segments for that year which allows us to evaluate full period-over-period operating comparisons. We utilize net operating income, or NOI, in

evaluating the performance. Total NOI represents total property revenues less total property operating expenses, excluding depreciation, for all properties held during the period regardless of their status as held for sale. We believe NOI is a helpful tool in evaluating the operating performance of our segments because it measures the core operations of property performance by excluding corporate level expenses and other items not related to property operating performance.

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Revenues, NOI, and assets for each reportable segment for the three and six month periods ended June 30, 2010 and 2009, were as follows (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
<b>Revenues</b>				
Large Same Store	\$ 44,914	\$ 45,214	\$ 89,332	\$ 90,410
Secondary Same Store	43,617	42,694	86,567	85,009
Non-Same Store	10,215	6,591	20,175	12,680
Total property revenues	98,746	94,499	196,074	188,099
Management fee income	155	63	291	127
Total operating revenues	\$ 98,901	\$ 94,562	\$ 196,365	\$ 188,226
<b>NOI</b>				
Large Same Store	\$ 25,455	\$ 26,632	\$ 50,433	\$ 53,273
Secondary Same Store	24,911	25,129	49,949	50,292
Non-Same Store	5,728	4,159	11,489	8,106
Total NOI	56,094	55,920	111,871	111,671
Discontinued operations NOI included above	-	(343)	-	(789)
Management fee income	155	63	291	127
Depreciation	(24,943)	(23,818)	(50,023)	(47,403)
Acquisition expense	(486)	(107)	(462)	(109)
Property management expense	(4,479)	(4,503)	(8,756)	(8,744)
General and administrative expense	(3,110)	(2,686)	(5,921)	(5,143)
Interest and other non-property income	86	68	401	148
Interest expense	(13,993)	(14,472)	(27,884)	(28,701)
Gain (loss) on debt extinguishment	-	(141)	-	(138)
Amortization of deferred financing costs	(648)	(588)	(1,243)	(1,194)
Asset impairment	(1,590)	-	(1,590)	-
Net casualty gains (loss) and other settlement proceeds	102	-	629	(144)
Loss from real estate joint ventures	(298)	(156)	(574)	(352)
Discontinued operations	(2)	1,481	(2)	3,334
Nest income attributable to noncontrolling interests	(228)	(570)	(665)	(1,276)
Net income attributable to Mid-America Apartment Communities, Inc.	\$ 6,660	\$ 10,148	\$ 16,072	\$ 21,287

	June 30, 2010	December 31, 2009
<b>Assets</b>		
Large Same Store	\$ 920,984	\$ 934,182
Secondary Same Store	661,380	672,692
Non-Same Store	358,397	336,683
Corporate assets	57,283	43,269
Total assets	\$ 1,998,044	\$ 1,986,826

3. Comprehensive Income and Equity

Total comprehensive income, equity and their components for the six month periods ended June 30, 2010, and 2009, were as follows (dollars in thousands, except per share and per unit data):

	Mid-America Apartment Communities, Inc. Shareholders							
					Additional	Accumulated	Accumulated	
	Total	Comprehensive	Preferred	Common	Paid-In	Distributions	Other	Noncontrolling
		Income	Stock	Stock	Capital	in Excess of	Comprehensive	Interest
						Net Income	Income (Loss)	
<b>EQUITY AT DECEMBER 31, 2009</b>	\$ 453,226	\$ 62	\$ 290	\$ 988,642	\$ (510,993)	\$ (47,435)	\$ 22,660	
Equity Activity Excluding Comprehensive Income:								
Issuance and registration of common shares	161,963		32	161,931				
Shares repurchased and retired	(813)			(813)				
Exercise of stock options	33			33				
Shares issued in exchange for units	-			1,190				(1,190)
Redeemable stock fair market value	(154)					(154)		
Adjustment for Noncontrolling Interest Ownership in operating partnership	-			(3,053)				3,053
Amortization of unearned compensation	1,123			1,123				
Dividends on common stock (\$0.615 per share)	(38,157)					(38,157)		
Dividends on noncontrolling interest units (\$0.615 per unit)	(2,861)							(2,861)
Redemption of preferred stock	(77,510)	(31)		(74,906)	(2,573)			
Dividends on preferred stock	(5,920)					(5,920)		
Comprehensive income:								
Net income	16,737	\$ 16,737				16,072		665
Other comprehensive income - derivative instruments (cash flow hedges)	(9,763)	(9,763)					(9,401)	(362)
Comprehensive income	6,974	\$ 6,974						
<b>EQUITY BALANCE JUNE 30, 2010</b>	\$ 497,904	\$ 31	\$ 322	\$ 1,074,147	\$ (541,725)	\$ (56,836)	\$ 21,965	

	Mid-America Apartment Communities, Inc. Shareholders							
					Additional	Accumulated	Accumulated	
	Total	Comprehensive	Preferred	Common	Paid-In	Distributions	Other	Noncontrolling
		Income	Stock	Stock	Capital	in Excess of	Comprehensive	Interest
						Net Income	Income (Loss)	
<b>EQUITY AT DECEMBER 31, 2008</b>	\$ 442,617	\$ 62	\$ 282	\$ 954,127	\$ (464,617)	\$ (72,885)	\$ 25,648	

Equity Activity  
Excluding  
Comprehensive  
Income:

Issuance and registration of common shares	553		553	
Shares repurchased and retired	(669)		(669)	
Exercise of stock options	45		45	
Shares issued in exchange for units	-		-	-
Redeemable stock fair market value	(3)		(3)	
Adjustment for Noncontrolling Interest Ownership in operating partnership	-		571	(571)
Amortization of unearned compensation	640		640	
Dividends on common stock (\$0.615 per share)	(34,546)		(34,546)	-
Dividends on noncontrolling interest units (\$0.615 per unit)	(3,112)			(3,112)
Dividends on preferred stock	(6,433)		(6,433)	
Comprehensive income:				
Net income	22,563	\$ 22,563	21,287	1,276
Other comprehensive income - derivative instruments (cash flow hedges)	23,977	23,977		