

MID AMERICA APARTMENT COMMUNITIES INC
Form 10-K
February 27, 2008

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

FORM 10-K

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

For the fiscal year ended December 31, 2007

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, SUITE 300

MEMPHIS, TENNESSEE

(Address of principal executive offices)

38138

(Zip Code)

(901) 682-6600

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$.01 per share	New York Stock Exchange
Series H Cumulative Redeemable Preferred Stock, Par value \$.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of
the Exchange Act. Yes No

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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 the filing requirements for the past 90 days. [X]Yes []No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

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

Large accelerated filer [X] Accelerated filer []
Non-accelerated filer [] Smaller Reporting Company []
(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 [X]No

As of June 30, 2007, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$1,308,104,305, based on the closing sale price as reported on the New York Stock Exchange.

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

<u>Class</u>	<u>Outstanding at February 8, 2008</u>
Common Stock, \$.01 par value per share	25,775,580 shares

DOCUMENTS INCORPORATED BY REFERENCE

<u>Document</u>	<u>Parts Into Which Incorporated</u>
Certain portions of the Proxy Statement for the Annual Meeting of Shareholders to be held May 20, 2008 to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.	Part III

MID-AMERICA APARTMENT COMMUNITIES, INC.

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PART I

ITEM 1. BUSINESS.

Overview of Mid-America

Founded in 1994, Mid-America Apartment Communities, Inc., or Mid-America, is a Memphis, Tennessee-based self-administered and self-managed umbrella partnership real estate investment trust, or REIT, that focuses on acquiring, owning and operating apartment communities. We, together with our subsidiaries, report as a single business segment. As of December 31, 2007, Mid-America owned 100% of 137 properties representing 40,248 apartment units. Mid-America has from time-to-time participated in various joint ventures. While no apartment communities were held in a joint venture structure as of December 31, 2007, Mid-America had entered into an agreement with a partner to form Mid-America Multifamily Fund I, LLC, or Fund I, with the purpose of acquiring and repositioning apartment communities. Mid-America has a 33.33% ownership interest in Fund I and will receive a management fee, an asset management fee and have the opportunity to earn an incentive fee. Subsequent to year end, Fund I purchased its first community with 310 apartment units.

Mid-America's business is conducted principally through Mid-America Apartments, L.P., which we refer to as our operating partnership. Mid-America is the sole general partner of the operating partnership, holding 264,594 common units of partnership interest, or common units, comprising a 1% general partnership interest in the operating partnership as of December 31, 2007. Mid-America's wholly-owned qualified REIT subsidiary, MAC II of Delaware, Inc. is a limited partner in the operating partnership and, as of December 31, 2007, held 23,770,950 common units, or 89.84% of all outstanding common units.

Mid-America operated apartment communities in 13 states in 2007, employing 1,170 full time and 83 part time employees at December 31, 2007.

Highlights for the year ended December 31, 2007:

- Same store net operating income, or NOI, increased 5.8% over the prior year, the third best performance for any year in the history of Mid-America.
- Strong operating results for the year helped to generate a 6.6% increase in FFO per share/unit over the prior year.
- FFO per share/unit performance is a record for Mid-America.
- The common dividend was increased effective with the January 31, 2008, distribution to a new annual rate of \$2.46.
- Physical occupancy at December 31, 2007 for the same store portfolio was 94.8%, up 0.6% compared to December 31, 2006 and represents a record for the past 11 years.
- Mid-America completed the renovation and repositioning of 2,075 apartments in 2007 which achieved rent increases averaging 14%.
- Mid-America continues to be in a strong financial position as its fixed charge coverage ratio reached 2.27 for the year, up from 2.15 for 2006.

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Operating Philosophy

Mid-America's primary objectives are to protect and grow existing property values, to maintain a stable and increasing cash flow that will fund its dividend through all parts of the real estate investment cycle, and to create new shareholder value by growing Mid-America in a disciplined manner. Mid-America focuses on growing shareholder value by effectively and efficiently operating its existing investments and, when accretive to shareholder value, through new investments.

Investment Focus. Mid-America's primary investment focus is on apartment communities in the Sunbelt region of the United States. Between 1994 and 1997, Mid-America grew largely through acquisition and redevelopment of existing communities. Between 1998 and 2002, its concentration was on development of new communities. Since 2003, we have focused on the acquisition of properties that we believe can be repositioned with appropriate use of capital and our operating management skills. We are currently focusing on increasing our investments in properties in larger and faster growing markets within our current geographic area, and intend to do this through acquiring apartment communities with the potential for above average growth. Beginning in 2005, Mid-America began an initiative of upgrading a significant number of our existing apartment communities, as well as a limited program of developing new apartments, principally as expansions of existing communities. We will continue our established process of selling mature assets, and will adapt our investment focus to opportunities and markets. In order to improve our return on investment, we have from time-to-time invested with joint venture partners and anticipate this will be a growing part of our strategy.

High Quality Assets. Mid-America strives to maintain its assets in excellent condition, believing that continuous maintenance will lead to higher long-run returns on investment. Mid-America believes that being recognized by civic and industry trade organizations for the high quality of our properties, landscaping, and property management will lead to higher rents and profitability and illustrates the high quality of our properties and operations. Mid-America periodically and selectively sells assets to ensure that its portfolio consists primarily of high quality, well-located properties within its market area.

Diversified Market Focus. We believe the stability of our cash flow is enhanced and it will generate higher risk adjusted cash flow returns, with lower volatility, through our diversified strategy of investments over high growth, growth and income, and stable markets throughout the Sunbelt region of the United States.

Intensive Property and Asset Management Focus. Mid-America has traditionally emphasized property management, and in the past three years, we have deepened our asset management functions to provide additional support in marketing, training, ancillary income and, most recently, revenue management. At December 31, 2007, Mid-America employed approximately 106 Certified Apartment Managers, a designation established by the National Apartment Association, which provides training for on-site manager professionals.

Decentralized Operational Structure. Mid-America operates in a decentralized manner. We believe that our decentralized operating structure capitalizes on specific market knowledge, provides greater personal accountability than a centralized structure and is beneficial in the acquisition and redevelopment processes. To support this decentralized operational structure, senior and executive management, along with various asset management functions, are proactively involved in supporting and reviewing property management through extensive reporting processes and frequent on-site visitations. In 2004, Mid-America completed the installation of the property and accounting modules of a new web-based property management system that increased the amount of information shared between senior and executive management and the properties on a real time basis, improving the support provided to on-site property operations.

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In 2005, we made significant improvements to our operating platform and we expect these enhancements will help capture more operating efficiencies, continue to support effective expense control and provide for various expanded revenue management practices. In the second quarter of 2007, we implemented a new "yield management" pricing program that we expect will help our property managers to optimize rental revenues. In the third quarter of 2007, we installed new purchase order and accounts payable software and implemented processes to provide improved controls and management information.

Proactive Balance Sheet and Portfolio Management

Mid-America focuses on improving the net present value of each share of Mid-America common stock. We routinely evaluate each asset and from time-to-time sell those that no longer fit our strategy. Mid-America makes new investments and issues new equity when management believes it can add to value per share. In the past, Mid-America has sold assets to fund share repurchases when, in management's view, shareholder value would be enhanced.

Strategies

Mid-America seeks to increase operating cash flow and earnings per share to maximize shareholder value through a balanced strategy of internal and external growth.

Operating Growth Strategy. Mid-America's goal is to maximize our return on investment in each apartment community by increasing revenues, tightly controlling operating expenses, maintaining high occupancy levels and reinvesting as appropriate. The steps taken to meet these objectives include:

- providing management information and improved customer services through technology innovations;
- utilizing systems to enhance property managers' ability to optimize revenue by adjusting rents in response to local market conditions;
- developing new ancillary income programs aimed at offering new services to residents, including telephone, cable, and internet access, on which Mid-America generates fee and commission income;
- implementing programs to control expenses through investment in cost-saving initiatives, such as the installation of individual apartment unit water and utility meters in certain apartment communities;
- analyzing individual asset productivity performances to identify best practices and improvement areas;
- proactively maintaining the physical condition of each property;
- improving the "curb appeal" of the apartment communities through extensive landscaping and exterior improvements and repositioning apartment communities from time-to-time to maintain market leadership positions;
- compensating employees through performance-based compensation and stock ownership programs;

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- maintaining a hands-on management style and "flat" organizational structure that emphasizes senior management's continued close contact with the market and employees;
- selling or exchanging underperforming assets;
- repurchasing or issuing shares of common or preferred stock when cost of capital and asset values permit;
- aggressively managing lease expirations to align with peak leasing traffic patterns and to maximize productivity of property staffing; and
- allocating additional capital, including capital for selective interior and exterior improvements, where the investment will generate the highest returns for Mid-America.

Joint Venture Strategy. One of Mid-America's strategies is to co-invest with partners in joint venture opportunities from time-to-time to the extent we believe that a joint venture will enable us to obtain a higher return on our investment through management and other fees, which leverage our skills in acquiring, repositioning, redeveloping and managing multifamily investments. In addition, the joint venture investment strategy can provide a platform for creating more capital diversification and lower investment risk for Mid-America.

Disposition Strategy. Mid-America from time-to-time disposes of mature assets, defined as those apartment communities that no longer meet our investment criteria and long-term strategic objectives. Typically, Mid-America selects assets for disposition that do not meet our present investment criteria including estimated future return on investment, location, market, potential for growth, and capital needs. Mid-America may from time-to-time also dispose of assets for which we receive an offer meeting or exceeding our return on investment criteria even though those assets may not meet the disposition criteria disclosed above.

The following apartment communities were sold during 2007:

Property	Location	Number of Units	Date Sold
100% Owned Properties:			
Woodridge	Jackson, MS	192	July 16, 2007
Somerset	Jackson, MS	144	July 16, 2007
Hickory Farms	Memphis, TN	200	May 3, 2007
Gleneagles	Memphis, TN	184	May 3, 2007
Joint Venture Properties			
Verandas at Timberglen	Dallas, TX	522	January 12, 2007
		1,242	

Acquisition Strategy. One of Mid-America's growth strategies is to acquire and redevelop apartment communities that meet our investment criteria and focus as discussed above. Mid-America has extensive experience and research-based skills in the acquisition and repositioning of multifamily communities. In addition, Mid-America will acquire newly built and developed communities that can be purchased on a favorable pricing basis. Mid-America will continue to evaluate opportunities that arise, and will utilize this strategy to increase the number of apartment communities in strong and growing markets in the Sunbelt region of the United States.

The following apartment communities were purchased during 2007:

Property	Location	Number of Units	Date Purchased
100% Owned Properties:			

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Farmington Village	Summerville, SC	280	September 20, 2007
Chalet at Fall Creek	Humble, TX	268	July 6, 2007
Park Place	Houston, TX	229	May 30, 2007
Ranchstone	Houston, TX	220	May 30, 2007
		997	

Development Strategy. In 2006, Mid-America began some expansion development projects at existing apartment communities on adjacent land. We do not currently intend to expand into development in a significant way. We prefer to capture accretive new growth through opportunistically acquiring new properties.

Common and Preferred Stock

Mid-America continuously reviews opportunities for lowering our cost of capital, and increasing net present value per share. Mid-America evaluates opportunities to repurchase stock when we believe that our stock price is below our net present value and accordingly repurchased common stock, funded by asset sales, between 1999 and 2001. Mid-America also looks for opportunities where we can acquire or develop apartment communities, selectively funded or partially funded by stock sales, when the investment return is projected to substantially exceed our cost of capital. Mid-America will also opportunistically seek to lower our cost of capital through refinancing preferred stock as we did in 2003, 2006 and 2007.

On November 3, 2006, Mid-America entered into a sales agreement with Cantor Fitzgerald & Co. to sell up to 2,000,000 shares of Mid-America's common stock, from time-to-time in at-the-market offerings or negotiated transactions through a controlled equity offering program. From January through April of 2007, Mid-America sold 323,700 shares of common stock for net proceeds of approximately \$18.8 million after underwriting commissions and SEC fees, an average net price of \$58.00 per share.

In October 2007, Mid-America redeemed all of our issued and outstanding 9¼% Series F Cumulative Redeemable Preferred Stock for \$11.9 million.

Mid-America also has a direct stock purchase plan which allows for the optional purchase of common stock of at least \$250, but not more than \$5,000 in any given month, free of brokerage commissions and charges. We, in our absolute discretion, may grant waivers to allow for optional cash payments in excess of \$5,000. Throughout 2007, we issued a total of 136,483 shares through our direct stock purchase plan at an average 1.5% discount. No waivers were granted during 2007.

Share Repurchase Program

In 1999, Mid-America's Board of Directors approved an increase in the number of shares of Mid-America's common stock authorized to be repurchased to 4 million shares. As of December 31, 2007, Mid-America had repurchased a total of approximately 1.86 million shares (8% of the shares of common stock and common units outstanding as of the beginning of the repurchase program). From time-to-time, we intend to sell assets based on our disposition strategy outlined in this Annual Report and use the proceeds to repurchase shares when we believe that shareholder value is enhanced. Factors affecting this determination include the share price, asset dispositions and pricing, financing agreements and rates of return. No shares were repurchased from 2002 through 2007 under this plan.

Competition

All of Mid-America's apartment communities are located in areas that include other apartment communities. Occupancy and rental rates are affected by the number of competitive apartment communities in a particular area. The owners of competing apartment communities may have greater resources than Mid-America, and the managers of these apartment communities may have more experience than Mid-America's management. Moreover, single-family rental housing, manufactured housing, condominiums and the new and existing home markets provide housing alternatives to potential residents of apartment communities.

Apartment communities compete on the basis of monthly rent, discounts, and facilities offered such as apartment size and amenities, and apartment community amenities, including recreational facilities, resident services, and physical property condition. Mid-America makes capital improvements to both our apartment communities and individual apartments on a regular basis in order to maintain a competitive position in each individual market.

Environmental Matters

As part of the acquisition process, Mid-America obtains environmental studies on all of our apartment communities from various outside environmental engineering firms. The purpose of these studies is to identify potential sources of contamination at the apartment communities and to assess the status of environmental regulatory compliance. These studies generally include historical reviews of the apartment communities, reviews of certain public records, preliminary investigations of the sites and surrounding properties, visual inspection for the presence of asbestos, PCBs and underground storage tanks and the preparation and issuance of written reports. Depending on the results of these studies, more invasive procedures, such as soil sampling or ground water analysis, will be performed to investigate potential sources of contamination. These studies must be satisfactorily completed before Mid-America takes ownership of an acquisition community; however, no assurance can be given that the studies identify all significant environmental problems.

Under various federal, state and local laws and regulations, an owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on properties. Such laws often impose such liability without regard to whether the owner caused or knew of the presence of hazardous or toxic substances and whether the storage of such substances was in violation of a resident's lease. Furthermore, the cost of remediation and removal of such substances may be substantial, and the presence of such substances, or the failure to promptly remediate such substances, may adversely affect the owner's ability to sell such real estate or to borrow using such real estate as collateral.

Mid-America is aware of environmental concerns specifically relating to potential issues resulting from mold in residential properties and has in place an active management and preventive maintenance program that includes procedures specifically related to mold. Mid-America has established a policy requiring residents to sign a mold addendum to lease. Mid-America has also purchased a \$5 million insurance policy that covers remediation and exposure to mold. The current policy expires in 2010 but is renewable at that time. Mid-America, therefore, believes that our exposure to this issue is limited and controlled.

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The environmental studies received by Mid-America have not revealed any material environmental liabilities. Mid-America is not aware of any existing conditions that would currently be considered an environmental liability. Nevertheless, it is possible that the studies do not reveal all environmental liabilities or that there are material environmental liabilities of which Mid-America is unaware. Moreover, no assurance can be given concerning future laws, ordinances or regulations, or the potential introduction of hazardous or toxic substances by neighboring properties or residents.

Mid-America believes that our apartment communities are in compliance in all material respects with all applicable federal, state and local ordinances and regulations regarding hazardous or toxic substances and other environmental matters.

Website Access to Registrant's Reports

Mid-America files annual and periodic reports with the Securities and Exchange Commission. All filings made by Mid-America with the SEC may be copied or read at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC as Mid-America does. The website is <http://www.sec.gov>.

Additionally, a copy of this Annual Report on Form 10-K, along with Mid-America's Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to the aforementioned filings, are available on

Mid-America's website free of charge. The filings can be found on the Investor Relations page under SEC Filings. Mid-America's website also contains our Corporate Governance Guidelines, Code of Business Conduct and Ethics and the charters of the committees of the Board of Directors. These items can also be found on the Investor Relations page under Governance Documents. Mid-America's website address is <http://www.maac.net>. Reference to Mid-America's website does not constitute incorporation by reference of the information contained on the site and should not be considered part of this document. All of the aforementioned materials may also be obtained free of charge by contacting the Investor Relations Department at Mid-America Apartment Communities, Inc., 6584 Poplar Avenue, Suite 300, Memphis, TN 38138.

Recent Developments

Acquisitions. On January 10, 2008, Mid-America purchased the Cascade at Fall Creek apartments, a 246-unit community in Humble, TX.

On January 17, 2008, Fund I made its first acquisition and purchased the Milstead Village apartments, a 310-unit community located in Kennesaw, GA.

ITEM 1A. RISK FACTORS.

In addition to the other information contained in this Annual Report on Form 10-K, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.

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Failure to Generate Sufficient Cash Flows Could Limit our Ability to Pay Distributions to Shareholders

Mid-America's ability to generate sufficient cash flow in order to pay common dividends to our shareholders depends on our ability to generate funds from operations in excess of capital expenditure requirements and preferred dividends, and/or to have access to the markets for debt and equity financing. Funds from operations and the value of Mid-America's apartment communities may be insufficient because of factors which are beyond our control. Such events or conditions could include:

- competition from other apartment communities;
- overbuilding of new apartment units or oversupply of available apartment units in Mid-America's markets, which might adversely affect apartment occupancy or rental rates and/or require rent concessions in order to lease apartment units;
- conversion of condominiums and single family houses to rental use;
- increases in operating costs (including real estate taxes and insurance premiums) due to inflation and other factors, which may not be offset by increased rents;
- inability to rent apartments on favorable economic terms;
- changes in governmental regulations and the related costs of compliance;
- changes in tax laws and housing laws including the enactment of rent control laws or other laws regulating multifamily housing;
- an uninsured loss, resulting from a catastrophic storm or act of terrorism;
- changes in interest rate levels and the availability of financing, which could lead renters to purchase homes (if interest rates decrease and home loans are more readily available) or increase Mid-America's acquisition and operating costs (if interest rates increase and financing is less readily available);
- weakness in the overall economy which lowers job growth and the associated demand for apartment housing; and
- the relative illiquidity of real estate investments.

At times, Mid-America relies on external funding sources to fully fund the payment of distributions to shareholders and our capital investment program (including our existing property expansion developments). While Mid-America has sufficient liquidity to permit distributions at current rates through additional borrowings if necessary, any significant and sustained deterioration in operations could result in our financial resources being insufficient to pay distributions to shareholders at the current rate, in which event Mid-America would be required to reduce the distribution rate. Any decline in Mid-America's funds from operations could adversely affect Mid-America's ability to make distributions to our shareholders or to meet our loan covenants and could have a material adverse effect on Mid-America's stock price.

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Mid-America's Financing Could be Impacted by Negative Capital Market Conditions.

Recently, domestic financial markets have experienced unusual volatility and uncertainty. While this condition has occurred most visibly within the "subprime" mortgage lending sector of the credit market, liquidity has tightened in overall domestic financial markets, including the investment grade debt and equity capital markets. Consequently, there is greater risk that the financial institutions Mid-America does business with could experience disruptions that would negatively affect our current financing program.

Debt Level, Refinancing and Loan Covenant Risk May Adversely Affect Financial Condition and Operating Results and Our Ability to Maintain Our Status as a REIT

At December 31, 2007, Mid-America had total debt outstanding of \$1.3 billion. Payments of principal and interest on borrowings may leave Mid-America with insufficient cash resources to operate the apartment communities or pay distributions that are required to be paid in order for Mid-America to maintain our qualification as a REIT. Mid-America currently intends to limit our total debt to approximately 60% of the undepreciated book value of our assets, although our charter and bylaws do not limit our debt levels. Circumstances may cause Mid-America to exceed that target from time-to-time. As of December 31, 2007, Mid-America's ratio of debt to undepreciated book value was approximately 54%. Mid-America's Board of Directors can modify this policy at any time which could allow Mid-America to become more highly leveraged and decrease our ability to make distributions to our shareholders. In addition, Mid-America must repay its debt upon maturity, and the inability to access debt or equity capital at attractive rates could adversely affect Mid-America's financial condition and/or our funds from operations. Mid-America relies on Federal National Mortgage Association, or FNMA, and Federal Home Loan Mortgage Corporation, or Freddie Mac, which we refer to as the agencies, for the majority of our debt financing and has agreements with the agencies and with other lenders that require us to comply with certain covenants. The breach of any one of these covenants would place Mid-America in default with our lenders and may have serious consequences on the operations of Mid-America.

Variable Interest Rates May Adversely Affect Funds from Operations

At December 31, 2007, effectively \$226 million of Mid-America's debt bore interest at a variable rate and was not hedged by interest rate swaps or caps. Mid-America may incur additional debt in the future that also bears interest at variable rates. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect Mid-America's funds from operations and the amounts available to pay distributions to shareholders. Mid-America's \$1.0 billion secured credit facilities with Prudential Mortgage Capital, credit enhanced by FNMA, are predominately floating rate facilities. Mid-America also has credit facilities with Freddie Mac totaling \$300 million which are variable rate facilities. At December 31, 2007, a total of \$1.1 billion was outstanding under these facilities. These facilities represent the majority of the variable interest rates Mid-America was exposed to at December 31, 2007. Large portions of the interest rates on these facilities have been hedged by means of a number of interest rate swaps and caps. Upon the termination of these swaps and caps, Mid-America will be exposed to the risks of varying interest rates.

Interest Rate Hedging may be Ineffective

Mid-America relies on the financial markets to refinance debt maturities, and also is heavily reliant on the creditworthiness of FNMA, which provides credit enhancement for approximately \$906 million of Mid-America's debt. The interest rate market for FNMA Discount Mortgage Backed Securities, or DMBS, which in Mid-America's experience is highly correlated with three-month LIBOR interest rates, is also an important component of Mid-America's liquidity and interest rate swap effectiveness.

Typically, for the credit facility we have with FNMA, the DMBS rate has approximated three-month LIBOR less an average spread of 0.05% - 0.09% over the life of the facility. We also pay a credit enhancement fee, which in the case of FNMA facility, is 0.62%. In September 2007, however, the spread between three-month LIBOR and DMBS increased significantly, and peaked at 0.57% in December before dropping back to 0.27% in February 2008. While we believe that the current market illiquidity is an anomaly and that this spread will return to more historic levels, Mid-America cannot forecast when or if the uncertainty and volatility in the market may change. Continued unusual volatility could cause us to lose hedge accounting treatment for our interest rate swaps, resulting in material changes to our consolidated statements of operations and balance sheets, and potentially cause a breach with one of our debt covenants.

Issuances of Additional Debt or Equity May Adversely Impact Our Financial Condition

Our capital requirements depend on numerous factors, including the occupancy rates of our apartment communities, dividend payment rates to our shareholders, development and capital expenditures, costs of operations and potential acquisitions. Mid-America cannot accurately predict the timing and amount of our capital requirements. If our capital requirements vary materially from our plans, Mid-America may require additional financing sooner than anticipated. Accordingly, Mid-America could become more leveraged, resulting in increased risk of default on our obligations and in an increase in our debt service requirements, both of which could adversely affect our financial condition and ability to access debt and equity capital markets in the future.

Increasing Real Estate Taxes and Insurance Costs May Negatively Impact Financial Condition

As a result of Mid-America's substantial real estate holdings, the cost of real estate taxes and insuring its apartment communities is a significant component of expense. Real estate taxes and insurance premiums are subject to significant increases and fluctuations which can be widely outside of the control of Mid-America. If the costs associated with real estate taxes and insurance should rise, Mid-America's financial condition could be negatively impacted and Mid-America's ability to pay our dividend could be affected.

Losses from Catastrophes May Exceed Our Insurance Coverage

Mid-America carries comprehensive liability and property insurance on our communities, and intends to obtain similar coverage for communities we acquire in the future. Some losses, generally of a catastrophic nature, such as losses from floods, hurricanes or earthquakes, are subject to limitations, and thus may be uninsured. Mid-America exercises our discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance on our investments at a reasonable cost and on suitable terms. If Mid-America suffers a substantial loss, our insurance coverage may not be sufficient to pay the full current market value or current replacement value of our lost investment. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it infeasible to use insurance proceeds to replace a property after it has been damaged or destroyed.

Property Insurance Limits May be Inadequate and Deductibles May be Excessive in the Event of a Catastrophic Loss or a Series of Major Losses, and May Cause a Breach of a Loan Covenant

Mid-America has a significant proportion of our assets in areas exposed to windstorms and to the New Madrid earthquake zone. A major wind or earthquake loss, or series of losses, could require that Mid-America pay significant deductibles as well as additional amounts above the per occurrence limit of Mid-America's insurance for these risks. Mid-America may then be judged to have breached one or more of our loan covenants, and any of the foregoing events could have a material adverse effect on Mid-America's assets, financial condition, and results of operation.

Mid-America is dependent on Key Personnel

Our success depends in part on our ability to attract and retain the services of executive officers and other personnel. There is substantial competition for qualified personnel in the real estate industry and the loss of

several of our key personnel could have an adverse effect on us.

New Acquisitions May Fail to Perform as Expected and Failure to Integrate Acquired Communities and New Personnel Could Create Inefficiencies

Mid-America intends to actively acquire and improve multifamily communities for rental operations. Mid-America may underestimate the costs necessary to bring an acquired community up to standards established for our intended market position. Additionally, to grow successfully, Mid-America must be able to apply our experience in managing our existing portfolio of apartment communities to a larger number of properties. Mid-America must also be able to integrate new management and operations personnel as our organization grows in size and complexity. Failures in either area will result in inefficiencies that could adversely affect our overall profitability.

Mid-America May Not Be Able To Sell Communities When Appropriate

Real estate investments are relatively illiquid and generally cannot be sold quickly. Mid-America may not be able to change our portfolio promptly in response to economic or other conditions. This inability to respond promptly to changes in the performance of our investments could adversely affect our financial condition and ability to make distributions to our security holders.

Environmental Problems are Possible and Can be Costly

Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at such community. The owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site. All of our communities have been the subject of environmental assessments completed by qualified independent environmental consultant companies. These environmental assessments have not revealed, nor is Mid-America aware of, any environmental liability that our management believes would have a material adverse effect on our business, results of operations, financial condition or liquidity. Over the past several years, there have been an increasing number of lawsuits against owners and managers of multifamily properties alleging personal injury and property damage caused by the presence of mold in residential real estate.

Some of these lawsuits have resulted in substantial monetary judgments or settlements. Mid-America cannot be assured that existing environmental assessments of our communities reveal all environmental liabilities, that any prior owner of any of our properties did not create a material environmental condition not known to Mid-America, or that a material environmental condition does not otherwise exist.

Compliance or Failure to Comply with Laws Requiring Access to Our Properties by Disabled Persons Could Result in Substantial Cost

The Americans with Disabilities Act, the Fair Housing Act of 1988 and other federal, state and local laws generally require that public accommodations be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the government or the award of damages to private litigants. These laws may require Mid-America to modify our existing communities. These laws may also restrict renovations by requiring improved access to such buildings by disabled persons or may require Mid-America to add other structural features that increase our construction costs. Legislation or regulations adopted in the future may impose further burdens or restrictions on Mid-America with respect to improved access by disabled persons. Mid-America cannot ascertain the costs of compliance with these laws, which may be substantial.

Our Ownership Limit Restricts the Transferability of Our Capital Stock

Our charter limits ownership of our capital stock by any single shareholder to 9.9% of the value of all outstanding shares of our capital stock, both common and preferred. The charter also prohibits anyone from buying shares if the purchase would result in our losing REIT status. This could happen if a share transaction results in fewer than 100 persons owning all of our shares or in five or fewer persons, applying certain broad attribution rules of the Internal Revenue Code of 1986, as amended, or the Code, owning 50% or more of our shares. If you acquire shares in excess of the ownership limit or in violation of the ownership requirements of the Code for REITs, we:

- will consider the transfer to be null and void;
- will not reflect the transaction on our books;
- may institute legal action to enjoin the transaction;
- will not pay dividends or other distributions with respect to those shares;
- will not recognize any voting rights for those shares;
- will consider the shares held in trust for our benefit; and
- will either direct you to sell the shares and turn over any profit to us, or we will redeem the shares. If we redeem the shares, you will be paid a price equal to the lesser of:
 - (a) the price you paid for the shares; or
 - (b) the average of the last reported sales prices on the New York Stock Exchange on the ten trading days immediately preceding the date fixed for redemption by our Board of Directors.

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If you acquire shares in violation of the limits on ownership described above:

- you may lose your power to dispose of the shares;
- you may not recognize profit from the sale of such shares if the market price of the shares increases; and
- you may be required to recognize a loss from the sale of such shares if the market price decreases.

Provisions of Our Charter and Tennessee Law May Limit the Ability of a Third Party to Acquire Control of Us

Ownership Limit

The 9.9% ownership limit discussed above may have the effect of precluding acquisition of control of us by a third party without the consent of our Board of Directors.

Preferred Stock

Our charter authorizes our Board of Directors to issue up to 20,000,000 shares of preferred stock. The Board of Directors may establish the preferences and rights of any preferred shares issued. The 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 shareholders' best interests. Currently, we have 6,200,000 shares of 8.30% Series H Cumulative Redeemable Preferred Stock issued and outstanding.

Tennessee Anti-Takeover Statutes

As a Tennessee corporation, we are subject to various legislative acts, which impose restrictions on and require compliance with procedures designed to protect shareholders against unfair or coercive mergers and acquisitions. These statutes may delay or prevent offers to acquire us and increase the difficulty of consummating

any such offers, even if our acquisition would be in our shareholders' best interests.

Our Investments in Joint Ventures May Involve Risks

Investments in joint ventures may involve risks which may not otherwise be present in our direct investments such as:

- the potential inability of our joint venture partner to perform;
- the joint venture partner may have economic or business interests or goals which are inconsistent with or adverse to ours;
- the joint venture partner may take actions contrary to our requests or instructions or contrary to our objectives or policies; and
- the joint venturers may not be able to agree on matters relating to the property they jointly own.

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Although each joint owner will have a right of first refusal to purchase the other owner's interest, in the event a sale is desired, the joint owner may not have sufficient resources to exercise such right of first refusal.

Failure to Qualify as a REIT Would Cause Mid-America to be Taxed as a Corporation

If Mid-America fails to qualify as a REIT for federal income tax purposes, Mid-America will be taxed as a corporation. The Internal Revenue Service may challenge our qualification as a REIT for prior years, and new legislation, regulations, administrative interpretations or court decisions may change the tax laws with respect to qualification as a REIT or the federal tax consequences of such qualification. For any taxable year that Mid-America fails to qualify as a REIT, Mid-America would be subject to federal income tax on our taxable income at corporate rates, plus any applicable alternative minimum tax. In addition, unless entitled to relief under applicable statutory provisions, Mid-America would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost. This treatment would reduce our net earnings available for investment or distribution to shareholders because of the additional tax liability for the year or years involved. In addition, distributions would no longer qualify for the dividends paid deduction nor be required to be made in order to preserve REIT status. Mid-America might be required to borrow funds or to liquidate some of our investments to pay any applicable tax resulting from our failure to qualify as a REIT.

Failure to Make Required Distributions Would Subject Mid-America to Income Taxation

In order to qualify as a REIT, each year Mid-America must distribute to stockholders at least 90% of its REIT taxable income (determined without regard to the dividend paid deduction and by excluding net capital gains). To the extent that Mid-America satisfies the distribution requirement, but distributes less than 100% of taxable income, it will be subject to federal corporate income tax on the undistributed income. In addition, Mid-America will incur a 4% nondeductible excise tax on the amount, if any, by which the distributions in any year are less than the sum of:

- 85% of ordinary income for that year;
- 95% of capital gain net income for that year; and
- 100% of undistributed taxable income from prior years.

Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require Mid-America to borrow money or sell assets to pay out enough of the taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4% nondeductible excise tax in a particular year.

Complying with REIT Requirements May Cause Mid-America to Forgo Otherwise Attractive Opportunities or Engage in Marginal Investment Opportunities

To qualify as a REIT for federal income tax purposes, Mid-America must continually satisfy tests concerning, among other things, the sources of income, the nature and diversification of assets, the amounts distributed to shareholders and the ownership of Mid-America's stock. In order to meet these tests, Mid-America may be required to forgo attractive business or investment opportunities or engage in marginal investment opportunities. Thus, compliance with the REIT requirements may hinder Mid-America's ability to operate solely on the basis of maximizing profits.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Mid-America seeks to acquire apartment communities located in the Sunbelt region of the United States that are primarily appealing to middle income residents with the potential for above average growth and return on investment. Approximately 73% of Mid-America's apartment units are located in Georgia, Florida, Tennessee and Texas markets. Mid-America's strategic focus is to provide our residents high quality apartment units in attractive community settings, characterized by extensive landscaping and attention to aesthetic detail. We utilize our experience and expertise in maintenance, landscaping, marketing and management to effectively reposition many of the apartment communities we acquire to raise occupancy levels and per unit average rents.

The following table sets forth certain historical information for the apartment communities we owned at December 31, 2007:

Property	Location	Year			Approximate	Average
		Year Completed	Management Commenced	Number of Units	Rentable Area (Square Footage)	Unit Size (Square Footage)
100% Owned						
Eagle Ridge	Birmingham, AL	1986	1998	200	181,400	907
Abbingtion Place	Huntsville, AL	1987	1998	152	162,792	1,071
Paddock Club Huntsville	Huntsville, AL	1989/98	1997	392	414,736	1,058
Paddock Club Montgomery	Montgomery, AL	1999	1998	208	230,880	1,110
				952	989,808	1,040
Calais Forest	Little Rock, AR	1987	1994	260	195,000	750
Napa Valley	Little Rock, AR	1984	1996	240	183,120	763
Westside Creek I & II	Little Rock, AR	1984/86	1997	308	320,936	1,042
				808	699,056	865
Talus Ranch	Phoenix, AZ	2006	2006	480	437,280	911
				480	437,280	911
Tiffany Oaks	Altamonte Springs, FL	1985	1996	288	234,144	813
Marsh Oaks	Atlantic Beach, FL	1986	1995	120	93,240	777
Indigo Point	Brandon, FL	1989	2000	240	194,640	811
Paddock Club Brandon	Brandon, FL	1997/99	1997	440	516,120	1,173
Preserve at Coral Square	Coral Springs, FL	1996	2004	480	528,480	1,101
Anatole	Daytona Beach, FL	1986	1995	208	149,136	717
Paddock Club Gainesville	Gainesville, FL	1999	1998	264	293,040	1,110
Cooper's Hawk	Jacksonville, FL	1987	1995	208	218,400	1,050
Hunter's Ridge at Deerwood	Jacksonville, FL	1987	1997	336	295,008	878
Lakeside	Jacksonville, FL	1985	1996	416	344,032	827
Lighthouse at Fleming Island	Jacksonville, FL	2003	2003	501	556,110	1,110
Paddock Club Jacksonville	Jacksonville, FL	1989/96	1997	440	475,200	1,080
Paddock Club Mandarin	Jacksonville, FL	1998	1998	288	330,336	1,147

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St. Augustine	Jacksonville, FL	1987	1995	400	304,400	761
Woodbridge at the Lake	Jacksonville, FL	1985	1994	188	166,004	883
Woodhollow	Jacksonville, FL	1986	1997	450	342,000	760
Paddock Club Lakeland	Lakeland, FL	1988/90	1997	464	505,296	1,089
Savannahs at James Landing	Melbourne, FL	1990	1995	256	238,592	932
Paddock Park Ocala	Ocala, FL	1986/88	1997	480	485,280	1,011
Paddock Club Panama City	Panama City, FL	2000	1998	254	283,972	1,118
Paddock Club Tallahassee	Tallahassee, FL	1990/95	1997	304	329,232	1,083
Belmere	Tampa, FL	1984	1994	210	202,440	964
Links at Carrollwood	Tampa, FL	1980	1998	230	214,820	934
				7,465	7,299,922	978
High Ridge	Athens, GA	1987	1997	160	186,560	1,166
Bradford Pointe	Augusta, GA	1986	1997	192	156,288	814
Shenandoah Ridge	Augusta, GA	1982	1994	272	222,768	819
Westbury Creek	Augusta, GA	1984	1997	120	107,040	892
Fountain Lake	Brunswick, GA	1983	1997	110	129,800	1,180

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Property	Location	Year Completed	Management Commenced	Number of Units	Approximate Rentable	Average Unit
					Area (Square Footage)	Size (Square Footage)
Park Walk	College Park, GA	1985	1997	124	112,716	909
Whisperwood	Columbus, GA	80/82/84/86/98	1997	1,008	1,220,688	1,211
Willow Creek	Columbus, GA	1971/77	1997	285	246,810	866
Terraces at Fieldstone	Conyers, GA	1999	1998	316	351,076	1,111
Prescott	Duluth, GA	2001	2004	384	370,176	964
Lanier	Gainesville, GA	1998	2005	344	395,944	1,151
Lake Club	Gainesville, GA	2001	2005	313	359,950	1,150
Whispering Pines	LaGrange, GA	1982/84	1997	216	223,128	1,033
Westbury Springs	Lilburn, GA	1983	1997	150	137,700	918
Austin Chase	Macon, GA	1996	1997	256	292,864	1,144
The Vistas	Macon, GA	1985	1997	144	153,792	1,068
Walden Run	McDonough, GA	1997	1998	240	271,200	1,130
Georgetown Grove	Savannah, GA	1997	1998	220	239,800	1,090
Oaks at Wilmington Island	Savannah, GA	1999	2006	306	300,492	982
Wildwood	Thomasville, GA	1980/84	1997	216	223,128	1,033
Hidden Lake	Union City, GA	1985/87	1997	320	342,400	1,070
Three Oaks	Valdosta, GA	1983/84	1997	240	247,920	1,033
Huntington Chase	Warner Robins, GA	1997	2000	200	218,400	1,092
Southland Station	Warner Robins, GA	1987/90	1997	304	354,768	1,167
Terraces at Townelake	Woodstock, GA	1999	1998	502	575,794	1,147
				6,942	7,441,202	1,072
Fairways at Hartland	Bowling Green, KY	1996	1997	240	251,280	1,047
Paddock Club Florence	Florence, KY	1994	1997	200	207,000	1,035
Grand Reserve Lexington	Lexington, KY	2000	1999	370	432,530	1,169
Lakepointe	Lexington, KY	1986	1994	118	90,624	768
Mansion, The	Lexington, KY	1989	1994	184	138,736	754
Village, The	Lexington, KY	1989	1994	252	182,700	725
Stonemill Village	Louisville, KY	1985	1994	384	324,096	844
				1,748	1,626,966	931
Riverhills	Grenada, MS	1972	1985	96	81,984	854
Crosswinds	Jackson, MS	1988/90	1996	360	443,160	1,231
Pear Orchard	Jackson, MS	1985	1994	389	338,430	870
Reflection Pointe	Jackson, MS	1986	1988	296	254,856	861
Lakeshore Landing	Ridgeland, MS	1974	1994	196	171,108	873
Savannah Creek	Southaven, MS	1989	1996	204	237,048	1,162
Sutton Place	Southaven, MS	1991	1996	253	268,686	1,062
				1,794	1,795,272	1,001
Hermitage at Beechtree	Cary, NC	1988	1997	194	169,750	875
Waterford Forest	Cary, NC	1996	2005	384	344,448	897
Woodstream	Greensboro, NC	1983	1994	304	217,056	714

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Corners, The	Winston-Salem, NC	1982	1993	240	173,520	723	\$
Preserve at Brier Creek	Raleigh, NC	2002/07	2006	450	518,850	1,153	\$
				1,572	1,423,624	906	\$

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Property	Location	Year Completed	Year Management Commenced	Number of Units	Approximate Rentable	Average Unit
					Area (Square Footage)	Size (Square Footage)
Fairways at Royal Oak	Cincinnati, OH	1988	1994	214	214,428	1,002
				214	214,428	1,002
Colony at South Park	Aiken, SC	1989/91	1997	184	174,800	950
Woodwinds	Aiken, SC	1988	1997	144	165,168	1,147
Tanglewood	Anderson, SC	1980	1994	168	146,664	873
Fairways, The	Columbia, SC	1992	1994	240	213,840	891
Paddock Club Columbia	Columbia, SC	1989/95	1997	336	367,584	1,094
Highland Ridge	Greenville, SC	1984	1995	168	143,976	857
Howell Commons	Greenville, SC	1986/88	1997	348	292,668	841
Paddock Club Greenville	Greenville, SC	1996	1997	208	212,160	1,020
Park Haywood	Greenville, SC	1983	1993	208	156,832	754
Spring Creek	Greenville, SC	1985	1995	208	182,000	875
Runaway Bay	Mt. Pleasant, SC	1988	1995	208	177,840	855
Park Place	Spartanburg, SC	1987	1997	184	195,224	1,061
Farmington Village	Summerville, SC	2007	2007	280	307,440	1,098
				2,884	2,736,196	949
Hamilton Pointe	Chattanooga, TN	1989	1992	361	256,671	711
Hidden Creek	Chattanooga, TN	1987	1988	300	259,200	864
Steeplechase	Chattanooga, TN	1986	1991	108	98,604	913
Windridge	Chattanooga, TN	1984	1997	174	238,728	1,372
Oaks, The	Jackson, TN	1978	1993	100	87,500	875
Post House Jackson	Jackson, TN	1987	1989	150	163,650	1,091
Post House North	Jackson, TN	1987	1989	144	144,720	1,005
Bradford Chase	Jackson, TN	1987	1994	148	121,360	820
Woods at Post House	Jackson, TN	1997	1995	122	118,950	975
Cedar Mill	Memphis, TN	1973/86	1982/94	276	297,804	1,079
Greenbrook	Memphis, TN	1974/78/83/86	1988	1,037	939,522	906
Kirby Station	Memphis, TN	1978	1994	371	310,156	836
Lincoln on the Green	Memphis, TN	1988/98	1994	618	535,188	866
Park Estate	Memphis, TN	1974	1977	82	96,924	1,182
Reserve at Dexter Lake	Memphis, TN	1999/01	1998	740	792,540	1,071
River Trace	Memphis, TN	1981/85	1997	440	370,920	843
Paddock Club Murfreesboro	Murfreesboro, TN	1999	1998	240	268,800	1,120
Brentwood Downs	Nashville, TN	1986	1994	286	220,220	770
Grand View Nashville	Nashville, TN	2001	1999	433	479,331	1,107
Monthaven Park	Nashville, TN	1999/01	2004	456	427,728	938
Park at Hermitage	Nashville, TN	1987	1995	440	392,480	892
				7,026	6,620,996	942
Northwood	Arlington, TX	1980	1998	270	224,100	830
Balcones Woods	Austin, TX	1983	1997	384	313,728	817
Grand Reserve at Sunset Valley	Austin, TX	1996	2004	210	198,240	944
Silverado	Austin, TX	2003	2006	312	303,264	972

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Year	Approximate Rentable Area	Average Unit Size	Month Rent per Unit a
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Property	Location	Year Completed	Management Commenced	Number of Units	(Square Footage)	(Square Footage)	December 31, 2007
Stassney Woods	Austin, TX	1985	1995	288	248,832	864	\$ 644.2
Travis Station	Austin, TX	1987	1995	304	249,888	822	\$ 590.9
Woods, The	Austin, TX	1977	1997	278	214,060	770	\$ 831.4
Celery Stalk	Dallas, TX	1978	1994	410	374,740	914	\$ 674.2
Courtyards at Campbell	Dallas, TX	1986	1998	232	168,200	725	\$ 678.9
Deer Run	Dallas, TX	1985	1998	304	206,720	680	\$ 633.8
Grand Courtyard	Dallas, TX	2000	2006	390	341,250	875	\$ 776.3
Lodge at Timberglen	Dallas, TX	1983	1994	260	226,200	870	\$ 663.9
Watermark	Dallas, TX	2002	2004	240	205,200	855	\$ 791.0
Legacy Pines	Houston, TX	1999	2003	308	283,360	920	\$ 939.2
Park Place (Houston)	Houston, TX	1996	2007	229	207,016	904	\$ 822.9
Ranchstone	Houston, TX	1996	2007	220	193,160	878	\$ 794.5
Reserve at Woodwind Lakes	Houston, TX	1999	2006	328	316,192	964	\$ 815.5
Chalet at Fall Creek	Humble, TX	2006	2007	268	260,228	971	\$ 949.9
Westborough Crossing	Katy, TX	1984	1994	274	197,280	720	\$ 622.9
Kenwood Club	Katy, TX	2000	1999	320	318,080	994	\$ 822.9
Lane at Towne Crossing	Mesquite, TX	1983	1994	384	277,632	723	\$ 650.7
Highwood	Plano, TX	1983	1998	196	156,800	800	\$ 754.8
Los Rios Park	Plano, TX	2000	2003	498	470,112	944	\$ 805.5
Boulder Ridge	Roanoke, TX	1999	2005	478	429,244	898	\$ 810.3
Cypresswood Court	Spring, TX	1984	1994	208	160,576	772	\$ 674.9
Villages at Kirkwood	Stafford, TX	1996	2004	274	244,682	893	\$ 872.9
Green Tree Place	Woodlands, TX	1984	1994	200	152,200	761	\$ 701.7
				8,067	6,940,984	860	\$ 756.9
Township	Hampton, VA	1987	1995	296	248,048	838	\$ 940.3
				296	248,048	838	\$ 940.3
Total 100% Owned				40,248	38,473,782	956	\$ 746.4

- (1) Encumbered by a \$691.8 million FNMA facility, with \$675.1 million available and \$627.8 million outstanding with a variable interest rate of 5.06% on which there exists in combination with the FNMA facility mentioned in note (2) fourteen interest rate swap agreements totaling \$540 million at an average rate of 5.52% at December 31, 2007.
- (2) Encumbered by a \$243.2 million FNMA facility, with \$243.2 available and \$168.6 million outstanding, \$90 million with a fixed rate of 7.49% and \$78.6 million of which had a variable interest rate of 5.14% on which there exists interest rate swaps as mentioned in note (1) at December 31, 2007.
- (3) Phase I of Paddock Park - Ocala is encumbered by \$6.8 million in bonds on which there exists a \$6.8 million interest rate cap of 6.00% which terminates on October 24, 2012.
- (4) Encumbered, along with one corporate property, by a term loan with a principal balance of \$39.6 million at December 31, 2007, with a maturity of April 1, 2009 and an interest rate of 6.08% on which there is a \$25 million interest rate swap agreement with a rate of 4.98%, maturing on March 1, 2009.
- (5) Encumbered by a credit line with AmSouth Bank, with an outstanding balance of \$2.4 million at December 31, 2007.
- (6) Encumbered by a \$100 million Freddie Mac facility, with \$96.4 million available and an outstanding balance of \$96.4 million and a variable interest rate of 5.03% on which there exists five interest rate swap agreements totaling \$83 million at an average rate of 5.41% at December 31, 2007.
- (7) Encumbered by a \$200 million Freddie Mac facility, with \$70.7 million available and an outstanding balance of \$70.7 million and a variable interest rate of 5.04% on which there exists five interest rate swap agreements totaling \$47 million at an average rate of 6.01% at December 31, 2007.
- (8) Encumbered by a mortgage securing a tax-exempt bond amortizing over 25 years with a principal balance of \$11.9 million at December 31, 2007, and an average interest rate of 5.24%.
- (9) Encumbered by \$8.4 million in bonds on which there exists a \$8.4 million interest rate swap agreement fixed at 4.73% and maturing on September 15, 2010.

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- (10) Encumbered by \$7.0 million in bonds on which there exists a \$7.0 million interest rate swap agreement fixed at 4.42% and maturing on October 15, 2012.
- (11) Encumbered by \$5.9 million in bonds on which there exists a \$5.9 million interest rate swap agreement fixed at 5.05% and maturing on June 15, 2008.
- (12) Encumbered by \$7.7 million in bonds on which there exists a \$7.7 million interest rate swap agreement fixed at 5.05% and maturing on June 15, 2008.
- (13) Encumbered by \$3.4 million in bonds on which there exists a \$3.4 million interest rate swap agreement fixed at 5.05% and maturing on June 15, 2008.
- (14) Encumbered by \$10.8 million in bonds on which there exists a \$10.8 million interest rate swap agreement fixed at 4.42% and maturing on October 15, 2012.
- (15) Encumbered by \$3.5 million in bonds \$0.5 million having a variable rate of 5.83% and \$3.0 million with a variable rate of 4.07% on which there exists a \$3.0 million interest rate swap agreement fixed at 3.23% and maturing on May 30, 2008.
- (16) Encumbered by \$5.5 million in bonds \$0.5 million having a variable rate of 5.83% and \$5.0 million with a variable rate of 4.07% on which there exists a \$5.0 million interest rate swap agreement fixed at 3.23% and maturing on May 30, 2008.
- (17) Encumbered by \$6.6 million in bonds on which there exists a \$6.6 million interest rate swap agreement fixed at 3.63% and maturing on March 15, 2009. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 5.27% which there exists a \$11.7 million and a \$6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.
- (18) Encumbered by \$4.0 million in bonds on which there exists a \$4.0 million interest rate cap of 6.00% which terminates on March 15, 2009. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 5.27% which there exists a \$11.7 million and a \$6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.
- (19) Encumbered by \$3.6 million in bonds on which there exists a \$3.6 million interest rate swap agreement fixed at 3.63% and maturing on March 15, 2009. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 5.27% which there exists a \$11.7 million and a \$6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.
- (20) Encumbered by \$13.2 million in bonds on which there exists a \$13.2 million interest rate cap of 6.00% and maturing on March 15, 2011. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 5.27% which there exists a \$11.7 million and \$6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 1, 2011 respectively.

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ITEM 3. LEGAL PROCEEDINGS.

Mid-America is not presently subject to any material litigation nor, to Mid-America's knowledge, is any material litigation threatened against us. Mid-America is presently subject to routine litigation arising in the ordinary course of business, some of which is expected to be covered by liability insurance and none of which is expected to have a material adverse effect on the business, financial condition, liquidity or results of operations of Mid-America.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

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Mid-America's common stock has been listed and traded on the New York Stock Exchange, or NYSE, under the symbol "MAA" since our initial public offering in February 1994. On February 8, 2008, the reported last sale price of Mid-America's common stock on the NYSE was \$46.44 per share, and there were approximately 1,707 holders of record of the common stock. Mid-America believes we have a significantly larger number of beneficial owners of our common stock. The following table sets forth the quarterly high and low sales prices of our common stock and the dividends declared by Mid-America with respect to the periods indicated.

	Sales Prices		Dividends	Dividends
	High	Low	Paid	Declared
2007:				
First Quarter	\$60.740	\$51.700	\$0.605	\$0.605
Second Quarter	\$59.620	\$50.110	\$0.605	\$0.605
Third Quarter	\$56.000	\$43.150	\$0.605	\$0.605
Fourth Quarter	\$54.590	\$41.750	\$0.605	\$0.615

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2006:				
First Quarter	\$58.750	\$48.130	\$0.595	\$1.190 ⁽¹⁾
Second Quarter	\$56.400	\$49.320	\$0.595	\$0.595
Third Quarter	\$62.240	\$53.910	\$0.595	\$0.595
Fourth Quarter	\$65.970	\$56.000	\$0.595	\$0.605

- (1) In the first quarter of 2006, the Board of Directors began declaring the common dividend for the following quarter at their regularly scheduled board meeting. This timing change resulted in two dividend payments being declared in the same quarter.

Mid-America's quarterly dividend rate is currently \$0.615 per common share. The Board of Directors reviews and declares the dividend rate quarterly. Actual dividends made by Mid-America will be affected by a number of factors, including the gross revenues received from the apartment communities, the operating expenses of Mid-America, the interest expense incurred on borrowings and unanticipated capital expenditures.

Mid-America expects to make future quarterly distributions to shareholders; however, future distributions by Mid-America will be at the discretion of the Board of Directors and will depend on the actual funds from operations of Mid-America, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as the Board of Directors deems relevant.

Mid-America has established the Direct Stock Purchase and Distribution Reinvestment Plan, or DRSP, under which holders of common stock, preferred stock and limited partnership interests in Mid-America Apartments, L.P. can elect to automatically reinvest their distributions in additional shares of common stock. The plan also allows for the optional purchase of common stock of at least \$250, but not more than \$5,000 in any given month, free of brokerage commissions and charges. Mid-America, in our absolute discretion, may grant waivers to allow for optional cash payments in excess of \$5,000. To fulfill our obligations under the DRSP, Mid-America may either issue additional shares of common stock or repurchase common stock in the open market. Mid-America may elect to sell shares under the DRSP at up to a 5% discount.

In 2005, Mid-America issued a total of 803,251 shares through our DRSP and offered an average discount of 1.5% for optional cash purchases. In 2006, Mid-America issued a total of 1,356,015 shares through our DRSP and offered an average discount of 1.5% for optional cash purchases. In 2007, Mid-America issued a total of 136,483 shares through our DRSP and offered an average discount of 1.5% for optional cash purchases.

The following table provides information with respect to compensation plans under which our equity securities are authorized for issuance as of December 31, 2007.

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)(1)	Weighted Average Exercise Price of Outstanding Options Warrants and Rights (b)(1)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)(2)
Equity compensation plans approved by security holders	110,526	\$ 23.52	469,373
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	110,526	\$ 23.52	469,373

(1) Columns (a) and (b) above do not include 85,141 shares of restricted stock that are subject to vesting requirements which were issued through Mid-America's Fourth Amended and Restated 1994 Restricted Stock and Stock Option Plan, 74,106 shares of restricted stock that are subject to vesting requirements which were issued through Mid-America's 2004 Stock Plan, or 59,855 shares of common stock which have been purchased by employees through the Employee Stock Purchase Plan. See Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 2 for more information on these plans.

(2) Column (c) above includes 379,228 shares available to be issued under Mid-America's 2004 Stock Plan and 90,145 shares available to be issued under Mid-America's Employee Stock Purchase Plan. See Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 2 for more information on these plans.

Mid-America has not granted any stock options since 2002.

The following graph compares the cumulative total returns of the shareholders of Mid-America since December 30, 2000 with the S&P 500 Index and the Equity REIT Total Return Index prepared by the National Association of Real Estate Investment Trusts, or NAREIT. The graph assumes that the base share price for Mid-America's common stock and each index is \$100 and that all dividends are reinvested. The performance graph is not necessarily indicative of future investment performance.

	Dec ' 02	Dec ' 03	Dec ' 04	Dec ' 05	Dec ' 06	Dec ' 07
Mid-America	\$100.00	\$149.73	\$196.22	\$244.31	\$301.13	\$234.86
S&P 500	\$100.00	\$128.68	\$142.69	\$149.70	\$173.34	\$182.87

NAREIT Equity	\$100.00	\$137.13	\$180.44	\$202.38	\$273.34	\$230.45
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ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth selected financial data on a historical basis for Mid-America. This data should be read in conjunction with the consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report on Form 10-K.

MID-AMERICA APARTMENT COMMUNITIES, INC.
SELECTED FINANCIAL DATA
(Dollars in thousands except per share data)

	Year Ended December		
	2007	2006	2005
Operating Data:			
Total operating revenues	\$ 352,957	\$ 323,662	\$ 293,786
Expenses:			
Property operating expenses	145,006	135,124	123,965
Depreciation	86,173	78,861	73,917
Property management and general and administrative expenses	28,726	23,001	20,862
Income from continuing operations before non-operating items	93,052	86,676	75,042
Interest and other non-property income	196	673	498
Interest expense	(64,452)	(63,119)	(58,142)
(Loss) gain on debt extinguishment	(123)	(551)	(407)
Amortization of deferred financing costs	(2,407)	(2,036)	(2,011)
Minority interest in operating partnership income	(3,510)	(1,590)	(1,571)
(Loss) gain from investments in unconsolidated entities	(58)	(114)	65
Incentive fees from unconsolidated entity	1,019	□	1,723
Net gains on insurance and other settlement proceeds	589	84	749
Gains on sale of non-depreciable assets	534	50	334
Gain on disposition within unconsolidated entities	5,388	□	3,034
Income from continuing operations	30,228	20,073	19,314
Discontinued operations:			
Income from discontinued operations before asset impairment, settlement proceeds and gain on sale	554	872	698
Asset impairment of discontinued operations	□	□	(243)
Net (loss) gain on insurance and other settlement proceeds of discontinued operations	□	□	(25)
Gains on sale of discontinued operations	9,164	□	□
Net income	39,946	20,945	19,744
Preferred dividend distributions	13,688	13,962	14,329
Premiums and original issuance costs associated with the redemption of preferred stock	589	□	□
Net income (loss) available for common shareholders	\$ 25,669	\$ 6,983	\$ 5,415
Per Share Data:			
Weighted average shares outstanding (in thousands):			
Basic	25,296	23,474	21,405
Effect of dilutive stock options	166	224	202
Diluted	25,462	23,698	21,607

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Net income (loss) available for common shareholders	\$ 25,669	\$ 6,983	\$ 5,415
Discontinued property operations	(9,718)	(872)	(430)
Income (loss) from continuing operations available for common shareholders	\$ 15,951	\$ 6,111	\$ 4,985

Earnings per share - basic:			
Income (loss) from continuing operations available for common shareholders	\$ 0.63	\$ 0.26	\$ 0.23
Discontinued property operations	0.38	0.04	0.02
Net income (loss) available for common shareholders	\$ 1.01	\$ 0.30	\$ 0.25

Earnings per share - diluted:			
Income (loss) from continuing operations available for common shareholders	\$ 0.63	\$ 0.26	\$ 0.23
Discontinued property operations	0.38	0.03	0.02
Net income (loss) available for common shareholders	\$ 1.01	\$ 0.29	\$ 0.25

Balance Sheet Data:			
Real estate owned, at cost	\$ 2,343,130	\$ 2,218,532	\$ 1,987,853
Real estate assets, net	\$ 1,720,553	\$ 1,669,539	\$ 1,510,289
Total assets	\$ 1,783,822	\$ 1,746,646	\$ 1,580,125
Total debt	\$ 1,264,620	\$ 1,196,349	\$ 1,140,046
Minority interest	\$ 28,868	\$ 32,600	\$ 29,798
Shareholders' equity and redeemable stock	\$ 403,530	\$ 449,066	\$ 362,526

Other Data (at end of period):			
Market capitalization (shares and units) ⁽¹⁾	\$ 1,358,100	\$ 1,745,674	\$ 1,358,725
Ratio of total debt to total capitalization ⁽²⁾	48.2%	40.7%	45.6%
Number of properties, including joint venture ownership interest ⁽³⁾	137	138	132
Number of apartment units, including joint venture ownership interest ⁽³⁾	40,248	40,293	38,227

(1) Market capitalization includes all series of preferred shares (value based on \$25 per share liquidation preference) and common shares, regardless of classification on balance sheet, as well as partnership units (value based on common stock equivalency).

(2) Total capitalization is market capitalization plus total debt.

(3) Property and apartment unit totals have not been adjusted to exclude properties held for sale.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RISKS ASSOCIATED WITH FORWARD-LOOKING STATEMENTS

This and other sections of this Annual Report on Form 10-K contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. These statements include, but are not limited to, statements about anticipated market conditions, expected growth rates of revenues and expenses, planned asset dispositions, disposition pricing, planned acquisitions, developments and renovations, property financings, expected interest rates, joint venture activity and planned capital expenditures. Although Mid-America believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report on Form 10-K will prove to be accurate. In light of the significant uncertainties

inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by Mid-America or any other person that the objectives and plans of Mid-America will be achieved.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following discussion and analysis of financial condition and results of operations are based upon Mid-America's consolidated financial statements, and the notes thereto, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements requires Mid-America to make a number of estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. On an ongoing basis, Mid-America evaluates our estimates and assumptions based upon historical experience and various other factors and circumstances. Mid-America believes that our estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates and assumptions.

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Mid-America believes that the estimates and assumptions that are most important to the portrayal of our financial condition and results of operations, in that they require the most subjective judgments, form the basis of accounting policies deemed to be most critical. These critical accounting policies include revenue recognition, capitalization of expenditures and depreciation of assets, impairment of long-lived assets, including goodwill, and fair value of derivative financial instruments.

Revenue recognition

Mid-America leases multifamily residential apartments under operating leases primarily with terms of one year or less. Rental revenues are recognized using a method that represents a straight-line basis over the term of the lease and other revenues are recorded when earned.

We record all gains and losses on sales of real estate in accordance with Statement No. 66, *Accounting for Sales of Real Estate*.

Capitalization of expenditures and depreciation of assets

Mid-America carries real estate assets at depreciated cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, which range from 8 to 40 years for land improvements and buildings, 5 years for furniture, fixtures, and equipment, 3 to 5 years for computers and software, and 1 year for acquired leases, all of which are subjective determinations. Repairs and maintenance costs are expensed as incurred while significant improvements, renovations, and replacements are capitalized. The cost to complete any deferred repairs and maintenance at properties acquired by Mid-America in order to elevate the condition of the property to Mid-America's standards are capitalized as incurred.

Impairment of long-lived assets, including goodwill

Mid-America accounts for long-lived assets in accordance with the provisions of Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, or Statement 144, and evaluates its goodwill for impairment under Statement No. 142, *Goodwill and Other Intangible Assets*, or Statement 142. Mid-America evaluates goodwill for impairment on an annual basis in Mid-America's fiscal fourth quarter, or sooner if a goodwill impairment indicator is identified. Mid-America periodically evaluates long-lived assets, including investments in real estate and goodwill, for indicators that would suggest that the carrying amount of the assets may not be recoverable. The judgments regarding the existence of such indicators are based on factors such as operating performance, market conditions, and legal factors.

In accordance with Statement 144, long-lived assets, such as real estate assets, equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and

used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

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Goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. This determination is made at the reporting unit level and consists of two steps. First, Mid-America determines the fair value of a reporting unit and compares it to its carrying amount. In the apartment industry, the primary method used for determining fair value is to divide annual operating cash flows by an appropriate capitalization rate. Mid-America determines the appropriate capitalization rate by reviewing the prevailing rates in a property's market or submarket. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with Statement No. 141, *Business Combinations*. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

Fair value of derivative financial instruments

Mid-America utilizes certain derivative financial instruments, primarily interest rate swaps and caps, during the normal course of business to manage, or hedge, the interest rate risk associated with Mid-America's variable rate debt or as hedges in anticipation of future debt transactions to manage well-defined interest rate risk associated with the transaction. The valuation of the derivative financial instruments under Statement No. 133 *Accounting for Derivative Instruments and Hedging Activities*, as amended, requires Mid-America to make estimates and judgments that affect the fair value of the instruments.

In order for a derivative contract to be designated as a hedging instrument, the relationship between the hedging instrument and the hedged item must be highly effective. While Mid-America's calculation of hedge effectiveness contains some subjective determinations, the historical correlation of the cash flows of the hedging instruments and the underlying hedged item are measured by Mid-America before entering into the hedging relationship and have been found to be highly correlated.

Mid-America measures ineffectiveness using the change in the variable cash flows method at the inception of the hedge and for each reporting period thereafter, through the term of the hedging instruments. Any amounts determined to be ineffective are recorded in earnings. The change in fair value of the interest rate swaps and caps designated as cash flow hedges are recorded to accumulated other comprehensive income in the statement of shareholders' equity.

OVERVIEW OF THE YEAR ENDED DECEMBER 31, 2007

Mid-America's results for 2007 were positively influenced by both improved operating performance from communities held throughout both the current and prior period, or same store, and the positive impact from acquisitions in recent years. Implementation of new operating platform systems is helping us to optimize the balance between increased occupancy and rental rates.

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Mid-America has grown externally during the past three years by following its acquisition strategy to invest in large and mid-sized growing markets in the Sunbelt region of the United States. Mid-America acquired three properties in 2005 and six properties in 2006, for which we benefited from full years of revenues in 2007. Mid-America also acquired an additional four communities during 2007. Offsetting some of this increased revenue stream is one property disposition in 2005 and dispositions of four properties during 2007.

The following is a discussion of the consolidated financial condition and results of operations of Mid-America for the years ended December 31, 2007, 2006, and 2005. This discussion should be read in conjunction with all of the consolidated financial statements included in this Annual Report on Form 10-K.

As of December 31, 2007, the total number of apartment units Mid-America owned or had an ownership interest in was 40,248 in 137 communities, compared to 40,293 apartment units in 138 communities at December 31, 2006, and 38,227 apartment units in 132 communities at December 31, 2005. For communities owned 100% by Mid-America, the average monthly rental per apartment unit, excluding units in lease-up, increased to \$743 at December 31, 2007 from \$726 at December 31, 2006, and \$695 at December 31, 2005. For these same units, overall occupancy at December 31, 2007, 2006, and 2005 was 94.7%, 94.2%, and 94.6%, respectively.

RESULTS OF OPERATIONS

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2007, TO THE YEAR ENDED DECEMBER 31, 2006

Property revenues for the year ended December 31, 2007, increased by approximately \$29.5 million from the year ended December 31, 2006, due to (i) an \$11.5 million increase in property revenues from the six properties acquired in 2006, or the 2006 acquisitions, (ii) a \$4.8 million increase in property revenues from the four properties acquired in 2007, or the 2007 acquisitions, (iii) a \$0.8 million increase in property revenues from our development communities, and (iv) a \$12.4 million increase in property revenues from the properties held throughout both periods. The increase in property revenues from properties held throughout both periods was generated primarily by Mid-America's same store portfolio and was driven by an average 2.5% increase in average rent per unit in 2007 over 2006.

Property operating expenses include costs for property personnel, building repairs and maintenance, real estate taxes and insurance, utilities, landscaping and other property related costs. Property operating expenses for the year ended December 31, 2007, increased by approximately \$9.9 million from the year ended December 31, 2006, due primarily to increases of property operating expenses of (i) \$5.0 million from the 2006 acquisitions, (ii) \$2.1 million from the 2007 acquisitions, (iii) \$0.3 million from our development communities, and (iv) \$2.5 million from the properties held throughout both periods. The increase in property operating expenses from the properties held throughout both periods consisted primarily of Mid-America's same store portfolio and represented an average 2.9% increase over prior year expenses.

Depreciation expense increased by approximately \$7.3 million primarily due to the increases of depreciation expense of (i) \$3.3 million from the 2006 acquisitions, (ii) \$1.2 million from the 2007 acquisitions, (iii) \$0.3 million from our development communities, (iv) \$0.7 million from the amortization of the fair market value of leases of acquired communities, and (v) \$1.8 million from fixed asset additions at communities held throughout both periods.

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Property management expenses increased by approximately \$4.8 million from the year ended December 31, 2006, to the year ended December 31, 2007, partially due to increased incentive compensation as a result of improved property performance, increased franchise and excise taxes due to state tax law changes, and implementation expenses associated with improved operating systems. General and administrative expenses increased by approximately \$0.9 million over this same period also partially related to increased incentive compensation due to improved performance.

Interest expense increased approximately \$1.3 million in 2007 from 2006 due primarily to the approximate \$42.4 million increase in the average debt outstanding from 2006 due to acquisitions and our development and redevelopment programs. The impact from the increase in the average debt outstanding was partially offset by a decrease in the average annual borrowing costs from 5.5% for 2006 to 5.4% in 2007.

For the year ended December 31, 2007, Mid-America recorded total gains of approximately \$5.4 million from the sale of a community owned by a joint venture of Mid-America. The sale of this community resulted in an additional incentive fee being paid to Mid-America of approximately \$1.0 million in 2007. In 2007, Mid-America also benefited from a \$9.2 million gain resulting from the sale of four communities owned directly by Mid-America. Mid-America had no dispositions in 2006.

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For the year ended December 31, 2007, Mid-America recorded net gains on insurance and other settlement proceeds and gains on sale of land totaling \$1.1 million. For the year ended December 31, 2006, Mid-America recorded gains of \$0.1 million for these same items.

Primarily as a result of the foregoing, net income increased by approximately \$19.0 million in 2007 over 2006.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2006, TO THE YEAR ENDED DECEMBER 31, 2005

Property revenues for the year ended December 31, 2006, increased by approximately \$30.0 million from the year ended December 31, 2005, due to (i) a \$9.5 million increase in property revenues from the 2006 acquisitions, (ii) a \$5.3 million increase in property revenues from the three properties acquired in 2005, or the 2005 acquisitions, and (iii) a \$15.2 million increase in property revenues from the properties held throughout both periods. The increase in property revenues from properties held throughout both periods was generated primarily by Mid-America's same store portfolio and was driven by an average 3.1% increase in average rent per unit in 2006 over 2005.

Property operating expenses include costs for property personnel, building repairs and maintenance, real estate taxes and insurance, utilities, landscaping and other property related costs. Property operating expenses for the year ended December 31, 2006, increased by approximately \$11.2 million from the year ended December 31, 2005, due primarily to increases of property operating expenses of (i) \$4.6 million from the 2006 acquisitions, (ii) \$2.1 million from the 2005 acquisitions, and (iii) \$4.5 million from the properties held throughout both periods. The increase in property operating expenses from the properties held throughout both periods consisted primarily of Mid-America's same store portfolio and was driven by an increase in property insurance reflecting the increase in premiums effective July 1, 2006. The same store property operating expense increase also reflects increased utility rates as Mid-America experienced an increase in electricity, natural gas and water and sewer prices.

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Depreciation expense increased by approximately \$4.9 million primarily due to the increases of depreciation expense of (i) \$2.7 million from the 2006 acquisitions, (ii) \$1.2 million from the 2005 acquisitions, and (iii) \$2.0 million from fixed asset additions at the communities held throughout both periods. These increases were partially offset by a decrease in depreciation expense of \$1.0 million from the expiration of the amortization of fair market value of leases of acquired communities.

Property management expenses increased by approximately \$2.0 million from the year ended December 31, 2005, to the year ended December 31, 2006, partially due to increased incentive compensation as a result of improved property performance and increased franchise and excise taxes due to state tax law changes. General and administrative expenses increased by approximately \$0.2 million over this same period also partially related to increased incentive compensation due to improved performance.

Interest expense increased approximately \$5.0 million in 2006 from 2005 due primarily to the approximate \$49.7 million increase in the average debt outstanding from 2005 due to acquisitions and our development and redevelopment programs. Interest expense was also impacted by an increase in the average annual borrowing costs from 5.2% in 2005 to 5.5% in 2006.

For the year ended December 31, 2005, Mid-America recorded total gains of approximately \$3.0 million from the sale of two communities owned by a joint venture of Mid-America. The sales of these communities resulted in an additional incentive fee being paid to Mid-America of approximately \$1.7 million in 2005. Mid-America had no dispositions in 2006.

For the year ended December 31, 2006, Mid-America recorded net gains on insurance and other settlement proceeds and gains on sale of land totaling \$0.1 million. For the year ended December 31, 2005, Mid-America recorded gains of \$1.1 million for these same items.

Primarily as a result of the foregoing, net income increased by approximately \$1.2 million in 2006 over 2005.

FUNDS FROM OPERATIONS

Funds from operations, or FFO, represents net income (computed in accordance with U.S. generally accepted accounting principles, or GAAP) excluding extraordinary items, minority interest in operating partnership income, gains on disposition of real estate assets, plus depreciation of real estate, and adjustments for joint ventures to reflect FFO on the same basis. This definition of FFO is in accordance with the NAREIT definition. Disposition of real estate assets includes sales of discontinued operations as well as proceeds received from insurance and other settlements from property damage.

In response to the Securities and Exchange Commission's Staff Policy Statement relating to EITF Topic D-42 concerning the calculation of earnings per share for the redemption of preferred stock, Mid-America has included the amount charged to retire preferred stock in excess of carrying values in our FFO calculation.

Mid-America's policy is to expense the cost of interior painting, vinyl flooring, and blinds as incurred for stabilized properties. During the stabilization period for acquisition properties, these items are capitalized as part of the total repositioning program of newly acquired properties, and, thus are not deducted in calculating FFO.

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FFO should not be considered as an alternative to net income or any other GAAP measurement of performance, as an indicator of operating performance or as an alternative to cash flow from operating, investing, and financing activities as a measure of liquidity. Mid-America believes that FFO is helpful to investors in understanding Mid-America's operating performance in that such calculation excludes depreciation expense on real estate assets. Mid-America believes that GAAP historical cost depreciation of real estate assets is generally not correlated with changes in the value of those assets, whose value does not diminish predictably over time, as historical cost depreciation implies. Mid-America's calculation of FFO may differ from the methodology for calculating FFO utilized by other REITs and, accordingly, may not be comparable to such other REITs.

The following table is a reconciliation of FFO to net income for the years ended December 31, 2007, 2006, and 2005 (dollars and shares in thousands):

	Years ended December 31,		
	2007	2006	2005
Net income	\$ 39,946	\$ 20,945	\$ 19,744
Depreciation of real estate assets	84,916	77,521	72,571
Net gain on insurance and other settlement proceeds	(589)	(84)	(749)
Gain on disposition within unconsolidated entities	(5,388)		(3,034)
Net loss on insurance and other settlement proceeds of discontinued operations			25
Depreciation of real estate assets of discontinued operations	133	687	1,133
Gain on sale of discontinued operations	(9,164)		
Depreciation of real estate assets of unconsolidated entities	15	500	482
Preferred dividend distribution	(13,688)	(13,962)	(14,329)
Minority interest in operating partnership income	3,510	1,590	1,571
Premiums and original issuance costs associated with the redemption of preferred stock	(589)		
Funds from operations	\$ 99,102	\$ 87,197	\$ 77,414
Weighted average shares and units:			
Basic	27,777	25,979	24,025
Diluted	27,943	26,204	24,227

FFO increases for both 2007 over 2006, and 2006 over 2005 were principally the result of improved community operations from Mid-America's same store portfolio and the addition of communities from the 2005 acquisitions, 2006 acquisitions and 2007 acquisitions as previously reviewed in the net income discussion above.

TRENDS

In 2007, rental demand for apartments continued to improve throughout most of Mid-America's markets. Both our High Growth and our Growth and Income markets reported same-store revenue growth for the year averaging over 5% and NOI growth averaging 6.9%. Exceptional performers were markets in Texas and Tennessee. Following several years of rapid growth, markets in Florida did not perform as well.

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The following chart shows performance by some of the larger markets in each of Mid-America's same-store portfolio groups, averaged for the year:

	Revenue ⁽¹⁾	NOI ⁽¹⁾
Total High Growth	4.9%	7.2%
Dallas	7.0%	15.2%
Atlanta	4.2%	3.6%
Houston	7.5%	14.4%
Nashville	6.1%	9.8%
Greenville	4.7%	7.6%
Tampa	0.8%	0.3%
Total Growth and Income	5.0%	5.7%
Memphis	8.1%	11.9%
Jacksonville	0.7%	-0.3%
Austin	7.7%	15.3%
Jackson, MS	5.2%	5.7%
Chattanooga	5.5%	7.9%
Augusta	6.2%	7.3%
Total Stable	3.5%	3.7%
Columbus, GA	-0.9%	-4.3%
Lexington, KY	7.5%	9.8%
Total Same Store	4.6%	5.8%

(1) Revenues and NOI by market and market group are presented before the impact of straight-line adjustments. The total same store results include the revenue adjustments.

Job formation, which is the primary driver of demand by apartment residents, continued to be strong in most of our markets. On the supply side, new apartment construction continued to be limited, as in most markets, rents have yet to rise sufficiently to offset the rapid run-up of costs of new construction over the last five years. Competition from condominiums reverting back to being rental units, or new condominiums being converted to rental, was not a major factor in most of our markets because most of our markets and submarkets have not been primary areas for condominium development. We have found the same to be true for rental competition from single family homes: we have avoided committing a lot of capital to markets where most of the excessive inflation in house prices has occurred. We are seeing rental competition from condominiums and single family houses in only a few submarkets.

The primary reason that our residents leave us is to buy a house, but we have seen the number drop over the past six months from approximately 28% of move-outs to approximately 26%. Analysts point out that homeownership increased from 65% to almost 69% of households over the past ten years, driven primarily by the availability of new mortgage products, many requiring no down-payment and minimal credit reporting. With a reversion of mortgage underwriting back to more traditional standards, it is possible that a long-term correction will occur, and that home ownership may return to more sustainable levels. This could be quite significant for the apartment business, and we believe, if this occurs, it could benefit us for several years.

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While it seems possible that we will face slower economic growth as a result of reduced liquidity in the economy, we think that the supply of new apartments is not excessive, and that positive absorption of apartments will occur for most of our markets for the next two or three years. Should the economy fall into recession, the limited new supply of apartments and the more controlled competition from single family housing should ameliorate the impact.

LIQUIDITY AND CAPITAL RESOURCES

Net cash flow provided by operating activities increased by approximately \$17.0 million to \$117.9 million for 2007, compared to \$100.9 million for 2006, mainly related to the growth of Mid-America through acquisitions and improved operating results in 2007. Net cash flow provided by operating activities increased by approximately \$2.1 million to \$100.9 million for 2006 compared to \$98.8 million for 2005 mainly related to the growth of Mid-America through acquisitions and improved operating results in 2006.

Net cash used in investing activities decreased by approximately \$131.5 million from \$239.6 million in 2006 to \$108.1 million in 2007. Net cash used in investing activities increased by approximately \$133.2 million from \$106.4 million in 2005 to \$239.6 million in 2006. The change in net cash used in investing activities resulted mainly from the varying levels of acquisition activity. A total of approximately \$88.6 million was invested in 2007 to acquire properties, this compares to approximately \$195.0 million in 2006, and \$105.6 million in 2005. Mid-America began limited development activities in 2006, which used net cash of approximately \$10.9 million in 2006 and \$14.6 million in 2007. Mid-America also expanded our renovation activities using net cash of approximately \$0.4 million in 2005, \$6.1 million in 2006 and \$11.3 million in 2007. Finally, Mid-America's net cash used in investing activities was influenced by different levels of dispositions across the three years. In 2007, Mid-America received \$29.3 million from real estate dispositions, compared to \$2.1 million in 2006 and \$9.7 million in 2005.

Net cash provided by financing activities decreased approximately \$128.3 million to \$1.9 million in 2007 from \$130.1 million in 2006. Net cash provided by financing activities increased approximately \$117.6 million to \$130.1 million in 2006 from \$12.5 million in 2005. Net cash provided by financing activities was mainly impacted by proceeds from issuances of common shares and units. Proceeds from issuances of common shares and units increased in 2006 to approximately \$151.9 million primarily due to Mid-America's raising of funds through stock issuances from our direct stock purchase plan, a controlled equity plan and an overnight offering. During 2005 and 2007, Mid-America was not as active in raising funds through these equity plans. Net cash provided by financing activities in 2007 was also impacted by the redemption of our 9¼% Series F Cumulative Redeemable Preferred Stock, or Series F, for \$11.9 million.

The weighted average interest rate at December 31, 2007, for the \$1.3 billion of debt outstanding was 5.4% compared to 5.6% on \$1.2 billion of debt outstanding at December 31, 2006. Mid-America utilizes both conventional and tax exempt debt to help finance our activities. Borrowings are made through individual property mortgages and secured credit facilities. Mid-America utilizes fixed rate borrowings, interest rate swaps and interest rate caps to manage our current and future interest rate risk. More details on Mid-America's borrowings are disclosed in the schedule found later in this section.

At December 31, 2007, Mid-America had secured credit facilities relationships with Prudential Mortgage Capital which are credit enhanced by the Federal National Mortgage Association, or FNMA, Federal Home Loan Mortgage Corporation, or Freddie MAC, and a group of banks led by Regions Financial Corporation. Together, these credit facilities provided a total borrowing capacity of \$1.4 billion at December 31, 2007, with an availability to borrow of \$1.2 billion. At December 31, 2007, Mid-America had total borrowings outstanding under these credit facilities of \$1.1 billion.

Approximately 72% of Mid-America's outstanding obligations at December 31, 2007, were borrowed through facilities with/or credit enhanced by FNMA, which we call the FNMA Facilities. The FNMA Facilities have a combined line limit of \$1.0 billion, most of which was available to borrow at December 31, 2007. Various tranches of the facilities mature from 2008 through 2014. The FNMA Facilities provide for both fixed and variable rate borrowings. The interest rate on the majority of the variable portion renews every 90 days and is based on the FNMA Discount Mortgage Backed Security, or DMBS, rate on the date of renewal, which has typically approximated three-month LIBOR less an average spread of 0.05% - 0.09% over the life of the FNMA

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facilities, plus a credit enhancement fee of 0.62% to 0.795%. Recently, however, the spread between three-month LIBOR and DMBS has increased up to 0.57%. While we feel the current liquidity market is an anomaly and believe that this spread will return to more historic levels, Mid-America cannot forecast when or if the uncertainty and volatility in the market may change.

Each of Mid-America's secured credit facilities is subject to various covenants and conditions on usage, and are subject to periodic re-evaluation of collateral. If Mid-America were to fail to satisfy a condition to borrowing, the available credit under one or more of the facilities could not be drawn, which could adversely affect Mid-America's liquidity. In the event of a reduction in real estate values the amount of available credit could be reduced. Moreover, if Mid-America were to fail to make a payment or violate a covenant under a credit facility, after applicable cure periods one or more of our lenders could declare a default, accelerate the due date for repayment of all amounts outstanding and/or foreclose on properties securing such facilities. Any such event could have a material adverse effect on Mid-America.

On May 26, 2005, Mid-America gave the required one year notice to redeem all of the issued and outstanding shares of its 8 5/8% Series G Cumulative Redeemable Preferred Stock, or Series G, on May 26, 2006, for the total redemption price of \$10 million. As a result, in accordance with Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, Mid-America classified the Series G as a liability within notes payable as of May 26, 2005, on the accompanying consolidated financial statements. On May 26, 2006, Mid-America redeemed all of the issued and outstanding shares of Series G.

On October 16, 2007, Mid-America redeemed all of the issued and outstanding shares of Series F for the total redemption price of \$11.9 million.

As of December 31, 2007, Mid-America had interest rate swaps in effect totaling a notional amount of approximately \$756 million. To date, these swaps have proven to be highly effective hedges. Mid-America had also entered into two forward swaps as of December 31, 2007, with a total combined notional amount of \$50 million. Mid-America had interest rate cap agreements totaling a notional amount of approximately \$47 million in effect as of December 31, 2007.

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Summary details of the debt outstanding at December 31, 2007 follows in the table below (dollars in thousands):

	Line Limit	Line Availability	Outstanding Balance/ Notional Amount	Average Interest Rate	Average Rate Maturity	Average Contract Maturity
COMBINED DEBT						
Fixed Rate or Swapped						
Conventional			\$ 918,060	5.6%	12/8/2011	12/8/2011
Tax Exempt			73,205	4.5%	3/8/2013	3/8/2013
Subtotal Fixed Rate or Swapped			991,265	5.5%	1/11/2012	1/11/2012
Variable Rate						
Conventional			221,474	5.1%	2/29/2008	12/16/2012
Tax Exempt			4,760	4.4%	12/31/2007	6/1/2028
Conventional - Capped			17,936	5.3%	11/13/2009	11/13/2009
Tax Exempt - Capped			29,185	4.1%	3/26/2011	3/26/2011
Subtotal Variable Rate			273,355	5.0%	2/23/2008	6/8/2013
Total Combined Debt Outstanding			\$ 1,264,620	5.4%	3/10/2011	5/1/2012
UNDERLYING DEBT						
Individual Property Mortgages/Bonds						
Conventional Fixed Rate			\$ 133,059	4.8%	9/11/2013	9/11/2013

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Tax Exempt Fixed Rate			11,875	5.2%	12/1/2028	12/1/2028
Tax Exempt Variable Rate			4,760	4.4%	12/31/2007	6/1/2028
FNMA Credit Facilities						
Tax Free Borrowings	\$ 90,515	\$ 90,515	90,515	4.1%	1/15/2008	3/1/2014
Conventional Borrowings						
Fixed Rate Borrowings	90,000	90,000	90,000	7.5%	7/1/2009	7/1/2009
Variable Rate Borrowings	863,914	847,234	725,318	5.1%	2/29/2008	6/20/2013
Subtotal FNMA Facilities	1,044,429	1,027,749	905,833	5.2%	4/13/2008	2/21/2013
Freddie Mac Credit Facilities	300,000	167,129	167,129	5.0%	3/1/2008	9/24/2012
Regions Credit Facility	50,000	42,794	2,404	6.6%	1/31/2008	5/24/2008
Regions Bank			39,560	6.1%	2/29/2008	4/1/2009
Total Underlying Debt Outstanding			\$ 1,264,620	5.2%	1/9/2009	3/21/2013

HEDGING INSTRUMENTS

Interest Rate Swaps						
LIBOR indexed			\$ 695,000	5.5%	11/11/2011	
Forward LIBOR indexed			50,000	5.1%	11/30/2012	
BMA indexed			61,330	4.4%	2/20/2010	
Total Interest Rate Swaps			\$ 806,330	5.4%	10/18/2011	
Interest Rate Caps						
LIBOR indexed			\$ 17,936	6.2%	11/13/2009	
BMA indexed			29,185	6.0%	3/26/2011	
Total Interest Rate Caps			\$ 47,121	6.1%	9/17/2010	

During 2007, Mid-America offered an average 1.5% discount through our DRSP and issued approximately 120,000 shares of common stock through the direct stock purchase feature of this plan, generating approximately \$6 million in proceeds. During 2006, Mid-America offered an average 1.5% discount through our DRSP and issued approximately 1,340,000 shares of common stock through the direct stock purchase feature of this plan, generating approximately \$77 million in proceeds. During 2005, Mid-America offered an average 1.5% discount through our DRSP and issued approximately 784,000 shares of common stock through the direct stock purchase feature of this plan, generating approximately \$32 million in proceeds.

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In May 2006, Mid-America sold 1,150,000 shares of common stock through a public offering generating net proceeds of approximately \$59.5 million.

During the first two quarters of 2007, Mid-America sold 323,700 shares of common stock through our continuous equity offering program generating approximately \$18.8 million in net proceeds. In December 2006, Mid-America sold 194,000 shares of common stock through this same program generating approximately \$11.4 million in net proceeds.

Mid-America believes that it has adequate resources to fund its current operations and annual refurbishment of our communities through our cash flow and credit facilities. Mid-America is relying on the efficient operation of the financial markets to finance debt maturities, and also is heavily reliant on the creditworthiness of FNMA, which provides credit enhancement for approximately \$906 million of Mid-America's debt. The interest rate market for FNMA DMBS, which in Mid-America's experience is highly correlated with three-month LIBOR interest rates, is also an important component of Mid-America's liquidity and interest rate swap effectiveness. In the event that the FNMA DMBS market becomes less efficient, or the credit of FNMA becomes impaired, Mid-America would seek alternative sources of debt financing.

For the year ended December 31, 2007, Mid-America's net cash provided by operating activities was in excess of covering improvements to existing real estate assets (excluding renovations), distributions to unitholders, and dividends paid on common and preferred shares by approximately \$4.1 million. This compares to a shortfall in

2006 of approximately \$4.5 million and excess coverage in 2005 of approximately \$3.1 million. While Mid-America has sufficient liquidity to permit distributions at current rates, from time-to-time Mid-America may utilize additional borrowings to cover shortfalls if necessary. Any significant deterioration in operations could result in Mid-America's financial resources to be insufficient to pay distributions to shareholders at the current rate, in which event Mid-America would be required to reduce the distribution rate.

The following table reflects Mid-America's total contractual cash obligations which consist of our long-term debt and operating leases as of December 31, 2007 (dollars in 000's):

Contractual Obligations	Payments Due by Period						Total
	2008	2009	2010	2011	2012	Thereafter	
Long-Term Debt ⁽¹⁾	\$ 112,790	\$ 106,292	\$ 121,828	\$ 216,962	\$ 42,036	\$ 664,712	\$ 1,264,620
Operating Lease	9	7	7	6	5		34
Total	\$ 112,799	\$ 106,299	\$ 121,835	\$ 216,968	\$ 42,041	\$ 664,712	\$ 1,264,654

(1) Represents principal payments.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2007, and 2006, Mid-America did not have any relationships with unconsolidated entities or financial partnerships established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Mid-America's two joint ventures with Crow Holdings (one terminated in 2005 and one in 2007) were established to acquire approximately \$200 million of multifamily properties and to enhance Mid-America's return on investment through the generation of fee income. Mid-America Multifamily Fund I, LLC, was established to acquire \$500 million of apartment communities with redevelopment upside offering value creation opportunity through capital improvements, operating enhancements and restructuring in-place financing. In addition, Mid-America does not engage in trading activities involving non-exchange traded contracts. As such, Mid-America is not materially exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in such relationships.

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Mid-America does not have any relationships or transactions with persons or entities that derive benefits from their non-independent relationships with Mid-America or our related parties other than what is disclosed in Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 14.

Mid-America's investments in our real estate joint ventures are unconsolidated and are recorded on the equity method as Mid-America does not have a controlling interest.

INSURANCE

Mid-America renegotiated our insurance programs effective July 1, 2007. Management believes that the property and casualty insurance program in place provides appropriate insurance coverage for financial protection against insurable risks such that any insurable loss experienced would not have a significant impact on Mid-America's liquidity, financial position or results of operation. Management expects to obtain a reduction in annual policy premiums of approximately \$1.5 million from the renegotiated programs when compared to the higher rates experienced after the July 1, 2006 renewal.

INFLATION

Substantially all of the resident leases at the apartment communities allow, at the time of renewal, for adjustments in the rent payable there under, and thus may enable Mid-America to seek rent increases. Almost all leases are for one year or less. The short-term nature of these leases generally serves to reduce the risk to Mid-America of the adverse effects of inflation.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2006, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 48 [Accounting for Uncertainty in Income Taxes], or FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. Mid-America adopted FIN 48 effective January 1, 2007. FIN 48 prescribes a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken in tax returns. Mid-America has identified and examined our tax positions, including our status as a real estate investment trust, for all open tax years through December 31, 2006, and concluded that the full benefit of each tax position taken should be recognized in the financial statements. There are no significant changes in unrecognized tax benefits that are reasonably likely to occur within the twelve months following the adoption date.

FIN 48 requires that an enterprise must calculate interest and penalties related to unrecognized tax benefits. The decision regarding where to classify interest and penalties on the income statement is an accounting policy decision that should be consistently applied. Interest and penalties calculated on any future uncertain tax positions will be presented as a component of income tax expense. No interest and penalties are accrued under FIN 48 on our balance sheet as of December 31, 2007.

Mid-America's tax years that remain subject to examination for U.S. federal purposes range from 2003 through 2006. Our tax years that remain open for state examination vary but range from 2002 through 2006.

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In September 2006, the FASB issued Statement No. 157 *Fair Value Measurements*, or Statement 157. Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. FASB Staff Position No. FAS 157-2 *Effective Date of FASB Statement 157*, or FSP 157-2, delays the effective date of Statement 157 for nonfinancial assets and nonfinancial liabilities except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. For these items, the effective date will be for fiscal years beginning after November 15, 2008. Mid-America does not believe the adoption of Statement 157 will have a material impact on our consolidated financial condition or results of operations taken as a whole.

On December 4, 2007, the FASB issued Statement No. 141 (Revised 2007), *Business Combinations*, or Statement 141R. Statement 141R will significantly change the accounting for business combinations. Under Statement 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Statement 141R will change the accounting treatment for certain specific items, including acquisition costs which will generally be expensed as incurred. This will have a material impact on the way Mid-America accounts for property acquisitions and therefore will have a material impact on Mid-America's financial statements. Statement 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

On December 4, 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51*, or Statement 160. Statement 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. Statement 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. This will impact the financial statement presentation of Mid-America by requiring the minority interests in the operating partnership to be presented as a non-controlling interest as a component of equity. Statement 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Mid-America's primary market risk exposure is to changes in interest rates obtainable on our secured and unsecured borrowings. At December 31, 2007, 48% of Mid-America's total capitalization consisted of borrowings. Mid-America's interest

rate risk objective is to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve this objective, Mid-America manages its exposure to fluctuations in market interest rates for borrowings through the use of fixed rate debt instruments and interest rate swaps and caps which mitigate our interest rate risk on a related financial instrument and effectively fix the interest rate on a portion of our variable debt or on future refinancings. Mid-America uses our best efforts to ladder fixed rate maturities thereby limiting our exposure to interest rate changes in any one year. Mid-America does not enter into derivative instruments for trading purposes. Approximately 82% of Mid-America's outstanding debt was subject to fixed or capped rates after considering related derivative instruments with a weighted average of 5.5% at December 31, 2007. Mid-America regularly reviews interest rate exposure on outstanding borrowings in an effort to minimize the risk of interest rate fluctuations.

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The table below provides information about Mid-America's financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. For Mid-America's interest rate swaps and caps, the table presents the notional amount of the swaps and caps and the years in which they expire. Weighted average variable rates are based on rates in effect at the reporting date (dollars in 000's).

	2008	2009	2010	2011	2012	Total Thereafter	Total
Long-term Debt							
Fixed Rate (1)	\$ 108,739	\$ 65,000	\$	\$	\$	\$ 61,195	\$ 234,934
Average interest rate	4.93%	7.71%	0.00%	0.00%	0.00%	5.60%	5.87%
Variable Rate (1)	\$ 2,404	\$ 39,560	\$ 120,000	\$ 215,033	\$ 40,000	\$ 612,689	\$ 1,029,686
Average interest rate	6.57%	6.08%	5.06%	5.07%	5.06%	4.91%	5.02%
Interest Rate Swaps							
Variable to Fixed	\$ 74,935	\$ 35,230	\$ 148,365	\$ 133,000	\$ 167,800	\$ 247,000	\$ 806,330
Average Pay Rate	4.70%	3.60%	4.92%	4.57%	4.23%	4.81%	4.61%
Interest Rate Cap							
Variable to Fixed	\$	\$ 15,770	\$ 5,095	\$ 19,451	\$ 6,805	\$	\$ 47,121
Average Pay Rate	0.00%	6.00%	6.00%	6.16%	6.00%	0.00%	6.07%

(1) Excluding the effect of interest rate swap and cap agreements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Reports of Independent Registered Public Accounting Firm, Consolidated Financial Statements and Selected Quarterly Financial Information are set forth on pages F-1 to F-39 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Management's Evaluation of Disclosure Controls and Procedures

The management of Mid-America, with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, including ensuring that such information is accumulated and communicated to Mid-America management as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of

December 31, 2007, (the end of the period covered by this Annual Report on Form 10-K).

Management's Report on Internal Control Over Financial Reporting

Management's report on our internal control over financial reporting is presented on page F-1 of this Annual Report on Form 10-K. The reports of Ernst & Young LLP relating to the consolidated financial statements, notes to the consolidated financial statements and the effectiveness of internal control over financial reporting are presented on pages F-2 to F-4 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

As of the period ended December 31, 2007, there were no significant changes in Mid-America's internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, Mid-America's internal control over financial reporting.

ITEM 9A(T). CONTROLS AND PROCEDURES.

Not applicable.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information contained in Mid-America's 2007 Proxy Statement in the sections entitled "Information About The Board of Directors and Its Committees", "Proposal 1 - Election of Directors", "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance," is incorporated herein by reference in response to this item.

Our Board of Directors has adopted a Code of Business Conduct and Ethics applicable to all officers, directors and employees, which can be found on Mid-America's website at <http://www.maac.net>, on the Investor Relations page under Governance Documents. Mid-America will provide a copy of this document to any person, without charge, upon request, by writing to the Investor Relations Department at Mid-America Apartment Communities, Inc., 6584 Poplar Avenue, Suite 300, Memphis, TN 38138. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of the Code of Business Conduct and Ethics by posting such information on our website at the address and the locations specified above.

ITEM 11. EXECUTIVE COMPENSATION.

The information contained in Mid-America's 2007 Proxy Statement in the section entitled "Executive Compensation", "Compensation Committee Interlocks and Insider Participation" and "Compensation Discussion and Analysis" is incorporated herein by reference in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information contained in Mid-America's 2007 Proxy Statement in the sections entitled "Security Ownership of Management" and "Security Ownership of Certain Beneficial Owners," is incorporated herein by reference in response to this item.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information contained in Mid-America's 2007 Proxy Statement in the sections entitled "Certain Relationships and Related Transactions" and "Information About The Board of Directors and Its Committees" is incorporated herein by reference in response to this item.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information contained in Mid-America's 2007 Proxy Statement in the section entitled "Proposal 2 - Ratification of Independent Registered Public Accounting Firm," is incorporated herein by reference in response to this item.

PART IV**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.**

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1.	Management's Report on Internal Controls Over Financial Reporting	F 1
	Reports of Independent Registered Public Accounting Firm	F 2
	Consolidated Balance Sheets as of December 31, 2007, and 2006	F 5
	Consolidated Statements of Operations for the years ended December 31, 2007, 2006, and 2005	F 6
	Consolidated Statements of Shareholders' Equity for the years ended December 31, 2007, 2006, and 2005	F 7
	Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006, and 2005	F 8
	Notes to Consolidated Financial Statements for the years ended December 31, 2007, 2006, and 2005	F 9
2.	Financial Statement Schedule required to be filed by Item 8 and Paragraph (b) of this Item 15: Schedule III - Real Estate Investments and Accumulated Depreciation as of December 31, 2007	F 36
3.	The exhibits required by Item 601 of Regulation S-K, except as otherwise noted, have been filed with previous reports by the registrant and are herein incorporated by reference.	

Exhibit**Number****Exhibit Description**

- | | |
|-----|--|
| 3.1 | Amended and Restated Charter of Mid-America Apartment Communities, Inc. dated as of January 10, 1994, as filed with the Tennessee Secretary of State on January 25, 1994 (Filed as Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and incorporated herein by reference). |
| 3.2 | Articles of Amendment to the Charter of Mid-America Apartment Communities, Inc. dated as of January 28, 1994, as filed with the Tennessee Secretary of State on January 28, 1994 (Filed as Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 and incorporated herein by reference). |

	<p>October 10, 1996 (Filed as Exhibit 1 to the Registrant's Registration Statement on Form 8-A filed with the Commission on October 11, 1996 and incorporated herein by reference).</p>
<p>3.4</p>	<p>Mid-America Apartment Communities, Inc. Articles of Amendment to the Amended and Restated Charter dated November 17, 1997, as filed with the Tennessee Secretary of State on November 18, 1997 (Filed as Exhibit 3.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and incorporated herein by reference).</p>
<p>3.5</p>	<p>Mid-America Apartment Communities, Inc. Articles of Amendment to the Amended and Restated Charter Designating and Fixing the Rights and Preferences of a Series of Shares of Preferred Stock dated as of November 17, 1997, as filed with the Tennessee Secretary of State on November 18, 1997 (Filed as Exhibit 4.1 to the Registrant's Registration Statement on Form 8-A/A filed with the Commission on November 19, 1997 and incorporated herein by reference).</p>
<p>3.6</p>	<p>Mid-America Apartment Communities, Inc. Articles of Amendment to the Amended and Restated Charter Designating and Fixing the Rights and Preferences of a Series of Shares of Preferred Stock dated as of June 25, 1998, as filed with the Tennessee Secretary of State on June 30, 1998 (Filed as Exhibit 4.3 to the Registrant's Registration Statement on Form 8-A/A filed with the Commission on June 26, 1998 and incorporated herein by reference).</p>
<p>3.7</p>	<p>Mid-America Apartment Communities, Inc. Articles of Amendment to the Amended and Restated Charter Designating and Fixing the Rights and Preferences of A Series of Shares of Preferred Stock dated as of December 24, 1998, as filed with the Tennessee Secretary of State on December 30, 1998 (Filed as Exhibit 3.7 to the Registrant's Registration Statement on Form S-3/A (File Number 333-112469) and incorporated herein by reference).</p>
<p>3.8</p>	<p>Mid-America Apartment Communities, Inc. Articles of Amendment to the Amended and Restated Charter Designating and Fixing the Rights and Preferences of a Series of Shares of Preferred Stock dated as of October 11, 2002, as filed with the Tennessee Secretary of State on October 14, 2002 (Filed as Exhibit 4.3 to the Registrant's Registration Statement on Form 8-A/A filed with the Commission on October 11, 2002 and incorporated herein by reference).</p>
<p>3.9</p>	<p>Mid-America Apartment Communities, Inc. Articles of Amendment to the Amended and Restated Charter Designating and Fixing the Rights and Preferences of a Series of Shares of Preferred Stock dated as of October 28, 2002, as filed with the Tennessee Secretary of State on October 28, 2002 (Filed as Exhibit 3.9 to the Registrant's Registration Statement on Form S-3/A (File Number 333- 112469) and incorporated herein by reference).</p>
<p>3.10</p>	<p>Mid-America Apartment Communities, Inc. Articles of Amendment to the Amended and Restated Charter Designating and Fixing the Rights and Preferences of a Series of Shares of Preferred Stock dated as of August 7, 2003, as filed with the Tennessee Secretary of State on August 7, 2003 (Filed as Exhibit 3.10 to the Registrant's Registration Statement on Form S-3/A (File Number 333- 112469) and incorporated herein by reference).</p>

3.11	Amended and Restated Bylaws of Mid-America Apartment Communities, Inc. (Filed as an Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on November 29, 2007 and incorporated herein by reference).
4.1	Form of Common Share Certificate (Filed as Exhibit 4.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and incorporated herein by reference).
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4.2	Form of 9.5% Series A Cumulative Preferred Stock Certificate (Filed as Exhibit 2 to the Registrant's Registration Statement on Form 8-A filed with the Commission on October 11, 1996 and incorporated herein by reference).
4.3	Form of 8 7/8% Series B Cumulative Preferred Stock Certificate (Filed as Exhibit 4.3 to the Registrant's Registration Statement on Form 8-A/A filed with the Commission on November 19, 1997 and incorporated herein by reference).
4.4	Form of 9 3/8% Series C Cumulative Preferred Stock Certificate (Filed as Exhibit 4.2 to the Registrant's Registration Statement on Form 8-A/A filed with the Commission on June 26, 1998 and incorporated herein by reference).
4.5	Form of 9.5% Series E Cumulative Preferred Stock Certificate (Filed as Exhibit 4.5 to the Registrant's Registration Statement on Form S-3/A (File Number 333-112469) and incorporated herein by reference).
4.6	Form of 9 1/4% Series F Cumulative Preferred Stock Certificate (Filed as Exhibit 4.2 to the Registrant's Registration Statement on Form 8-A/A filed with the Commission on October 11, 2002 and incorporated herein by reference).
4.7	Form of 8.30% Series G Cumulative Preferred Stock Certificate (Filed as Exhibit 4.7 to the Registrant's Registration Statement on Form S-3/A (File Number 333-112469) and incorporated herein by reference).
4.8	Form of 8.30% Series H Cumulative Preferred Stock Certificate (Filed as Exhibit 4.8 to the Registrant's Registration Statement on Form S-3/A (File Number 333-112469) and incorporated herein by reference).
10.1	Second Amended and Restated Agreement of Limited Partnership of Mid-America Apartments, L.P., a Tennessee limited partnership (Filed as Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and incorporated herein by reference).
10.2	Employment Agreement between the Registrant and H. Eric Bolton, Jr. (Filed as Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 and incorporated herein by reference).
10.3	Employment Agreement between the Registrant and Simon R.C. Wadsworth (Filed as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 and incorporated herein by reference).
10.4	Fourth Amended and Restated 1994 Restricted Stock and Stock Option Plan (Filed as Exhibit A to the Registrant's Proxy Statement filed on April 24, 2002 and incorporated herein by reference).
10.5	AmSouth Revolving Credit Agreement (Amended and Restated) dated July 17, 2003 (Filed as Exhibit 10.10 to the Registrant's Registration Statement on Form S-3/A (File Number 333-112469) and incorporated herein by reference).
10.6	First Amendment to Amended and Restated Revolving Credit Agreement (AmSouth) dated May 19, 2004 (Filed as Exhibit 10.10 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.7	Second Amendment to Amended and Restated Revolving Credit Agreement (AmSouth) dated May 23, 2005.
10.8	

Second Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P., dated March 30, 2004.

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10.9	First Amendment to Second Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P., dated March 31, 2004 (Filed as Exhibit 10.13 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.10	Second Amendment to Second Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P., dated April 30, 2004 (Filed as Exhibit 10.14 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.11	Third Amendment to Second Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P., dated August 3, 2004 (Filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.12	Fourth Amendment to Second Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P., dated August 31, 2004 (Filed as Exhibit 10.16 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.13	Fifth Amendment to Second Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P., dated October 1, 2004 (Filed as Exhibit 10.17 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.14	Sixth Amendment to Second Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P., dated December 1, 2004 (Filed as Exhibit 10.18 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.15	Seventh Amendment to Second Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P., dated December 15, 2004 (Filed as Exhibit 10.19 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).

	by reference).
10.16	Eighth Amendment to Second Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P., dated March 31, 2005.
10.17	Ninth Amendment to Second Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P., dated September 23, 2005.
10.18	Tenth Amendment to Second Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P., dated December 16, 2005.
10.19	Eleventh Amendment to Second Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P., dated February 22, 2006.
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10.20	Third Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc., Mid-America Apartments, L.P. and Mid-America Apartments of Texas, L.P., dated March 30, 2004.
10.21	First Amendment to Third Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc., Mid-America Apartments, L.P. and Mid-America Apartments of Texas, L.P. dated March 31, 2004.
10.22	Second Amendment to the Third Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc., Mid-America Apartments, L.P. and Mid-America Apartments of Texas, L.P. dated as of August 3, 2004 (Filed as Exhibit 10.21 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.23	Third Amendment to the Third Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc., Mid-America Apartments, L.P. and Mid-America Apartments of Texas, L.P. dated as of December 1, 2004 (Filed as Exhibit 10.22 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.24	Fourth Amendment to Third Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc., Mid-America Apartments, L.P. and Mid-America Apartments of Texas, L.P. dated March 31, 2005.
10.25	Fifth Amendment to Third Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc., Mid-America

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	Apartments, L.P. and Mid-America Apartments of Texas, L.P. dated September 23, 2005.
10.26	Sixth Amendment to Third Amended and Restated Master Credit Facility Agreement by and among Prudential Multifamily Mortgage, Inc., Mid-America Apartment Communities, Inc., Mid-America Apartments, L.P. and Mid-America Apartments of Texas, L.P. dated February 22, 2006.
10.27	Master Reimbursement Agreement by and among Fannie Mae, Mid-America Apartments, L.P. and Fairways- Columbia, L.P. dated June 1, 2001 (Filed as Exhibit 10.17 to the Registrant's Registration Statement on Form S-3/A (File Number 333-112469) and incorporated herein by reference).
10.28	Amendment No. 1 to Master Reimbursement Agreement by and among Fannie Mae, Mid-America Apartments, L.P. and Fairways-Columbia, L.P. dated December 24, 2002 (Filed as Exhibit 10.18 to the Registrant's Registration Statement on Form S-3/A (File Number 333-112469) and incorporated herein by reference).
10.29	Amendment No. 2 to Master Reimbursement Agreement by and among Fannie Mae, Mid-America Apartments, L.P. and Fairways-Columbia, L.P. dated May 30, 2003 (Filed as Exhibit 10.19 to the Registrant's Registration Statement on Form S-3/A (File Number 333-112469) and incorporated herein by reference).
10.30	Amendment No. 3 to Master Reimbursement Agreement by and among Fannie Mae, Mid-America Apartments, L.P., Mid-America Apartment Communities, Inc. and Mid-America Apartments of Texas, L.P. dated March 2, 2004.
10.31	Amendment No. 4 to Master Reimbursement Agreement by and among Fannie Mae, Mid-America Apartments, L.P., Mid-America Apartment Communities, Inc. and Mid-America Apartments of Texas, L.P. dated November 17, 2005.

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10.32	Amendment No. 5 to Master Reimbursement Agreement by and among Fannie Mae, Mid-America Apartments, L.P., Mid-America Apartment Communities, Inc. and Mid-America Apartments of Texas, L.P. dated February 23, 2006.
10.33	Consent, Modification, Assumption of Indemnity Obligations and Release Agreement dated November 4, 2004, (Sunset Valley Apartments, Texas) (Filed as Exhibit 10.28 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.34	Consent, Modification, Assumption of Indemnity Obligations and Release Agreement dated November 4, 2004 (Village Apartments, Texas) (Filed as Exhibit 10.29 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.35	Consent, Modification, Assumption of Indemnity Obligations and Release Agreement dated November 4, 2004, (Coral Springs Apartments, Florida) (Filed as Exhibit 10.30 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.36	Credit Agreement dated September 28, 1998 by and among Jefferson Village, L.P., Jefferson at Sunset Valley, L.P. and JPI Coral Springs, L.P. (Filed as Exhibit 10.31 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).

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10.37	Credit Agreement by and among Mid-America Apartment Communities, Inc., Mid-America Apartments L.P. and Mid-America Apartments of Texas, L.P. and Financial Federal Savings Bank dated June 29, 2004 (Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference).
10.38	Master Credit Facility Agreement by and among Mid-America Apartments, L.P., Mid-America Apartment Communities, Inc., Mid-America Apartments of Texas, L.P. and Prudential Multifamily Mortgage, Inc. dated March 2, 2004.
10.39	Amendment No. 1 to Master Credit Facility Agreement by and among Mid-America Apartments, L.P., Mid-America Apartment Communities, Inc., Mid-America Apartments of Texas, L.P. and Prudential Multifamily Mortgage, Inc. dated November 17, 2005.
10.40	Amendment No. 2 to Master Credit Facility Agreement by and among Mid-America Apartments, L.P., Mid-America Apartment Communities, Inc., Mid-America Apartments of Texas, L.P. and Prudential Multifamily Mortgage, Inc. dated February 23, 2006.
10.41	Mid-America Apartment Communities Non-Qualified Deferred Compensation Retirement Plan as Amended Effective January 1, 2005 (Filed as Exhibit 10.34 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.42	Mid-America Apartment Communities 2005 Key Management Restricted Stock Plan (Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 20, 2005 and incorporated herein by reference).
10.43	2007 Executive Annual Bonus Program (Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 23, 2007 and incorporated herein by reference).
10.44	Form of Restricted Stock Agreement (Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on March 11, 2005 and incorporated herein by reference).
10.45	Amendment for the Non-Qualified Deferred Compensation Plan for Outside Directors (Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 24, 2006 and incorporated herein by reference).

10.46	Limited Liability Company Agreement of Mid-America Multifamily Fund I, dated May 9, 2007 (Filed as Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 and incorporated herein by reference).
11	Statement re: computation of per share earnings (included within the Form 10-K).
14	Code of Ethics (Filed as Exhibit 14.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference).
21	List of Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm, Ernst & Young LLP
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Management contract or compensatory plan or arrangement.

(b) Exhibits:
See Item 15(a)(3) above.

(c) Financial Statement Schedule:
See Item 15(a)(2) above.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

MID-AMERICA APARTMENT COMMUNITIES, INC.

Date: February 26, 2008

/s/ H. Eric Bolton, Jr.
H. Eric Bolton, Jr.
Chairman of the Board of Directors,
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity and on the dates indicated.

Date: February 26, 2008

/s/ H. Eric Bolton, Jr.
H. Eric Bolton, Jr.
Chairman of the Board of Directors,
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 26, 2008

/s/ Simon R.C. Wadsworth
Simon R.C. Wadsworth
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: February 26, 2008

/s/ George E. Cates
George E. Cates
Director

Date: February 26, 2008

/s/ Alan B. Graf, Jr.
Alan B. Graf, Jr.
Director

Date: February 26, 2008

/s/ John S. Grinalds
John S. Grinalds
Director

Date: February 26, 2008

/s/ Ralph Horn
Ralph Horn
Director

Date: February 26, 2008

/s/ Mary E. McCormick
Mary E. McCormick
Director
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Management's Report on Internal Control Over Financial Reporting

Management of Mid-America is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined under Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934, as amended.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Mid-America's consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Mid-America; (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Mid-America are being made only in accordance with appropriate authorizations of management and directors of Mid-America; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Mid-America's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of Mid-America's internal control over financial reporting as of December 31, 2007 using the framework specified in *Internal Control - Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such assessment, management has concluded that Mid-America's internal control over financial reporting was effective as of December 31, 2007.

The effectiveness of Mid-America's internal control over financial reporting as of December 31, 2007, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is presented in this Annual Report.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Mid-America Apartment Communities, Inc.

We have audited the accompanying consolidated balance sheets of Mid-America Apartment Communities, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and

cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mid-America Apartment Communities, Inc. at December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Mid-America Apartment Communities, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Memphis, Tennessee
February 26, 2008

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Report of Independent Registered Public Accounting Firm

**The Board of Directors and Shareholders of
Mid-America Apartment Communities, Inc.**

We have audited Mid-America Apartment Communities, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Mid-America Apartment Communities, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail,

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accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Mid-America Apartment Communities, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

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We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Mid-America Apartment Communities, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007, of Mid-America Apartment Communities, Inc. and our report dated February 26, 2008, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Memphis, Tennessee
February 26, 2008

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Mid-America Apartment Communities, Inc.
Consolidated Balance Sheets
December 31, 2007 and 2006
(Dollars in thousands, except per share data)

	December 31, 2007	December 31, 2006
Assets:		
Real estate assets:		
Land	\$ 214,743	\$ 206,635
Buildings and improvements	2,044,380	1,921,462
Furniture, fixtures and equipment	55,602	51,374
Capital improvements in progress	12,886	20,689
	2,327,611	2,200,160
Less accumulated depreciation	(616,364)	(543,802)
	1,711,247	1,656,358
Land held for future development	2,360	2,360
Commercial properties, net	6,778	7,103
Investments in and advances to real estate joint ventures	168	3,718
Real estate assets, net	1,720,553	1,669,539
Cash and cash equivalents	17,192	5,545
Restricted cash	3,724	4,145
Deferred financing costs, net	15,219	16,033
Other assets	23,028	38,865

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Goodwill	4,106	4,472
Assets held for sale		8,047
Total assets	\$ 1,783,822	\$ 1,746,646
Liabilities and Shareholders' Equity:		
Liabilities:		
Notes payable	\$ 1,264,620	\$ 1,196,349
Accounts payable	1,099	2,773
Accrued expenses and other liabilities	77,252	57,919
Security deposits	8,453	7,670
Liabilities associated with assets held for sale		269
Total liabilities	1,351,424	1,264,980
Minority interest	28,868	32,600
Redeemable stock	2,574	3,418
Shareholders' equity:		
Preferred stock, \$0.01 par value per share, 20,000,000 shares authorized, \$166,863 or \$25 per share liquidation preference;		
9 1/4% Series F Cumulative Redeemable Preferred Stock, 3,000,000 shares authorized, 0 and 474,500 shares issued and outstanding at December 31, 2007, and December 31, 2006, respectively		5
8.30% Series H Cumulative Redeemable Preferred Stock, 6,200,000 shares authorized, 6,200,000 shares issued and outstanding	62	62
Common stock, \$0.01 par value per share, 50,000,000 shares authorized; 25,718,880 and 25,093,156 shares issued and outstanding at December 31, 2007, and December 31, 2006, respectively ⁽¹⁾	257	251
Additional paid-in capital	832,511	814,006
Accumulated distributions in excess of net income	(414,966)	(379,573)
Accumulated other comprehensive income	(16,908)	10,897
Total shareholders' equity	400,956	445,648
Total liabilities and shareholders' equity	\$ 1,783,822	\$ 1,746,646

See accompanying notes to condensed consolidated financial statements.

- ⁽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 December 31, 2007, and 2006, are 64,233 and 59,717, respectively.

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Mid-America Apartment Communities, Inc.
Consolidated Statements of Operations
Years ended December 31, 2007, 2006, and 2005
(Dollars in thousands, except per share data)

	2007	2006	2005
Operating revenues:			
Rental revenues	\$ 337,149	\$ 309,327	\$ 281,420
Other property revenues	15,774	14,125	12,041
Total property revenues	352,923	323,452	293,461
Management fee income	34	210	325
Total operating revenues	352,957	323,662	293,786
Property operating expenses:			
Personnel	42,437	39,677	36,500

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Building repairs and maintenance	13,270	11,943	10,886
Real estate taxes and insurance	43,353	40,589	37,070
Utilities	20,346	19,471	17,469
Landscaping	9,265	8,565	7,805
Other operating	16,335	14,879	14,235
Depreciation	86,173	78,861	73,917
Total property operating expenses	231,179	213,985	197,882
Property management expenses	17,918	13,124	11,137
General and administrative expenses	10,808	9,877	9,725
Income from continuing operations before non-operating items	93,052	86,676	75,042
Interest and other non-property income	196	673	498
Interest expense	(64,452)	(63,119)	(58,142)
Loss on debt extinguishment	(123)	(551)	(407)
Amortization of deferred financing costs	(2,407)	(2,036)	(2,011)
Minority interest in operating partnership income	(3,510)	(1,590)	(1,571)
(Loss) gain from investments in real estate joint ventures	(58)	(114)	65
Incentive fees from real estate joint ventures	1,019	□	1,723
Net gains on insurance and other settlement proceeds	589	84	749
Gains on sale of non-depreciable assets	534	50	334
Gains on dispositions within real estate joint ventures	5,388	□	3,034
Income from continuing operations	30,228	20,073	19,314
Discontinued operations:			
Income from discontinued operations before asset impairment, settlement proceeds and gain on sale	554	872	698
Asset impairment on discontinued operations	□	□	(243)
Net loss on insurance and other settlement proceeds on discontinued operations	□	□	(25)
Gains on sale of discontinued operations	9,164	□	□
Net income	39,946	20,945	19,744
Preferred dividend distributions	13,688	13,962	14,329
Premiums and original issuance costs associated with the redemption of preferred stock	589	□	□
Net income available for common shareholders	\$ 25,669	\$ 6,983	\$ 5,415
Weighted average shares outstanding (in thousands):			
Basic	25,296	23,474	21,405
Effect of dilutive stock options	166	224	202
Diluted	25,462	23,698	21,607
Net income available for common shareholders	\$ 25,669	\$ 6,983	\$ 5,415
Discontinued property operations	(9,718)	(872)	(430)
Income from continuing operations available for common shareholders	\$ 15,951	\$ 6,111	\$ 4,985
Earnings per share - basic:			
Income from continuing operations available for common shareholders	\$ 0.63	\$ 0.26	\$ 0.23
Discontinued property operations	0.38	0.04	0.02
Net income available for common shareholders	\$ 1.01	\$ 0.30	\$ 0.25
Earnings per share - diluted:			
Income from continuing operations			

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available for common shareholders	\$ 0.63	\$ 0.26	\$ 0.23
Discontinued property operations	0.38	0.03	0.02
Net income available for common shareholders	\$ 1.01	\$ 0.29	\$ 0.25
Dividends declared per common share(1)	\$ 2.430	\$ 2.985	\$ 2.350

(1) Beginning in 2006, at their regularly scheduled meetings, the Board of Directors began routinely declaring dividends for payment in the following quarter. This can result in dividends declared during the year being different from dividends paid during the year. Mid-America paid dividends of \$2.42, \$2.38 and \$2.35 in 2007, 2006 and 2005, respectively
See accompanying notes to condensed consolidated financial statements.

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Mid-America Apartment Communities, Inc.
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2007, 2006, and 2005
(Dollars and Shares in Thousands)

	Preferred Stock		Common Stock		Additional	Other
	Shares	Amount	Shares	Amount	Paid-In Capital	
BALANCE DECEMBER 31, 2004	6,675	\$ 67	20,812	\$ 209	\$ 633,316	\$ (3,252)
Comprehensive income:						
Net income						
Other comprehensive income -						
derivative instruments (cash flow hedges)						
Comprehensive income						
Issuance and registration of common shares			792	8	32,774	
Exercise of stock options			240	2	5,613	
Stock issued to employee stock ownership plan			16		700	
Restricted shares issued to officers and directors (Note 2, Note 12)			23		939	(939)
Amortization of LESOP provision employee advances (Note 12)						360
Shares issued in exchange for units			112	1	1,254	
Adjust redeemable stock to fair market value						
Adjustment for Minority Interest Ownership in operating partnership					(4,277)	
Amortization of unearned compensation						1,409
Cash dividends on common stock (\$2.35 per share)						
Dividends on preferred stock						
BALANCE DECEMBER 31, 2005	6,675	67	21,995	220	670,319	(2,422)
Comprehensive income:						
Net income						
Other comprehensive income -						
derivative instruments (cash flow hedges)						
Comprehensive income						
Issuance and registration of common shares			2,730	29	147,731	
Exercise of stock options			183	2	4,631	
Stock issued to employee stock ownership plan			14		774	
Restricted shares issued to officers and directors (Note 2, Note 12)			80			
Adjustment of Unearned Compensation					(2,213)	2,422

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Amortization of LESOP provision employee advances (Note 12)					341	
Shares issued in exchange for units			31		384	
Adjust redeemable stock to fair market value						
Adjustment for Minority Interest Ownership in operating partnership					(9,006)	
Amortization of unearned compensation					1,045	
Dividends on common stock (\$2.99 per share) ⁽¹⁾						
Dividends on preferred stock						
BALANCE DECEMBER 31, 2006	6,675	67	25,033	251	814,006	0
Comprehensive income:						
Net income						
Other comprehensive income - derivative instruments (cash flow hedges)						
Comprehensive income						
Issuance and registration of common shares			459	5	25,258	
Exercise of stock options			81		2,040	
Stock issued to employee stock ownership plan			17		876	
Shares issued in exchange for units			65	1	762	
Adjust redeemable stock to fair market value						
Adjustment for Minority Interest Ownership in operating partnership					274	
Amortization of unearned compensation					571	
Dividends on common stock (\$2.43 per share)						
Redemption of preferred stock	(475)	(5)			(11,276)	
Dividends on preferred stock						
BALANCE DECEMBER 31, 2007	6,200	\$ 62	25,655	\$ 257	\$ 832,511	\$

(1) In the first quarter of 2006, the Board of Directors began declaring the quarterly common dividend at their regularly scheduled meeting rather than in the month the dividend is paid. This resulted in two dividend payments being declared in the first quarter of 2006, even though only one dividend payment was paid.

See accompanying notes to consolidated financial statement.

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Mid-America Apartment Communities, Inc.
Consolidated Statements of Cash Flows
Twelve Months Ended December 31, 2007, 2006, and 2005
(Dollars in thousands)

	2007	2006	2005
Cash flows from operating activities:			
Net income	\$ 39,946	\$ 20,945	\$ 19,744
Adjustments to reconcile net income to net cash provided by operating activities			
Income from discontinued operations before asset impairment, settlement proceeds and gain on sale	(554)	(872)	(698)
Depreciation and amortization of deferred financing costs	88,580	80,897	75,928
Stock compensation expense	764	1,386	1,769
Stock issued to employee stock ownership plan	876	774	700
Redeemable stock issued	434	369	362
Amortization of debt premium	(2,037)	(1,916)	(1,862)
Loss (income) from investments in real estate joint ventures	58	114	(65)

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Minority interest in operating partnership income	3,510	1,590	1,571
Loss on debt extinguishment	123	551	409
Derivative interest expense	(397)	(113)	□
Gains on sale of non-depreciable assets	(534)	(50)	(334)
Gains on sale of discontinued operations	(9,164)	□	□
Gains on disposition within real estate joint ventures	(5,388)	□	(3,034)
Incentive fees from real estate joint ventures	(1,019)	□	(1,723)
Net loss on insurance and other settlement proceeds on discontinued operations	□	□	25
Asset impairment on discontinued operations	□	□	243
Net gains on insurance and other settlement proceeds	(589)	(84)	(749)
Changes in assets and liabilities:			
Restricted cash	421	1,389	343
Other assets	2,559	(6,331)	(3,843)
Accounts payable	(1,674)	(505)	2,511
Accrued expenses and other	1,279	1,433	6,900
Security deposits	696	1,328	608
Net cash provided by operating activities	117,890	100,905	98,805
Cash flows from investing activities:			
Purchases of real estate and other assets	(88,601)	(194,970)	(105,643)
Improvements to existing real estate assets	(32,574)	(30,006)	(24,931)
Renovations to existing real estate assets	(11,323)	(6,077)	(426)
Development	(14,555)	(10,919)	□
Distributions from real estate joint ventures	9,855	350	14,903
Contributions to real estate joint ventures	(243)	□	□
Proceeds from disposition of real estate assets	29,336	2,064	9,689
Net cash used in investing activities	(108,105)	(239,558)	(106,408)
Cash flows from financing activities:			
Net change in credit lines	83,199	58,686	29,228
Proceeds from notes payable	□	27,842	27,851
Principal payments on notes payable	(12,891)	(29,862)	(10,921)
Payment of deferred financing costs	(1,650)	(3,050)	(1,236)
Proceeds from issuances of common shares and units	26,331	151,917	38,397
Distributions to unitholders	(6,221)	(5,897)	(6,171)
Dividends paid on common shares	(61,257)	(55,540)	(50,285)
Dividends paid on preferred shares	(13,779)	(13,962)	(14,329)
Redemption of preferred stock	(11,870)	□	□
Net cash provided by financing activities	1,862	130,134	12,534
Net increase (decrease) in cash and cash equivalents	11,647	(8,519)	4,931
Cash and cash equivalents, beginning of period	5,545	14,064	9,133
Cash and cash equivalents, end of period	\$ 17,192	\$ 5,545	\$ 14,064
Supplemental disclosure of cash flow information:			
Interest paid	\$ 67,345	\$ 66,228	\$ 61,305
Supplemental disclosure of noncash investing and financing activities:			
Conversion of units to common shares	\$ 763	\$ 384	\$ 1,254
Interest capitalized	\$ 795	\$ 297	\$ □
Marked-to-market adjustment on derivative instruments	\$ (27,805)	\$ 3,769	\$ 21,865
Fair value adjustment on debt assumed	\$ □	\$ 1,553	\$ 2,277
Reclass of preferred stock from equity to liabilities	\$ □	\$ □	\$ 10,000
Reclass of redeemable stock from equity to liabilities	\$ 448	\$ □	\$ □

See accompanying notes to condensed consolidated financial statements.

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**Mid-America Apartment Communities, Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2007, 2006, and 2005**

1. Organization and Summary of Significant Accounting Policies

Organization and Formation of Mid-America

Mid-America Apartment Communities, Inc. ("Mid-America") is a self-administrated and self-managed real estate investment trust which owns, acquires and operates multifamily apartment communities mainly in the Sunbelt region of the United States. Mid-America owned and operated 137 apartment communities principally through its majority owned subsidiary, Mid-America Apartments, L.P. (the "Operating Partnership"), as of December 31, 2007. Mid-America also owned a 33.33% interest in a real estate joint venture which owned no apartment communities at December 31, 2007.

Basis of Presentation

The consolidated financial statements presented herein include the accounts of Mid-America, the Operating Partnership, and all other subsidiaries (the "Company"). Mid-America owns 51% to 100% of all consolidated subsidiaries. Mid-America uses the equity method of accounting for its investments in entities for which Mid-America exercises significant influence, but does not have the ability to exercise control. All significant intercompany accounts and transactions have been eliminated in consolidation.

Minority Interest

Minority interest in the accompanying consolidated financial statements relates to the ownership interest in the Operating Partnership by the holders of Class A Common Units of the Operating Partnership ("Operating Partnership Units"). Mid-America is the sole general partner of the Operating Partnership. Net income is allocated to the minority interest based on their respective ownership percentage of the Operating Partnership. Issuance of additional common shares or Operating Partnership Units changes the ownership of both the minority interest and Mid-America. Such transactions and the related proceeds are treated as capital transactions and result in an allocation between shareholders' equity and minority interest to account for the change in the respective percentage ownership of the underlying equity of the Operating Partnership.

Mid-America's Board of Directors established economic rights in respect to each Operating Partnership Unit that were equivalent to the economic rights in respect to each share of common stock. The holder of each unit may redeem their units in exchange for one share of common stock or cash, at the option of Mid-America. The Operating Partnership has followed the policy of paying the same per unit distribution in respect to the units as the per share distribution in respect to the common stock. Operating Partnership net income for 2007, 2006 and 2005 was allocated approximately 9.2%, 10.1%, and 11.4%, respectively, to holders of Operating Partnership Units and 90.8%, 89.9%, and 88.6%, respectively, to Mid-America.

Use of Estimates

Management of Mid-America has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses to prepare these financial statements and notes in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

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Revenue Recognition

Mid-America leases multifamily residential apartments under operating leases primarily with terms of one year or less. Rental revenues are recognized using a method that represents a straight-line basis over the term of the lease and other revenues are recorded when earned.

Mid-America records all gains and losses on real estate in accordance with Statement No. 66 *Accounting for Sales of Real Estate*.

Rental Costs

Costs associated with rental activities are expensed as incurred. Certain costs associated with the lease-up of development projects, including cost of model units, their furnishings, signs, and "grand openings" are capitalized and amortized over their respective estimated useful lives. All other costs relating to renting development projects are expensed as incurred.

Earnings Per Share

The computation of basic earnings per share is based on the weighted average number of common shares outstanding. The computation of diluted earnings per share is based on the weighted average number of common shares outstanding plus the shares resulting from the assumed exercise of all dilutive outstanding options using the treasury stock method. For periods where Mid-America reports a net loss available for common shareholders, the effect of dilutive shares is excluded from earnings per share calculations because including such shares would be anti-dilutive.

A reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the years ended December 31, 2007, 2006, and 2005 is presented on the Consolidated Statements of Operations.

Cash and Cash Equivalents

Mid-America considers cash, investments in money market accounts and certificates of deposit with original maturities of three months or less to be cash equivalents.

Restricted Cash

Restricted cash consists of escrow deposits held by lenders for property taxes, insurance, debt service and replacement reserves.

Real Estate Assets and Depreciation

Real estate assets are carried at depreciated cost. Repairs and maintenance costs are expensed as incurred while significant improvements, renovations, and recurring capital replacements are capitalized. Recurring capital replacements typically include scheduled carpet replacement, new roofs, HVAC units, plumbing, concrete, masonry and other paving, pools and various exterior building improvements. These expenditures extend the useful life of the property and increase the property's fair market value. The cost of interior painting, vinyl flooring and blinds are expensed as incurred.

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In conjunction with acquisitions of properties, Mid-America's policy is to provide in its acquisition budgets adequate funds to complete any deferred maintenance items to bring the properties to the required standard, including the cost of replacement appliances, carpet, interior painting, vinyl flooring and blinds. These costs are capitalized.

Development projects and the related carrying costs, including interest, property taxes, insurance and allocated development overhead during the construction period, are capitalized and reported in the accompanying balance sheets as [construction in progress] during the construction period. Upon completion and certification for occupancy of individual units within a development, amounts representing the completed unit's portion of total estimated development costs for the project are transferred to land, buildings, and furniture, fixtures and equipment as real estate held for investment. Capitalization of interest, property taxes, insurance and allocated development overhead costs cease upon the transfer, and the assets are depreciated over their estimated useful lives. Total interest capitalized during 2007, 2006 and 2005 was approximately \$795,000, \$297,000, and \$0, respectively.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets which range from 8 to 40 years for land improvements and buildings and 5 years for furniture, fixtures and equipment and 3 to 5 years for computers and software.

For real estate acquisitions subsequent to June 30, 2001, the effective date of Statement No. 141, *Business Combinations*, the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land, building, furniture, fixtures and equipment, and identified intangible assets and liabilities, consisting of above and below market leases, resident relationship values and the value of in-place leases.

The fair value of the tangible assets of an acquired property (land, building, furniture, fixtures and equipment) is determined by valuing the property as if it were vacant. The [as-if-vacant] value is then allocated to land, building, furniture, fixtures and equipment based on management's determination of the relative fair values of these assets. Management determines the as-if-vacant fair value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the period of time that would be required in the current market conditions to lease-up the property to determine the fair value of the in-place leases and resident relationships. Management includes real estate taxes, insurance, operating expenses and lost rentals as well as the costs required to execute similar leases in the estimated carrying costs.

In allocating the fair value of identified intangible assets and liabilities of an acquired property, the in-place leases are compared to current market conditions. Based on these evaluations, management believes that the leases acquired on each of its property acquisitions were at market rates since the lease terms generally do not extend beyond one year.

The fair value of the in-place leases and resident relationships is then amortized over the remaining term of the resident leases. The amount of these resident lease intangibles included in real estate assets totaled \$20.7 million, \$18.6 million, and \$12.3 million as of December 31, 2007, 2006, and 2005, respectively, and the amortization recorded as depreciation expense was \$4.6 million, \$3.9 million, and \$4.9 million for the years ending December 31, 2007, 2006, and 2005, respectively.

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Goodwill and Intangible Assets

Mid-America accounts for long-lived assets in accordance with the provisions of Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ([Statement 144]) and evaluates its goodwill for impairment under Statement No. 142, *Goodwill and Other Intangible Assets* ([Statement 142]). Mid-America evaluates its goodwill for impairment on an annual basis in Mid-America's fiscal fourth quarter, or sooner if a goodwill impairment indicator is identified. Mid-America periodically evaluates its long-lived assets, including its investments in real estate and goodwill, for indicators that would suggest that the carrying amount of the assets may not be recoverable. The judgments regarding the existence of such indicators are based on factors such as operating performance, market conditions, and legal factors.

In accordance with Statement 144, long-lived assets, such as real estate assets, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated

future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

Goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. This determination is made at the reporting unit level and consists of two steps. First, Mid-America determines the fair value of a reporting unit and compares it to its carrying amount. In the apartment industry, the primary method used for determining fair value is to divide annual operating cash flows by an appropriate capitalization rate. Mid-America determines the appropriate capitalization rate by reviewing the prevailing rates in a property's market or submarket. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with Statement No. 141, *Business Combinations*. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

In 2005, Mid-America sold the Eastview apartments and recorded an asset impairment charge to discontinued operations of \$243,000.

Land Held for Future Development

Real estate held for future development are sites intended for future multifamily developments and are carried at the lower of cost or fair value.

Investment In and Advances to Real Estate Joint Ventures

Mid-America's investments in its unconsolidated real estate joint ventures are recorded on the equity method as Mid-America is able to exert significant influence, but does not have a controlling interest in the joint venture.

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Deferred Financing Costs

Deferred financing costs are amortized over the terms of the related debt using a method which approximates the interest method.

Other Assets

Other assets consist of deferred rental concessions which are recognized on a straight line basis over the life of the leases, receivables and deposits from residents, and other prepaid expenses including prepaid insurance and prepaid interest.

Accrued Expenses and Other Liabilities

Accrued expenses consist of accrued real estate taxes, accrued interest payable, other accrued expenses payable, unearned income and the adjustment for the fair market value of Mid-America's derivative financial instruments.

Derivative Financial Instruments

In the normal course of business, Mid-America uses certain derivative financial instruments to manage, or hedge, the interest rate risk associated with Mid-America's variable rate debt or as hedges in anticipation of future debt transactions to manage well-defined interest rate risk associated with the transaction.

Mid-America does not use derivative financial instruments for speculative or trading purposes. Further, Mid-America has a policy of entering into contracts with major financial institutions based upon their credit rating and other factors. When viewed in conjunction with the underlying and offsetting exposure that the derivatives are designated to hedge, Mid-America has not sustained any material loss from those instruments nor does it anticipate any material adverse effect on its net income or financial position in the future from the use of derivatives.

Mid-America requires that derivative financial instruments designated as cash flow hedges be effective in reducing the interest rate risk exposure that they are designated to hedge. This effectiveness is essential for qualifying for hedge accounting. Instruments that meet the hedging criteria are formally designated as hedging instruments at the inception of the derivative contract. Mid-America formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transaction. This process includes linking all derivatives that are designated as fair-value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. Mid-America also formally assesses, both at the inception of the hedging relationship and on an ongoing basis, whether the derivatives used are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative has ceased to be a highly effective hedge, Mid-America discontinues hedge accounting prospectively.

All of Mid-America's derivative financial instruments are recorded at fair value and reported on the balance sheet, and are characterized as cash flow hedges. These transactions hedge the future cash flows of debt transactions through interest rate swaps that convert variable payments to fixed payments and interest rate caps that limit the exposure to rising interest rates. The fair value of these hedging instruments are reported on the balance sheet in Other Assets and Accrued Expenses and Other Liabilities with a corresponding adjustment for the unrealized gains/losses to accumulated other comprehensive income, with any ineffective portion of the hedging transactions reclassified to interest expense. During the years ended December 31, 2007, 2006, and 2005, the ineffective portion of the hedging transactions reclassified to earnings was approximately \$470,000, \$144,000 and \$0, respectively.

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Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 48 *Accounting for Uncertainty in Income Taxes*, or FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. Mid-America adopted FIN 48 effective January 1, 2007. FIN 48 prescribes a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken in tax returns. Mid-America has identified and examined our tax positions, including our status as a real estate investment trust, for all open tax years through December 31, 2006, and concluded that the full benefit of each tax position taken should be recognized in the financial statements. There are no significant changes in unrecognized tax benefits that are reasonably likely to occur within the twelve months following the adoption date.

FIN 48 requires that an enterprise must calculate interest and penalties related to unrecognized tax benefits. The decision regarding where to classify interest and penalties on the income statement is an accounting policy decision that should be consistently applied. Interest and penalties calculated on any future uncertain tax positions will be presented as a component of income tax expense. No interest and penalties are accrued under FIN 48 on our balance sheet as of December 31, 2007.

Mid-America's tax years that remain subject to examination for U.S. federal purposes range from 2003 through 2006. Our tax years that remain open for state examination vary but range from 2002 through 2006.

In September 2006, the FASB issued Statement No. 157 *Fair Value Measurements*, or Statement 157. Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. FASB Staff Position No. FAS 157-2 *Effective Date of FASB Statement 157*, or FSP 157-2, delays the effective date of Statement 157 for nonfinancial assets and nonfinancial liabilities except for items that are recognized or disclosed at fair value in the financial statements on a recurring

basis. For these items, the effective date will be for fiscal years beginning after November 15, 2008. Mid-America does not believe the adoption of Statement 157 will have a material impact on our consolidated financial condition or results of operations taken as a whole.

On December 4, 2007, the FASB issued Statement No. 141 (Revised 2007), *Business Combinations*, or Statement 141R. Statement 141R will significantly change the accounting for business combinations. Under Statement 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Statement 141R will change the accounting treatment for certain specific items, including acquisition costs which will generally be expensed as incurred. This will have a material impact on the way Mid-America accounts for property acquisitions and therefore will have a material impact on Mid-America's financial statements. Statement 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

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On December 4, 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51*, or Statement 160. Statement 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. Statement 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. This will impact the financial statement presentation of Mid-America by requiring the minority interests in the operating partnership to be presented as a non-controlling interest as a component of equity. Statement 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008.

Reclassifications

Certain prior period amounts have been reclassified to conform to the 2007 presentation; specifically, certain expenses previously classified as property management expenses have been reclassified as property operating expenses and certain communities have been reclassified as held for sale. The reclassifications had no effect on net income available for common shareholders.

2. STOCK BASED COMPENSATION

In December 2004, FASB issued Statement No. 123 (revised December 2004), *Share-Based Payment* (Statement 123R). Statement 123R replaces FASB Statement No. 123, *Accounting for Stock-Based Compensation*, and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*. Statement 123R requires compensation costs related to share-based payment transactions be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant-date fair value of the equity or the liability instruments issued. In addition, liability awards will be remeasured each reporting period. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. Statement 123R is effective as of the beginning of the first annual reporting period that begins after June 15, 2005.

Mid-America adopted Statement 123R effective January 1, 2006 using the "modified prospective" method permitted by Statement 123R in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123R for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123R that remain unvested on the effective date. The effect of adopting Statement 123R for the twelve months ending December 31, 2006 was an increase of approximately \$668,862 in net income from continuing operations and in net income, resulting in an increase of approximately \$0.03 in basic earnings per share and \$0.02 in diluted earnings per share. These increases occurred primarily because the fair market values assigned to certain plans at grant date were not impacted by the increase in share price that Mid-America has experienced over the last two years, resulting in plans generating higher payouts for participants than their fair market value models would have predicted based on then stock price volatility. This series of events resulted in the amount recorded to compensation expense in accordance with Statement 123R being smaller than the actual number of

shares issued times their issue price. The adoption of Statement 123R had no impact on cash flow from operations or cash flow from financing activities.

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The modified prospective method of Statement 123R does not require prior periods to be restated to reflect the amount of compensation cost that would have been reflected in the financial statements. The following table reflects the effect on net income if Statement 123R had been used by Mid-America along with the applicable assumptions utilized in the Black-Scholes option pricing model calculation for those periods in which option grants were issued (dollars and shares in thousands, except per share data):

	Twelve Months Ended	
	December 31, 2005	
Net income	\$	19,744
Preferred dividend distribution		14,329
Net income available for common shareholders		5,415
Add: Stock-based employee compensation expense included in reported net income		887
Less: Stock-based employee compensation expense from employee stock purchase plan discount		32
Less: Stock-based employee compensation expense determined under fair value method of accounting		492
Pro forma net income available for common shareholders	\$	5,778
Average common shares outstanding - Basic		21,405
Average common shares outstanding - Diluted		21,607
Net income available per common share:		
Basic as reported	\$	0.25
Basic pro forma	\$	0.27
Diluted as reported	\$	0.25
Diluted pro forma	\$	0.27
Assumptions: ⁽¹⁾		
Risk free interest rate		N/A
Expected life - Years		N/A
Expected volatility		N/A
Expected dividends		N/A

(1) No grants were issued in the periods shown.

Employee Stock Purchase Plan

The Mid-America Apartment Communities, Inc. Employee Stock Purchase Plan (the "ESPP") provides a means for employees to purchase common stock of Mid-America. The Board of Directors has authorized the issuance of 150,000 shares for the plan. The ESPP is administered by the Compensation Committee of the Board of Directors who may annually grant options to employees to purchase annually up to an aggregate of 15,000 shares of common stock at a price equal to 85% of the market price of the common stock. Shares are purchased semi-annually on June 30 and December 31. During the twelve months ended December 31, 2007, 2006 and

2005, 4,894, 4,462 and 4,796 shares, respectively, were purchased through the ESPP. Because it is not possible to reasonably estimate fair value at the grant date, Mid-America estimates the compensation costs based on intrinsic values updated until the date of the settlement. Compensation cost recognized for the twelve months ending December 31, 2007 and 2006, was approximately \$35,300 and \$44,400, respectively.

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Incentive Plans Overview and Summary

Mid-America's stock compensation plans consist of the ESPP and a number of incentives provided to attract and retain independent directors, executive officers and key employees. Incentives are currently granted under the 2004 Stock Plan which was approved at the May 24, 2004 Annual Meeting of Shareholders. This plan replaced the 1994 Restricted Stock and Stock Option Plan (collectively, the "Plans") under which no further awards may be granted as of January 31, 2004. The 1994 Restricted Stock and Stock Option Plan allowed for the grant of restricted stock and stock options up to a total of 2.4 million shares. The 2004 Stock Plan allows for the grant of restricted stock and stock options up to a total of 500,000 shares. Mid-America believes that such awards better align the interests of its employees with those of its shareholders. Total compensation costs under the Plans were approximately \$696,900, \$857,700 and \$495,500 for the twelve months ended December 31, 2007, 2006 and 2005, respectively. As of December 31, 2007, the total unrecognized compensation cost related to the Plans was approximately \$2.0 million. This cost is expected to be recognized over the weighted average period of 2.2 years. Information concerning specific grants under the Plans is listed below.

Options

All option awards made under the Plans have been granted with the exercise price equal to the market price on the day of grant. The options vest over five years of continuous service at a rate of 10%, 10%, 20%, 30% and 30%, and expire 10 years from grant date. Mid-America issues new shares when options are exercised. Dividends are not paid on unexercised options.

The fair value of each option award is estimated on the grant date using the Black-Scholes method, which utilizes the assumptions noted in the following table. Volatility is based on the historical volatility of Mid-America's common stock. Expected life of the option is estimated using historical data to estimate option exercise and employee termination. Mid-America uses a U.S. constant-maturity Treasury close to the same expected life of the option to represent the risk-free rate. Turnover is based on the historical rate at which options are exercised. Mid-America uses its current dividend yield at the time of grant to estimate the dividend yield over the life of the option. No options were granted during the periods presented in the following table; therefore, no fair value was calculated.

	Twelve months ended December 31,		
	2007	2006	2005
Volatility	N/A	N/A	N/A
Expected life	N/A	N/A	N/A
Risk-free rate	N/A	N/A	N/A
Dividend yield	N/A	N/A	N/A

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A summary of option activity under the Plans as of December 31, 2007, and the changes during the year then ended follows:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2006	190,991	\$ 24.26		

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Granted				
Exercised	80,465		25.27	
Forfeited				
Expired				
Outstanding at December 31, 2007	110,526	\$	23.52	\$ 2,125,602
Exercisable at December 31, 2007	110,526	\$	23.52	\$ 2,125,602

The total intrinsic value of options exercised during the twelve months ended December 31, 2007, was approximately \$1.7 million. Cash received from the exercise of options for the twelve months ended December 31, 2007, was approximately \$2.0 million.

Executive 2000 Restricted Stock

In 2000, Mid-America issued 10,750 restricted shares of common stock to executive officers with a grant date fair value of \$22.1875 per share. The grant date fair value was determined by the closing trading price of Mid-America's shares on the day prior to the date of the grant. These shares vest 10% each over ten years through 2010. The executive officers have the option to accelerate the vesting in lieu of bonuses. As of December 31, 2007, no shares have been vested early. Recipients receive dividend payments on the shares of restricted stock prior to vesting.

A summary of the status of the Executive 2000 Restricted Stock nonvested shares as of December 31, 2007, and the changes for the year ended December 31, 2007, is presented below:

Nonvested Shares	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2007	4,300	\$ 22.19
Granted		
Vested	(1,075)	\$ 22.19
Forfeited		
Nonvested at December 31, 2007	3,225	\$ 22.19

As of December 31, 2007, there was approximately \$51,700 of total unrecognized compensation cost related to nonvested shares granted. This cost is expected to be recognized over the weighted average period of 1.0 years. The total fair value of shares vesting during the twelve months ended December 31, 2007, and 2006, was approximately \$23,900 and \$23,900, respectively.

Key Managers 2002 Restricted Stock

In 2002, Mid-America issued 97,881 restricted shares of common stock to key managers with a grant date fair value of \$25.65 per share. The grant date fair value was determined by the closing trading price of Mid-America's shares on the day prior to the date of the grant. As a result of three managers leaving the employment of Mid-America, as of December 31, 2007, only 81,916 shares remain issued. These shares will vest 20% on March 31 of each year for five consecutive years beginning in 2008. Recipients receive dividend payments on the shares of restricted stock prior to vesting.

A summary of the status of the Key Management 2002 Restricted Stock nonvested shares as of December 31, 2007, and the changes for the year ended December 31, 2007, is presented below:

Nonvested Shares	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2007	81,916	\$ 25.65
Granted	□	
Vested	□	
Forfeited	□	
Nonvested at December 31, 2007	81,916	\$ 25.65

As of December 31, 2007, there was approximately \$879,700 of total unrecognized compensation cost related to nonvested shares granted. This cost is expected to be recognized over the weighted average period of 2.5 years. No shares vested during the twelve months ended December 31, 2007 or 2006.

Executive 2005 Restricted Stock

In 2005, Mid-America issued 8,852 restricted shares of common stock to executive management under the 2004 Stock Plan with a grant date fair value of \$38.50 per share. These shares vested in two equal amounts in 2006 and 2007. Recipients received dividend payments on the shares of restricted stock prior to vesting.

A summary of the status of the Executive 2005 Restricted Stock nonvested shares as of December 31, 2007, and the changes for the year ended December 31, 2007, is presented below:

Nonvested Shares	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2007	4,426	\$ 38.50
Granted	□	
Vested	(4,426)	\$ 38.50
Forfeited	□	
Nonvested at December 31, 2007	□	

The total fair value of shares vesting during the twelve months ended December 31, 2007, and 2006, was approximately \$170,400 and \$170,400, respectively.

Director Restricted Stock Plan

Beginning with the 2005 Annual Meeting of Shareholders, non-employee directors elected to the Board of Directors receive a grant of \$75,000 worth of restricted shares of common stock. The shares vest in three equal installments over the director's three-year term. To begin the program, non-employee directors not sitting for re-election at the 2005 Annual Meeting of Shareholders received a pro-rata grant representing the number of years left in their term. Non-employee directors appointed to the Board outside of the Annual Meeting of Shareholders may be issued partial or initial grants. No shares of restricted stock were granted to non-employee directors during 2007.

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A summary of the status of the Director Restricted Stock nonvested shares as of December 31, 2007, and the changes for the year ended December 31, 2007, is presented below:

**Weighted
Average**

Nonvested Shares	Shares	Grant-Date Fair Value
Nonvested at January 1, 2006	8,596	\$ 40.71
Granted	6,305	\$ 54.16
Vested	(3,757)	\$ 41.02
Forfeited	(1,228)	\$ 40.71
Nonvested at January 1, 2007	9,916	\$ 49.14
Granted	□	
Vested	(4,097)	\$ 45.76
Forfeited	□	
Nonvested at December 31, 2007	5,819	\$ 51.53

As of December 31, 2007, there was approximately \$207,400 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted. This cost is expected to be recognized over the weighted average period of 0.90 years. The total fair value of shares vesting during the twelve months ended December 31, 2007, and 2006, was approximately \$187,500 and \$154,100, respectively.

Key Managers 2005 Restricted Stock

In 2005, the Board of Directors adopted the 2005 Key Management Restricted Stock Plan (the "2005 Plan"), a long-term incentive program for key managers and executive officers. The 2005 Plan grants shares of restricted stock based on a sliding scale of total shareholder return over three 12-month periods ending in 2006, 2007 and 2008. Any restricted stock earned will vest 100% three years after the date of the restricted stock issuance. Recipients will receive dividend payments on the shares of restricted stock during the restriction periods. There is no automatic vesting of the shares. Based on Mid-America's performance from July 1, 2005, through June 30, 2006, 25,034 restricted shares of common stock were issued to key managers and executive officers on June 30, 2006. No shares of restricted stock were issued in 2007.

The fair value of the stock award was estimated on the grant date using a Monte Carlo simulation with the assumptions noted in the following table. Volatility is based on the historical volatility of Mid-America's common stock. The expected term of the 2005 Plan is based on the criteria for the plan and the expected life of the awards. Mid-America uses a U.S. constant-maturity Treasury with the same term as the expected term of the 2005 Plan to represent the risk-free rate. Turnover is based on the historical experience for the key managers and executive officers. Mid-America uses its current dividend yield at the time of grant to estimate the dividend yield over the life of the plan.

Volatility	17.10%
Expected life in years	3
Risk-free rate	3.77%
Dividend yield	5.20%

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As of December 31, 2007, there was approximately \$756,100 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted. Mid-America's policy is to recognize compensation cost on a straight-line basis over the requisite service period for an entire award (rather than each portion of an award). Accordingly, the \$756,100 million unrecognized cost will be recognized over the weighted average period of 2.2 years. No shares vested during the twelve months ended December 31, 2007 or 2006.

Long-Term Performance Based Incentive Plan for Executive Officers

The Compensation Committee by authorization of the Board of Directors of Mid-America submitted the Long-Term Performance Based Incentive Plan for Executive Officers (the "Long-Term Plan"), which was approved by shareholders on June 2, 2003. The Long-Term Plan allowed executive management to earn performance units that converted into shares of restricted stock based on achieving defined total shareholder investment

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performance levels. Based on Mid-America's performance from January 1, 2003, through December 31, 2005, 74,895 restricted shares of common stock were issued to executive management on March 14, 2006. While these shares of restricted stock will be entitled to dividend payments, they will not be transferable or have voting privileges until they vest. Dependent upon the executive officer's continued employment with Mid-America, these shares of restricted stock vest 20% annually from 2006 through 2010.

The fair value of the stock award was estimated on the grant date using a Monte Carlo simulation with the assumptions noted in the following table. Volatility is based on the historical volatility of Mid-America's common stock. The expected term of the Long-Term Plan is based on the criteria for the plan and the expected life of the awards. Mid-America uses a U.S. constant-maturity Treasury for the same term as the expected term of the Long-Term Plan to represent the risk-free rate. Turnover is based on the historical experience for the key managers and executive officers. Mid-America uses its current dividend yield at the time of grant to estimate the dividend yield over the life of the plan.

Volatility	6.38%
Expected life in years	3
Risk-free rate	1.99%
Dividend yield	9.60%

For the twelve months ended December 31, 2007, compensation costs related to the Long-Term Plan were approximately \$41,400. As of December 31, 2007, there was approximately \$124,100 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted. This unrecognized cost will be recognized over the weighted average period of 2.0 years. The total fair value of shares vesting during the twelve months ended December 31, 2007, and 2006, was approximately \$66,200, and \$66,200, respectively.

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3. Comprehensive Income

Total comprehensive income and its components for the years ended December 31, 2007, 2006, and 2005 were as follows (dollars in thousands):

	Twelve months ended December 31,		
	2007	2006	2005
Net income	\$ 39,946	\$ 20,945	\$ 19,744
Marked-to-market adjustment on derivative instruments	(27,805)	3,769	21,865
Total comprehensive income	\$ 12,141	\$ 24,714	\$ 41,609

4. Real Estate Joint Ventures

At the beginning of 2005, Mid-America owned a 33.33% interest in a joint venture (CH/Realty) with Crow Holdings which was formed in 2002. In 2004, CH/Realty sold the Preserve at Arbor Lakes apartments, a 284-unit community in Jacksonville, FL. In 2005, CH/Realty sold Seasons at Green Oaks, a 300-unit community in Grand Prairie, TX and Preston Hills, a 464-unit community in Buford, GA, the two remaining properties owned by the joint venture. Following the sale of the final properties from the joint venture, Mid-America's relationship with Crow Holdings in CH/Realty ceased to exist.

Mid-America entered into a second joint venture (CH/Realty II) with Crow Holdings in 2004 with the purchase of the Verandas at Timberglen apartments. Mid-America also owned a 33.33% interest in CH/Realty II, and contributed 33.33% of the capital necessary to establish the joint venture. On January 12, 2007, CH/Realty II sold the Verandas at Timberglen apartments and Mid-America sold its ownership interest in CH/Realty II to Crow Holdings. As a result, Mid-America booked a gain on sale of \$5.4 million and an incentive fee of \$1 million, both of which are recorded in Mid-America's 2007 consolidated financial statements. Following the sale of the property

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from the joint venture, Mid-America's relationship with Crow Holdings in CH/Realty II ceased to exist.

In 2007, Mid-America entered into a joint venture, Mid-America Multifamily Fund I, LLC ("Fund I"), with institutional capital. Mid-America owns a 33.33% interest in Fund I with plans to acquire \$500 million of apartment communities. Mid-America expects to invest approximately \$60 million as investments are made. Fund I owned no apartment communities as of December 31, 2007.

On January 17, 2008, Fund I acquired its first property, Milstead Village, a 310-unit community in Kennesaw, GA.

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The income, contributions, distributions and ending investment balances related to Mid-America's joint ventures consisted of the following for the years ended December 31, 2007, 2006, and 2005 (dollars in thousands):

	2007			
	CH/Realty	CH/Realty II	Fund I	Total
Joint venture loss	\$ (11)	\$ (11)	\$ (47)	\$ (58)
Gain on joint venture asset dispositions		5,388	□	5,388
Management fee income		34	□	34
Incentive fee income		1,019	□	1,019
Contributions to joint venture		(28)	(215)	(243)
Distributions from joint venture		9,855	□	9,855
Investment in at December 31		□	168	168
Advances to at December 31		□	□	□
	2006			
	CH/Realty	CH/Realty II	Fund I	Total
Joint venture loss	\$ (11)	\$ (103)	\$ □	\$ (114)
Gain on joint venture asset dispositions		□	□	□
Management fee income		210	□	210
Incentive fee income		□	□	□
Contributions to joint venture		□	□	□
Distributions from joint venture	44	306	□	350
Investment in at December 31		3,718	□	3,718
Advances to at December 31		□	□	□
	2005			
	CH/Realty	CH/Realty II	Fund I	Total
Joint venture income (loss)	\$ 79	\$ (14)	\$ □	\$ 65
Gain on joint venture asset dispositions	3,034	□	□	3,034
Management fee income	121	204	□	325
Incentive fee income	1,723	□	□	1,723
Contributions to joint venture		□	□	□
Distributions from joint venture	14,644	259	□	14,903
Investment in at December 31		4,182	□	4,182
Advances to at December 31		□	□	□

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5. Borrowings

Mid-America maintains a total of \$1,044 million of secured credit facilities with Prudential Mortgage Capital, credit enhanced by FNMA (the "FNMA Facilities"). The FNMA Facilities provide for both fixed and variable rate borrowings and have tranches with maturities from 2008 through 2014. The interest rate on the majority of the variable portion renews every 90 days and is based on the FNMA discount mortgage backed security rate on the date of renewal, which, for Mid-America, has historically approximated three-month LIBOR less an average spread of 0.05% - 0.09% over the life of the FNMA Facilities, plus a fee of 0.62% to 0.795%. Borrowings under the FNMA Facilities totaled \$906 million at December 31, 2007, consisting of \$90 million under a fixed portion at a rate of 7.5%, and the remaining \$816 million under the variable rate portion of the facility at an average rate of 5.0%. The available borrowing base capacity at December 31, 2007, was \$1,028 million. Commitment fees related to our unused FNMA Facilities totaled approximately \$283 thousand for the year ended December 31, 2007. Mid-America has 22 interest rate swap agreements, totaling a notional amount of \$601 million designed to fix the interest rate on a portion of the variable rate borrowings outstanding under the FNMA Facilities at approximately 5.4%. The interest rate swaps have maturities between 2008 and 2014. The swaps are highly effective and are designated as cash flow hedges. Mid-America has also entered into six interest rate caps totaling a notional amount of \$47 million which are designated against the FNMA Facilities. These interest rate caps have maturities between 2009 and 2012 and five are set at 6.0% and one is set at 6.5%. The FNMA Facilities are subject to certain borrowing base calculations that effectively reduce the amount that may be borrowed.

Mid-America has a \$300 million credit facility with Freddie MAC (the "Freddie Mac Facility"). At December 31, 2007, Mid-America had \$167 million borrowed against the Freddie Mac Facility at an interest rate of 5.0%. Commitment fees related to our Freddie Mac Facility totaled approximately \$143 thousand for the year ended December 31, 2007. Mid-America has ten interest rate swap agreements, totaling a notional amount of \$130 million designed to fix the interest rate on a portion of the variable rate borrowings outstanding under the Freddie Mac Facility at approximately 5.6%. The interest rate swaps expire in 2011 and 2014.

Mid-America also maintains a \$50 million secured credit facility with two banks led by Regions Bank (the "Regions Credit Line"; formerly with AmSouth Bank before their merger in 2006). The Regions Credit Line bears an interest rate of LIBOR plus a spread of 1.25%. This credit line expires in May 2008 and is subject to certain borrowing base calculations that effectively reduce the amount that may be borrowed. At December 31, 2007, Mid-America had \$43 million available to be borrowed under the Regions Credit Line agreement with \$2 million borrowed under this facility at an interest rate of 6.6%. Approximately \$7 million of the facility is used for letters of credit.

Each of Mid-America's credit facilities is subject to various covenants and conditions on usage. If Mid-America were to fail to satisfy a condition to borrowing, the available credit under one or more of the facilities could not be drawn, which could adversely affect Mid-America's liquidity. Moreover, if Mid-America were to fail to make a payment or violate a covenant under a credit facility, after applicable cure periods one or more of its lenders could declare a default, accelerate the due date for repayment of all amounts outstanding and/or foreclose on properties securing such facilities. Any such event could have a material adverse effect on Mid-America. Mid-America believes it was in compliance with these covenants and conditions on usage at December 31, 2007.

Mid-America had outstanding at December 31, 2007, a \$40 million promissory note with Regions Bank, (formerly with Union Planters Bank before their merger in July 2004) at a variable interest rate based on three month LIBOR of 6.1% which matures in April 2009. Mid-America has entered into an interest rate swap agreement with a notional amount of \$25 million and an interest rate of 5.0% which expires in 2009 and is designated against the Regions Bank promissory note.

At December 31, 2007, Mid-America had \$133 million of fixed rate conventional individual property mortgages with an average interest rate of 4.8% and an average maturity of 2013, a \$12 million fixed rate tax exempt individual property mortgage with an interest rate of 5.2% and a maturity in 2028, and a \$5 million variable rate tax exempt individual property mortgage at an interest rate of 4.4% with a maturity in 2028.

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At December 31, 2007, Mid-America had \$221 million (after considering the impact of interest rate swap agreements in effect) conventional variable rate debt outstanding at an average interest rate of 5.1%, \$5 million (after considering the impact of interest rate swap agreements) of tax-free variable rate debt outstanding at an average rate of 4.4%, \$18 million of capped conventional variable rate debt at an average interest rate of 5.3%, and an additional \$29 million of capped tax-free variable rate debt at an average rate of 4.1%. The interest rate on all other debt, totaling \$991 million, was hedged or fixed at an average interest rate of 5.5%.

As of December 31, 2007, Mid-America estimated that the weighted average interest rate on Mid-America's debt was 5.4%.

The following table summarizes Mid-America's indebtedness at December 31, 2007, and 2006, (dollars in millions):

	Actual Interest Rates	At December 31, 2007 Average		Balance	Balance at December 31, 2006
		Interest Rate	Maturity		
Fixed Rate:					
Taxable	3.60%-7.71%	5.91%	2008-2044	\$ 223.0	\$ 237.2
Tax-exempt	5.24%	5.24%	2028	11.9	12.2
Interest rate swaps	3.23%-6.42%	5.43%	2008-2014	756.3	679.3
				991.2	928.7
Variable Rate:⁽¹⁾					
Taxable	4.98%-6.57%	5.13%	2008-2014	221.5	214.7
Tax-exempt	4.37%	4.37%	2028	4.8	10.9
Interest rate caps	3.97%-5.27%	4.53%	2014	47.1	42.0
				273.4	267.6
				\$ 1,264.6	\$ 1,196.36

⁽¹⁾ Amounts are adjusted to reflect interest rate swap and cap agreements in effect at December 31, 2007, and 2006, respectively which results in Mid-America paying fixed interest payments over the terms of the interest rate swaps and on changes in interest rates above the strike rate of the cap.

The following table includes scheduled principal repayments on the borrowings at December 31, 2007, as well as the amortization of the fair market value of debt assumed (dollars in thousands):

Year	Amortization	Maturities	Total
2008	\$ 3,671	\$ 109,119	\$ 112,790
2009	1,732	104,560	106,292
2010	1,828	120,000	121,828
2011	1,929	215,033	216,962
2012	2,036	40,000	42,036
Thereafter	67,133	597,579	664,712
	\$ 78,329	\$ 1,186,291	\$ 1,264,620

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6. Derivative Financial Instruments

Following are the details of the interest rate swaps that were entered into as of December 31, 2007 (dollars in thousands):

Interest rate swaps designated against the FNMA Facilities	Notional Balance	Interest Rate		Fixed Leg	Expiration
		Variable	Leg Base		

	50,000	3-month LIBOR	5.87%	2008
	50,000	3-month LIBOR	5.48%	2010
	40,000	3-month LIBOR	5.54%	2010
	50,000	3-month LIBOR	5.36%	2011
	25,000	3-month LIBOR	5.15%	2012
	50,000	3-month LIBOR	5.29%	2012
	50,000	3-month LIBOR	5.00%	2012
	50,000	3-month LIBOR	5.06%	2013
	25,000	3-month LIBOR	5.34%	2013
	25,000	3-month LIBOR	5.34%	2013
	25,000	3-month LIBOR	5.89%	2013
	25,000	3-month LIBOR	6.10%	2014
	50,000	3-month LIBOR	6.22%	2010
	25,000	3-month LIBOR	6.09%	2014
	540,000		5.52%	
Interest rate swaps designated against the FNMA Tax-Free Bond Facility				
	16,990	BMA Municipal Swap Index	5.05%	2008
	4,965	BMA Municipal Swap Index	3.23%	2008
	2,980	BMA Municipal Swap Index	3.23%	2008
	3,585	BMA Municipal Swap Index	3.63%	2009
	6,645	BMA Municipal Swap Index	3.63%	2009
	8,365	BMA Municipal Swap Index	4.73%	2010
	10,800	BMA Municipal Swap Index	4.42%	2012
	7,000	BMA Municipal Swap Index	4.42%	2012
	61,330		4.35%	
Interest rate swaps designated against the Freddie Mac Facility				
	26,000	3-month LIBOR	5.40%	2011
	10,000	3-month LIBOR	5.11%	2011
	15,000	3-month LIBOR	5.19%	2011
	15,000	3-month LIBOR	5.72%	2011
	17,000	3-month LIBOR	5.53%	2011
	10,000	1-month LIBOR	6.25%	2014
	10,000	1-month LIBOR	6.42%	2014
	10,000	1-month LIBOR	5.87%	2014
	10,000	3-month LIBOR	5.72%	2014
	7,000	3-month LIBOR	5.72%	2014
	130,000		5.63%	
Interest rate swaps designated against Union Planters Bank borrowings				
	25,000		4.98%	2009
Total interest rate swaps in effect as of December 31, 2007	756,330		5.43%	
Forward interest rate swap designated against FNMA Facilities				
	25,000	3-month LIBOR	5.02%	2012
	25,000	3-month LIBOR	5.12%	2013
	50,000		5.07%	
Total interest rate swaps entered into as of December 31, 2007	\$ 806,330		5.41%	

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At December 31, 2007, all of Mid-America's interest rate swaps and interest rate caps were designated as cash flow hedges in accordance with Statement No. 133 as amended. As of December 31, 2007 and 2006, Mid-America recorded approximately \$16.0 million and \$1.1 million, respectively, to accrued expenses and other liabilities in the consolidated balance sheets. Mid-America also recorded approximately \$0.0 million and \$12.4 million as of December 31, 2007 and 2006, respectively, to other assets in the consolidated balance sheets. These accrued expenses and other liabilities, and other assets represented the fair values of the interest rate swaps and interest rate caps.

7. Fair Value Disclosure of Financial Instruments

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Cash and cash equivalents, restricted cash, accounts payable, accrued expenses and other liabilities and security deposits are carried at amounts which reasonably approximate their fair value due to their short term nature.

Fixed rate notes payable at December 31, 2007, and 2006, total \$235 million and \$249 million, respectively, and have estimated fair values of \$221 million and \$228 million (excluding prepayment penalties), respectively, based upon interest rates available for the issuance of debt with similar terms and remaining maturities as of December 31, 2007, and 2006. The carrying value of variable rate notes payable (excluding the effect of interest rate swap and cap agreements) at December 31, 2007, and 2006, total \$1,030 million and \$947 million, respectively, which reasonably approximates their fair value because the related variable interest rates available for the issuance of debt with similar terms and remaining maturities reasonably approximate market rates. The notional amount of interest rate and forward interest rate swap agreements at December 31, 2007, and 2006, total \$806 million and \$679 million, respectively, and have an estimated net fair value of \$(16.0) million and \$11.3 million, respectively, based upon interest rates available for interest rate swaps with similar terms and remaining maturities as of December 31, 2007, and 2006. The notional amount of interest rate cap agreements at December 31, 2007, and 2006, total \$47 million and \$42 million, respectively, and have an estimated fair value of \$11 thousand and \$30 thousand, respectively, based upon interest rates available for interest rate caps with similar terms and remaining maturities as of December 31, 2007, and 2006.

The fair value estimates presented herein are based on information available to management as of December 31, 2007, and 2006. These estimates are not necessarily indicative of the amounts Mid-America could ultimately realize.

8. Commitments and Contingencies

Mid-America is not presently subject to any material litigation nor, to Mid-America's knowledge, with advice of legal counsel, is any material litigation threatened against Mid-America. Mid-America is subject to routine litigation arising in the ordinary course of business, some of which is expected to be covered by liability insurance and none of which is expected to have a material adverse effect on the consolidated financial statements of Mid-America.

Mid-America had operating lease expense of approximately \$11,300, \$12,000 and \$12,000 for the years ended December 31, 2007, 2006 and 2005, respectively. Mid-America has commitments of approximately \$9,200 in 2008, \$6,800 in 2009, \$6,600 in 2010, \$6,600 in 2011 and \$5,000 in 2012 under operating lease agreements outstanding at December 31, 2007.

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9. Income Taxes

No provision for federal income taxes has been made in the accompanying consolidated financial statements. Mid-America has made an election to be taxed as a Real Estate Investment Trust (REIT) under Sections 856 through 860 of the Internal Revenue Code. As a REIT, Mid-America is generally not subject to federal income tax on that portion of its income that qualifies as REIT taxable income to the extent that it distributes at least 90% of its taxable income to Mid-America's shareholders and complies with certain requirements. If Mid-America fails to qualify as a REIT in any taxable year, Mid-America will be subject to the federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Even though Mid-America qualifies for taxation as a REIT, Mid-America may be subject to certain federal, state and local taxes on its income and property and to federal income and excise tax on its undistributed income.

Earnings and profits, which determine the taxability of dividends to shareholders, differ from net income reported for financial reporting purposes primarily because of differences in depreciable lives, bases of certain assets and liabilities and in the timing of recognition of earnings upon disposition of properties. For federal income tax purposes, the following summarizes the taxability of cash distributions paid on the common shares in 2006 and 2005 and the estimated taxability for 2007:

	2007	2006	2005
Per common share			

Ordinary income	\$ 1.44	\$ 0.94	\$ 0.86
Capital gains	0.47	0.00	0.26
Return of capital	0.51	1.44	1.23
Total	\$ 2.42	\$ 2.38	\$ 2.35

10. Shareholders' Equity

Series D Preferred Stock - Shareholders Rights Plan

In March 1999, the Board of Directors authorized a Shareholders Rights Plan (the "Rights Plan"). In implementing the Rights Plan, the Board declared a distribution of one right for each of Mid-America's outstanding common shares which would become exercisable only if a person or group (the "Acquiring Person") became the beneficial owner of 10% or more of the common shares or announced a tender or exchange offer that would result in ownership of 10% of Mid-America's common shares. The rights would trade with Mid-America's common stock until exercisable. Each holder of a right, other than the Acquiring Person, would in that event be entitled to purchase one common share of Mid-America for each right at one half of the then current price.

In November 2005, as a governance initiative, the Board voted to terminate the Rights Plan.

Series F Preferred Stock

In 2002, Mid-America issued Series F Cumulative Redeemable Preferred Stock ("Series F Preferred Stock") with a \$25.00 per share liquidation preference and a preferential cumulative annual distribution of \$2.3125 per share, payable monthly. On October 16, 2007, Mid-America redeemed all of the 474,500 issued and outstanding shares of the Series F Preferred Stock for \$11.9 million.

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Series H Preferred Stock

In 2003, Mid-America issued the Series H Preferred Stock with a \$25.00 per share liquidation preference and a preferential cumulative annual distribution of \$2.075 per share, payable quarterly. Mid-America has outstanding 6,200,000 Series H Preferred Stock shares for which it received net proceeds of \$150.1 million. On and after August 11, 2008, the Series H Preferred Stock shares will be redeemable for cash at the option of Mid-America, in whole or in part, at a redemption price equal to the liquidation preference plus dividends owed and unpaid to the redemption date.

Direct Stock Purchase and Distribution Reinvestment Plan

Mid-America has a Direct Stock Purchase and Distribution Reinvestment Plan ("DRSPP") pursuant to which Mid-America's shareholders have the ability to reinvest all or part of their distributions from Mid-America's common stock, preferred stock or limited partnership interests in Mid-America Apartments, L.P. into Mid-America's common stock. The plan also provides the opportunity to make optional cash investments in common shares of at least \$250, but not more than \$5,000 in any given month, free of brokerage commissions and charges. Mid-America, in its absolute discretion, may grant waivers to allow for optional cash payments in excess of \$5,000. To fulfill its obligations under the DRSPP, Mid-America may either issue additional shares of common stock or repurchase common stock in the open market. Mid-America has registered with the Securities and Exchange Commission the offer and sale of up to 4,600,000 shares of common stock pursuant to the DRSPP. Additional shares will be purchased at the market price on the "Investment Date" each month, which shall in no case be later than ten business days following the distribution payment date. Mid-America may elect to sell shares under the DRSPP at up to a 5% discount.

Common stock shares totaling 136,483 in 2007, 1,356,015 in 2006, and 803,251 in 2005, were acquired by shareholders under the DRSPP. Mid-America offered an average of a 1.5% discount for optional cash purchases in 2007, 2006 and 2005.

Controlled Equity Offering

On November 3, 2006, Mid-America entered into a sales agreement with Cantor Fitzgerald & Co. to sell up to 2,000,000 shares of Mid-America's common stock, from time to time in at-the-market offerings or negotiated transactions through a controlled equity offering program. From November 3, 2006 until the end of 2006, Mid-America sold 194,000 shares of common stock for net proceeds of \$11.5 million after underwriting commissions and SEC fees. During the first two quarters of 2007, Mid-America sold 323,700 shares of common stock for net proceeds of \$18.8 million after underwriting commissions and SEC fees.

Stock Repurchase Plan

In 1999, Mid-America's Board of Directors approved a stock repurchase plan to acquire up to a total of 4.0 million shares of Mid-America's common stock. Through December 31, 2007, Mid-America has repurchased and retired approximately 1.9 million shares of common stock for a cost of approximately \$42 million at an average price per common share of \$22.54. No shares were repurchased in 2002 through 2007, under the plan.

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11. 8 5/8% Series G Cumulative Redeemable Preferred Stock

In 2002, Mid-America issued 8 5/8% Series G Cumulative Redeemable Preferred Stock ("Series G") with a \$25.00 per share liquidation preference and a preferential cumulative annual distribution of \$2.15625 per share, payable monthly. Mid-America has outstanding 400,000 Series G shares issued in a direct placement with private investors ("Investors") for which it received aggregate proceeds of \$10 million. On or after November 15, 2004, Mid-America or the Investors may give the required one-year notice to redeem or put, respectively, all or part of the Series G shares beginning on or after November 15, 2005, in increments of \$1 million. In the event the Investors elect to put all or a part of the Series G to Mid-America, Mid-America has the option to redeem all or a portion of the shares of the Series G in shares of common stock of Mid-America in lieu of cash.

On May 26, 2005, Mid-America gave the required one-year notice to redeem all of the issued and outstanding Series G shares. As a result, in accordance with Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("Statement 150"), Mid-America classified the Series G as a liability within notes payable as of May 26, 2005, on the accompanying consolidated financial statements. Statement 150 also requires that all subsequent dividend payments be classified as interest expense on the consolidated financial statements.

On May 26, 2006, Mid-America redeemed all of the issued and outstanding shares of Series G.

12. Employee Benefit Plans

Following are details of employee benefit plans not previously discussed in Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 2.

401 (k) Savings Plan

The Mid-America Apartment Communities, Inc. 401(k) Savings Plan is a defined contribution plan that satisfies the requirements of Section 401(a) and 401(k) of the Code. Mid-America may, but is not obligated to, make a matching contribution of \$0.50 for each \$1.00 contributed, up to 6% of the participant's compensation. Mid-America's contribution to this plan was approximately \$482,900, \$382,800, and \$375,400, in 2007, 2006, and 2005, respectively.

Non-Qualified Deferred Compensation Retirement Plan

Mid-America has adopted a non-qualified deferred compensation retirement plan for key employees who are not qualified for participation in Mid-America's 401(k) Savings Plan. Under the terms of the plan, employees may elect to defer a percentage of their compensation and Mid-America matches a portion of their salary deferral. The plan is designed so that the employees' investment earnings under the non-qualified plan should be the same as

the earning assets in Mid-America's 401(k) Savings Plan. Mid-America's match to this plan in 2007, 2006, and 2005 was approximately \$42,600, \$60,200, and \$31,200, respectively.

Non-Qualified Deferred Compensation Plan for Outside Company Directors

In 1998, Mid-America established the Non-Qualified Deferred Compensation Plan for Outside Company Directors (the "Directors Deferred Compensation Plan"), which allows non-employee directors to defer their director fees by having the fees held by Mid-America as shares of Mid-America common stock. Amounts deferred through the Directors Deferred Compensation Plan are distributed to the directors in two annual installments beginning in the first 90 days of the year following the director's departure from the board. Participating directors may choose to have the amount issued to them in shares of Mid-America common stock or paid to them as cash at the market value as of the end of the year the director ceases to serve on the board.

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During 2007, 2006, and 2005, Mid-America issued 5,572, 4,146, and 5,742, shares of common stock, respectively, with weighted-average grant date fair values of \$51.29, \$57.05, and \$43.35, respectively, to outside directors.

In accordance with ASR 268 and EITF D-98: "Classification and Measurement of Redeemable Securities", the share of common stock held in the Directors Deferred Compensation Plan are classified outside of permanent equity in redeemable stock because the directors have redemption rights not solely within the control of Mid-America. Additionally, any shares that become mandatorily redeemable because a departed director has elected to receive a cash payout are recorded as a liability as required by FASB 150 "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." Accordingly, \$230,100 was recorded in accrued expenses and other liabilities at December 31, 2007.

Employee Stock Ownership Plan

The Mid-America Apartment Communities, Inc. Employee Stock Ownership Plan (the "ESOP") is a non-contributory stock bonus plan that satisfies the requirements of Section 401(a) of the Internal Revenue Code. Each employee of Mid-America is eligible to participate in the ESOP after attaining the age of 21 years and completing one year of service with Mid-America. Participants' ESOP accounts will be 100% vested after three years of continuous service, with no vesting prior to that time. Mid-America contributed 22,500 shares of common stock to the ESOP upon conclusion of the initial offering. During 2007, 2006, and 2005, Mid-America contributed approximately \$876,400, \$774,200, and \$700,300, respectively, to the ESOP which purchased an additional 16,613, 13,804, and 16,447, shares of common stock, with weighted-average grant date fair values of \$52.75, \$56.08, and \$42.58, respectively.

Restricted Stock and Stock Option Plan

Mid-America adopted the 1994 Restricted Stock and Stock Option Plan (the "1994 Plan") to provide incentives to attract and retain independent directors, executive officers and key employees. As of January 31, 2004, no further awards may be granted under this plan. The 1994 Restricted Stock and Stock Option Plan was replaced by the 2004 Stock Plan (collectively the "Plans") by shareholder approval at the May 24, 2004, Annual Meeting of Shareholders. The Plans provide(d) for the granting of options to purchase a specified number of shares of common stock ("Options") or grants of restricted shares of common stock ("Restricted Stock"). The Plan also allow(ed) Mid-America to grant options to purchase Operating Partnership Units at the price of the common stock on the New York Stock Exchange on the day prior to issuance of the units (the "LESOP Provision"). The 1994 Plan authorized the issuance of 2,400,000 common shares or options to acquire shares. The 2004 Stock Plan authorizes the issuance of 500,000 common shares or options to acquire shares. Under the terms of the 1994 Plan, Mid-America could advance directors, executive officers, and key employees a portion of the cost of the common stock or units. The employee advances mature five years from the date of issuance and accrue interest, payable in arrears, at a rate established at the date of issuance. Mid-America has also entered into supplemental bonus agreements with the employees which are intended to fund the payment of a portion of the advances over a five year period. Under the terms of the supplemental bonus agreements, Mid-America will pay bonuses to these employees equal to 3% of the original note balance on each anniversary date of the advance, limited to 15% of the aggregate purchase price of the shares and units. In March of 2002, Mid-America entered into duplicate supplemental bonus agreements on the then existing options to executive officers, effectively doubling their

advances. The advances become due and payable and the bonus agreement will terminate if the employees voluntarily terminate their employment with Mid-America. Mid-America also agreed to pay a bonus to certain executive officers in an amount equal to the debt service on the advances for as long as they remain employed by Mid-America.

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As of December 31, 2007, Mid-America had advances outstanding relating to the Plan totaling approximately \$230,200, which is recorded in other assets in the accompanying consolidated balance sheets. All of the \$230,200 advances at December 31, 2007, were to current and one former executive officers and were at interest rates ranging from 5.59%-6.49% and maturing at various dates from 2007 to 2010.

13. Earnings from Discontinued Operations

In accordance with Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the four communities that Mid-America sold in 2007, along with the one sold in 2005, have been classified as discontinued operations in the Consolidated Statements of Operations. The following is a summary of earnings from discontinued operations for the three years ended December 31, 2007, (dollars in thousands):

	2007	2006	2005
Revenues:			
Rental revenues	\$ 2,063	\$ 4,607	\$ 5,225
Other revenues	140	242	198
Total revenues	2,203	4,849	5,423
Expenses:			
Property operating expenses	1,196	2,492	2,981
Depreciation and amortization	133	687	1,133
Interest expense	320	798	609
Loss on debt extinguishment	□	□	2
Total expenses	1,649	3,977	4,725
Earnings from discontinued operations before gain on sale and settlement proceeds	554	872	698
Asset impairment on discontinued operations	□	□	(243)
Net loss on insurance and other settlement proceeds	□	□	(25)
Gain on sale	9,164	□	□
Earnings from discontinued operations	\$ 9,718	\$ 872	\$ 430

14. Related Party Transactions

Pursuant to management contracts with Mid-America's joint ventures, Mid-America manages the operations of the joint venture apartment communities for a fee of 4% of the revenues of the joint venture. Mid-America received approximately \$34,000, \$210,000, and \$325,000, as management fees from the joint ventures in 2007, 2006, and 2005, respectively.

Mid-America earned interest on a \$4.5 million loan to CH/Realty at an average interest rate of 9% until its closure following the sale of its remaining two properties in 2005.

Mid-America has certain advances to current and one former executive officer through the 1994 Plan as discussed in Note 12.

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15. Segment Information

At December 31, 2007, Mid-America owned or had an ownership interest in 137 multifamily apartment communities in 13 different states from which it derives all significant sources of earnings and operating cash flows. Mid-America's operational structure is organized on a decentralized basis, with individual property managers having overall responsibility and authority regarding the operations of their respective properties. Each property manager individually monitors local and area trends in rental rates, occupancy percentages, and operating costs. Property managers are given the on-site responsibility and discretion to react to such trends in the best interest of Mid-America. Mid-America's senior management evaluates the performance of each individual property based on its contribution to net operating income in order to ensure that the individual property continues to meet Mid-America's return criteria and long term investment goals. Mid-America defines each of its multifamily communities as an individual operating segment. It has also determined that all of its communities have similar economic characteristics and meet the other criteria which permit the communities to be aggregated into one reportable segment, which is acquisition and operation of the multifamily communities owned.

16. Subsequent Events

ACQUISITIONS. On January 10, 2008, Mid-America purchased the Cascade at Fall Creek apartments, a 246-unit community in Humble, TX. On January 17, 2008, Fund I made its first acquisition and purchased the Milstead Village apartments, a 310-unit community located in Kennesaw, GA.

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17. Selected Quarterly Financial Information (Unaudited)

Mid-America Apartment Communities, Inc.
Quarterly Financial Data (Unaudited)
(Dollars in thousands except per share data)

	Year Ended December 31, 2007			
	First	Second	Third	Fourth
Total operating revenues	\$ 84,991	\$ 86,779	\$ 90,164	\$ 91,023
Income from continuing operations before non-operating items	\$ 21,672	\$ 22,266	\$ 24,220	\$ 24,894
Interest expense	\$ (16,014)	\$ (16,034)	\$ (16,147)	\$ (16,257)
(Loss) gain on debt extinguishment	\$ □	\$ (52)	\$ (71)	\$ □
Minority interest in operating partnership income	\$ (1,038)	\$ (763)	\$ (1,034)	\$ (675)
(Loss) gain from investments in unconsolidated entities	\$ (7)	\$ (51)	\$ □	\$ □
Incentive fee from real estate joint ventures	\$ 1,019	\$ □	\$ □	\$ □
Net gains (loss) on insurance and other settlement proceeds	\$ 510	\$ 332	\$ (197)	\$ (56)
Gains on disposition within unconsolidated entities	\$ 5,387	\$ □	\$ 1	\$ □
Discontinued operations:				
Income (loss) from discontinued operations before asset impairment, settlement proceeds and gain on sale	\$ 262	\$ 274	\$ (5)	\$ 23
Gains on sale of discontinued operations	\$ □	\$ 3,443	\$ 5,714	\$ 7
Net income	\$ 11,324	\$ 9,118	\$ 11,900	\$ 7,604
Premiums and original issuance costs associated with the redemption of preferred stock	\$ □	\$ □	\$ □	\$ (589)
Net income available for common shareholders	\$ 7,833	\$ 5,628	\$ 8,409	\$ 3,799
Per share:				
Net income available per common share - basic	\$ 0.31	\$ 0.22	\$ 0.33	\$ 0.15
Net income available per common share - diluted	\$ 0.31	\$ 0.22	\$ 0.33	\$ 0.15
Dividend paid	\$ 0.605	\$ 0.605	\$ 0.605	\$ 0.605

Year Ended December 31, 2006

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	First	Second	Third	Fourth
Total operating revenues	\$ 77,391	\$ 79,795	\$ 82,183	\$ 84,293
Income from continuing operations before non-operating items	\$ 21,957	\$ 21,888	\$ 21,599	\$ 21,232
Interest expense	\$ (15,602)	\$ (15,736)	\$ (15,398)	\$ (16,383)
(Loss) gain on debt extinguishment	\$ (550)	\$ (1)	\$ □	\$ □
Minority interest in operating partnership income	\$ (413)	\$ (408)	\$ (375)	\$ (394)
(Loss) gain from investments in unconsolidated entities	\$ (84)	\$ (35)	\$ (16)	\$ 21
Incentive fee from real estate joint ventures	\$ □	\$ □	\$ □	\$ □
Net gains (loss) on insurance and other settlement proceeds	\$ □	\$ 225	\$ (54)	\$ (87)
Gains on disposition within unconsolidated entities	\$ □	\$ □	\$ □	\$ □
Discontinued operations:				
Income (loss) from discontinued operations before asset impairment, settlement proceeds and gain on sale	\$ 186	\$ 248	\$ 199	\$ 239
Gains on sale of discontinued operations	\$ □	\$ □	\$ □	\$ □
Net income	\$ 5,126	\$ 5,892	\$ 5,630	\$ 4,297
Premiums and original issuance costs associated with the redemption of preferred stock	\$ □	\$ □	\$ □	\$ □
Net income available for common shareholders	\$ 1,636	\$ 2,401	\$ 2,139	\$ 807
Per share:				
Net income available per common share - basic	\$ 0.07	\$ 0.10	\$ 0.09	\$ 0.03
Net income available per common share - diluted	\$ 0.07	\$ 0.10	\$ 0.09	\$ 0.03
Dividend paid	\$ 0.595	\$ 0.595	\$ 0.595	\$ 0.595

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Some of the first and second quarter 2007 and 2006 financial data in the tables above differ from the numbers originally reported in the Quarterly Reports on Form 10-Q for the three months ended March 31, 2007 and June 30, 2007, due to the reclassification of certain property level bonuses from property management expenses to property operating expenses.

A reconciliation of the affected financial data is below (in thousands):

	Income from continuing operations before non-operating items	Discontinued operations: Income (loss) from discontinued operations before asset impairment, settlement proceeds and gain on sale
First Quarter 2006		
As originally reported in the Quarterly Report on Form 10-Q for the three months ended March 31, 2007	\$ 21,950	\$ 193
Property bonus reclass	7	(7)
Adjusted for the Annual Report on Form 10-K for the twelve months ended December 31, 2007	\$ 21,957	\$ 186
First Quarter 2007		
As originally reported in the Quarterly Report on Form 10-Q for the three months ended March 31, 2007	\$ 21,669	\$ 265

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Property bonus reclass		3	(3)
Adjusted for the Annual Report on Form 10-K for the twelve months ended December 31, 2007		\$ 21,672	\$ 262
Second Quarter 2006			
As originally reported in the Quarterly Report on Form 10-Q for the three months ended March 31, 2007		\$ 21,886	\$ 250
Property bonus reclass		2	(2)
Adjusted for the Annual Report on Form 10-K for the twelve months ended December 31, 2007		\$ 21,888	\$ 248
Second Quarter 2007			
As originally reported in the Quarterly Report on Form 10-Q for the three months ended March 31, 2007		\$ 22,262	\$ 278
Property bonus reclass		4	(4)
Adjusted for the Annual Report on Form 10-K for the twelve months ended December 31, 2007		\$ 22,266	\$ 274

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Mid-America Apartment Communities, Inc
Schedule III
Real Estate and Accumulated Depreciation
December 31, 2007
(Dollars in thousands)

Property	Location	Encumbrances	Cost Capitalized			
			Initial Cost		subsequent to Acquisition	
			Land	Buildings and Fixtures	Land	Buildings and Fixtures
Eagle Ridge	Birmingham, AL	□ (1)	\$ 851	\$ 7,667	\$ □	\$ 1,712
Abbingtion Place	Huntsville, AL	□ (1)	524	4,724	□	1,453
Paddock Club Huntsville	Huntsville, AL	□ (1)	909	10,152	830	10,033
Paddock Club Montgomery	Montgomery, AL	□ (1)	965	13,190	□	874
Calais Forest	Little Rock, AR	□ (1)	1,026	9,244	□	3,355
Napa Valley	Little Rock, AR	□ (1)	960	8,642	□	2,041
Westside Creek I & II	Little Rock, AR	□ (1)	1,270	11,463	1	2,547
Talus Ranch	Phoenix, AZ	□	12,741	49,636	□	169
Tiffany Oaks	Altamonte Springs, FL	□ (1)	1,024	9,219	□	3,950
Marsh Oaks	Atlantic Beach, FL	□ (1)	244	2,829	□	1,340
Indigo Point	Brandon, FL	□ (4)	1,167	10,500	□	2,192
Paddock Club Brandon	Brandon, FL	□ (2)	2,896	26,111	□	1,445
Preserve at Coral Square	Coral Springs, FL	29,532	9,600	41,206	□	1,619
Anatole	Daytona Beach, FL	7,000 (10)	1,227	5,879	□	2,087
Paddock Club Gainesville	Gainesville, FL	□ (2)	1,800	15,879	□	600
Cooper's Hawk	Jacksonville, FL	□ (2)	854	7,500	□	1,847
Hunter's Ridge at Deerwood	Jacksonville, FL	□ (8)	1,533	13,835	□	3,783
Lakeside	Jacksonville, FL	□ (1)	1,431	12,883	(1)	5,880

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Lighthouse at Fleming Island	Jacksonville, FL	□ (1)	4,047	36,431	□	828
Paddock Club Jacksonville	Jacksonville, FL	□ (1)	2,294	20,750	(2)	1,553
Paddock Club Mandarin	Jacksonville, FL	□ (2)	1,410	14,967	1	829
St. Augustine	Jacksonville, FL	13,235 (20)	2,858	6,475	(1)	6,301
Woodbridge at the Lake	Jacksonville, FL	□ (2)	645	5,804	□	3,208
Woodhollow	Jacksonville, FL	□ (1)	1,686	15,179	(8)	4,768
Paddock Club Lakeland	Lakeland, FL	□ (1)	2,254	20,452	(1,033)	3,601
Savannahs at James Landing	Melbourne, FL	□ (2)	582	7,868	□	3,845
Paddock Park Ocala	Ocala, FL	6,805 (2)(3)	2,284	21,970	□	2,386
Paddock Club Panama City	Panama City, FL	□ (2)	898	14,276	(5)	800
Paddock Club Tallahassee	Tallahassee, FL	□ (2)	530	4,805	950	10,298
Belmere	Tampa, FL	□ (1)	851	7,667	1	3,334
Links at Carrollwood	Tampa, FL	□ (1)	817	7,355	110	3,676
High Ridge	Athens, GA	(1)	884	7,958	□	1,339
Bradford Pointe	Augusta, GA	(5)	772	6,949	□	1,460
Shenandoah Ridge	Augusta, GA	□ (1)	650	5,850	8	3,489
Westbury Creek	Augusta, GA	3,480 (15)	400	3,626	□	928
Fountain Lake	Brunswick, GA	□ (5)	502	4,551	□	1,511
Park Walk	College Park, GA	□ (1)	536	4,859	□	883
Whisperwood	Columbus, GA	(1)	4,290	42,722	(4)	8,967
Willow Creek	Columbus, GA	□ (1)	614	5,523	□	3,056
Terraces at Fieldstone	Conyers, GA	□ (1)	1,284	15,819	□	796
Prescott	Duluth, GA	(6)	3,840	24,876	□	616
Lanier	Gainesville, GA	19,577	3,560	23,248	□	794
Lake Club	Gainesville, GA	□ (6)	3,150	18,997	□	229
Whispering Pines	LaGrange, GA	□ (5)	823	7,470	(2)	1,750
Westbury Springs	Lilburn, GA	□ (1)	665	6,038	□	1,447
Austin Chase	Macon, GA	(8)	1,409	12,687	□	733
The Vistas	Macon, GA	(1)	595	5,403	□	1,206
Walden Run	McDonough, GA	(1)	1,281	11,935	□	266
Georgetown Grove	Savannah, GA		1,288	11,579	□	942
Oaks at Wilmington Island	Savannah, GA	□ (7)	2,910	26,337	□	730
Wildwood	Thomasville, GA	□ (1)	438	3,971	371	4,850
Hidden Lake	Union City, GA	□ (1)	1,296	11,715	□	2,362
Three Oaks	Valdosta, GA	□ (1)	462	4,188	459	5,931
Huntington Chase	Warner Robins, GA	8,581	1,160	10,437	□	927

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Property	Location	Encumbrances	Cost Capitalized				
			Land	Fixtures	subsequent to Acquisition		Land
					Initial Cost		
					Buildings and	Buildings and	
Southland Station	Warner Robins, GA	□ (1)	1,470	13,284	□	1,971	1,470
Terraces at Townelake	Woodstock, GA	□ (1)	1,331	11,918	1,688	17,974	3,019
Fairways at Hartland	Bowling Green, KY	□ (1)	1,038	9,342	□	1,630	1,038

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Paddock Club Florence	Florence, KY	9,456	1,209	10,969	□	1,622	1,209
Grand Reserve Lexington	Lexington, KY	□ (1)	2,024	31,525	□	145	2,024
Lakepointe	Lexington, KY	□ (1)	411	3,699	□	1,361	411
Mansion, The	Lexington, KY	□ (1)	694	6,242	□	1,990	694
Village, The	Lexington, KY	□ (1)	900	8,097	□	2,735	900
Stonemill Village	Louisville, KY	□ (1)	1,169	10,518	□	5,954	1,169
Riverhills	Grenada, MS	□ (1)	153	2,092	□	914	153
Crosswinds	Jackson, MS	(1)	1,535	13,826	□	2,786	1,535
Pear Orchard	Jackson, MS	(1)	1,352	12,168	(1)	4,072	1,351
Reflection Pointe	Jackson, MS	5,880 (11)	710	8,770	140	3,986	850
Lakeshore Landing	Ridgeland, MS	□ (1)	676	6,470	□	401	676
Savannah Creek	Southaven, MS	□ (1)	778	7,013	□	1,971	778
Sutton Place	Southaven, MS	□ (1)	894	8,053	□	2,193	894
Hermitage at Beechtree	Cary, NC	□ (1)	900	8,099	□	2,310	900
Waterford Forest	Cary, NC	□ (6)	4,000	20,957	□	638	4,000
Woodstream	Greensboro, NC	□ (1)	1,048	9,855	□	1,018	1,048
Corners, The	Winston-Salem, NC	□ (2)	685	6,165	□	1,720	685
Preserve at Brier Creek	Raleigh, NC	□ (1)	5,850	22,695	(19)	21,219	5,831
Fairways at Royal Oak	Cincinnati, OH	□ (1)	814	7,335	(12)	1,855	802
Colony at South Park	Aiken, SC	□ (1)	862	8,005	□	529	862
Woodwinds	Aiken, SC	(1)	503	4,540	□	1,243	503
Tanglewood	Anderson, SC	(1)	427	3,853	□	2,010	427
Fairways, The	Columbia, SC	7,735 (12)	910	8,207	□	1,345	910
Paddock Club Columbia	Columbia, SC	□ (1)	1,840	16,560	□	1,964	1,840
Highland Ridge	Greenville, SC	□ (1)	482	4,337	□	1,538	482
Howell Commons	Greenville, SC	□ (1)	1,304	11,740	□	2,361	1,304
Paddock Club Greenville	Greenville, SC	□ (1)	1,200	10,800	□	922	1,200
Park Haywood	Greenville, SC	□ (1)	325	2,925	35	3,708	360
Spring Creek	Greenville, SC	□ (1)	597	5,374	(14)	1,734	583
Runaway Bay	Mt. Pleasant, SC	8,365 (9)	1,085	7,269	□	3,959	1,085
Park Place	Spartanburg, SC	□ (1)	723	6,504	□	1,790	723
Farmington Village	Summerville, SC	□	2,800	26,947	□	21	2,800
Hamilton Pointe	Chattanooga, TN	□ (1)	1,131	10,861	□	611	1,131
Hidden Creek	Chattanooga, TN	□ (1)	972	9,201	□	604	972
Steeplechase	Chattanooga, TN	□ (1)	217	1,957	□	2,288	217
Windridge	Chattanooga, TN	5,465 (16)	817	7,416	□	1,832	817
Oaks, The	Jackson, TN	(1)	177	1,594	□	1,463	177
Post House Jackson	Jackson, TN	5,095	443	5,078	□	3,138	443
Post House North	Jackson, TN	3,375 (13)	381	4,299	(57)	1,839	324
Bradford Chase	Jackson, TN	□ (1)	523	4,711	□	1,318	523
Woods at Post House	Jackson, TN	4,871	240	6,839	□	1,486	240
Cedar Mill	Memphis, TN	□ (1)	824	8,023	□	1,515	824
Greenbrook	Memphis, TN	□ (4)	2,100	24,468	25	18,257	2,125
Kirby Station	Memphis, TN	□ (1)	1,148	10,337	□	5,235	1,148
Lincoln on the Green	Memphis, TN	□ (1)	1,498	20,483	□	10,091	1,498
Park Estate	Memphis, TN	□ (4)	178	1,141	□	3,446	178
Reserve at Dexter Lake	Memphis, TN	□ (5)	1,260	16,043	2,147	32,640	3,407
River Trace	Memphis, TN	□ (1)	1,622	14,723	1	2,374	1,623
Paddock Club Murfreesboro	Murfreesboro, TN	□ (1)	915	14,774	□	669	915
Brentwood Downs	Nashville, TN	(1)	1,193	10,739	(2)	3,113	1,191
Grand View Nashville	Nashville, TN	□ (1)	2,963	33,673	□	1,672	2,963

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Monthaven Park	Nashville, TN	22,120	2,736	29,556	□	1,114	2,736
Park at Hermitage	Nashville, TN	6,645	(17)	1,524	14,800	□	3,931
Northwood	Arlington, TX	(2)	886	8,278	□	492	886
Balcones Woods	Austin, TX	□	(2)	1,598	14,398	□	4,913
Grand Reserve at Sunset Valley	Austin, TX	10,265		3,150	11,868	□	505
Silverado	Austin, TX	□	(7)	2,900	24,810	□	357

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Property	Location	Encumbrances	Initial Cost			Land
			Buildings and		Land	
			Fixtures	Land		
Stassney Woods	Austin, TX	4,050 (18)	1,621	7,501	□	
Travis Station	Austin, TX	3,585 (19)	2,282	6,169	(1)	
Woods, The	Austin, TX	□ (2)	1,405	13,083	□	
Celery Stalk	Dallas, TX	□ (6)	1,463	13,165	(1)	
Courtyards at Campbell	Dallas, TX	□ (2)	988	8,893	□	
Deer Run	Dallas, TX	□ (2)	1,252	11,271	□	
Grand Courtyard	Dallas, TX	□ (7)	2,730	23,219	□	
Lodge at Timberglen	Dallas, TX	□ (6)	825	7,422	(1)	
Watermark	Dallas, TX	□ (6)	960	14,839	□	
Legacy Pines	Houston, TX	□ (2)	2,157	19,491	(15)	
Reserve at Woodwind Lakes	Houston, TX	15,416	1,968	20,718	□	
Park Place (Houston)	Houston, TX		2,061	16,386	□	
Ranchstone	Houston, TX	□ (7)	1,480	15,352	□	
Chalet at Fall Creek	Humble, TX	□ (7)	2,755	20,820	□	
Westborough Crossing	Katy, TX	□ (6)	677	6,091	(1)	
Kenwood Club	Katy, TX	(2)	1,002	17,288	□	
Lane at Towne Crossing	Mesquite, TX	□ (2)	1,311	12,254	(8)	
Highwood	Plano, TX	(4)	864	7,783	□	
Los Rios Park	Plano, TX	(2)	3,273	29,483	□	
Boulder Ridge	Roanoke, TX	□ (2)	4,438	27,930	28	
Cypresswood Court	Spring, TX	(6)	577	5,190	(1)	
Villages at Kirkwood	Stafford, TX	13,242	1,918	16,358	□	
Green Tree Place	Woodlands, TX	□ (6)	539	4,850	□	
Township	Hampton, VA	10,800 (14)	1,509	8,189	□	
Total Properties		\$ 224,575	\$ 209,137	\$ 1,721,264	\$ 5,606	
Land Held for Future Developments	Various		\$ 2,360	□	□	
Commercial Properties	Various		□	2,769	□	
Total Other			\$ 2,360	\$ 2,769	\$ □	
Total Real Estate Assets, net of Joint Ventures			\$ 211,497	\$ 1,724,033	\$ 5,606	

- (1) Encumbered by a \$691.8 million FNMA facility, with \$675.1 million available and \$627.8 million outstanding with a variable interest rate of 5.06% on which there exists in combination with the FNMA facility mentioned in note (2) fourteen interest rate swap agreements totaling \$540 million at an

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average rate of 5.52% at December 31, 2007.

- (2) Encumbered by a \$243.2 million FNMA facility, with \$243.2 available and \$168.6 million outstanding, \$90 million with a fixed rate of 7.49% and \$78.6 million of which had a variable interest rate of 5.14% on which there exists interest rate swaps as mentioned in note (1) at December 31, 2007.
- (3) Phase I of Paddock Park - Ocala is encumbered by \$6.8 million in bonds on which there exists a \$6.8 million interest rate cap of 6.00% which terminates on October 24, 2012.
- (4) Encumbered, along with one corporate property, by a term loan with a principal balance of \$39.6 million at December 31, 2007, with a maturity of April 1, 2009 and an interest rate of 6.08% on which there is a \$25 million interest rate swap agreement with a rate of 4.98%, maturing on March 1, 2009.
- (5) Encumbered by a credit line with AmSouth Bank, with an outstanding balance of \$2.4 million at December 31, 2007.
- (6) Encumbered by a \$100 million Freddie Mac facility, with \$96.4 million available and an outstanding balance of \$96.4 million and a variable interest rate of 5.03% on which there exists five interest rate swap agreements totaling \$83 million at an average rate of 5.41% at December 31, 2007.
- (7) Encumbered by a \$200 million Freddie Mac facility, with \$70.7 million available and an outstanding balance of \$70.7 million and a variable interest rate of 5.04% on which there exists five interest rate swap agreements totaling \$47 million at an average rate of 6.01% at December 31, 2007.
- (8) Encumbered by a mortgage securing a tax-exempt bond amortizing over 25 years with a principal balance of \$11.9 million at December 31, 2007, and an average interest rate of 5.24%.
- (9) Encumbered by \$8.4 million in bonds on which there exists a \$8.4 million interest rate swap agreement fixed at 4.73% and maturing on September 15, 2010.
- (10) Encumbered by \$7.0 million in bonds on which there exists a \$7.0 million interest rate swap agreement fixed at 4.42% and maturing on October 15, 2012.
- (11) Encumbered by \$5.9 million in bonds on which there exists a \$5.9 million interest rate swap agreement fixed at 5.05% and maturing on June 15, 2008.
- (12) Encumbered by \$7.7 million in bonds on which there exists a \$7.7 million interest rate swap agreement fixed at 5.05% and maturing on June 15, 2008.
- (13) Encumbered by \$3.4 million in bonds on which there exists a \$3.4 million interest rate swap agreement fixed at 5.05% and maturing on June 15, 2008.
- (14) Encumbered by \$10.8 million in bonds on which there exists a \$10.8 million interest rate swap agreement fixed at 4.42% and maturing on October 15, 2012.
- (15) Encumbered by \$3.5 million in bonds \$0.5 million having a variable rate of 5.83% and \$3.0 million with a variable rate of 4.10% on which there exists a \$3.0 million interest rate swap agreement fixed at 3.23% and maturing on May 30, 2008.
- (16) Encumbered by \$5.5 million in bonds \$0.5 million having a variable rate of 5.83% and \$5.0 million with a variable rate of 4.10% on which there exists a \$5.0 million interest rate swap agreement fixed at 3.23% and maturing on May 30, 2008.

- (17) Encumbered by \$6.6 million in bonds on which there exists a \$6.6 million interest rate swap agreement fixed at 3.63% and maturing on March 15, 2009. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 5.27% which there exists a \$11.7 million and a \$6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.
- (18) Encumbered by \$4.0 million in bonds on which there exists a \$4.0 million interest rate cap of 6.00% which terminates on March 15, 2009. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 5.27% which there exists a \$11.7 million and a \$6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.
- (19) Encumbered by \$3.6 million in bonds on which there exists a \$3.6 million interest rate swap agreement fixed at 3.63% and maturing on March 15, 2009. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 5.27% which there exists a \$11.7 million and a \$6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.
- (20) Encumbered by \$13.2 million in bonds on which there exists a \$13.2 million interest rate cap of 6.00% and maturing on March 15, 2011. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 5.27% which there exists a \$11.7 million and \$6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 1, 2011 respectively.
- (21) The aggregate cost for Federal income tax purposes was approximately \$2,080 million at December 31, 2007. The aggregate cost for book purposes exceeds the total gross amount of real estate assets for Federal income tax purposes, principally due to purchase accounting adjustments recorded under accounting principles generally accepted in the United States of America.
- (22) Depreciation is on a straight line basis over the estimated useful asset life which ranges from 8 to 40 years for land improvements and buildings, 5 years for furniture, fixtures and equipment, and 1 year for fair market value of leases.

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Mid-America Apartment Communities, Inc.
Schedule III
Real Estate Investments and Accumulated Depreciation

A summary of activity for real estate investments and accumulated depreciation is as follows:

<i>Dollars in thousands</i>	Year Ended December 31,		
	2007	2006	2005
Real estate investments:			
Balance at beginning of year	\$ 2,214,814	\$ 1,983,671	\$ 1,848,707
Acquisitions	88,601	196,523	107,920
Improvement and development	61,004	51,807	27,301
Assets held for sale	□	(14,597)	□
Disposition of real estate assets*	(21,457)	(2,590)	(257)
Balance at end of year	\$ 2,342,962	\$ 2,214,814	\$ 1,983,671
Accumulated depreciation:			
Balance at beginning of year	\$ 543,802	\$ 473,421	\$ 399,762
Depreciation	92,200	78,221	73,700
Assets held for sale	□	(7,180)	□
Disposition of real estate assets*	(19,638)	(660)	(41)

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Balance at end of year	\$	616,364	\$	543,802	\$	473,421
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The Company's consolidated balance sheet at December 31, 2007, 2006, and 2005 includes accumulated depreciation of \$6,213, \$5,191, and \$4,143 respectively, in the caption "Commercial properties, net".

* Includes assets sold, casualty losses, and removal of certain fully depreciated assets.

See accompanying report of independent registered public accounting firm.

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