

MID AMERICA APARTMENT COMMUNITIES INC  
Form 10-Q  
July 31, 2015

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

FORM 10-Q

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

For the quarterly period ended June 30, 2015  
or

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

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

Commission File Number 001-12762 (Mid-America Apartment Communities, Inc.)  
Commission File Number 333-190028-01 (Mid-America Apartments, L.P.)

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

Tennessee (Mid-America Apartment Communities, Inc.)	62-1543819
Tennessee (Mid-America Apartments, L.P.)	62-1543816
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
6584 Poplar Avenue, Memphis, Tennessee, 38138	
(Address of principal executive offices) (Zip Code)	
(901) 682-6600	
(Registrant's telephone number, including area code)	

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

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

Mid-America Apartment Communities, Inc.	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
Mid-America Apartments, L.P.	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

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

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to submit and post such files).

Mid-America Apartment Communities, Inc. YES  NO

Mid-America Apartments, L.P. YES  NO

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

Mid-America Apartment Communities, Inc.

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

Mid-America Apartments, L.P.

Large accelerated filer  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).

Mid-America Apartment Communities, Inc. YES  NO

Mid-America Apartments, L.P. YES  NO

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

Class	Number of Shares Outstanding at July 27, 2015
Common Stock, \$0.01 par value	75,374,868

MID-AMERICA APARTMENT COMMUNITIES, INC.  
MID-AMERICA APARTMENTS, L.P.

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## Explanatory Note

This periodic report on Form 10-Q, or Report, combines the Reports for the quarter ended June 30, 2015 of Mid-America Apartment Communities, Inc., a Tennessee corporation and Mid-America Apartments, L.P., a Tennessee limited partnership, of which Mid-America Apartment Communities, Inc. is the sole general partner. Mid-America Apartment Communities, Inc. and its 94.7% owned subsidiary, Mid-America Apartments, L.P., are both required to file periodic Reports under the Securities Exchange Act of 1934, as amended.

Unless the context otherwise requires, all references in this Report to "MAA" refer only to Mid-America Apartment Communities, Inc., and not to any of its consolidated subsidiaries. Unless the context otherwise requires, all references in this Report to "we," "us," "our," or the "Company" refer collectively to Mid-America Apartment Communities, Inc., together with its consolidated subsidiaries, including Mid-America Apartments, L.P. Unless the context otherwise requires, the references in this Report to the "Operating Partnership" or "MAALP" refer to Mid-America Apartments, L.P. together with its consolidated subsidiaries. "Common stock" refers to the common stock of MAA and "shareholders" means the holders of shares of MAA's common stock. The limited partnership interests of the Operating Partnership are referred to as "OP Units" and the holders of the OP Units are referred to as "unitholders".

As of June 30, 2015, MAA owned 75,375,027 units (or approximately 94.7%) of the limited partnership interests of the Operating Partnership. MAA conducts substantially all of its business and holds substantially all of its assets through the Operating Partnership, and by virtue of its ownership of the OP Units and being the Operating Partnership's sole general partner, MAA has the ability to control all of the day-to-day operations of the Operating Partnership.

We believe combining the Reports of MAA and the Operating Partnership, including the notes to the condensed consolidated financial statements, into this single Report results in the following benefits:

- enhances investors' understanding of MAA and the Operating Partnership by enabling investors to view the business as a whole in the same manner that management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure in this Report applies to both MAA and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined Report instead of two separate Reports.

Management operates MAA and the Operating Partnership as one business. The management of the Company is comprised of individuals who are officers of MAA and employees of the Operating Partnership. We believe it is important to understand the few differences between MAA and the Operating Partnership in the context of how MAA and the Operating Partnership operate as a consolidated company. MAA and the Operating Partnership are structured as an "umbrella partnership REIT," or UPREIT. MAA's interest in the Operating Partnership entitles MAA to share in cash distributions from, and in the profits and losses of, the Operating Partnership in proportion to MAA's percentage interest therein and entitles MAA to vote on substantially all matters requiring a vote of the limited partners. MAA's only material asset is its ownership of limited partner interests in the Operating Partnership; therefore, MAA does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time-to-time and guaranteeing certain debt of the Operating Partnership. The Operating Partnership holds, directly or indirectly, all of our real estate assets. Except for net proceeds from public equity issuances by MAA, which are contributed to the Operating Partnership in exchange for limited partner interests, the Operating Partnership generates the capital required by the Company's business through the Operating Partnership's operations, direct or indirect incurrence of indebtedness and issuance of partnership units.

The presentation of MAA's shareholders' equity and the Operating Partnership's capital are the principal areas of difference between the consolidated financial statements of MAA and those of the Operating Partnership. MAA's

shareholders' equity may include shares of preferred stock, shares of common stock, additional paid-in capital, cumulative earnings, cumulative distributions, noncontrolling interest, preferred units, treasury shares, accumulated other comprehensive income and redeemable common units. The Operating Partnership's capital may include common capital and preferred capital of the general partner (MAA), limited partners' preferred capital, limited partners' noncontrolling interest, accumulated other comprehensive income and redeemable common units. Redeemable common units represent the number of outstanding OP Units as of the date of the applicable balance sheet, valued for conversion at the greater of the closing market price of MAA's common stock or the aggregate value of the individual partners' capital balances. Holders of common units in the Operating Partnership (other than MAA and its entity affiliates) may require the Operating Partnership to redeem their common units, in which case the Operating Partnership may, at its option, pay the redemption price either in cash (in an amount per common unit equal, in general, to the average closing price of MAA's common stock on the New York Stock Exchange, or "NYSE", over a specified period of time prior to the redemption date) or by delivering one share of our common stock (subject to adjustment under specified circumstances) for each common unit so redeemed.

In order to highlight the material differences between MAA and the Operating Partnership, this Report includes sections that separately present and discuss areas that are materially different between MAA and the Operating Partnership, including:

the consolidated financial statements in Item 1 of this Report;  
certain accompanying notes to the financial statements, including Note 2 - Earnings per Common Share of MAA and Note 3 - Earnings per OP Unit of MAALP; and Note 9 - Shareholders' Equity of MAA and Note 10 - Partners' Capital of Mid-America Apartments, L.P.;

the certifications of the Chief Executive Officer and Chief Financial Officer of MAA included as Exhibits 31 and 32 to this Report.

In the sections that combine disclosure for MAA and the Operating Partnership, this Report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership (directly or indirectly through one of its subsidiaries) is generally the entity that enters into contracts, holds assets and issues debt, management believes this presentation is appropriate for the reasons set forth above and because the business is one enterprise and we operate the business through the Operating Partnership.

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Mid-America Apartment Communities, Inc.  
 Condensed Consolidated Balance Sheets  
 June 30, 2015 and December 31, 2014  
 (Unaudited)  
 (Dollars in thousands, except share data)

	June 30, 2015	December 31, 2014
Assets:		
Real estate assets:		
Land	\$904,504	\$913,408
Buildings and improvements	6,705,727	6,781,210
Furniture, fixtures and equipment	214,943	214,742
Development and capital improvements in progress	69,975	80,772
	7,895,149	7,990,132
Less accumulated depreciation	(1,338,726)	(1,358,400)
	6,556,423	6,631,732
Undeveloped land	52,629	55,997
Corporate properties, net	8,331	7,988
Investments in real estate joint ventures	1,809	1,791
Assets held for sale	64,265	—
Real estate assets, net	6,683,457	6,697,508
Cash and cash equivalents	30,030	26,653
Restricted cash	53,406	28,181
Deferred financing costs, net	12,764	17,812
Other assets	62,149	61,119
Goodwill	1,607	2,321
Total assets	\$6,843,413	\$6,833,594
Liabilities and equity:		
Liabilities:		
Secured notes payable	\$1,413,793	\$1,592,116
Unsecured notes payable	2,028,451	1,932,399
Accounts payable	11,884	8,395
Fair market value of interest rate swaps	13,071	13,392
Accrued expenses and other liabilities	215,134	219,044
Security deposits	11,281	10,526
Liabilities associated with assets held for sale	1,216	—
Total liabilities	3,694,830	3,775,872
Redeemable stock	6,298	5,911
Shareholders' equity:		
Common stock, \$0.01 par value per share, 100,000,000 shares authorized; 75,375,027 and 75,267,675 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively <sup>(1)</sup>	754	752
Additional paid-in capital	3,622,323	3,619,270
Accumulated distributions in excess of net income	(647,413)	(729,086)

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Accumulated other comprehensive income (loss)	952	(412	)
Total MAA shareholders' equity	2,976,616	2,890,524	
Noncontrolling interest	165,669	161,287	
Total equity	3,142,285	3,051,811	
Total liabilities and equity	\$6,843,413	\$6,833,594	

Number of shares issued and outstanding represent total shares of common stock regardless of classification on the consolidated balance sheet. The number of shares classified as redeemable stock on the consolidated balance sheet for June 30, 2015 and December 31, 2014 are 86,495 and 87,818, respectively.

See accompanying notes to condensed consolidated financial statements.

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Mid-America Apartment Communities, Inc.  
 Condensed Consolidated Statements of Operations  
 Three and six months ended June 30, 2015 and 2014  
 (Unaudited)  
 (Dollars in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Operating revenues:				
Rental revenues	\$236,165	\$223,361	\$471,106	\$445,111
Other property revenues	22,726	21,883	46,337	44,285
Total property revenues	258,891	245,244	517,443	489,396
Management fee income	—	61	—	143
Total operating revenues	258,891	245,305	517,443	489,539
Property operating expenses:				
Personnel	25,872	25,195	51,533	50,118
Building repairs and maintenance	7,778	7,533	14,403	14,298
Real estate taxes and insurance	32,805	30,829	66,126	62,103
Utilities	21,596	21,559	43,673	43,141
Landscaping	5,687	6,040	11,132	11,489
Other operating	7,118	6,742	14,638	14,377
Depreciation and amortization	74,396	69,631	147,508	159,644
Total property operating expenses	175,252	167,529	349,013	355,170
Acquisition expense	1,159	947	1,499	958
Property management expenses	6,986	9,579	15,478	16,590
General and administrative expenses	6,657	5,212	13,224	9,554
Merger related expenses	—	795	—	2,871
Integration related expenses	—	3,151	—	6,993
Income from continuing operations before non-operating items	68,837	58,092	138,229	97,403
Interest and other non-property income (expense)	29	899	(180)	1,040
Interest expense	(29,528)	(30,163)	(59,459)	(60,839)
Loss on debt extinguishment	(3)	—	(3,379)	—
Amortization of deferred financing costs	(905)	(1,174)	(1,822)	(2,485)
Net casualty gain (loss) after insurance and other settlement proceeds	510	(295)	490	(305)
Gain on sale of depreciable real estate assets excluded from discontinued operations	105,182	3,658	135,410	6,222
Gain (loss) on sale of non-depreciable real estate assets	172	(22)	172	535
Income before income tax expense	144,294	30,995	209,461	41,571
Income tax expense	(398)	(523)	(907)	(793)
Income from continuing operations before joint venture activity	143,896	30,472	208,554	40,778
(Loss) gain from real estate joint ventures	(23)	2,919	(4)	2,895
Income from continuing operations	143,873	33,391	208,550	43,673
Discontinued operations:				
Loss from discontinued operations before gain on sale	—	(4)	—	(51)
Net casualty loss after insurance and other settlement proceeds on discontinued operations	—	(1)	—	(3)
Gain on sale of discontinued operations	—	—	—	5,481
Consolidated net income	143,873	33,386	208,550	49,100
Net income attributable to noncontrolling interests	7,574	1,773	10,984	2,621

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Net income available for MAA common shareholders	\$136,299	\$31,613	\$197,566	\$46,479
Earnings per common share - basic:				
Income from continuing operations available for common shareholders	\$1.81	\$0.42	\$2.62	\$0.55
Discontinued property operations	—	—	—	0.07
Net income available for common shareholders	\$1.81	\$0.42	\$2.62	\$0.62
Earnings per common share - diluted:				
Income from continuing operations available for common shareholders	\$1.81	\$0.42	\$2.62	\$0.55
Discontinued property operations	—	—	—	0.07
Net income available for common shareholders	\$1.81	\$0.42	\$2.62	\$0.62
Dividends declared per common share	\$0.77	\$0.73	\$1.54	\$1.46
See accompanying notes to condensed consolidated financial statements.				

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Mid-America Apartment Communities, Inc.  
Condensed Consolidated Statements of Comprehensive Income  
Three and six months ended June 30, 2015 and 2014  
(Unaudited)  
(Dollars in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Consolidated net income	\$143,873	\$33,386	\$208,550	\$49,100
Other comprehensive income:				
Unrealized gain (loss) from the effective portion of derivative instruments	1,804	(7,403 )	(2,543 )	(8,400 )
Reclassification adjustment for net losses included in net income for the effective portion of derivative instruments	1,791	3,085	3,983	6,810
Total comprehensive income	147,468	29,068	209,990	47,510
Less: comprehensive loss attributable to noncontrolling interests	(7,764 )	(1,542 )	(11,060 )	(2,534 )
Comprehensive income attributable to MAA	\$139,704	\$27,526	\$198,930	\$44,976

See accompanying notes to condensed consolidated financial statements.

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Mid-America Apartment Communities, Inc.  
 Condensed Consolidated Statements of Cash Flows  
 Six months ended June 30, 2015 and 2014  
 (Unaudited)  
 (Dollars in thousands)

	Six months ended June	
	30,	
	2015	2014
Cash flows from operating activities:		
Consolidated net income	\$208,550	\$49,100
Adjustments to reconcile net income to net cash provided by operating activities:		
Retail revenue accretion	(820)	(12)
Depreciation and amortization	149,587	162,099
Stock compensation expense	2,763	2,045
Redeemable stock issued	560	507
Amortization of debt premium	(10,339)	(14,648)
Loss (gain) from investments in real estate joint ventures	6	(2,878)
Loss on debt extinguishment	2,785	—
Derivative interest (credit) expense	(1,021)	402
Settlement of forward swaps	—	(3,625)
Gain on sale of non-depreciable real estate assets	(172)	(535)
Gain on sale of depreciable real estate assets excluded from discontinued operations	(135,410)	(6,222)
Gain on sale of discontinued operations	—	(5,481)
Net casualty (gain) loss and other settlement proceeds	(490)	308
Changes in assets and liabilities:		
Restricted cash	1,720	(5,183)
Other assets	8,562	11,134
Accounts payable	344	229
Accrued expenses and other	(1,204)	594
Security deposits	1,109	526
Net cash provided by operating activities	226,530	188,360
Cash flows from investing activities:		
Purchases of real estate and other assets	(161,892)	(141,795)
Normal capital improvements	(48,099)	(45,695)
Construction capital and other improvements	(3,873)	(5,271)
Renovations to existing real estate assets	(12,747)	(7,801)
Development	(14,420)	(46,346)
Distributions from real estate joint ventures	6	11,541
Contributions to real estate joint ventures	(30)	—
Proceeds from disposition of real estate assets	238,849	125,640
Funding of escrow for future acquisitions	(26,945)	(16,742)
Net cash used in investing activities	(29,151)	(126,469)
Cash flows from financing activities:		
Net change in credit lines	(16,115)	(181,183)
Proceeds from notes payable	—	396,180
Principal payments on notes payable	(55,199)	(230,952)
Payment of deferred financing costs	(178)	(3,395)
Repurchase of common stock	(945)	(336)
Proceeds from issuances of common shares	184	575

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Exercise of stock options	420	9,544
Distributions to noncontrolling interests	(6,443 )	(6,158 )
Dividends paid on common shares	(115,726 )	(109,414 )
Net cash used in financing activities	(194,002 )	(125,139 )
Net increase (decrease) in cash and cash equivalents	3,377	(63,248 )
Cash and cash equivalents, beginning of period	26,653	89,333
Cash and cash equivalents, end of period	\$30,030	\$26,085
Supplemental disclosure of cash flow information:		
Interest paid	\$71,596	\$75,818
Income taxes paid	\$2,051	\$1,596
Supplemental disclosure of noncash investing and financing activities:		
Conversion of units to shares of common stock	\$184	\$799
Accrued construction in progress	\$11,165	\$8,458
Interest capitalized	\$964	\$850
Marked-to-market adjustment on derivative instruments	\$2,484	\$1,633
Fair value adjustment on debt assumed	\$—	\$1,651
Loan assumption	\$—	\$31,692
See accompanying notes to condensed consolidated financial statements.		

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Mid-America Apartments, L.P.  
 Condensed Consolidated Balance Sheets  
 June 30, 2015 and December 31, 2014  
 (Dollars in thousands, except unit data)

	June 30, 2015	December 31, 2014
Assets:		
Real estate assets:		
Land	\$904,504	\$913,408
Buildings and improvements	6,705,727	6,781,210
Furniture, fixtures and equipment	214,943	214,742
Development and capital improvements in progress	69,975	80,772
	7,895,149	7,990,132
Less accumulated depreciation	(1,338,726)	(1,358,400)
	6,556,423	6,631,732
Undeveloped land	52,629	55,997
Corporate properties, net	8,331	7,988
Investments in real estate joint ventures	1,809	1,791
Assets held for sale	64,265	—
Real estate assets, net	6,683,457	6,697,508
Cash and cash equivalents	30,030	26,653
Restricted cash	53,406	28,181
Deferred financing costs, net	12,764	17,812
Other assets	62,149	61,119
Goodwill	1,607	2,321
Total assets	\$6,843,413	\$6,833,594
Liabilities and Capital:		
Liabilities:		
Secured notes payable	\$1,413,793	\$1,592,116
Unsecured notes payable	2,028,451	1,932,399
Accounts payable	11,884	8,395
Fair market value of interest rate swaps	13,071	13,392
Accrued expenses and other liabilities	215,134	219,044
Security deposits	11,281	10,526
Due to general partner	19	19
Liabilities associated with assets held for sale	1,216	—
Total liabilities	3,694,849	3,775,891
Redeemable units	6,298	5,911
Capital:		
General partner: 75,375,027 OP Units outstanding at June 30, 2015 and 75,267,675 OP Units outstanding at December 31, 2014 <sup>(1)</sup>	2,975,586	2,890,858
Limited partners: 4,186,369 OP Units outstanding at June 30, 2015 and 4,191,152 OP Units outstanding at December 31, 2014 <sup>(1)</sup>	165,616	161,310

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Accumulated other comprehensive income (loss)	1,064	(376	)
Total capital	3,142,266	3,051,792	
Total liabilities and capital	\$6,843,413	\$6,833,594	

Number of units outstanding represent total OP Units regardless of classification on the consolidated balance sheet.

(1) The number of units classified as redeemable units on the consolidated balance sheet at June 30, 2015 and December 31, 2014 are 86,495 and 87,818, respectively.

See accompanying notes to condensed consolidated financial statements.

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Mid-America Apartments, L.P.  
 Condensed Consolidated Statements of Operations  
 Three and six months ended June 30, 2015 and 2014  
 (Unaudited)  
 (Dollars in thousands, except per unit data)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Operating revenues:				
Rental revenues	\$236,165	\$223,361	\$471,106	\$445,111
Other property revenues	22,726	21,883	46,337	44,285
Total property revenues	258,891	245,244	517,443	489,396
Management fee income	—	61	—	143
Total operating revenues	258,891	245,305	517,443	489,539
Property operating expenses:				
Personnel	25,872	25,195	51,533	50,118
Building repairs and maintenance	7,778	7,533	14,403	14,298
Real estate taxes and insurance	32,805	30,829	66,126	62,103
Utilities	21,596	21,559	43,673	43,141
Landscaping	5,687	6,040	11,132	11,489
Other operating	7,118	6,742	14,638	14,377
Depreciation and amortization	74,396	69,631	147,508	159,644
Total property operating expenses	175,252	167,529	349,013	355,170
Acquisition expense	1,159	947	1,499	958
Property management expenses	6,986	9,579	15,478	16,590
General and administrative expenses	6,657	5,212	13,224	9,554
Merger related expenses	—	795	—	2,871
Integration related expenses	—	3,151	—	6,993
Income from continuing operations before non-operating items	68,837	58,092	138,229	97,403
Interest and other non-property income (expense)	29	899	(180	) 1,040
Interest expense	(29,528	) (30,163	) (59,459	