

MID AMERICA APARTMENT COMMUNITIES INC  
Form 10-Q  
August 03, 2006

---

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

**FORM 10-Q**

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

For the quarterly period ended June 30, 2006

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

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

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

Yes  No

Indicate by check mark whether the registrant 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.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

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

<b>Class</b>	<b>Number of Shares Outstanding at July 19, 2006</b>
Common Stock, \$.01 par value	24,044,783

---

**MID-AMERICA APARTMENT COMMUNITIES, INC.**

**TABLE OF CONTENTS**

	Page	
<b>PART I - FINANCIAL INFORMATION</b>		
Item 1.	Financial Statements	
	Condensed Consolidated Balance Sheets as of June 30, 2006 (Unaudited) and December 31, 2005	2
	Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2006 and 2005 (Unaudited)	3
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2006 and 2005 (Unaudited)	4
	Notes to Condensed Consolidated Financial Statements (Unaudited)	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	26
Item 4.	Controls and Procedures	26
<b>PART II - OTHER INFORMATION</b>		
Item 1.	Legal Proceedings	27
Item 1A.	Risk Factors	27
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	28
Item 3.	Defaults Upon Senior Securities	28
Item 4.	Submission of Matters to a Vote of Security Holders	28
Item 5.	Other Information	28
Item 6.	Exhibits	28
	Signatures	35

---

**Mid-America Apartment Communities, Inc.**  
**Condensed Consolidated Balance Sheets**  
**June 30, 2006 (Unaudited) and December 31, 2005**  
(Dollars in thousands, except per share data)

	June 30, 2006	December 31, 2005
<b>Assets:</b>		
Real estate assets:		
Land	\$ 190,862	\$ 179,523
Buildings and improvements	1,813,395	1,740,818
Furniture, fixtures and equipment	48,115	46,301
Capital improvements in progress	2,981	4,175
	2,055,353	1,970,817
Less accumulated depreciation	(503,793)	(473,421)
	1,551,560	1,497,396
Land held for future development	1,366	1,366
Commercial properties, net	7,156	7,345
Investments in and advances to real estate joint venture	3,926	4,182
Real estate assets, net	1,564,008	1,510,289
Cash and cash equivalents	11,366	14,064
Restricted cash	4,586	5,534
Deferred financing costs, net	15,935	15,338
Other assets	22,645	20,181
Goodwill	5,051	5,051
Assets held for sale	7,328	-
Total assets	\$ 1,630,919	\$ 1,570,457
<b>Liabilities and Shareholders' Equity:</b>		
<b>Liabilities:</b>		
Notes payable	\$ 1,125,235	\$ 1,140,046
Accounts payable	5,986	3,278
Accrued expenses and other liabilities	29,012	28,380
Security deposits	7,209	6,429
Liabilities associated with assets held for sale	290	-
Total liabilities	1,167,732	1,178,133
Minority interest	31,935	29,798
<b>Shareholders' equity:</b>		
Preferred stock, \$.01 par value, 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, 474,500 shares issued and outstanding	5	5

Edgar Filing: MID AMERICA APARTMENT COMMUNITIES INC - Form 10-Q

8.30% Series H Cumulative Redeemable Preferred  
Stock,

6,200,000 shares authorized, 6,200,000 shares issued and outstanding	62	62
Common stock, \$.01 par value per share, 50,000,000 shares authorized; 24,025,183 and 22,048,372 shares issued and outstanding at June 30, 2006, and December 31, 2005, respectively	240	220
Additional paid-in capital	757,581	671,885
Other	-	(2,422)
Accumulated distributions in excess of net income	(351,269)	(314,352)
Accumulated other comprehensive income (loss)	24,633	7,128
Total shareholders' equity	431,252	362,526
Total liabilities and shareholders' equity	\$ 1,630,919	\$ 1,570,457

*See accompanying notes to condensed consolidated  
financial statements.*

**Mid-America Apartment Communities, Inc.**  
**Condensed Consolidated Statements of Operations**  
**Three and six months ended June 30, 2006 and 2005**  
(Dollars in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Operating revenues:				
Rental revenues	\$ 76,842	\$ 69,290	\$ 151,264	\$ 137,327
Other property revenues	3,470	3,124	6,994	6,011
Total property revenues	80,312	72,414	158,258	143,338
Management fee income	52	103	104	221
Total operating revenues	80,364	72,517	158,362	143,559
Property operating expenses:				
Personnel	9,437	8,633	18,456	16,907
Building repairs and maintenance	2,947	2,631	5,383	4,912
Real estate taxes and insurance	9,950	9,507	19,505	18,858
Utilities	4,573	4,038	9,258	8,157
Landscaping	2,132	1,950	4,222	3,878
Other operating	3,629	3,470	7,035	6,840
Depreciation	19,515	18,244	38,286	36,135
Total property operating expenses	52,183	48,473	102,145	95,687
Property management expenses	3,464	2,892	5,975	5,700
General and administrative expenses	2,682	2,163	6,043	4,819
Income from continuing operations before non-operating items	22,035	18,989	44,199	37,353
Interest and other non-property income	215	130	332	287
Interest expense	(15,833)	(14,404)	(31,534)	(28,073)
Loss on debt extinguishment	(1)	(90)	(551)	(94)
Amortization of deferred financing costs	(504)	(489)	(989)	(949)
Minority interest in operating partnership income	(408)	(778)	(821)	(1,038)
(Loss) income from investments in real estate joint ventures	(35)	(193)	(119)	125
Incentive fee from real estate joint ventures	-	1,723	-	1,723
Net gain (loss) on insurance and other settlement proceeds	225	(16)	225	(9)
Gain on sale of non-depreciable assets	-	334	-	334
Gain on disposition within real estate joint ventures	-	3,034	-	3,034
	5,694	8,240	10,742	12,693

Edgar Filing: MID AMERICA APARTMENT COMMUNITIES INC - Form 10-Q

Income from continuing operations					
Discontinued operations:					
Gain from discontinued operations before asset impairment, settlement proceeds and gain on sale	198	102	276	94	
Asset impairment on discontinued operations	-	(149)	-	(243)	
Net loss on insurance and other settlement proceeds on discontinued operations	-	-	-	(25)	
Net income	5,892	8,193	11,018	12,519	
Preferred dividend distribution	3,491	3,635	6,981	7,348	
Net income available for common shareholders	\$ 2,401	\$ 4,558	\$ 4,037	\$ 5,171	
Weighted average shares outstanding (in thousands):					
Basic	23,152	21,351	22,645	21,140	
Effect of dilutive stock options	222	274	228	279	
Diluted	23,374	21,625	22,873	21,419	
Net income available for common shareholders	\$ 2,401	\$ 4,558	\$ 4,037	\$ 5,171	
Discontinued property operations	(198)	47	(276)	174	
Income from continuing operations available for common shareholders	\$ 2,203	\$ 4,605	\$ 3,761	\$ 5,345	
Earnings per share - basic:					
Income from continuing operations available for common shareholders	\$ 0.09	\$ 0.22	\$ 0.17	\$ 0.25	
Discontinued property operations	0.01	(0.01)	0.01	(0.01)	
Net income available for common shareholders	\$ 0.10	\$ 0.21	\$ 0.18	\$ 0.24	
Earnings per share - diluted:					
Income from continuing operations available for common shareholders	\$ 0.09	\$ 0.21	\$ 0.17	\$ 0.25	
Discontinued property operations	0.01	-	0.01	(0.01)	
Net income available for common shareholders	\$ 0.10	\$ 0.21	\$ 0.18	\$ 0.24	

Dividends declared per common share <sup>(1)</sup>	\$	0.595	\$	0.585	\$	1.785	\$	1.170
--	----	-------	----	-------	----	-------	----	-------

<sup>(1)</sup> The Company declared and paid \$1.19 per common share during the six months ended June 30, 2006. During this same period the Company also declared an additional \$0.595 per common share that will not be paid until July 31, 2006.

*See accompanying notes to condensed consolidated financial statements.*



**Mid-America Apartment Communities, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**Six Months Ended June 30, 2006 and 2005**  
(Dollars in thousands)

	2006	2005
<b>Cash flows from operating activities:</b>		
Net income	\$ 11,018	\$ 12,519
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain from discontinued operations before asset impairment, settlement		
proceeds and gain on sale	(276)	(94)
Depreciation and amortization of deferred financing costs	39,275	37,084
Stock compensation expense	646	392
Amortization of debt premium	(930)	(932)
Loss (income) from investments in real estate joint ventures	119	(125)
Minority interest in operating partnership income	821	1,038
Loss on debt extinguishment	551	94
Derivative interest (income) expense	(120)	-
Gain on sale of non-depreciable assets	-	(334)
Gain on disposition within real estate joint ventures	-	(3,034)
Incentive fee from real estate joint ventures	-	(1,723)
Net loss on insurance and other settlement proceeds on discontinued operations	-	25
Asset impairment on discontinued operations	-	243
Net (gain) loss on insurance and other settlement proceeds	(225)	9
Changes in assets and liabilities:		
Restricted cash	689	(1,225)
Other assets	2,741	5,555
Accounts payable	2,874	1,672
Accrued expenses and other	2,574	3,367
Security deposits	780	453
<b>Net cash provided by operating activities</b>	<b>60,537</b>	<b>54,984</b>
<b>Cash flows from investing activities:</b>		
Purchases of real estate and other assets	(82,213)	(47,314)
Improvements to existing real estate assets	(17,802)	(10,521)
Distributions from real estate joint ventures	137	14,755
Proceeds from disposition of real estate assets	1,089	8,432
<b>Net cash used in investing activities</b>	<b>(98,789)</b>	<b>(34,648)</b>
<b>Cash flows from financing activities:</b>		
Net change in credit lines	1,659	(26,337)
Proceeds from notes payable	13,235	19,486
Principal payments on notes payable	(28,737)	(1,320)
Payment of deferred financing costs	(1,905)	(493)
	87,892	20,951

Edgar Filing: MID AMERICA APARTMENT COMMUNITIES INC - Form 10-Q

Proceeds from issuances of common shares and units

Distributions to unitholders	(2,990)		(3,067)
Dividends paid on common shares	(26,619)		(24,725)
Dividends paid on preferred shares	(6,981)		(7,348)
<b>Net cash provided by financing activities</b>	<b>35,554</b>		<b>(22,853)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,698)</b>		<b>(2,517)</b>
Cash and cash equivalents, beginning of period	14,064		9,133
Cash and cash equivalents, end of period	\$ 11,366	\$	6,616

**Supplemental disclosure of cash flow information:**

Interest paid	\$ 32,989	\$	29,344
---------------	-----------	----	--------

**Supplemental disclosure of noncash investing and financing activities:**

Conversion of units to common shares	\$ 136	\$	20
Issuance of restricted common shares	\$ 39	\$	813
Marked-to-market adjustment on derivative instruments	\$ 17,505		