

MID AMERICA APARTMENT COMMUNITIES INC
Form 10-K
February 25, 2010

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2009.

OR

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

For the Transition Period from to

Commission File Number: 1-12762

MID-AMERICA APARTMENT COMMUNITIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

TENNESSEE
(State or Other Jurisdiction of
Incorporation or Organization)

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

6584 POPLAR AVENUE
MEMPHIS, TENNESSEE
(Address of Principal Executive Offices)

38138
(Zip Code)

(901) 682-6600

(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Name of Each Exchange on Which Registered
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

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. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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, a non-accelerated filer, or a smaller reporting company. See definitions of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company)

Smaller Reporting Company

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

As of June 30, 2009, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$1,022,339,066, 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:

Class	Outstanding at February 5, 2010
Common Stock, \$.01 par value per share	29,211,776 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts into Which Incorporated
Certain portions of the Proxy Statement for the Annual Meeting of Shareholders to be held May 27, 2010 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

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PART I

RISKS ASSOCIATED WITH FORWARD-LOOKING STATEMENTS

Mid-America Apartment Communities, Inc. considers this and other sections of this Annual Report on Form 10-K to contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, with respect to our expectations for future periods. Forward looking statements do not discuss historical fact, but instead include statements related to expectations, projections, intentions or other items related to the future. Such forward-looking statements include, without limitation, statements concerning property acquisitions and dispositions, development and renovation activity as well as other capital expenditures, capital raising activities, rent growth, occupancy, and rental expense growth. Words such as expects, anticipates, intends, plans, believes, seeks, estimates, and variations of such words and similar expressions are intended to identify such forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Such factors include, among other things, unanticipated adverse business developments affecting us, or our properties, adverse changes in the real estate markets and general and local economies and business conditions. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore such forward-looking statements included in this report may not 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 us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved.

The following factors, among others, could cause our future results to differ materially from those expressed in the forward-looking statements:

- inability to generate sufficient cash flows due to market conditions, changes in supply and/or demand, competition, uninsured losses, changes in tax and housing laws, or other factors;
 - increasing real estate taxes and insurance costs;
- failure of new acquisitions to achieve anticipated results or be efficiently integrated into us;
 - failure of development communities to lease-up as anticipated;
 - inability of a joint venture to perform as expected;
- inability to acquire additional or dispose of existing apartment units on favorable economic terms;
 - losses from catastrophes in excess of our insurance coverage;
 - unexpected capital needs;
 - inability to attract and retain qualified personnel;
 - potential liability for environmental contamination;
 - adverse legislative or regulatory tax changes;
- litigation and compliance costs associated with laws requiring access for disabled persons;
- imposition of federal taxes if we fail to qualify as a REIT under the Internal Revenue Code in any taxable year or foregone opportunities to ensure REIT status;
 - inability to acquire funding through the capital markets;
 - inability to pay required distributions to maintain REIT status due to required debt payments;
- changes in interest rate levels, including that of variable rate debt, such as extensively used by us;
 - loss of hedge accounting treatment for interest rate swaps;
- the continuation of the good credit of our interest rate swap and cap providers;

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the availability of credit, including mortgage financing, and the liquidity of the debt markets, including a material deterioration of the financial condition of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, at present operating under the conservatorship of the United States Government;
inability to meet loan covenants; and
significant decline in market value of real estate serving as collateral for mortgage obligations.

ITEM 1. BUSINESS

OVERVIEW

Founded in 1994, Mid-America Apartment Communities, Inc. is a Memphis, Tennessee-based self-administered and self-managed real estate investment trust, or REIT, that focuses on acquiring, owning and operating apartment communities in the Sunbelt region of the United States. As of December 31, 2009, we owned 100% of 144 properties representing 42,684 apartment units. As of December 31, 2009, we also had 33.33% ownership interests in Mid-America Multifamily Fund I, LLC, or Fund I, and Mid-America Multifamily Fund II, LLC, or Fund II, which owned two properties containing 626 apartment units and one property containing 294 apartment units, respectively. These apartment communities were located across 13 states.

Our business is conducted principally through Mid-America Apartments, L.P., which we refer to as our operating partnership. We are the sole general partner of the operating partnership, holding 297,176 common units of partnership interest, or common units, comprising a 1% general partnership interest in the operating partnership as of December 31, 2009. Mid-America Apartment Communities, Inc.'s wholly-owned qualified REIT subsidiary, MAC II of Delaware, Inc. is a limited partner in the operating partnership and, as of December 31, 2009, held 27,114,739 common units, or 91.24% of all outstanding common units. Unless the context otherwise requires, all references in this Annual Report on Form 10-K to we, us, our, the company, or Mid-America refer collectively to Mid-America Apartment Communities, Inc. and its subsidiaries.

Our corporate offices are located at 6584 Poplar Avenue, Memphis Tennessee 38138 and our telephone number is (901) 682-6600. As of December 31, 2009, we had 1,204 full time employees and 78 part time employees.

FINANCIAL INFORMATION ABOUT SEGMENTS

As each of our apartment communities has similar economic characteristics, residents, and products and services, our operations have been aggregated into one reportable segment. See our consolidated financial statements and notes included thereto in Item 15 of this Annual Report on Form 10-K for certain information required by Item 1.

BUSINESS OBJECTIVES

Our primary business objectives are to protect and grow existing property values, to maintain a stable and increasing cash flow that will fund our dividend through all parts of the real estate investment cycle, and to create new shareholder value by growing in a disciplined manner. To achieve these objectives, we intend to continue to pursue the following goals and strategies:

effectively and efficiently operate our existing properties with intense property and asset management focus and a decentralized structure;

when accretive to shareholder value, acquire additional high-quality properties throughout the Sunbelt region of the United States;

selectively dispose of properties that no longer meet our ownership guidelines;
develop, renovate and reposition existing properties;
enter into joint ventures to acquire and reposition properties; and
actively manage our capital structure.

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OPERATION STRATEGY

Our goal is to maximize our return on investment collectively and 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:

- diversifying portfolio investments across both large and secondary markets;
- 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 and individual unit amenities;
- developing new ancillary income programs aimed at offering new services to residents, including telephone, cable, and internet access, on which we generate revenue;
- implementing programs to control expenses through investment in cost-saving initiatives, including measuring and passing on to residents the cost of various expenses, including water and other utility costs;
- 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;
- 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;
- allocating additional capital, including capital for selective interior and exterior improvements, where the investment will generate the highest returns;
- acquiring and from time to time developing properties when expected returns exceed our investment hurdle rate; and
- maintaining disciplined investment and capital allocation practices as a value investor.

Decentralized Operational Structure

We operate 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. To maximize the amount of information shared between senior and executive management and the properties on a real time basis, we utilize a web-based property management system. The system contains property and accounting modules which allow for operating efficiencies, continued expense control, provide for various expanded revenue management practices, and improve the support provided to on-site property operations. We use a yield management pricing program that helps our property managers optimize rental revenues and we also utilize purchase order and accounts payable software to provide improved controls and

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management information. We have also implemented revised utility billing processes, rolled out new web-sites enabling on-line lease applications and improved web-based marketing programs.

Intensive Property and Asset Management Focus

We have traditionally emphasized property management, and over the past several years, we have deepened our asset management functions to provide additional support in marketing, training, ancillary income and, most recently, revenue management. A large majority of our property managers are Certified Apartment Managers, a designation established by the National Apartment Association, which provides training for on-site manager professionals. We also provide our own in-house leadership development program consisting of an 18-month, three-module program followed by two comprehensive case studies which was developed with the assistance of U.S. Learning, Inc.

ACQUISITION STRATEGY

One of our growth strategies is to acquire and redevelop apartment communities diversified over both large and secondary markets throughout the Sunbelt region of the United States that meet our investment criteria when the expected leveraged returns exceed our investment hurdle rate, generally defined as our estimated cost of equity plus 20%. We have 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. We will continue to evaluate opportunities that arise, and will utilize this strategy to increase the number of apartment communities in strong and growing markets.

The following apartment communities were purchased during 2009:

Property	Location	Number of Units	Date Purchased
100% Owned Properties:			
Sky View Ranch	Gilbert (Phoenix), AZ	232	June 12, 2009
Park Crest at Innisbrook	Palm Harbor (Tampa), FL	432	October 9, 2009
Stone Ranch at Westover Hills	San Antonio, TX	400	December 4, 2009
Legacy at Western Oaks	Austin, TX	479	December 30, 2009
Village Oaks ⁽¹⁾	Temple Terrace (Tampa), FL	7	Various
		1,550	
33.33% Owned Properties Through Joint Ventures:			
Ansley Village	Macon, GA	294	July 24, 2009
		294	
Total 2009 Acquisitions		1,844	

On August 27, 2008, we purchased 215 units of the 234-unit Village Oaks apartments located in Temple Terrace, Florida, a suburb of Tampa. The remaining 19 units had previously been sold as condominiums and it is our intent (1) to acquire these units if and when they become available, and operate them as apartment rentals with the rest of the community. During the remainder of 2008, we acquired four of the remaining 19 units and in 2009 we acquired an additional seven units.

DISPOSITION STRATEGY

We have one of the younger portfolios in the multifamily REIT sector, and strive to maintain a young portfolio of our assets in excellent condition, believing that continuous capital replacement and maintenance will lead to higher long-run returns on investment. From time-to-time we dispose of mature assets, defined as those apartment communities that no longer meet our investment criteria and long-term strategic objectives, to ensure that our portfolio consists primarily of high quality, well-located properties within our market area. Typically, we select 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. From time-to-time we also may 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.

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The following apartment communities were sold during 2009:

Property	Location	Number of Units	Date Sold
100% Owned Properties:			
Woodstream	Greensboro, NC	304	January 15, 2009
Riverhills	Grenada, MS	96	May 12, 2009
River Trace	Memphis, TN	440	December 17, 2009
		840	
Total 2009 Dispositions		840	

RENOVATION, REPOSITIONING AND DEVELOPMENT STRATEGY

In 2006, we began some limited expansion development projects on adjacent land to existing apartment communities using fixed price contracts. In 2009, we completed construction on these projects. We do not currently have any additional development projects planned nor intend to maintain a dedicated development staff or to expand into development in a significant way. We prefer to capture accretive new growth through opportunistically acquiring new properties.

Beginning in 2005, we began an initiative of upgrading a significant number of our existing apartment communities in key markets across our portfolio. We focus on both interior unit upgrades and shared exterior amenities above and beyond routine capital upkeep in markets that we feel continue to have growth potential and can support the increased rent. As of December 31, 2009, we have renovated 9,090 units achieving a combined 12% rent increase above the normal renewal rate.

JOINT VENTURE STRATEGY

One of our strategies is to co-invest with partners in joint venture opportunities 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 us. At present, we have focused our joint venture investment strategy on properties seven years old or older, with younger acquisitions becoming part of the wholly-owned portfolio.

As of December 31, 2009, we were partners in two joint ventures: Mid-America Multifamily Fund I, LLC, or Fund I, and Mid-America Multifamily Fund II, LLC, or Fund II.

CAPITAL STRUCTURE STRATEGY

We use a combination of debt and equity sources to fund our portfolio of assets, focused on producing the overall lowest cost and most flexible capital structure. We focus on improving the net present value of each share of our common stock by generating cash flows from our portfolio of investments above the estimated total cost of debt and equity capital. We routinely make new investments when we believe it can add to value per share. In the past, we have sold assets to fund share repurchases when, in management's view, shareholder value would be enhanced.

At December 31, 2009, 46% of our total capitalization consisted of borrowings. We currently intend to target our total debt to a range of approximately 45% to 55% of the undepreciated book value of our assets, although our charter and bylaws do not limit our debt levels. We may issue new equity to maintain our debt within this target range.

Circumstances may cause us to exceed that target from time-to-time. As of December 31, 2009, our ratio of debt to undepreciated book value was approximately 50%. Our Board of Directors can modify this policy at any time which could allow us to become more highly leveraged but may decrease our ability to make distributions to our shareholders.

COMMON AND PREFERRED STOCK

We continuously review opportunities for lowering our cost of capital, and increasing net present value per share. We evaluate opportunities to repurchase stock when we believe that our stock price is below our net present value. We also look for opportunities where we can acquire or develop apartment communities,

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selectively funded or partially funded by stock sales, when the investment return is projected to substantially exceed our cost of capital. We will also opportunistically seek to lower our cost of capital through refinancing preferred stock.

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. In July, 2008, we entered into a second controlled equity offering sales agreement with similar terms authorizing the sale of up to 1,350,000 shares of common stock.

The following are the issuances of common stock which have been made through these agreements through December 31, 2009:

	Number of Shares Sold	Net Proceeds	Net Average Sales Price
2006	194,000	\$ 11,481,292	\$ 59.18
2007	323,700	\$ 18,773,485	\$ 58.00
2008	1,955,300	\$ 103,588,758	\$ 52.98
2009	763,000	\$ 32,774,757	\$ 42.96
Total	3,236,000	\$ 166,618,292	\$ 51.49

In November 2009, we entered into a third controlled equity offering sales agreement with Cantor Fitzgerald & Co. with similar terms authorizing the sale of up to 4,000,000 shares of common stock. No sales were made under this agreement as of December 31, 2009.

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

We also have a direct stock purchase plan which allows for the optional cash 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 2009, we issued a total of 1,100 shares through the direct stock purchase plan. We did not offer a discount during 2009, nor grant any waivers during 2009.

SHARE REPURCHASE PROGRAM

In 1999, our Board of Directors approved an increase in the number of shares of our common stock authorized to be repurchased to 4 million shares. As of December 31, 2009, 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 2009 under this plan.

COMPETITION

All of our 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 us, and the managers of these apartment

communities may have more experience than our 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. We make 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.

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ENVIRONMENTAL MATTERS

As part of the acquisition process, we obtain 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, poly-chlorinated biphenyls, or 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 we take 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.

We are aware of environmental concerns specifically relating to potential issues resulting from mold in residential properties and have in place an active management and preventive maintenance program that includes procedures specifically related to mold. We have established a policy requiring residents to sign a mold addendum to lease. We have 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. Therefore, we believe that our exposure to this issue is limited and controlled.

The environmental studies we received have not revealed any material environmental liabilities. We are 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 we are not aware. 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.

We believe 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

We file annual and periodic reports with the Securities and Exchange Commission. All filings made by us 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 our website

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free of charge. The filings can be found on the Investor Relations page under SEC Filings. Our 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 be found on the Investor Relations page under Governance Documents. Our website address is <http://www.maac.net>. Reference to our website does not constitute incorporation by reference of the information contained on the site and should not be considered

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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, Memphis, TN 38138.

QUALIFICATION AS A REAL ESTATE INVESTMENT TRUST

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, or the Code. To continue to qualify as a REIT, we must continue to meet certain tests which, among other things, generally require that our assets consist primarily of real estate assets, our income be derived primarily from real estate assets, and that we distribute at least 90% of our REIT taxable income (other than our net capital gain) to our shareholders annually. As a qualified REIT, we generally will not be subject to U.S. federal income taxes at the corporate level on our net income to the extent we distribute such net income to our shareholders annually. Even if we continue to qualify as a REIT, we will continue to be subject to certain federal, state and local taxes on our income and our property. In 2009, we declared total distributions of \$2.46 per common share to our shareholders which was above the 90% REIT distribution requirement.

RECENT DEVELOPMENTS

Dispositions

On January 28, 2010, Mid-America Apartments, LP sold Legacy at Western Oaks to Fund II, one of our joint ventures. For tax purposes, this transaction was considered a contribution.

ITEM 1A. RISK FACTORS

In addition to the other information contained in this Annual Report on Form 10-K, we have identified the following additional risks and uncertainties that may have a material adverse effect on our business, financial condition or results of operations. Investors should carefully consider the risks described below before making an investment decision. Our business faces significant risks and the risks described below may not be the only risks we face. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations. If any of these risks occur, our business, results of operations or financial condition could suffer, the market price of our common stock could decline and you could lose all or part of your investment in our common stock.

Economic slowdown in the United States and the related downturn in the housing and real estate markets have adversely affected and may continue to adversely affect our financial condition and results of operations

There has been a significant decline in economic growth, both in the United States and globally, in the second half of 2008 and throughout 2009. The trends in both the real estate industry and the broader United States economy continue to be unfavorable and continue to adversely affect our revenues. The weakened economy and related reduction in spending, falling home prices and mounting job losses, together with the price volatility, dislocations and liquidity

disruptions in the financial and credit markets could, among other things, impede the ability of our tenants and other parties with which we conduct business to perform their contractual obligations, which could lead to an increase in defaults by our tenants and other contracting parties, which could adversely affect our revenues. Furthermore, our ability to lease our properties at favorable rates, or at all, is adversely affected by the increase in supply and deterioration in the multifamily market and is dependent upon the overall level of spending in the economy, which is adversely affected by, among other things, job losses and unemployment levels, recession, personal debt levels, the downturn in the housing market, stock market volatility and uncertainty about the future. With regard to our ability to lease our multifamily properties, the increasing rental of excess for-sale condominiums and single family homes, which increases the supply of multifamily units and housing alternatives, may further reduce our ability to lease our multifamily units and further depress rental rates in certain markets. We cannot predict how long demand and other factors in the real estate market will remain unfavorable, but if the markets remain weak or deteriorate further, our ability to lease our properties, our ability to increase or maintain rental rates in certain markets may continue to weaken during 2010.

Failure to generate sufficient cash flows could limit our ability to pay distributions to shareholders

Our ability to generate sufficient cash flow in order to pay distributions to our shareholders depends on our ability to generate funds from operations in excess of capital expenditure requirements and/or to have

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access to the markets for debt and equity financing. Funds from operations and the value of our 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 our 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;
- weakness in the overall economy which lowers job growth and the associated demand for apartment housing;
- 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 initially, or subsequently after lease terminations, rent apartments on favorable economic terms;
- changes in governmental regulations and the related costs of compliance;
- changes in laws including, but not limited to, tax laws and housing laws including the enactment of rent control laws or other laws regulating multifamily housing;
- withdrawal of Government support of apartment financing through its financial backing of the Federal National Mortgage Association, or FNMA, or the Federal Home Loan Mortgage Corporation, or Freddie Mac;
- an uninsured loss, including those resulting from a catastrophic storm, earthquake, or act of terrorism;
- changes in interest rate levels and the availability of financing, borrower credit standards, and down-payment requirements which could lead renters to purchase homes (if interest rates decrease and home loans are more readily available) or increase our acquisition and operating costs (if interest rates increase and financing is less readily available); and
- the relative illiquidity of real estate investments.

At times, we rely 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 we have 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 we would be required to reduce the distribution rate. Any decline in our funds from operations could adversely affect our ability to make distributions to our shareholders or to meet our loan covenants and could have a material adverse effect on our stock price.

Our financing could be impacted by negative capital market conditions

Recently, domestic financial markets have experienced unusual volatility and uncertainty. Liquidity has tightened in financial markets, including the investment grade debt, the CMBS, commercial paper, and equity capital markets. A large majority of apartment financing, and as of December 31, 2009, 93% of our outstanding debt, is provided by or credit-enhanced by FNMA and Freddie Mac, which are now under the conservatorship of the U.S. Government. We have seen an increase in the volatility of short term interest rates and changes in historic relationships between LIBOR (which is the basis for the majority of the payments to us by our swap counterparties) and the actual interest rate we pay through the FNMA Discount Mortgage Backed Security, or DMBS, and the Freddie Mac Reference Bill programs, which we believe to be temporary. This creates a risk that our interest expense will fluctuate to a greater extent than it has in the past, and it makes forecasting more difficult. Were our credit arrangements with Prudential Mortgage Capital, credit-enhanced by FNMA, or with Financial Federal, credit-enhanced by Freddie Mac, to fail, or their ability

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to lend money to finance apartment communities to become impaired, we would have to seek alternative sources of capital, which might not be available on terms acceptable to us, if at all. In addition, any such event would most likely cause our interest costs to rise. This could also cause our swaps to become ineffective, triggering a default in one or more of our credit agreements. If any of the foregoing events were to occur it could have a material adverse affect on our business, financial condition and prospects.

Various tranches of our credit facilities with FNMA and Freddie Mac mature from 2011 through 2018, and we anticipate that replacement facilities will be at a higher cost and have less attractive terms, if available at all.

A change in U.S. government policy with regard to FNMA and Freddie Mac could seriously impact our financial condition

The U.S. government has committed preferred equity to FNMA and Freddie Mac, placing them in conservatorship and the Treasury Department increased FNMA and Freddie Mac's portfolio caps which are required to be reduced over time. Through expansion of their off-balance sheet lending products (which form the large majority of our borrowing), we believe that FNMA and Freddie Mac balance sheet limitations will not restrict their support of lending to the multifamily industry and to us in particular. Statements supporting their involvement in apartment lending by the heads of multifamily lending of FNMA, Freddie Mac, and their regulator have been reiterated. Should this support change, it would have a material adverse affect on both us and the multifamily industry, and we would seek alternative sources of funding. This could jeopardize the effectiveness of our interest rate swaps, require us to post collateral up to the value of the interest rate swaps, and either of these occurrences could potentially cause a breach in one or more of our loan covenants, and through reduced loan availability, impact the value of multifamily assets, which could impair the value of our properties.

A change in the value of our assets could cause us to experience a cash shortfall, be in default of our loan covenants, or incur a charge for the impairment of assets

We borrow on a secured basis from FNMA, Freddie Mac, and Regions Bank. A significant reduction in the value of our assets could require us to post additional collateral. While we believe that we have significant excess collateral and capacity, future asset values are uncertain. If we were unable to meet a request to add collateral to a credit facility, this would have a material adverse affect on our liquidity and our ability to meet our loan covenants. We may determine that the value of an individual asset, or group of assets, was irrevocably impaired, and that we may need to record a charge to write-down the value of the asset to reflect its current value.

Debt level, refinancing and loan covenant risk may adversely affect our financial condition and operating results and our ability to maintain our status as a REIT

At December 31, 2009, we had total debt outstanding of \$1.4 billion. Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate the apartment communities or pay distributions that are required to be paid in order for us to maintain our qualification as a REIT. We currently intend to limit our total debt to a range of approximately 45% to 55% of the undepreciated book value of our assets, although our charter

and bylaws do not limit our debt levels. Circumstances may cause us to exceed that target from time-to-time. As of December 31, 2009, our ratio of debt to undepreciated book value was approximately 50%. Our Board of Directors can modify this policy at any time, which could allow us to become more highly leveraged and decrease our ability to make distributions to our shareholders. In addition, we must repay our debt upon maturity, and the inability to access debt or equity capital at attractive rates could adversely affect our financial condition and/or our funds from operations. We rely on FNMA and Freddie Mac, which we refer to as the Agencies, for the majority of our debt financing and have agreements with the Agencies and with other lenders that require us to comply with certain covenants, including maintaining adequate collateral that is subject to revaluation quarterly. The breach of any one of these covenants would place us in default with our lenders and may have serious consequences on our operations.

Interest rate hedging may be ineffective

We rely on the financial markets to refinance debt maturities, and also are heavily reliant on the Agencies, which provide credit or credit enhancement for approximately \$1.3 billion of our outstanding debt as of December 31, 2009. The debt is provided under the terms of credit facilities with Prudential Mortgage

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Capital (credit-enhanced by FNMA) and Financial Federal (credit-enhanced by Freddie Mac). We pay fees to the credit facility providers and the Agencies plus interest which is based on the FNMA DMBS rate, and the Freddie Mac Reference Bill Rate. The Agencies have been placed into conservatorship by the U.S. Government (under the supervision of the Federal Housing Finance Agency), which has committed \$200 billion of capital to each, if needed.

The interest rate market for the FNMA DMBS rate and the Freddie Mac Reference Bill Rate, both of which have been highly correlated with LIBOR interest rates, are also an important component of our liquidity and interest rate swap effectiveness. In our experience, the FNMA DMBS rate has historically averaged 16 basis points below three-month LIBOR, and the Freddie Mac Reference Bill rate has averaged 40 basis points below the associated LIBOR rate, but in the past 28 months the spreads increased significantly and have been more volatile than we have historically seen before recently contracting closer to more normal levels. We believe that the current market illiquidity is an anomaly and that the spreads and the volatility will return to more stable historic levels, but we cannot forecast when or if the uncertainty and volatility in the market may change. Continued unusual volatility over a period of time 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 sheet, and potentially cause a breach with one of our debt covenants.

Fluctuations in interest rate spreads between the DMBS and Reference Bill rates and three-month LIBOR causes ineffectiveness to flow through interest expense in the current period if in an overhedged position, and together with the unrecognized ineffectiveness, reduces the effectiveness of the swaps.

We also rely on the credit of the counterparties that provide swaps to hedge the interest rate risk on our credit facilities. We use three major banks to provide nearly 80% of our swaps, JP Morgan Chase, Royal Bank of Canada, and Deutsche Bank, all of which have high investment grade ratings from Moody's and S&P. In the event that one of our swap providers should suffer a significant downgrade of its credit rating or fail, our swaps may become ineffective, in which case the value of the swap would be adjusted to value in the current period, possibly causing a substantial loss sufficient to cause a breach with one of our debt covenants.

One or more interest rate swap or cap counterparties could default, causing us significant financial exposure

We enter into interest rate swap and interest rate cap agreements only with counterparties that are highly rated (generally, AA- or above by Standard & Poors, or Aa3 or above by Moody's). We also try to diversify our risk amongst several counterparties. In the event one or more of these counterparties were to go into liquidation or to experience a significant rating downgrade, this could cause us to liquidate the interest rate swap, or lose the interest rate protection of an interest rate cap. Liquidation of an interest rate swap could cause us to be required to pay the swap counter party the net present value of the swap, which may represent a significant current period cash charge, possibly sufficient to cause us to breach one or more loan covenants.

Variable interest rates may adversely affect funds from operations

At December 31, 2009, effectively \$263 million of our debt bore interest at a variable rate and was not hedged by interest rate swaps or caps. We 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 our funds from operations and the amount of cash available to pay distributions to shareholders. Our \$1.0 billion secured credit facilities with Prudential Mortgage Capital, credit enhanced by FNMA, were predominately

floating rate facilities during 2009. We also have credit facilities with Freddie Mac totaling \$300 million that are variable rate facilities. At December 31, 2009, a total of \$1.3 billion was outstanding under these facilities. These facilities represent the majority of the variable interest rates we were exposed to at December 31, 2009. 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, we will be exposed to the risks of varying interest rates.

Losses from catastrophes may exceed our insurance coverage

We carry comprehensive liability and property insurance on our communities, and intend 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. We

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exercise 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 we suffer 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.

Increasing real estate taxes and insurance costs may negatively impact financial condition

As a result of our substantial real estate holdings, the cost of real estate taxes and insuring our 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 our control. If the costs associated with real estate taxes and insurance should rise, our financial condition could be negatively impacted and our ability to pay our dividend could be affected.

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 loan covenants

We have a significant proportion of our assets in areas exposed to windstorms and to the New Madrid seismic zone. A major wind or earthquake loss, or series of losses, could require that we pay significant deductibles as well as additional amounts above the per occurrence limit of our insurance for these risks. We 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 our assets, financial condition, and results of operation.

Issuances of additional debt or equity may adversely impact our financial condition

Our capital requirements depend on numerous factors, including the occupancy and turnover rates of our apartment communities, development and capital expenditures, costs of operations and potential acquisitions. We cannot accurately predict the timing and amount of our capital requirements. If our capital requirements vary materially from our plans, we may require additional financing sooner than anticipated. Accordingly, we 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.

We are 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

We intend to actively acquire and improve multifamily communities for rental operations. We may underestimate the costs necessary to bring an acquired community up to standards established for our intended market position. Additionally, to grow successfully, we must be able to apply our experience in managing our existing portfolio of apartment communities to a larger number of properties. We 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.

We may not be able to sell communities when appropriate

Real estate investments are relatively illiquid and generally cannot be sold quickly. We may not be able to change our portfolio promptly in response to economic or other conditions. Further, we own seven communities which are subject to restrictions on sale, and are required to be exchanged through a 1031b tax-free exchange, unless we pay the tax liability of the contributing partners. 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

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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 are we aware of, any environmental liability that we believe 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. We 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 us, or that a material environmental condition does not otherwise exist.

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:

1. the price you paid for the shares; or
2. 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.

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.

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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 that 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.
- 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.

Market interest rates and low trading volume may have an adverse effect on the market value of our common shares

The market price of shares of a REIT may be affected by the distribution rate on those shares, as a percentage of the price of the shares, relative to market interest rates. If market interest rates increase, prospective purchasers of our shares may expect a higher annual distribution rate. Higher interest rates would not, however, result in more funds for us to distribute and, in fact, would likely increase our borrowing costs and potentially decrease funds available for distribution. This could cause the market price of our common shares to go down. In addition, although our common

shares are listed on the New York Stock Exchange, the daily trading volume of our shares may be lower than the trading volume for other industries. As a result, our investors who desire to liquidate substantial holdings may find that they are unable to dispose of their shares in the market without causing a substantial decline in the market value of the shares.

Changes in market conditions or a failure to meet the market's expectations with regard to our earnings and cash distributions could adversely affect the market price of our common shares

We believe that the market value of a REIT's equity securities is based primarily upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, and is secondarily based upon the real estate market value of the underlying assets. For that reason, our shares may trade at prices that are higher or lower than the net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our

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common shares. In addition, we are subject to the risk that our cash flow will be insufficient to pay distributions to our shareholders. Our failure to meet the market's expectations with regard to future earnings and cash distributions would likely adversely affect the market price of our shares.

The stock markets, including The New York Stock Exchange (NYSE), on which we list our common shares, have experienced significant price and volume fluctuations. As a result, the market price of our common shares could be similarly volatile, and investors in our common shares may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. Among the market conditions that may affect the market price of our publicly traded securities are the following:

- our financial condition and operating performance and the performance of other similar companies;
 - actual or anticipated differences in our quarterly operating results;
 - changes in our revenues or earnings estimates or recommendations by securities analysts;
 - publication of research reports about us or our industry by securities analysts;
 - additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the reputation of REITs generally and the reputation of REITs with portfolios similar to ours;
- the attractiveness of the securities of REITs in comparison to securities issued by other entities (including securities issued by other real estate companies);
- an increase in market interest rates, which may lead prospective investors to demand a higher distribution rate in relation to the price paid for our shares;
- the passage of legislation or other regulatory developments that adversely affect us or our industry;
 - speculation in the press or investment community;
 - actions by institutional shareholders or hedge funds;
 - changes in accounting principles;
 - terrorist acts; and
- general market conditions, including factors unrelated to our performance.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources.

Failure to qualify as a REIT would cause us to be taxed as a corporation

If we failed to qualify as a REIT for federal income tax purposes, we would 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 we fail to qualify as a REIT, we 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, we 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. We 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.

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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 us to modify our existing communities. These laws may also restrict renovations by requiring improved access to such buildings by disabled persons or may require us to add other structural features that increase our construction costs. Legislation or regulations adopted in the future may impose further burdens or restrictions on us with respect to improved access by disabled persons. We cannot ascertain the costs of compliance with these laws, which may be substantial.

Failure to make required distributions would subject us to income taxation

In order to qualify as a REIT, each year we must distribute to stockholders at least 90% of our taxable income (determined without regard to the dividend paid deduction and by excluding net capital gains). To the extent that we satisfy the distribution requirement, but distribute less than 100% of taxable income, we will be subject to federal corporate income tax on the undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our 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 us 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 us to forgo otherwise attractive opportunities or engage in marginal investment opportunities

To qualify as a REIT for federal income tax purposes, we 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 our stock. In order to meet these tests, we may be required to forgo attractive business or investment opportunities or engage in marginal investment opportunities. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We seek to acquire newer apartment communities and those with opportunities for repositioning through capital additions and management improvement 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 76% of our apartment units are located in Georgia, Florida, Tennessee, and Texas markets. Our 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.

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The following table sets forth certain historical information for the apartment communities we owned at December 31, 2009:

Location	Year Completed	Year Management Commenced	Number of Units	Approximate Rentable Area (Square Footage)	Average Unit Size (Square Footage)	Monthly Rent per Unit at December 31, 2009	Average Occupancy Percent at December 31, 2009	Encumbrances at December 31, 2009 Mortgage/Bond Principal (000's)	Interest Rate	Maturity Date	
ned	Birmingham, AL	1986	1998	200	181,400	907	\$699.93	92.50 %	\$ (1)	(1)	(1)
n Place	Huntsville, AL	1987	1998	152	162,792	1,071	\$622.16	94.08 %	\$ (1)	(1)	(1)
Club	Huntsville, AL	1989/98	1997	392	414,736	1,058	\$699.47	95.66 %	\$ (1)	(1)	(1)
Club	Montgomery, AL	1999	1998	208	230,880	1,110	\$730.96	96.63 %	\$ (1)	(1)	(1)
				952	989,808	1,040	\$694.10	94.96%			
rest	Little Rock, AR	1987	1994	260	195,000	750	\$665.55	96.92 %	\$ (1)	(1)	(1)
ley	Little Rock, AR	1984	1996	240	183,120	763	\$631.07	93.75 %	\$ (1)	(1)	(1)
Creek I &	Little Rock, AR	1984/86	1997	308	320,936	1,042	\$686.62	97.40 %	\$ (1)	(1)	(1)
				808	699,056	865	\$663.34	96.16%			
yon's	Phoenix, AZ	2007	2008	312	299,208	959	\$790.40	93.27 %	\$		
ch	Phoenix, AZ	2005	2006	480	437,280	911	\$690.42	90.63 %	\$		
Ranch	Gilbert, AZ	2007	2009	232	225,272	971	\$798.80	91.81 %	\$		
				1,024	961,760	939	\$745.44	91.70%			
aks	Altamonte Springs, FL	1985	1996	288	234,144	813	\$720.81	97.57 %	\$ (1)	(1)	(1)
ks	Atlantic Beach, FL	1986	1995	120	93,240	777	\$658.71	98.33 %	\$ (1)	(1)	(1)
int	Brandon, FL	1989	2000	240	194,640	811	\$781.02	96.25 %	\$		
Club	Brandon, FL	1997/99	1997	440	516,120	1,173	\$881.38	95.00 %	\$ (2)	(2)	(2)
at Coral	Coral Springs, FL	1996	2004	480	528,480	1,101	\$1,249.30	95.63 %	\$ (6)	(6)	(6)
	Daytona Beach, FL	1986	1995	208	149,136	717	\$679.18	94.71 %	\$7,000 (9)	1.175% (9)	10/15
Club	Gainesville, FL	1999	1998	264	293,040	1,110	\$854.73	98.86 %	\$ (2)	(2)	(2)
Hawk	Jacksonville, FL	1987	1995	208	218,400	1,050	\$762.25	98.08 %	\$ (2)	(2)	(2)
		1987	1997	336	295,008	878	\$762.71	95.24 %	\$ (7)	(7)	(7)

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Ridge at 1	Jacksonville, FL												
	Jacksonville, FL	1985	1996	416	344,032	827	\$693.45	95.43	%	\$	(1)	(1)	(1)
e at Island	Jacksonville, FL	2003	2003	501	556,110	1,110	\$869.38	96.61	%	\$	(1)	(1)	(1)
Club lle	Jacksonville, FL	1989/96	1997	440	475,200	1,080	\$831.57	92.50	%	\$	(1)	(1)	(1)
Club	Jacksonville, FL	1998	1998	288	330,336	1,147	\$858.01	97.22	%	\$	(2)	(2)	(2)
tine I &	Jacksonville, FL	1987/2008	1995	524	423,392	808	\$724.60	95.80	%	\$13,235 ⁽¹⁹⁾	(19)	(19)	(19)
ge at the	Jacksonville, FL	1985	1994	188	166,004	883	\$699.79	94.15	%	\$	(2)	(2)	(2)
ow	Jacksonville, FL	1986	1997	450	342,000	760	\$666.02	96.22	%	\$	(1)	(1)	(1)
Club	Lakeland, FL	1988/90	1997	464	505,296	1,089	\$710.59	96.12	%	\$	(1)	(1)	(1)
s at James	Melbourne, FL	1990	1995	256	238,592	932	\$699.11	96.09	%	\$	(2)	(2)	(2)
Park	Ocala, FL	1986/88	1997	480	485,280	1,011	\$651.86	95.21	%	\$6,805 ⁽²⁾⁽³⁾	(2)(3)	(2)(3)	(2)(3)

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Location	Year Completed	Year Management Commenced	Number of Units	Approximate Rentable Area (Square Footage)	Average Unit Size (Square Footage)	Monthly Rent per Unit at December 31, 2009	Average Occupancy Percent at December 31, 2009	Encumbrances at December 31, 2009	Mortgage/Bond Principal (000's)	Interest Rate	Maturity Date
Club City Club	Panama City, FL	2000	1998	254	283,972	1,118	\$882.27	94.09 %	\$ (2)	(2)	(2)
	Tallahassee, FL	1990/95	1997	304	329,232	1,083	\$810.10	93.75 %	\$ (2)	(2)	(2)
	Tampa, FL	1984	1994	210	202,440	964	\$777.32	98.10 %	\$ (1)	(1)	(1)
	Tampa, FL	1980	1998	230	214,820	934	\$831.90	97.83 %	\$ (1)	(1)	(1)
	Tampa, FL	2005	2008	226	260,804	1,154	\$994.75	97.35 %	\$		
	Palm Harbor, FL	2000	2009	432	461,808	1,069	\$894.98	95.37 %	\$		
				8,247	8,141,526	987	\$806.26	95.85%			
	Athens, GA	1987	1997	160	186,560	1,166	\$720.07	93.75 %	\$ (1)	(1)	(1)
	Atlanta, GA	1994	2008	250	287,500	1,150	\$1,149.25	97.60 %	\$23,500	6.210%	11/1
Pointe	Augusta, GA	1986	1997	192	156,288	814	\$649.29	92.19 %	\$ (4)	(4)	(4)
Sh Ridge	Augusta, GA	1982	1994	272	222,768	819	\$601.34	93.01 %	\$ (1)	(1)	(1)
Creek	Augusta, GA	1984	1997	120	107,040	892	\$671.78	92.50 %	\$3,480	(14)	(14)
ake	Brunswick, GA	1983	1997	110	129,800	1,180	\$752.18	91.82 %	\$ (4)	(4)	(4)
	College Park, GA	1985	1997	124	112,716	909	\$597.10	95.97 %	\$ (1)	(1)	(1)
ood	Columbus, GA	80/82/84/86/98	1997	1,008	1,220,688	1,211	\$765.38	89.88 %	\$ (1)	(1)	(1)
reek	Columbus, GA	1971/77	1997	285	246,810	866	\$570.24	94.39 %	\$ (1)	(1)	(1)
	Conyers, GA	1999	1998	316	351,076	1,111	\$780.94	97.15 %	\$ (1)	(1)	(1)
	Duluth, GA	2001	2004	384	370,176	964	\$779.63	94.79 %	\$ (5)	(5)	(5)
	Gainesville, GA	1998	2005	344	395,944	1,151	\$763.22	94.77 %	\$18,363	5.300%	3/1
	Gainesville, GA	2001	2005	313	359,950	1,150	\$710.07	93.29 %	\$ (5)	(5)	(5)
g Pines	LaGrange, GA	1982/84	1997	216	223,128	1,033	\$608.28	95.83 %	\$ (4)	(4)	(4)
Springs	Lilburn, GA	1983	1997	150	137,700	918	\$639.45	96.00 %	\$ (1)	(1)	(1)
use	Macon, GA	1996	1997	256	292,864	1,144	\$711.42	98.44 %	\$ (7)	(7)	(7)
	Macon, GA	1985	1997	144	153,792	1,068	\$648.02	96.53 %	\$ (1)	(1)	(1)
an	McDonough, GA	1997	1998	240	271,200	1,130	\$692.31	99.17 %	\$ (1)	(1)	(1)
n Grove	Savannah, GA	1997	1998	220	239,800	1,090	\$824.23	97.27 %	\$ (6)	(6)	(6)

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n Island	Savannah, GA	1999	2006	306	300,492	982	\$837.08	98.04	%	\$	(6)	(6)	(6)
	Thomasville, GA	1980/84	1997	216	223,128	1,033	\$616.45	97.22	%	\$	(1)	(1)	(1)
ke	Union City, GA	1985/87	1997	320	342,400	1,070	\$657.87	96.56	%	\$	(1)	(1)	(1)
s	Valdosta, GA	1983/84	1997	240	247,920	1,033	\$666.47	97.08	%	\$	(1)	(1)	(1)
n Chase	Warner Robins, GA	1997	2000	200	218,400	1,092	\$695.81	96.50	%	\$	(6)	(6)	(6)
Station	Warner Robins, GA	1987/90	1997	304	354,768	1,167	\$675.62	97.04	%	\$	(1)	(1)	(1)
	Woodstock, GA	1999	1998	502	575,794	1,147	\$725.29	96.41	%	\$	(1)	(1)	(1)
				7,192	7,728,702	1,075	\$724.66	95.06%					
t	Bowling Green, KY	1996	1997	240	251,280	1,047	\$706.31	96.25	%	\$	(1)	(1)	(1)
lub	Florence, KY	1994	1997	200	207,000	1,035	\$736.35	91.00	%	\$9,295		5.875%	1/1
erve	Lexington, KY	2000	1999	370	432,530	1,169	\$851.01	94.32	%	\$	(1)	(1)	(1)

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Location	Year Completed	Year Management Commenced	Number of Units	Approximate Rentable Area (Square Footage)	Average Unit Size (Square Footage)	Monthly Rent per Unit at December 31, 2009	Average Occupancy Percent at December 31, 2009	Encumbrances at December 31, 2009	Mortgage/Bond Principal	Interest Rate	Maturity Date
	Lexington, KY	1986	1994	118	90,624	768	\$622.75	98.31 %	\$ (1)	(1)	(1)
The	Lexington, KY	1989	1994	184	138,736	754	\$628.27	96.20 %	\$ (1)	(1)	(1)
ne	Lexington, KY	1989	1994	252	182,700	725	\$617.31	98.41 %	\$ (1)	(1)	(1)
Village	Louisville, KY	1985	1994	384	324,096	844	\$631.49	95.05 %	\$ (1)	(1)	(1)
				1,748	1,626,966	931	\$697.25	95.42%			
s	Jackson, MS	1988/90	1996	360	443,160	1,231	\$737.62	97.22 %	\$ (1)	(1)	(1)
rd	Jackson, MS	1985	1994	389	338,430	870	\$701.49	96.92 %	\$ (1)	(1)	(1)
Pointe	Jackson, MS	1986	1988	296	254,856	861	\$715.34	98.31 %	\$5,880 ⁽¹⁰⁾	1.035% ⁽¹⁰⁾	5/15/20
Landing	Ridgeland, MS	1974	1994	196	171,108	873	\$651.57	95.41 %	\$ (1)	(1)	(1)
Creek	Southaven, MS	1989	1996	204	237,048	1,162	\$722.67	99.02 %	\$ (1)	(1)	(1)
ce	Southaven, MS	1991	1996	253	268,686	1,062	\$688.23	98.81 %	\$ (1)	(1)	(1)
				1,698	1,713,288	1,009	\$706.37	97.59%			
at	Cary, NC	1988	1997	194	169,750	875	\$679.36	92.27 %	\$ (1)	(1)	(1)
Forest	Cary, NC	1996	2005	384	344,448	897	\$659.23	97.92 %	\$ (5)	(5)	(5)
Brier	Raleigh, NC	2002/07	2006	450	518,850	1,153	\$896.54	96.22 %	\$ (1)	(1)	(1)
at Brier	Raleigh, NC	2007	2008	313	297,037	949	\$844.03	94.57 %	\$		
ne	Winston-Salem, NC	1982	1993	240	173,520	723	\$554.33	95.83 %	\$ (2)	(2)	(2)
				1,581	1,503,605	951	\$749.91	95.76%			
t Royal	Cincinnati, OH	1988	1994	214	214,428	1,002	\$656.61	95.79 %	\$ (1)	(1)	(1)
				214	214,428	1,002	\$656.61	95.79%			
South	Aiken, SC	1989/91	1997	184	174,800	950	\$731.13	96.74 %	\$ (1)	(1)	(1)
s	Aiken, SC	1988	1997	144	165,168	1,147	\$733.69	89.58 %	\$ (1)	(1)	(1)
d	Anderson, SC	1980	1994	168	146,664	873	\$578.56	90.48 %	\$ (1)	(1)	(1)
The	Columbia, SC	1992	1994	240	213,840	891	\$640.43	95.42 %	\$7,735 ⁽¹¹⁾	1.035% ⁽¹¹⁾	5/15/20
club	Columbia, SC	1989/95	1997	336	367,584	1,094	\$747.56	92.86 %	\$ (1)	(1)	(1)
Ridge	Greenville, SC	1984	1995	168	143,976	857	\$524.86	98.81 %	\$ (1)	(1)	(1)
Commons	Greenville, SC	1986/88	1997	348	292,668	841	\$545.24	95.69 %	\$ (1)	(1)	(1)
club	Greenville, SC	1996	1997	208	212,160	1,020	\$685.27	92.79 %	\$ (1)	(1)	(1)
ood	Greenville, SC	1983	1993	208	156,832	754	\$537.75	90.87 %	\$ (1)	(1)	(1)
ek	Greenville, SC	1985	1995	208	182,000	875	\$565.99	95.67 %	\$ (1)	(1)	(1)
Bay	Mt. Pleasant, SC	1988	1995	208	177,840	855	\$909.21	94.71 %	\$8,365 ⁽⁸⁾	1.205% ⁽⁸⁾	11/15/20
		1987	1997	184	195,224	1,061	\$624.89	95.65 %	\$ (1)	(1)	(1)

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	Spartanburg, SC												
h Village	Summerville, SC	2007	2007	280	307,440	1,098	\$834.97	93.93	%	\$15,200	3.579%	12/10/	
				2,884	2,736,196	949	\$669.27	94.17%					
Pointe	Chattanooga, TN	1989	1992	361	256,671	711	\$549.17	96.68	%	\$	(1)	(1)	(1)
Peak	Chattanooga, TN	1987	1988	300	259,200	864	\$574.48	97.00	%	\$	(1)	(1)	(1)
se	Chattanooga, TN	1986	1991	108	98,604	913	\$653.37	92.59	%	\$	(1)	(1)	(1)
	Chattanooga, TN	1984	1997	174	238,728	1,372	\$855.61	95.40	%	\$5,465	(15)	(15)	5/15/2

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Location	Year Completed	Year Management Commenced	Number of Units	Approximate Rentable Area (Square Footage)	Average Unit Size (Square Footage)	Monthly Rent per Unit at December 31, 2009	Average Occupancy Percent at December 31, 2009	Encumbrances at December 31, 2009	Mortgage/Bond Principal	Interest Rate	Market Data
Jackson, TN	1978	1993	100	87,500	875	\$548.49	98.00 %	\$ (1)	(1)	(1)	
Jackson, TN	1987	1989	150	163,650	1,091	\$624.89	98.00 %	\$5,095	1.035 %	10	
Jackson, TN	1987	1989	145	145,725	1,005	\$616.26	97.24 %	\$3,375 (12)	1.035 % (12)	5	
Jackson, TN	1987	1994	148	121,360	820	\$570.22	95.95 %	\$ (1)	(1)	(1)	
Jackson, TN	1997	1995	122	118,950	975	\$652.21	99.18 %	\$4,727	6.070 %	9	
Memphis, TN	1973/86	1982/94	276	297,804	1,079	\$574.40	96.74 %	\$ (1)	(1)	(1)	
Memphis, TN	1974/78/83/86	1988	1,037	939,522	906	\$608.68	95.08 %	\$			
Memphis, TN	1978	1994	371	310,156	836	\$673.10	98.92 %	\$ (1)	(1)	(1)	
Memphis, TN	1988/98	1994	618	535,188	866	\$696.71	93.85 %	\$ (1)	(1)	(1)	
Memphis, TN	1974	1977	82	96,924	1,182	\$992.37	92.68 %	\$			
Memphis, TN	1999/01	1998	740	792,540	1,071	\$806.48	92.84 %	\$ (4)	(4)	(4)	
Murfreesboro, TN	1999	1998	240	268,800	1,120	\$827.15	93.33 %	\$ (1)	(1)	(1)	
Nashville, TN	1986	1994	286	220,220	770	\$762.04	93.01 %	\$ (1)	(1)	(1)	
Nashville, TN	2001	1999	433	479,331	1,107	\$862.31	94.69 %	\$ (1)	(1)	(1)	
Nashville, TN	1999/01	2004	456	427,728	938	\$769.64	91.89 %	\$ (6)	(6)	(6)	
Nashville, TN	1987	1995	440	392,480	892	\$626.38	92.50 %	\$6,645 (16)	1.035 % (16)	2	
			6,587	6,251,081	949	\$691.75	94.79 %				
Arlington, TX	1980	1998	270	224,100	830	\$587.62	94.81 %	\$ (2)	(2)	(2)	
Austin, TX	1983	1997	384	313,728	817	\$738.03	98.18 %	\$ (2)	(2)	(2)	
Austin, TX	1996	2004	210	198,240	944	\$887.91	96.67 %	\$ (6)	(6)	(6)	
Austin, TX	2003	2006	312	303,264	972	\$783.55	96.15 %	\$ (6)	(6)	(6)	
Austin, TX	1985	1995	288	248,832	864	\$651.43	95.83 %	\$4,050 (17)	1.035 % (17)	2	
Austin, TX	1987	1995	304	249,888	822	\$591.65	90.79 %	\$3,585 (18)	1.035 % (18)	2	
Austin, TX	1977	1997	278	214,060	770	\$855.12	91.73 %	\$ (2)	(2)	(2)	
Austin, TX	2001	2009	479	467,504	976	\$968.71	95.20 %	\$			
Dallas, TX	1978	1994	410	374,740	914	\$655.92	97.56 %	\$ (5)	(5)	(5)	
Dallas, TX	1986	1998	232	168,200	725	\$676.74	96.98 %	\$ (2)	(2)	(2)	
Dallas, TX	1985	1998	304	206,720	680	\$586.55	94.08 %	\$ (2)	(2)	(2)	
Dallas, TX	2000	2006	390	341,250	875	\$801.68	96.15 %	\$ (6)	(6)	(6)	
Dallas, TX	1983	1994	260	226,200	870	\$632.45	89.62 %	\$ (5)	(5)	(5)	
Dallas, TX	2002	2004	240	205,200	855	\$736.01	95.00 %	\$ (5)	(5)	(5)	
Houston, TX	1999	2003	308	283,360	920	\$807.42	93.51 %	\$ (2)	(2)	(2)	

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Houston, TX	1996	2007	229	207,016	904	\$891.98	92.14	%	\$			
Houston, TX	1996	2007	220	193,160	878	\$791.54	97.73	%	\$	(6)	(6)	(6)
Houston, TX	1999	2006	328	316,192	964	\$818.56	90.85	%	\$14,191	5.930%		6
Humble, TX	2007	2008	246	227,796	926	\$896.41	92.68	%	\$			
Humble, TX	2006	2007	268	260,228	971	\$890.55	91.04	%	\$	(6)	(6)	(6)

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Location	Year Completed	Year Management Commenced	Number of Units	Approximate Rentable Area (Square Footage)	Average Unit Size (Square Footage)	Monthly Rent per Unit at December 31, 2009	Average Occupancy Percent at December 31, 2009	Encumbrances at December 31, 2009 Mortgage/ Bond Principal	Interest Rate	Maturity Date	
gh	Katy, TX	1984	1994	274	197,280	720	\$620.02	97.45 %	\$ (5)	(5)	(5)
Club owne	Katy, TX	2000	1999	320	318,080	994	\$779.10	94.06 %	\$ (2)	(2)	(2)
	Mesquite, TX	1983	1994	384	277,632	723	\$555.52	97.66 %	\$ (2)	(2)	(2)
	Plano, TX	1983	1998	196	156,800	800	\$706.04	95.41 %	\$		
ark	Plano, TX	2000	2003	498	470,112	944	\$790.13	95.38 %	\$ (2)	(2)	(2)
dge	Roanoke, TX	1999/2008	2005	494	446,082	903	\$775.04	95.14 %	\$ (2)	(2)	(2)
dge	Roanoke, TX	2008	2008	245	311,150	1,270	\$937.76	95.10 %	\$		
h at Hills	San Antonio, TX	2008	2009	400	334,400	836	\$754.19	88.00 %	\$		
od	Spring, TX	1984	1994	208	160,576	772	\$660.27	91.83 %	\$ (5)	(5)	(5)
	Stafford, TX	1996	2004	274	244,682	893	\$828.27	95.26 %	\$ (6)	(6)	(6)
Place	Woodlands, TX	1984	1994	200	152,200	761	\$697.12	98.50 %	\$ (5)	(5)	(5)
				9,453	8,298,672	878	\$709.07	94.56%			
	Hampton, VA	1987	1995	296	248,048	838	\$944.89	94.26 %	\$10,800 (13)	1.175 % ⁽¹³⁾	10/1
				296	248,048	838	\$944.89	94.26%			
0%				42,684	41,113,136	963	\$727.08	95.08%	176,791		
ure	Kennesaw, GA	1998	2008	310	356,190	1,149	\$862.78	94.52 %	N/A		
l Forest	Houston, TX	1994	2008	316	310,944	984	\$806.90	97.47 %	N/A		
lage	Macon, GA	2007	2009	294	324,354	1,103	\$771.45	92.86 %	N/A		
int properties				920	991,488	1,078	\$814.40	95.00%	\$		
o Owned Venture				43,604	42,104,624	966	\$728.92	95.08%	\$176,791		

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- Encumbered by a \$691.8 million FNMA facility, with \$691.8 million available and \$686.8 million outstanding with a variable interest rate of 0.75% on which there exists in combination with the FNMA facility mentioned in note (2) eighteen interest rate swap agreements totaling \$640 million at an average rate of 5.37% and three interest rate caps totalling \$75 million at an average rate of 4.67% at December 31, 2009.
- (1) Encumbered by a \$243.2 million FNMA facility, with \$243.2 million available and \$208.6 million outstanding with a variable interest rate of 0.77% on which there exists interest rate swaps and caps as mentioned in note (1) at December 31, 2009.
- (2) 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.
- (3) Encumbered by a credit line with AmSouth Bank, with no outstanding balance at December 31, 2009.
- Encumbered by a \$100 million Freddie Mac facility, with \$100 million available and an outstanding balance of \$83 million and a variable interest rate of 0.78% on which there exists five interest rate swap agreements totaling \$83 million at an average rate of 5.41% at December 31, 2009.
- (5) Encumbered by a \$200 million Freddie Mac facility, with \$198.2 million available and an outstanding balance of \$198.2 million and a variable interest rate of 0.73% on which there exists eight interest rate swap agreements totaling \$134 million at an average rate of 5.18% and a \$15 million interest rate cap of 5% at December 31, 2009.
- (6) Encumbered by a mortgage securing a tax-exempt bond amortizing over 25 years with a principal balance of \$11.2 million at December 31, 2009, and an average interest rate of 5.27%.
- (7) 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.
- (8) 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.
- (9) Encumbered by \$5.9 million in bonds on which there exists a \$5.9 million interest rate cap of 6.00% which terminates on October 31, 2012.
- (10) Encumbered by \$7.7 million in bonds on which there exists a \$7.7 million interest rate cap of 6.00% which terminates on October 31, 2012.
- (11) Encumbered by \$3.4 million in bonds on which there exists a \$3.4 million interest rate cap of 6.00% which terminates on October 31, 2012.
- (12) 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.
- (13) Encumbered by \$3.5 million in bonds \$0.5 million having a variable rate of 1.224% and \$3.0 million with a variable rate of 1.035% on which there exists a \$3.0 million interest rate cap of 6.00% which terminates on May 31, 2013.
- (14) Encumbered by \$5.5 million in bonds \$0.5 million having a variable rate of 1.224% and \$5.0 million with a variable rate of 1.035% on which there exists a \$5.0 million interest rate cap of 6.00% which terminates on May 31, 2013.
- (15) Encumbered by \$6.6 million in bonds on which there exists a \$6.6 million interest rate cap of 6.00% which terminates on November 15, 2011. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 0.87% which there exists a \$6.2 million and a \$11.7 million interest rate cap of 6.50% and 5.00% respectively which terminates on March 1, 2011 and March 1, 2014 respectively.
- (16) Encumbered by \$4.1 million in bonds on which there exists a \$4.1 million interest rate cap of 6.00% which terminates on November 15, 2011. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 0.87% which there exists a \$6.2 million and a \$11.7 million interest rate cap of 6.50% and 5.00% respectively which terminates on March 1, 2011 and March 1, 2014 respectively.
- (17) Encumbered by \$3.6 million in bonds on which there exists a \$3.6 million interest rate cap of 6.00% which terminates on November 15, 2011. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 0.87% which there exists a \$6.2 million and a \$11.7 million interest rate cap
- (18)

of 6.50% and 5.00% respectively which terminates on March 1, 2011 and March 1, 2014 respectively.

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Phase I of St. Augustine is encumbered by \$13.2 million in bonds on which there exists a \$13.2 million interest rate cap of 6.00% which terminates on March 15, 2011. Also encumbered by a \$17.9 million FNMA facility (19) maturing on March 1, 2014 with a variable interest rate of 0.87% which there exists a \$6.2 million and a \$11.7 million interest rate cap of 6.50% and 5.00% respectively which terminates on March 1, 2011 and March 1, 2014 respectively.

ITEM 3. LEGAL PROCEEDINGS

We are not presently subject to any material litigation nor, to our knowledge, are any material litigation threatened against us. We are 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 our business, financial condition, liquidity or results of operations.

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

None.

TABLE OF CONTENTS**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY,
RELATED STOCKHOLDER MATTERS AND ISSUER
PURCHASES OF EQUITY SECURITIES.**

Our 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 5, 2010, the reported last sale price of our common stock on the NYSE was \$46.76 per share, and there were approximately 1,700 holders of record of the common stock. We believe 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 us with respect to the periods indicated.

	Sales Prices		Dividends	Dividends
	High	Low	Paid	Declared
2009:				
First Quarter	\$ 37.480	\$ 22.220	\$ 0.615	\$ 0.615
Second Quarter	\$ 39.850	\$ 29.340	\$ 0.615	\$ 0.615
Third Quarter	\$ 50.580	\$ 34.770	\$ 0.615	\$ 0.615
Fourth Quarter	\$ 49.820	\$ 41.950	\$ 0.615	\$ 0.615
2008:				
First Quarter	\$ 54.700	\$ 38.280	\$ 0.615	\$ 0.615
Second Quarter	\$ 57.820	\$ 49.760	\$ 0.615	\$ 0.615
Third Quarter	\$ 60.660	\$ 45.000	\$ 0.615	\$ 0.615
Fourth Quarter	\$ 49.560	\$ 23.630	\$ 0.615	\$ 0.615

Our quarterly dividend rate is currently \$0.615 per common share. Our Board of Directors reviews and declares the dividend rate quarterly. Actual dividends made by us will be affected by a number of factors, including, but not limited to, the gross revenues received from the apartment communities, our operating expenses, the interest expense incurred on borrowings and unanticipated capital expenditures.

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

We have established the Direct Stock Purchase and Distribution Reinvestment Plan, or DRSP, under which holders of common stock, preferred stock and limited partnership interests in our operating partnership, 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. 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, we may either issue additional shares of common stock or repurchase common stock in the open market. We may elect to sell shares under the DRSP at up to a 5% discount.

In 2007, we issued a total of 136,483 shares through our DRSP and offered an average discount of 1.5% for optional cash purchases. In 2008, we issued a total of 421,794 shares through our DRSP and offered an average discount of 1.5% for optional cash purchases. In 2009, we issued a total of 25,406 shares through our DRSP and did not offer a discount for optional cash purchases.

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The following table provides information with respect to compensation plans under which our equity securities are authorized for issuance as of December 31, 2009.

	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	23,157	\$ 25.37	439,063
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	23,157	\$ 25.37	439,063

Columns (a) and (b) above do not include 50,219 shares of restricted stock that are subject to vesting requirements which were issued through our Fourth Amended and Restated 1994 Restricted Stock and Stock Option Plan, (1) 30,276 shares of restricted stock that are subject to vesting requirements which were issued through our 2004 Stock Plan, or 71,863 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.

Column (c) above includes 360,926 shares available to be issued under our 2004 Stock Plan and 78,137 shares (2) available to be issued under our 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.

We have not granted any stock options since 2002.

The following graph compares the cumulative total returns of the shareholders of Mid-America since December 31, 2004 with the S&P 500 Index and the FTSE NAREIT Equity REIT 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 '04	Dec '05	Dec '06	Dec '07	Dec '08	Dec '09
Mid-America	\$ 100.00	\$ 124.51	\$ 153.47	\$ 119.69	\$ 109.62	\$ 152.72
S&P 500	\$ 100.00	\$ 104.91	\$ 121.48	\$ 128.16	\$ 80.74	\$ 102.11
FTSE NAREIT Equity Index	\$ 100.00	\$ 112.16	\$ 151.49	\$ 127.72	\$ 79.53	\$ 101.79

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The following table sets forth selected financial data on a historical basis for us. 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 Current Report on Form 8-K.

Mid-America Apartment Communities, Inc.

Selected Financial Data
(Dollars in thousands except per share data)

	Year Ended December 31,				
	2009	2008	2007	2006	2005
Operating Data:					
Total operating revenues	\$378,544	\$370,011	\$347,444	\$318,475	\$288,643
Expenses:					
Property operating expenses	159,705	155,310	142,381	132,608	121,768
Depreciation	96,019	90,168	84,789	77,545	72,590
Acquisition expenses	950				
Property management and general and administrative expenses	28,540	28,636	28,726	23,001	20,862
Income from continuing operations before non-operating items	93,330	95,897	91,548	85,321	73,423
Interest and other non-property income	385	509	195	663	495
Interest expense	(57,094)	(62,010)	(63,639)	(62,308)	(57,318)
Loss on debt extinguishment	(140)	(116)	(123)	(578)	(419)
Amortization of deferred financing costs	(2,374)	(2,307)	(2,407)	(2,036)	(2,011)
Incentive fees from real estate joint ventures			1,019		1,723
Net casualty gains (loss) and other settlement proceeds	32	(247)	589	84	749
Gains (loss) on sale of non-depreciable assets	15	(3)	534	50	18
Income from continuing operations before investments in real estate joint ventures	34,154	31,723	27,716	21,196	16,660
(Loss) gain from real estate joint ventures	(816)	(844)	5,330	(114)	3,099
Income from continuing operations	33,338	30,879	33,046	21,082	19,759
Discontinued operations:					
Income from discontinued operations before asset impairment, settlement proceeds and gain on sale	1,234	1,312	1,246	1,453	1,824
Asset impairment of discontinued operations					(243)

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Net loss on insurance and other settlement proceeds of discontinued operations				(25)	
Gains (loss) on sale of discontinued operations	4,649	(120)	9,164		
Consolidated net income	39,221	32,071	43,456	22,535	21,315	
Net income attributable to noncontrolling interests	(2,010)	(1,822)	(3,510)
Net income attributable to Mid-America Apartment Communities, Inc. ⁽¹⁾	37,211	30,249	39,946	20,945	19,744	
Preferred dividend distributions	12,865	12,865	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	\$24,346	\$17,384	\$25,669	\$6,983	\$5,415	
Per Share Data:						
Weighted average shares outstanding (in thousands):						
Basic	28,341	26,943	25,296	23,474	21,405	
Effect of dilutive stock options	7	141	207	258	181	
Diluted	28,348	27,084	25,503	23,732	21,586	

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	Year Ended December 31,				
	2009	2008	2007	2006	2005
Net income available for common shareholders	\$24,346	\$17,384	\$25,669	\$6,983	\$5,415
Discontinued property operations	(5,883)	(1,192)	(10,410)	(1,453)	(1,556)
Income from continuing operations available for common shareholders	\$18,463	\$16,192	\$15,259	\$5,530	\$3,859
Earnings per share basic ⁽¹⁾					
Income from continuing operations available for common shareholders	\$0.65	\$0.60	\$0.60	\$0.24	\$0.18
Discontinued property operations	0.20	0.04	0.41	0.06	0.07
Net income available for common shareholders	\$0.85	\$0.64	\$1.01	\$0.30	\$0.25
Earnings per share diluted ⁽¹⁾					
Income from continuing operations available for common shareholders	\$0.65	\$0.60	\$0.60	\$0.23	\$0.18
Discontinued property operations	0.20	0.04	0.41	0.06	0.07
Net income available for common shareholders	\$0.85	\$0.64	\$1.01	\$0.29	\$0.25
Dividends declared ⁽²⁾	\$2.460	\$2.460	\$2.430	\$2.985	\$2.350
Balance Sheet Data:					
Real estate owned, at cost	\$2,732,218	\$2,552,808	\$2,343,130	\$2,218,532	\$1,987,853
Real estate assets, net	\$1,935,221	\$1,851,331	\$1,720,553	\$1,669,539	\$1,510,289
Total assets	\$1,986,826	\$1,921,955	\$1,783,822	\$1,746,646	\$1,580,125
Total debt	\$1,399,596	\$1,323,056	\$1,264,620	\$1,196,349	\$1,140,046
Noncontrolling interest	\$22,660	\$25,648	\$27,624	\$33,647	\$30,469
Total Mid-America Apartment Communities, Inc. shareholders equity and redeemable stock	\$433,368	\$418,774	\$404,774	\$448,019	\$361,855
Other Data (at end of period):					
Market capitalization (shares and units) ⁽³⁾	\$1,671,036	\$1,293,145	\$1,358,100	\$1,745,674	\$1,358,725
Ratio of total debt to total capitalization ⁽⁴⁾	45.6 %	50.6 %	48.2 %	40.7 %	45.6 %
Number of properties, including joint venture ownership interest ⁽⁵⁾	147	145	137	138	132
Number of apartment units, including joint venture ownership interest ⁽⁵⁾	43,604	42,554	40,248	40,293	38,227

(1) In accordance with a change in accounting standards governing stock based compensation, we recognized \$668,862 in net income attributable to Mid-America Apartment Communities, Inc. for the year ended December 31, 2006 resulting in an increase of approximately \$0.03 in basic earnings per share and \$0.02 in diluted earnings per share.

(2) 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 a calendar year being different from dividends paid during a calendar year.

(3) 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).

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

(5) 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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

We believe that the estimates and assumptions listed below are most important to the portrayal of our financial condition and results of operations because they require the greatest subjective determinations and 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

We lease 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 real estate in accordance with accounting standards governing the sale of real estate.

Capitalization of expenditures and depreciation of assets

We carry 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 6 months 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 us in order to elevate the condition of the property to our standards are capitalized as incurred.

Development costs are capitalized in accordance with accounting standards for costs and initial rental operations of real estate projects and standards for the capitalization of interest cost.

Impairment of long-lived assets, including goodwill

We account for long-lived assets in accordance with the provisions of accounting standards for the impairment or disposal on long-lived assets and evaluate goodwill for impairment under accounting standards for goodwill and other

intangible assets. We evaluate goodwill for impairment on at least an annual basis, or more frequently if a goodwill impairment indicator is identified. We periodically evaluate 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.

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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 on 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 for goodwill 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, we determine the fair value of a reporting unit and compare 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. We determine 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 accounting standards for 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

We utilize 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 our variable rate debt or as hedges in anticipation of future debt transactions to manage well-defined interest rate risk associated with the transaction.

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 our calculation of hedge effectiveness contains some subjective determinations, the historical correlation of the hedging instruments and the underlying hedge are measured by us before entering into the hedging relationship and have been found to be highly correlated.

We measure ineffectiveness using the change in the variable cash flows method for interest rate swaps and the hypothetical derivative method for interest rate caps for each reporting period 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 the intrinsic value or fair value of caps designated as cash flow hedges are recorded to accumulated other comprehensive income in the statement of shareholders' equity.

The valuation of our derivative financial instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The fair values of interest rate caps are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market

interest rate curves and volatilities. Additionally, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Changes in the fair values of our derivatives are primarily the result of fluctuations in interest rates. See Note 7 of the Consolidated Financial Statements.

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OVERVIEW OF THE YEAR ENDED DECEMBER 31, 2009

We experienced a decrease in income from continuing operations before non-operating items in 2009 as the increases in revenues from new acquisitions and renovation projects were more than offset by the decrease in revenues from our same store portfolio of 1.2% over 2008. Our same store portfolio represents those communities that have been held and have been stabilized for at least 12 months. Communities excluded from the same store portfolio would include recent acquisitions, communities being developed or in lease-up, communities undergoing extensive renovations, and communities identified as discontinued operations.

We have grown externally during the past three years by following our acquisition strategy to invest in large and mid-sized growing markets in the Sunbelt region of the United States. We acquired four properties in 2007, five properties in 2008 and four properties in 2009. We also purchased one property through a joint venture in 2009 and two properties in 2008. Offsetting some of this increased revenue stream were five property dispositions in 2007, one of which was through a joint venture, and three property dispositions in 2009.

We benefited from reduced interest expense in 2009 as our twelve month average interest rate dropped from 4.9% in 2008 to 4.3% in 2009.

As of December 31, 2009, the total number of apartment units Mid-America owned or had an ownership interest in was 43,604 in 147 communities, compared to 42,554 apartment units in 145 communities at December 31, 2008, and 40,248 apartment units in 137 communities at December 31, 2007. For communities owned 100% by Mid-America, the average effective rent per apartment unit, excluding units in lease-up, decreased to \$715 at December 31, 2009 from \$750 at December 31, 2008, and \$737 at December 31, 2007. For these same units, overall occupancy at December 31, 2009, 2008, and 2007 was 95.2%, 93.4%, and 94.7%, respectively.

The following is a discussion of our consolidated financial condition and results of operations for the years ended December 31, 2009, 2008, and 2007. This discussion should be read in conjunction with all of the consolidated financial statements included in this Annual Report on Form 10-K.

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RESULTS OF OPERATIONS

Comparison of the Year Ended December 31, 2009, to the Year Ended December 31, 2008

Property revenues for the year ended December 31, 2009, increased by approximately \$8.4 million from the year ended December 31, 2008, due to (i) a \$2.6 million increase in property revenues from the four properties acquired in 2009, or the 2009 acquisitions, (ii) a \$7.1 million increase in property revenues from the five properties acquired in 2008, or the 2008 acquisitions, and (iii) a \$2.5 million increase in property revenues from our development communities. These increases were partially offset by a decrease in property revenues of \$3.8 million from the properties held throughout both periods. The decrease in property revenues from properties held throughout both periods was due primarily to Mid-America's same store portfolio and was driven by a 2.2% decrease in average effective rent per unit in 2009 over 2008.

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, 2009, increased by approximately \$4.4 million from the year ended December 31, 2008, due primarily to increases of property operating expenses of (i) \$1.2 million from the 2009 acquisitions, (ii) \$2.8 million from the 2008 acquisitions, and (iii) \$0.9 million from our development communities. These increases were partially offset by a decrease in property operating expenses of \$0.5 million from the properties held throughout both periods. The decrease in property operating expenses from the properties held throughout both periods was due primarily to Mid-America's same store portfolio and represented real estate tax expense which reflected the favorable impact of successful prior year appeals and assessment challenges.

Depreciation expense increased by approximately \$5.9 million primarily due to the increases of depreciation expense of (i) \$0.6 million from the 2009 acquisitions, (ii) \$2.1 million from the 2008 acquisitions, (iii) \$0.7 million from our development communities, and (iv) \$3.5 million from fixed asset additions at 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 value of in place leases of communities which we previously acquired.

Interest expense decreased approximately \$4.9 million in 2009 from 2008 due primarily to the decrease in our average annual borrowing cost from 4.9% in 2008 to 4.3% in 2009. This decrease was somewhat offset by an increase in our average debt outstanding by approximately \$34.9 million from 2008 to 2009 to fund acquisitions and our development and redevelopment programs.

For the year ended December 31, 2009, we recorded total gains of approximately \$4.6 million from the sale of three communities. We had no property dispositions in 2008.

Primarily as a result of the foregoing, net income attributable to Mid-America Apartment Communities, Inc. increased by approximately \$7.0 million in 2009 from 2008.

Comparison of the Year Ended December 31, 2008, to the Year Ended December 31, 2007

Property revenues for the year ended December 31, 2008, increased by approximately \$22.4 million from the year ended December 31, 2007, due to (i) a \$7.2 million increase in property revenues from the 2008 acquisitions, (ii) a \$5.8 million increase in property revenues from the four properties acquired in 2007, or the 2007 acquisitions, (iii) a \$1.7 million increase in property revenues from our development communities, and (iv) a \$7.7 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 our same store portfolio and was driven by a 1.8% increase in average effective rent per unit in 2008 over 2007.

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, 2008, increased by approximately \$12.9 million from the year ended December 31, 2007, due primarily to increases of property operating expenses of (i) \$3.5 million from the 2008 acquisitions, (ii) \$2.9 million from the 2007 acquisitions, (iii) \$0.8 million from our development communities, and (iv) \$5.7 million from the properties held throughout both periods. The increase in property

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operating expenses from the properties held throughout both periods consisted primarily of our same store portfolio and represented an average 3.5% increase over prior year expenses and included \$591,000 of expense related to Hurricane Ike.

Depreciation expense increased by approximately \$5.4 million primarily due to the increases of depreciation expense of (i) \$2.3 million from the 2008 acquisitions, (ii) \$1.6 million from the 2007 acquisitions, (iii) \$0.3 million from our development communities, and (iv) \$3.0 million from fixed asset additions at communities held throughout both periods. These increases were partially offset by a decrease in depreciation expense of \$1.8 million from the expiration of the amortization of fair value of in place leases of communities which we previously acquired.

Property management expenses decreased by approximately \$1.1 million from the year ended December 31, 2007, to the year ended December 31, 2008, due to decreased incentive compensation. General and administrative expenses increased by approximately \$1.0 million over this same period mainly as a result of increased personnel costs.

Interest expense decreased approximately \$1.6 million in 2008 from 2007 due primarily to the decrease in our average annual borrowing cost from 5.4% in 2007 to 4.9% in 2008. This decrease was somewhat offset by an increase in our average debt outstanding by approximately \$83.8 million from 2007 to 2008 to fund acquisitions and our development and redevelopment programs.

For the year ended December 31, 2007, we recorded total gains of approximately \$5.4 million from the sale of a community owned through a joint venture. The sale of this community resulted in an additional incentive fee being paid to us of approximately \$1.0 million in 2007. In 2007, we also benefited from a \$9.2 million gain resulting from the sale of four communities owned directly by us. We had no property dispositions in 2008.

For the year ended December 31, 2007, we recorded net casualty gains and other settlement proceeds and gains on sale of land totaling \$1.1 million. For the year ended December 31, 2008, we recorded a loss of \$0.3 million for these same items.

Primarily as a result of the foregoing, net income attributable to Mid-America Apartment Communities, Inc. decreased by approximately \$9.7 million in 2008 from 2007.

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, we have included the amount charged to retire preferred stock in excess of carrying values in our FFO calculation.

Our 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.

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. We believe that FFO is helpful to investors in understanding our operating performance in that such calculation excludes depreciation expense on real estate assets. We believe 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. Our 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.

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The following table is a reconciliation of FFO to consolidated net income for the years ended December 31, 2009, 2008, and 2007 (dollars and shares in thousands):

	Years Ended December 31,		
	2009	2008	2007
Consolidated net income	\$39,221	\$32,071	\$43,456
Net income attributable to noncontrolling interests	(2,010)	(1,822)	(3,510)
Net income attributable to Mid-America Apartment Communities, Inc.	37,211	30,249	39,946
Depreciation of real estate assets	94,020	88,555	83,532
Net casualty (gains) loss and other settlement proceeds	(32)	247	(589)
Gains on dispositions within real estate joint ventures		(38)	(5,388)
Depreciation of real estate assets of discontinued operations		706	1,517
(Gains) loss on sales of discontinued operations	(4,649)	120	(9,164)
Depreciation of real estate assets of real estate joint ventures	970	953	15
Preferred dividend distribution	(12,865)	(12,865)	(13,688)
Net income attributable to noncontrolling interests	2,010	1,822	3,510
Premiums and original issuance costs associated with the redemption of preferred stock			(589)
Funds from operations	\$116,665	\$109,749	\$99,102

FFO increases for both 2009 over 2008, and 2008 over 2007 benefited from the addition of communities from the 2007 acquisitions, 2008 acquisitions and 2009 acquisitions as previously reviewed in the net income discussion above.

The FFO increase for 2008 over 2007 also benefited from improved community operations from our same store portfolio.

Trends

During 2009, rental demand for apartments was weaker in most of our markets when compared to 2008. One of the primary drivers of apartment demand is job formation, and the job losses across our markets impacted apartment demand and pricing. However, relative job losses in 2009 for our markets combined were less than the national average.

An important part of our portfolio strategy is to maintain a broad diversity of markets across the Sunbelt region of the United States. The diversity of markets tends to mitigate exposure to economic issues in any one geographic market or area. We have found that a well diversified portfolio, including both large and select secondary markets, has tended to perform well in up cycles as well as weather down cycles better. At the end of 2009, we were invested in over 48 separate markets, with 59% of our gross assets in large markets and 41% of our gross assets in select secondary markets.

Partially mitigating the severe job losses in 2009 was lower resident turnover, primarily due to fewer move-outs from buying homes. The primary reason that our residents leave us is to buy a house. In 2009, we saw both the number and the percent of total move-outs due to home buying drop as compared to 2008. According to the Census Bureau, homeownership increased from 65% to 69% of households over the ten years ending 2005. Despite the tightened credit market, in 2009 the home ownership rate was still in the 67% to 68% range. The increase from historical levels

was driven primarily by the availability of new mortgage products, many requiring no down-payment and minimal credit ratings. 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.

We also benefited on the supply side, as supply declined from 2008 and ran below historical new supply delivery averages. Competition from condominiums reverting back to rental units, or new condominiums being converted to rental, was not a major factor in our markets because most of our markets and submarkets

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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 significant amount of capital to markets where most of the excessive inflation in house prices has occurred. We saw significant rental competition from condominiums and/or single family houses in only a few submarkets. We expect this relative new supply compression to be an even larger factor over the next several quarters as supply is expected to contract even further.

Our focus during 2009 was on sustaining occupancy as we operated in a weaker leasing market. By focusing on aggressive efforts to build and sustain traffic, and pricing aggressively, we were largely successful at this, as our same store occupancy ended the year 170 basis points over year-end 2008 and dropped only 90 basis points from the record levels of the quarter ended September 30, 2009, despite the normal seasonal decline in traffic.

Overall same store revenues decreased 1.2% compared to 2008. We believe that the decline in same store revenue will continue into 2010, primarily due to the impact of lower rents on leases signed in the latter half of 2009. However, revenue growth should resume after the economic growth returns and, most importantly, when job growth resumes which some economists project could be as soon as the middle to latter part of 2010. We also believe reduced availability of financing for new apartment construction will likely limit new apartment supply, and more sustainable credit terms for residential mortgages should work to favor rental demand at existing multi-family properties. At the same time, we expect long-term demographic trends, including the growth of prime age groups for rentals, immigration, and population movement to the southeast and southwest will continue to build apartment rental demand for our markets.

While expected continued weak employment growth is expected to keep new demand subdued, we think that the supply of new apartments is not excessive, and that positive absorption of apartments will return for most of our markets later in 2010. Should the economy fall into a deeper recession, the limited new supply of apartments and the more disciplined mortgage financing for single family home buying should lessen the impact.

We continue to develop improved products, operating systems and procedures that enable us to capture more revenues. The continued roll-out of ancillary services (such as re-selling cable television), improved collections, and utility reimbursements enable us to capture increased revenue dollars. We also actively work on improving processes and products to reduce expenses, such as new web-sites and internet access for our residents that enable them to transact their business with us more simply and effectively.

During 2009, we continued to have the benefit of lower interest rates resulting from an improved market for Federal National Mortgage Association and Federal Home Loan Mortgage Corporation debt securities. Much of this was due to government action to improve liquidity in the credit markets, and resulted in a lower cost of debt for us. Short term interest rates continue to be at historically low levels, and as a result, we are forecasting a continuation of favorable interest rates in the near term with the expectation of rising rates as the economy improves.

Liquidity and Capital Resources

Net cash flow provided by operating activities decreased by approximately \$1.0 million to \$136.9 million for 2009, compared to \$137.9 million for 2008, mainly related to the decrease in rental rates from 2008 to 2009. Net cash flow provided by operating activities increased by approximately \$19.3 million to \$137.9 million for 2008 compared to \$118.6 million for 2007 mainly related to our growth through acquisitions and improved operating results in 2008.

Net cash used in investing activities was approximately \$150.5 million, \$243.0 million and \$108.8 million for 2009, 2008 and 2007, respectively. The change in net cash used in investing activities resulted mainly from the varying

levels of acquisition activity. A total of approximately \$125.3 million was invested in 2009 to acquire properties, this compares to approximately \$156.3 million in 2008 and \$88.6 million in 2007. We began limited development activities in 2006, which used net cash of approximately \$14.6 million in 2007, \$22.7 million in 2008 and \$6.8 million in 2009. We have also been renovating select properties using net cash of approximately \$7.6 million in 2009, \$18.2 million in 2008 and \$11.3 million in 2007. In 2007 and

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2009, we received a total of \$39.2 million and \$29.9 million, respectively, from the disposition of real estate assets, mainly related to property sales. No communities were sold in 2008.

Net cash provided by financing activities was \$18.1 million, \$97.3 million and \$1.9 million for 2009, 2008 and 2007, respectively. The fluctuation in 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 was primarily impacted by sales of common stock through our controlled equity offering program. Mid-America received a total of \$32.8 million, \$103.6 million and \$18.8 million in net proceeds during 2009, 2008 and 2007, respectively, in relation to sales through this program. 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.

During 2009, Mid-America sold 763,000 shares of common stock through our continuous equity offering program generating net proceeds of approximately \$32.8 million. In 2008 and 2007, Mid-America sold 1,955,300 shares and 323,700 shares generating net proceeds of approximately \$103.6 million and \$18.8 million, respectively.

During 2009, Mid-America did not offer a discount through our DRSP and issued approximately 1,100 shares of common stock through the direct stock purchase feature of this plan, generating approximately \$39,000 in proceeds. However, during 2008 and 2007, Mid-America offered an average 1.5% discount through our DRSP and issued approximately 403,000 shares and 120,000 shares of common stock through the direct stock purchase feature of this plan, generating approximately \$20 million and \$6 million in proceeds, respectively.

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.

The weighted average interest rate at December 31, 2009 for the \$1.4 billion of debt outstanding was 4.0%, compared to the weighted average interest rate of 4.8% on \$1.3 billion of debt outstanding at December 31, 2008. We utilize both conventional and tax exempt debt to help finance our activities. Borrowings are made through individual property mortgages as well as company-wide secured credit facilities. We utilize fixed rate borrowings, interest rate swaps and interest rate caps to manage our current and future interest rate risk. More details on our borrowings can be found in the schedules presented later in this section.

At December 31, 2009, we had secured credit facility relationships with Prudential Mortgage Capital which are credit enhanced by the Federal National Mortgage Association, or FNMA, Financial Federal which are credit enhanced by the Federal Home Loan Mortgage Corporation, or Freddie Mac, and a \$50 million bank facility with a syndicate of banks. Together, these credit facilities provided a total line capacity of \$1.4 billion with all but \$6.0 million collateralized and available to borrow at December 31, 2009. We had total borrowings outstanding under these credit facilities of \$1.3 billion at December 31, 2009.

Approximately 72% of our outstanding obligations at December 31, 2009 were borrowed through facilities with/or credit enhanced by FNMA, also referred to as the FNMA Facilities. The FNMA Facilities have a combined line limit of \$1.04 billion, all of which was collateralized and available to borrow at December 31, 2009. We had total borrowings outstanding under the FNMA Facilities of approximately \$1.00 billion at December 31, 2009. Various tranches of the FNMA Facilities mature from 2011 through 2018. The FNMA Facilities provide for both fixed and variable rate borrowings. The interest rate on the majority of the variable portion is based on the FNMA Discount Mortgage Backed Security, or DMBS, rate which are credit-enhanced by FNMA and are typically sold every 90 days by Prudential Mortgage Capital at interest rates approximating three-month LIBOR less a spread that has averaged 0.16% over the life of the FNMA Facilities, plus a credit enhancement fee of 0.49% to 0.67%. We have seen more volatility in the spread between the DMBS and three-month LIBOR since late 2007 than was historically prevalent.

While we feel this recent volatility is an anomaly and believe that this spread will return to more historic levels, we cannot forecast when or if the uncertainty and volatility in the market may change.

Approximately 21% of our outstanding obligations at December 31, 2009 were borrowed through facilities with/or credit enhanced by Freddie Mac, also referred to as the Freddie Mac Facilities. The Freddie Mac Facilities have a combined line limit of \$300 million, of which \$298 million was collateralized and

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available to borrow at December 31, 2009. We had total borrowings outstanding under the Freddie Mac Facilities of approximately \$298 million at December 31, 2009. The Freddie Mac facilities mature in 2011 and 2014. The interest rate on the Freddie Mac Facilities renews every 30 or 90 days and is based on the Freddie Mac Reference Bill Rate on the date of renewal, which has historically approximated the equivalent 30 or 90-day LIBOR, plus a credit enhancement fee of 0.65% to 0.69%. The Freddie Mac Reference Bill rate has traded consistently below LIBOR, and the historical average spread has risen to 0.40% below LIBOR.

Each of our secured credit facilities is subject to various covenants and conditions on usage, and is subject to periodic re-evaluation of collateral. If we 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 our liquidity. In the event of a reduction in real estate values the amount of available credit could be reduced. Moreover, if we 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.

The following schedule details the line limits, collateralized availability and the outstanding balances of our various borrowings as of December 31, 2009 (in thousands):

	Line Limit	Amount Collateralized	Amount Borrowed
FNMA Credit Facilities	\$ 1,044,429	\$ 1,044,429	\$ 1,004,833
Freddie Mac Credit Facilities	300,000	298,247	298,247
Regions Credit Facility	50,000	45,774	
Other Borrowings	96,516	96,516	96,516
Total Debt	\$ 1,490,945	\$ 1,484,966	\$ 1,399,596

As of December 31, 2009, we had entered into interest rate swaps totaling a notional amount of \$883 million. To date, these swaps have proven to be highly effective hedges. We had also entered into interest rate cap agreements totaling a notional amount of approximately \$172 million as of December 31, 2009.

The following schedule outlines our variable versus fixed rate debt, including the impact of interest rate swaps and caps, outstanding as of December 31, 2009 (in thousands):

	Principal Balance	Average Years to Contract Maturity	Effective Rate	
Conventional Fixed Rate or Swapped	\$ 927,076	3.3	5.4	%
Tax-free Fixed Rate or Swapped	37,405	7.2	4.7	%
Conventional Variable Rate ⁽¹⁾	262,829	4.9	0.9	%
Conventional Variable Rate Capped	107,936	5.5	0.8	%
Tax-free Variable Rate Capped	64,350	2.2	1.1	%
Total Debt Outstanding	\$ 1,399,596	3.9	4.0%	

(1) Includes a \$15 million mortgage with an imbedded cap at a 7% rate.

(2) When the capped rates are not reached, the average rate represents the rate on the underlying variable debt.

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The following schedule outlines the contractual maturity dates of our outstanding debt as of December 31, 2009 (in thousands):

	Line Limit Credit Facilities			Other	Total
	Fannie Mae	Freddie Mac	Regions		
2010	\$	\$	\$ 50,000	\$	\$ 50,000
2011	80,000	100,000			180,000
2012	80,000				80,000
2013	203,193				203,193
2014	321,236	200,000		18,363	539,599
2015	120,000			52,891	172,891
Thereafter	240,000			25,262	265,262
Total	\$ 1,044,429	\$ 300,000	\$ 50,000	\$ 96,516	\$ 1,490,945

The following schedule outlines the interest rate maturities of our outstanding interest rate swap agreements and fixed rate debt as of December 31, 2009 (in thousands):

	Swap Balances			Total Balance	Contract Rate	
	LIBOR	SIFMA (formerly BMA)	Fixed Rate Balances			
2010	\$ 140,000	\$ 8,365	\$	\$ 148,365	5.7	%
2011	158,000			158,000	5.2	%
2012	150,000	17,800		167,800	5.1	%
2013	190,000			190,000	5.2	%
2014	144,000		18,363	162,363	5.7	%
2015	75,000		37,691	112,691	5.6	%
Thereafter			25,262	25,262	5.6	%
Total	\$ 857,000	\$ 26,165	\$ 81,316	\$ 964,481	5.4	%

We believe that we have adequate resources to fund our current operations, annual refurbishment of our properties, and incremental investment in new apartment properties. We rely on the efficient operation of the financial markets to finance debt maturities, and on FNMA and Freddie Mac, or the Agencies, who have now been placed into conservatorship by the U.S. Government, and whose securities are now implicitly Government-guaranteed. The Agencies provide credit enhancement for approximately \$1.3 billion of our debt as of December 31, 2009. The Federal Housing Finance Agency, or FHFA, which was appointed conservator of the Agencies, recognizes the importance of multifamily housing finance for healthy secondary market and housing affordability, and expects FNMA and Freddie MAC to continue underwriting and financing sound multifamily business.

The interest rate markets for FNMA DMBS and Freddie Mac Reference Bills, which in our experience are highly liquid and highly correlated with three-month LIBOR interest rates, are also an important component of our liquidity and interest rate swap effectiveness. Prudential Mortgage Capital, a DUS lender for Fannie Mae, markets 90-day Fannie Mae Discount Mortgage Backed Securities monthly, and is obligated to advance funds to us at DMBS rates plus a credit spread under the terms of the credit agreements between Prudential and us. Financial Federal, a Freddie Mac Program Plus Lender and Servicer, is obligated to advance funds under the terms of credit agreements between Financial Federal and us.

For the year ended December 31, 2009, our net cash provided by operating activities was in excess of covering funding improvements to existing real estate assets, distributions to unitholders, and dividends paid on common and preferred shares by approximately \$10.2 million, as compared to \$12.7 million and \$4.1 million for the same periods in 2008 and 2007, respectively. While we had sufficient liquidity to permit distributions at current rates through additional borrowings, if necessary, any significant deterioration in

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operations could result in our financial resources being insufficient to pay distributions to shareholders at the current rate, in which event we would be required to reduce the distribution rate.

The following table reflects our total contractual cash obligations which consist of our long-term debt and operating leases as of December 31, 2009, (dollars in thousands):

Contractual Obligations ⁽¹⁾	2010	2011	2012	2013	2014	Thereafter	Total
Long-Term Debt ⁽²⁾	\$1,827	\$181,929	\$82,036	\$170,778	\$536,518	\$426,508	\$1,399,596
Fixed Rate or Swapped Interest ⁽³⁾	43,120	35,404	26,395	18,911	9,742	19,234	152,806
Operating Lease	18	18	10				46
Total	\$44,965	\$217,351	\$108,441	\$189,689	\$546,260	\$445,742	\$1,552,448

(1) Fixed rate and swapped interest are shown in this table. The average interest rates of variable rate debt are shown in preceding and following tables.

(2)

Represents principal payments.

(3) Swapped interest is subject to the ineffective portion of cash flow hedges as described in Note 7 to the financial statements.

Off-Balance Sheet Arrangements

At December 31, 2009, and 2008, we 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. Our two joint ventures with Crow Holdings (one terminated in 2005 and one terminated in 2007) were established to acquire approximately \$200 million of multifamily properties and to enhance our 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. As of December 31, 2009, Mid-America Multifamily Fund I, LLC owned two properties but does not expect to acquire any additional communities.

Mid-America Multifamily Fund II, LLC, was established to acquire \$250 million of apartment communities with redevelopment upside offering value creation opportunity through capital improvements, operating enhancements and restructuring in-place financing. As of December 31, 2009, Mid-America Multifamily Fund II, LLC, or Fund II, owned one property. In January 2010, Mid-America contributed a property we had acquired in December 2009 to Fund II. In addition, we do not engage in trading activities involving non-exchange traded contracts. As such, we are not materially exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in such relationships. We do not have any relationships or transactions with persons or entities that derive benefits from their non-independent relationships with us or our related parties other than those disclosed in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements, Note 13.

Our investments in our real estate joint ventures are unconsolidated and are recorded using the equity method as we do not have a controlling interest.

Insurance

We renegotiated our insurance programs effective July 1, 2009. We believe 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 that can be reasonably anticipated would not have a significant impact on our liquidity, financial position or results of operation.

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.

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Impact of Recently Issued Accounting Standards

In June 2009, the FASB issued ASC 105-10, *Generally Accepted Accounting Principles – Overall* which establishes the FASB Accounting Standards Codification, or the Codification, as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles, or GAAP. Rules and interpretive releases of the Securities and Exchange Commission, or SEC, under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. The Codification superseded all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification is non-authoritative. The FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates, or ASUs. The FASB will not consider ASUs as authoritative in their own right. ASUs will serve only to update the Codification, provide background information about the guidance and provide the bases for conclusions on the change(s) in the Codification. We adopted ASC 105-10 effective July 1, 2009 and all references made to FASB guidance throughout this document have been updated for the Codification.

In September 2006, the FASB issued ASC 820, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 was effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. ASC 820-10-65-1 delayed the effective date of ASC 820 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 was for fiscal years beginning after November 15, 2008. We adopted ASC 820 effective January 1, 2008 and ASC 820-10-65-1 effective January 1, 2009. The adoption did not have a material impact on our consolidated financial condition or results of operations taken as a whole.

On December 4, 2007, the FASB revised ASC 805, *Business Combinations*. The ASC 805 revision significantly changes the accounting for business combinations. The ASC 805 revision requires an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. The ASC 805 revision changes the accounting treatment for certain specific items, including acquisition costs, which will generally be expensed as incurred. This could have a material impact on the way we account for property acquisitions and therefore will have a material impact on our financial statements. The ASC 805 revision 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. We adopted the ASC 805 revision effective January 1, 2009, and the expensed acquisition costs increased general and administrative expenses by \$950,000 for the year ended December 31, 2009, respectively. The increased expenses decreased both basic and diluted net income available for common shareholders by \$0.04 per share for the year ended December 31, 2009.

On December 4, 2007, the FASB issued ASC 810-10-65, *Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51*. ASC 810-10-65 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this standard 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 is included in consolidated net income on the face of the income statement. The standard 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 has impacted our financial statement presentation by requiring the interests in the operating partnership not owned by the company (noncontrolling interests) be presented as a

component of equity in the company's consolidated financial statements and income attributable to the noncontrolling interests be a component of net income. ASC 810-10-65 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We adopted ASC 810-10-65 effective January 1, 2009 and the retrospective presentation increased total equity by \$30,471,000 at December 31, 2008. The adoption did not change basic or diluted earnings per share for common shareholders and its effect on net income and income from continuing operations is as follows (dollars in thousands):

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	Year Ended December 31,		
	2009	2008	2007
Increase in:			
Income from continuing operations	\$ 1,907	\$ 1,718	\$ 3,226
Net income	\$ 2,010	\$ 1,822	\$ 3,510

On March 19, 2008, the FASB issued ASC 815-10-65, *Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement 133*. ASC 815-10-65 enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how an entity uses derivative instruments and how derivative instruments and related hedged items are accounted for under accounting standards for derivative instruments and hedging activities, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. ASC 815-10-65 is effective for fiscal years and interim periods beginning after November 15, 2008. We adopted ASC 815-10-65 effective January 1, 2009, and the required disclosures are included in Note 7 to the consolidated financial statements.

In June 2008, the FASB issued ASC 260-10-65, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* to clarify that unvested share-based awards containing nonforfeitable rights to dividends are participating securities and, therefore, need to be included in the earnings allocation in computing earnings per share, or EPS, under the two-class method of computing earnings per share. ASC 260-10-65 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior period EPS data presented are to be adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to conform with the provisions of this standard. We adopted ASC 260-10-65 effective January 1, 2009 and it had a minor impact on our number of shares. The change in our number of shares decreased net income available for common shareholders by \$0.01 per share for the year ended December 31, 2008 and by \$0.01 per share for the year ended December 31, 2009.

In September 2008, the FASB ratified ASC 820-10-65-3, *Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement*. This accounting standard requires that the measurement of liabilities with inseparable, third-party credit enhancements carried at or disclosed at fair value on a recurring basis exclude the effect of the credit enhancement. ASC 820-10-65-3 was effective on a prospective basis in the first reporting period beginning on or after December 15, 2008. We adopted this accounting standard effective January 1, 2009. This accounting standard removed the effect of the agency credit enhancements from our calculation of the fair value of our derivative instruments and materially increased the value represented on the balance sheet. The impact of ASC 820-10-65-3 on our financial position upon adoption was approximately a \$2.0 million increase to the fair value of our derivative instruments.

In April 2008, the FASB issued ASC 825-10-65-1, *Interim Disclosures About Fair Market Value of Financial Instruments*. ASC 825-10-65-1 extends the disclosure requirements concerning the fair value of financial instruments to interim financial statements of publicly traded companies. ASC 825-10-65-1 is effective for interim financial periods ending after June 15, 2009, and the required disclosures are included in Note 7 to the consolidated financial statements.

In May 2009, the FASB issued ASC 855-10, *Subsequent Events*, which establishes the general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. ASC 855-10 is effective for interim and financial periods ending after June 15, 2009. Adoption of this standard did not have a material impact on our consolidated financial condition or results of operations taken as a whole. For the year ended December 31, 2009, we have considered subsequent events through February 25, 2010, which is the date our consolidated financial statements were filed with the Securities and Exchange Commission on Form 10-K.

In June 2008, the FASB issued ASC 810-10-05, *Amendments to FASB Interpretation No. 46(R)*. ASC 810-10-05 amends events which would require reconsidering whether an entity is a variable interest entity; it amends the criteria used to determine the primary beneficiary of a variable interest entity; and it expands disclosures about an enterprise's involvement in variable interest entities. ASC 810-10-05 is effective for

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annual reporting periods beginning after November 15, 2009 and earlier application is prohibited. Management does not believe that the adoption of this standard will have a material impact on our consolidated financial condition or results of operations taken as a whole.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risk exposure is to changes in interest rates obtainable on our secured borrowings. At December 31, 2009, 46% of our total capitalization consisted of borrowings. Our 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, we manage our 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. We use our best efforts to ladder fixed rate maturities thereby limiting our exposure to interest rate changes in any one year. We do not enter into derivative instruments for trading or other speculative purposes. Approximately 81% of our outstanding debt was subject to fixed or capped rates after considering related derivative instruments at December 31, 2009. We regularly review interest rate exposure on outstanding borrowings in an effort to minimize the risk of interest rate fluctuations.

The table below provides information about our 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 our 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).

	2010	2011	2012	2013	2014	Total Thereafter	Total	Fair Value
Long-term Debt								
Fixed Rate ⁽¹⁾	\$1,827	\$1,929	\$2,036	\$2,149	\$17,035	\$56,340	\$81,316	\$74,435
Weighted average interest rate	5.58	% 5.58	% 5.57	% 5.59	% 5.34	% 5.94	% 5.78	%
Variable Rate ⁽¹⁾	\$	\$180,000	\$80,000	\$168,629	\$519,483	\$370,168	\$1,318,280	\$1,192,864
Weighted average interest rate	1.74	% 0.78	% 0.77	% 0.76	% 0.80	% 0.87	% 0.81	%
Interest Rate Swaps								
Variable to Fixed	\$148,365	\$158,000	\$167,800	\$190,000	\$144,000	\$75,000	\$883,165	\$(55,415)
Weighted average Pay Rate	5.07	% 4.61	% 4.41	% 4.58	% 4.95	% 4.41	% 4.68	%
Interest Rate Cap								
Variable to Fixed	\$5,095	\$33,731	\$23,795	\$7,945	\$26,720	\$75,000	\$172,286	\$3,430
Weighted average Pay Rate	6.00	% 6.09	% 6.00	% 6.00	% 5.00	% 4.67	% 5.28	%

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

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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-2 to F-37 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

Our management, 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 our 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, 2009, (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 E-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-3 of this Annual Report on Form 10-K.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As of the year ended December 31, 2009, there were no significant changes in our internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9A(T). CONTROLS AND PROCEDURES

Not applicable.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information contained in our 2010 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 our website at <http://www.maac.net>, on the Investor Relations page under Governance Documents. We 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, 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 our 2010 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 our 2010 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 our 2010 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 our 2010 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.

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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 Control Over Financial Reporting

F-1

Reports of Independent Registered Public Accounting Firm

F-2

Consolidated Balance Sheets as of December 31, 2009, and 2008

F-4

Consolidated Statements of Operations for the years ended December 31, 2009, 2008, and 2007

F-5

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2009, 2008, and 2007

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Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2008, and 2007

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Notes to Consolidated Financial Statements for the years ended December 31, 2009, 2008, and 2007

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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, 2009

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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.

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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).
3.3	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 Preferred Stock dated as of October 9, 1996, as filed with the Tennessee Secretary of State on 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).
3.4	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).
3.5	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).
3.6	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).
3.7	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).
3.8	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).
3.9	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).
3.10	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).

3.11 Articles of Amendment to the Charter of Mid-America Apartment Communities, Inc. dated as of May 20, 2008, as filed with the Tennessee Secretary of State on June 2, 2008 (Filed as Exhibit 99.A to the Registrant's Proxy Statement filed on March 31, 2008 and incorporated herein by reference).

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Exhibit Number	Exhibit Description
3.12	Amended and Restated Bylaws of Mid-America Apartment Communities, Inc. (Filed as an Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on May 21, 2008 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).
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. dated December 5, 2008 (Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 8, 2008 and incorporated herein by reference).
10.3	Employment Agreement between the Registrant and Simon R.C. Wadsworth, dated January 1, 2010 (Filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on January 4, 2010 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	

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- Second Amendment to Amended and Restated Revolving Credit Agreement (AmSouth) dated May 23, 2005 (Filed as Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).
- 10.8 Fourth Amendment to Amended and Restated Revolving Credit Agreement (AmSouth) dated July 16, 2007 (Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
- 10.9 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 (Filed as Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).

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Exhibit Number	Exhibit Description
10.10	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).
10.11	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).
10.12	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).
10.13	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).
10.14	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).
10.15	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).
10.16	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).
10.17	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 (Filed as Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).
10.18	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 (Filed as Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).

- 10.19 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 (Filed as Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).

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Exhibit Number	Exhibit Description
10.20	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 (Filed as Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).
10.21	Fourteenth 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 28, 2006 (Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
10.22	Eighteenth 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 January 30, 2008 (Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
10.23	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 (Filed as Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).
10.24	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 (Filed as Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).
10.25	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).
10.26	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).
10.27	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 (Filed as Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).
10.28	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 Apartments, L.P. and Mid-America Apartments of Texas, L.P. dated September 23, 2005 (Filed as Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).

- 10.29 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 (Filed as Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).

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Exhibit Number	Exhibit Description
10.30	Ninth 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 December 28, 2006 (Filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
10.31	Thirteenth 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 January 30, 2008 (Filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
10.32	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).
10.33	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).
10.34	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).
10.35	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 (Filed as Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).
10.36	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 (Filed as Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).
10.37	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 (Filed as Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).
10.38	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).
10.39	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).

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10.40 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).

10.41 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).

10.42 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).

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Exhibit Number	Exhibit Description
10.43	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 (Filed as Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).
10.44	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 (Filed as Exhibit 10.39 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).
10.45	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 (Filed as Exhibit 10.40 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference).
10.46	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).
10.47	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).
10.48	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).
10.49	Form of Restricted Stock Agreement (Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on May 23, 2008 and incorporated herein by reference).
10.50	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).
10.51	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).
10.52	Change of Control and Termination Agreement between the Registrant and Albert M. Campbell, III, dated December 5, 2008 (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on December 8, 2008 and incorporated herein by reference).
10.53	Change of Control and Termination Agreement between the Registrant and Thomas L. Grimes, dated December 5, 2008 (filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on December 8, 2008 and incorporated herein by reference).
10.54	Change of Control and Termination Agreement between the Registrant and James Andrew Taylor, dated December 5, 2008 (filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on December 8, 2008 and incorporated herein by reference).
10.55	2008 Long Term Incentive Plan (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on May 23, 2008 and incorporated herein by reference).
10.56	2008 Annual Bonus Plan (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 31, 2008 and incorporated herein by reference).

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- 10.57 Sales Agreement between the Registrant and Cantor Fitzgerald & Co., dated July 3, 2008 (filed as Exhibit 1.1 to the Registrant's Current Report on Form 8-K filed on July 3, 2008 and incorporated herein by reference).
- 10.58 2009 Annual Bonus Plan (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 27, 2009 and incorporated herein by reference).
- 10.59 Sales Agreement between the Registrant and Cantor Fitzgerald & Co., dated November 5, 2009 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on November 5, 2009 and incorporated herein by reference).
- 11 Statement re: computation of per share earnings (included within the Form 10-K).

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Exhibit Number	Exhibit Description
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.**

/s/ H. Eric Bolton, Jr.

Date: February 24, 2010

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 24, 2010

/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 24, 2010

/s/ Albert M. Campbell, III
Albert M. Campbell, III
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: February 24, 2010

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

Date: February 24, 2010

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

Date: February 24, 2010

/s/ Ralph Horn
Ralph Horn
Director

Date: February 24, 2010

/s/ Philip W. Norwood
Philip W. Norwood
Director

Date: February 24, 2010

/s/ William B. Sansom
William B. Sansom
Director

Date: February 24, 2010

/s/ Simon R.C. Wadsworth
Simon R.C. Wadsworth
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.

Due to 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, 2009 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, 2009.

The effectiveness of Mid-America s internal control over financial reporting as of December 31, 2009, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is presented herein.

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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, 2009 and 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. 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, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, 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, presents 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, 2009, 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 25, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Memphis, Tennessee
February 25, 2010

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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, 2009, 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 the accompanying 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, 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, 2009, based on the COSO criteria.

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, 2009 and 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009, of Mid-America Apartment Communities, Inc. and our report dated February 25, 2010, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Memphis, Tennessee
February 25, 2010

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TABLE OF CONTENTS**MID-AMERICA APARTMENT COMMUNITIES, INC.**

Consolidated Balance Sheets
December 31, 2009 and 2008
(Dollars in thousands, except per share data)

	December 31, 2009	December 31, 2008
Assets:		
Real estate assets:		
Land	\$255,425	\$240,426
Buildings and improvements	2,364,918	2,198,063
Furniture, fixtures and equipment	73,975	65,540
Capital improvements in progress	10,517	25,268
	2,704,835	2,529,297
Less accumulated depreciation	(788,260)	(694,054)
	1,916,575	1,835,243
Land held for future development	1,306	1,306
Commercial properties, net	8,721	7,958
Investments in real estate joint ventures	8,619	6,824
Real estate assets, net	1,935,221	1,851,331
Cash and cash equivalents	13,819	9,426
Restricted cash	561	414
Deferred financing costs, net	13,369	15,681
Other assets	19,731	16,840
Goodwill	4,106	4,106
Assets held for sale	19	24,157
Total assets	\$1,986,826	\$1,921,955
Liabilities and Shareholders' Equity:		
Liabilities:		
Notes payable	\$1,399,596	\$1,323,056
Accounts payable	1,702	1,234
Fair market value of interest rate swaps	51,160	76,961
Accrued expenses and other liabilities	69,528	66,982
Security deposits	8,789	8,705
Liabilities associated with assets held for sale	23	595
Total liabilities	1,530,798	1,477,533
Redeemable stock	2,802	1,805
Shareholders' equity:		
Preferred stock, \$0.01 par value per share, 20,000,000 shares authorized, \$155,000 or \$25 per share liquidation preference; 8.30% Series H	62	62
Cumulative Redeemable Preferred Stock, 6,200,000 shares authorized, 6,200,000 shares issued and outstanding		

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Common stock, \$0.01 par value per share, 50,000,000 shares authorized; 29,095,251 and 28,224,708 shares issued and outstanding at December 31, 2009 and 2008, respectively ⁽¹⁾	290	282
Additional paid-in capital	988,642	954,127
Accumulated distributions in excess of net income	(510,993)	(464,617)
Accumulated other comprehensive income	(47,435)	(72,885)
Total Mid-America Apartment Communities, Inc. shareholders' equity	430,566	416,969
Noncontrolling interest	22,660	25,648
Total Equity	453,226	442,617
Total liabilities and equity	\$1,986,826	\$1,921,955

Number of shares issued and outstanding represent total shares of common stock regardless of classification on the (1) consolidated balance sheet. The number of shares classified as redeemable stock on the consolidated balance sheet for December 31, 2009, 2008 and 2007, are 58,038, 48,579 and 60,212, respectively.

See accompanying notes to consolidated financial statements.

TABLE OF CONTENTS**MID-AMERICA APARTMENT COMMUNITIES, INC.**

Consolidated Statements of Operations
Years ended December 31, 2009, 2008 and 2007
(Dollars in thousands, except per share data)

	2009	2008	2007
Operating revenues:			
Rental revenues	\$357,008	\$352,414	\$331,640
Other property revenues	21,243	17,391	15,770
Total property revenues	378,251	369,805	347,410
Management fee income	293	206	34
Total operating revenues	378,544	370,011	347,444
Property operating expenses:			
Personnel	47,633	46,139	42,102
Building repairs and maintenance	14,161	13,688	12,900
Real estate taxes and insurance	45,572	45,652	42,639
Utilities	22,334	21,908	20,009
Landscaping	9,548	9,146	8,594
Other operating	20,457	18,777	16,137
Depreciation	96,019	90,168	84,789
Total property operating expenses	255,724	245,478	227,170
Acquisition expenses	950		
Property management expenses	17,220	16,799	17,918
General and administrative expenses	11,320	11,837	10,808
Income from continuing operations before non-operating items	93,330	95,897	91,548
Interest and other non-property income	385	509	195
Interest expense	(57,094)	(62,010)	(63,639)
Loss on debt extinguishment	(140)	(116)	(123)
Amortization of deferred financing costs	(2,374)	(2,307)	(2,407)
Incentive fees from real estate joint ventures			1,019
Net casualty loss and other settlement proceeds	32	(247)	589
Gain (loss) on sale of non-depreciable assets	15	(3)	534
Income from continuing operations before loss from real estate joint ventures	34,154	31,723	27,716
(Loss) gain from real estate joint ventures	(816)	(844)	5,330
Income from continuing operations	33,338	30,879	33,046
Discontinued operations:			
Income from discontinued operations before gain (loss) on sale	1,234	1,312	1,246
Gain (loss) on sale of discontinued operations	4,649	(120)	9,164
Consolidated net income	39,221	32,071	43,456
Net income attributable to noncontrolling interests	2,010	1,822	3,510
	37,211	30,249	39,946

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Net income attributable to Mid-America Apartment Communities, Inc.

Preferred dividend distributions	12,865	12,865	13,688
Premiums and original issuance costs associated with the redemption of preferred stock			589
Net income available for common shareholders	\$24,346	\$17,384	\$25,669
Weighted average shares outstanding (in thousands):			
Basic	28,341	26,943	25,296
Effect of dilutive securities	7	141	207
Diluted	28,348	27,084	25,503
Net income available for common shareholders	\$24,346	\$17,384	\$25,669
Discontinued property operations	(5,883)	(1,192)	(10,410)
Income from continuing operations available for common shareholders	\$18,463	\$16,192	\$15,259
Earnings per share basic:			
Income from continuing operations available for common shareholders	\$0.65	\$0.60	\$0.60
Discontinued property operations	0.20	0.04	0.41
Net income available for common shareholders	\$0.85	\$0.64	\$1.01
Earnings per share diluted:			
Income from continuing operations available for common shareholders	\$0.65	\$0.60	\$0.60
Discontinued property operations	0.20	0.04	0.41
Net income available for common shareholders	\$0.85	\$0.64	\$1.01
Dividends declared per common share ⁽¹⁾	\$2.460	\$2.460	\$2.430

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 a calendar year being different from dividends paid during a calendar year. Mid-America paid dividends of \$2.46, \$2.46 and \$2.42 in 2009, 2008 and 2007, respectively.

See accompanying notes to consolidated financial statements.

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MID-AMERICA APARTMENT COMMUNITIES, INC.

**Consolidated Statements of Equity
Years Ended December 31, 2009, 2008, and 2007
(Dollars and shares in thousands, except per share
data)**

See accompanying notes to consolidated financial statements.

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See accompanying notes to consolidated financial statements.

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TABLE OF CONTENTS**MID-AMERICA APARTMENT COMMUNITIES, INC.**

Condensed Consolidated Statements of Cash Flows
Years Ended December 31, 2009, 2008, and 2007
(Dollars in thousands)

	2009	2008	2007
Cash flows from operating activities:			
Consolidated net income	\$39,221	\$32,071	\$43,456
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of deferred financing costs	98,393	93,181	88,713
Stock compensation expense	1,328	1,027	764
Stock issued to employee stock ownership plan		991	876
Compensation expense/redeemable stock issued	351	422	434
Amortization of debt premium	(360)	(1,410)	(2,037)
Loss from investments in real estate joint ventures	816	882	58
Loss on debt extinguishment	140	116	123
Ineffectiveness of derivative contracts	780	39	(397)
(Gain) loss on sale of non-depreciable assets	(15)	3	(534)
(Gain) loss on sale of discontinued operations	(4,649)	120	(9,164)
Gains on disposition within real estate joint ventures		(38)	(5,388)
Incentive fees from real estate joint ventures			(1,019)
Net casualty loss (gain) and other settlement proceeds	(32)	247	(589)
Changes in assets and liabilities:			
Restricted cash	(86)	3,249	421
Other assets	177	5,649	2,559
Accounts payable	473	145	(1,674)
Accrued expenses and other	446	787	1,279
Security deposits	(113)	448	696
Net cash provided by operating activities	136,870	137,929	118,577
Cash flows from investing activities:			
Purchases of real estate and other assets	(125,299)	(156,305)	(88,601)
Improvements to existing real estate assets	(38,133)	(40,248)	(33,261)
Renovations to existing real estate assets	(7,622)	(18,192)	(11,323)
Development	(6,813)	(22,699)	(14,555)
Distributions from real estate joint ventures	120	1	9,855
Contributions to real estate joint ventures	(2,731)	(7,567)	(243)
Proceeds from disposition of real estate assets	29,932	1,967	29,336
Net cash used in investing activities			