MID AMERICA APARTMENT COMMUNITIES INC
Form 10-K
February 25, 2009

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, 2008.

OR

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

For the transition period from ______ to ______

Commission File Number: **1-12762**

MID-AMERICA APARTMENT COMMUNITIES, INC.

(Exact name of registrant as specified in its charter)

TENNESSEE	**62-1543819**
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
6584 POPLAR AVENUE **MEMPHIS, TENNESSEE**	**38138**
(Address of principal executive offices)	(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. þ Yes o 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. o Yes þ 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. þ Yes o 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. o

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

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

As of June 30, 2008, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $1,370,618,258, 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 6, 2009
Common Stock, $.01 par value per share	28,226,241 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 28, 2009 to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.	Part III

MID-AMERICA APARTMENT COMMUNITIES, INC.

TABLE OF CONTENTS

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 word 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 due to volatility in the financial markets;
- the continuation of the good credit of our interest rate swap and cap providers;

- the availability of credit, including mortgage financing, and the liquidity of the debt markets, including that provided to us by Fannie Mae and Freddie Mac, at present operating under the conservatorship of the United States Government; and
- inability to meet loan covenants.

ITEM 1. BUSINESS.

Overview of Mid-America

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. We, together with our subsidiaries, report as a single business segment. As of December 31, 2008, we owned 100% of 143 properties representing 41,928 apartment units, 20 of which were under construction, and had a 33.33% ownership interest in Mid-America Multifamily Fund I, LLC, or Fund I, which owned 2 properties containing 626 apartment units. Our apartment communities were located in 13 states.

Mid-Americas business is conducted principally through Mid-America Apartments, L.P., which we refer to as our operating partnership. Mid-America is the sole general partner of the operating partnership, holding 289,449 common units of partnership interest, or common units, comprising a 1% general partnership interest in the operating partnership as of December 31, 2008. Mid-Americas wholly-owned qualified REIT subsidiary, MAC II of Delaware, Inc. is a limited partner in the operating partnership and, as of December 31, 2008, held 26,251,923 common units, or 90.70% of all outstanding common units.

Our corporate offices are located at 6584 Poplar Avenue, Memphis Tennessee 38138 and our telephone number is (901) 682-6600. As of December 31, 2008, we had 1,173 full time employees and 72 part time employees.

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.

Operating Philosophy

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

Investment Focus. Mid-Americas primary investment focus is on apartment communities in the Sunbelt region of the United States. We believe that sustaining a relatively young portfolio with continued growth potential is important, and believe that we have one of the younger portfolios in the apartment sector. We are focused on the acquisition of new properties with exceptional growth potential and properties that we believe can be repositioned with appropriate use of capital and our operating management skills. We are currently focusing on increasing our investments in relatively new properties within our current geographic area with the potential for above average growth. We have an existing joint venture whose goal is to acquire and reposition properties 7 15 years old that has now completed its investment program. We are working to establish a new joint venture to continue this investment strategy.

Beginning in 2005, Mid-America began an initiative of upgrading a significant number of our existing apartment communities, as well as a limited program of developing new apartments, principally as expansions of existing communities. We will continue our established process of selling mature assets, and will adapt our investment focus to opportunities and markets. In order to improve our return on investment, we have from time-to-time invested with joint venture partners and anticipate this will be a growing part of our strategy.

High Quality Assets. Mid-America has one of the younger REIT portfolios, and strives 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. Mid-America periodically and selectively sells assets to ensure that our portfolio consists primarily of high quality, well-located properties within our market area.

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

Intensive Property and Asset Management Focus. Mid-America has 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 Mid-Americas property managers are Certified Apartment Managers, a designation established by the National Apartment Association, which provides training for on-site manager professionals. Mid-America also provides 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.

Decentralized Operational Structure. Mid-America operates in a decentralized manner. We believe that our decentralized operating structure capitalizes on specific market knowledge, provides greater personal accountability than a centralized structure and is beneficial in the acquisition and redevelopment processes. To support this decentralized operational structure, senior and executive management, along with various asset management functions, are proactively involved in supporting and reviewing property management through extensive reporting processes and frequent on-site visitations. In 2004, Mid-America completed the installation of the property and accounting modules of a new web-based property management system that increased the amount of information shared between senior and executive management and the properties on a real time basis, improving the support provided to on-site property operations. In 2005, we made significant improvements to our operating platform and we expect these enhancements will help capture more operating efficiencies, continue to support effective expense control and provide for various expanded revenue management practices. In 2007, we implemented a new yield management pricing program that we expect will help our property managers to optimize rental revenues. We also installed new purchase order and accounts payable software in 2007 and implemented processes to provide improved controls and management information. In 2008, we implemented revised utility billing processes, rolled out new web-sites enabling on-line lease applications and improved web-based marketing programs, and we anticipate continued enhancements in 2009.

Proactive Balance Sheet and Portfolio Management

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

Strategies

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

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

- providing management information and improved customer services through technology innovations;
- utilizing systems to enhance property managers’ ability to optimize revenue by adjusting rents in response to local market conditions 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 fee and commission income;
- 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 for Mid-America; and
- acquiring and from time to time developing properties when expected returns exceed our investment hurdle rate.

Joint Venture Strategy. One of Mid-America’s strategies is to co-invest with partners in joint venture opportunities from time-to-time to the extent we believe that a joint venture will enable us to obtain a higher return on our investment through management and other fees, which leverage our skills in acquiring, repositioning, redeveloping and managing multifamily investments. In addition, the joint venture investment strategy can provide a platform for creating more capital diversification and lower investment risk for Mid-America. At present, we have focused the investment on properties 7 years old or older, with younger acquisitions becoming part of the wholly-owned portfolio.

Disposition Strategy. Mid-America from time-to-time disposes of mature assets, defined as those apartment communities that no longer meet our investment criteria and long-term strategic objectives. Typically, Mid-America selects assets for disposition that do not meet our present investment criteria, including estimated future return on investment, location, market, potential for growth, and capital needs. Mid-America may from time-to-time also dispose of assets for which we receive an offer meeting or exceeding our return on investment criteria even though those assets may not meet the disposition criteria disclosed above. No apartment communities were sold during 2008.

Acquisition Strategy. One of Mid-America’s growth strategies is to acquire and redevelop apartment communities that meet our investment criteria and focus as discussed above when the expected returns exceed our investment hurdle rate, generally defined as our estimated cost of equity plus 20%. Mid-America has extensive experience and research-based skills in the acquisition and repositioning of multifamily communities. In addition, Mid-America will acquire newly built and developed communities that can be purchased on a favorable pricing basis. 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 in the Sunbelt region of the United States.

The following apartment communities were purchased during 2008:

Property	**Location**	**Number of Units**	**Date Purchased**
100% Owned Properties:			
Cascade at Fall Creek	Humble (Houston), TX	246	January 10, 2008
Providence at Brier Creek	Raleigh, NC	313	May 21, 2008
The Edge at Lyon's Gate	Gilbert (Phoenix), AZ	312	July 31, 2008
The Sanctuary at Oglethorpe	Atlanta, GA	250	August 13, 2008
Village Oaks	Temple Terrace (Tampa), FL	215	August 27, 2008
Village Oaks (1)	Temple Terrace (Tampa), FL	4	Various
		1,340	
33.33% Owned Properties through Fund I:			
Milstead Village	Kennesaw (Atlanta), GA	310	January 17, 2008
Greenwood Forest	Greenwood Forest (Houston), TX	316	March 27, 2008
		626	
Total 2008 Acquisitions		**1,966**	

(1) 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 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.

Development Strategy. In 2006, Mid-America began some limited expansion development projects on adjacent land to existing apartment communities using fixed price contracts. We do not currently 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.

Common and Preferred Stock

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

On November 3, 2006, Mid-America entered into a sales agreement with Cantor Fitzgerald & Co. to sell up to 2,000,000 shares of Mid-America's common stock, from time-to-time in at-the-market offerings or negotiated transactions through a controlled equity offering program. 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, 2008:

	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
Total	**2,473,000**	**$133,843,535**	**$54.12**

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

Mid-America also has a direct stock purchase plan which allows for the optional 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 2008, we issued a total of 402,593 shares through the direct stock purchase plan at an average 1.5% discount, and terminated the discount in December, 2008. No waivers were granted during 2008.

Share Repurchase Program

In 1999, Mid-America's Board of Directors approved an increase in the number of shares of Mid-America's common stock authorized to be repurchased to 4 million shares. As of December 31, 2008, 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 2008 under this plan.

8

Competition

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

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

Environmental Matters

As part of the acquisition process, Mid-America obtains environmental studies on all of our apartment communities from various outside environmental engineering firms. The purpose of these studies is to identify potential sources of contamination at the apartment communities and to assess the status of environmental regulatory compliance. These studies generally include historical reviews of the apartment communities, reviews of certain public records, preliminary investigations of the sites and surrounding properties, visual inspection for the presence of asbestos, 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 Mid-America takes ownership of an acquisition community; however, no assurance can be given that the studies identify all significant environmental problems.

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

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

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

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

Website Access to Registrant's Reports

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

Additionally, a copy of this Annual Report on Form 10-K, along with Mid-America's Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to the aforementioned filings, are available on Mid-America's website free of charge. The filings can be found on the Investor Relations page under SEC Filings. Mid-America's website also contains our Corporate Governance Guidelines, Code of Business Conduct and Ethics and the charters of the committees of the Board of Directors. These items can also be found on the Investor Relations page under Governance Documents. Mid-America's website address is http://www.maac.net. Reference to Mid-America's website does not constitute incorporation by reference of the information contained on the site and should not be considered part of this document. All of the aforementioned materials may also be obtained free of charge by contacting the Investor Relations Department at Mid-America Apartment Communities, Inc., 6584 Poplar Avenue, Memphis, TN 38138.

Recent Developments

Dispositions. On January 15, 2009, Mid-America sold the Woodstream apartments, a 304-unit community in Greensboro, North Carolina.

Acquisitions. On January 16, 2009, Mid-America acquired one of the 15 remaining units of the Village Oaks apartments located in Temple Terrace (Tampa), Florida.

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 2008, we declared total distributions of $2.46 per common share to our shareholders.

ITEM 1A. RISK FACTORS.

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

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 common dividends to our shareholders depends on our ability to generate funds from operations in excess of capital expenditure requirements and preferred dividends, and/or to have access to the markets for debt and equity financing. Funds from operations and the value of 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;
- job losses resulting from further declines in economic activity;
- increases in operating costs (including real estate taxes and insurance premiums) due to inflation and other factors, which may not be offset by increased rents;
- inability to rent apartments on favorable economic terms;
- changes in governmental regulations and the related costs of compliance;
- changes in tax laws and housing laws including the enactment of rent control laws or other laws regulating multifamily housing;
- withdrawal of Government support of apartment financing through its financial backing of Federal National Mortgage Association, or FNMA, and Federal Home Loan Mortgage Corporation, or Freddie Mac;
- an uninsured loss, resulting from a catastrophic storm 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);
- weakness in the overall economy which lowers job growth and the associated demand for apartment housing; and
- the relative illiquidity of real estate investments.

At times, 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, 2008, 89% 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 payments to us by our swap counterparties) and the actual interest rate we pay through the Fannie Mae 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 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.

Our credit facilities with FNMA and Freddie Mac expire 2011 – 2018, and we anticipate that replacement facilities will be at a higher cost and have less attractive terms.

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 $200 billion of preferred equity each to FNMA and Freddie Mac, and placed them in conservatorship through the end of 2009. The Treasury Department has recently increased FNMA and Freddie Mac's portfolio limitation to $900 billion, which at present is required to be reduced on a phased basis beginning in 2010. 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 recently 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, potentially causing 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 and be in default of our loan covenants.

Mid-America borrows on a secured basis from FNMA, Freddie Mac, and Regions Bank. A significant reduction in value 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.

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, 2008, we had total debt outstanding of $1.3 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 approximately 60% 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, 2008, 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 $1.2 billion of our outstanding debt as of December 31, 2008. The debt is provided under the terms of credit facilities with Prudential Mortgage 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 tied to 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 averaged 5 basis points to 12 basis points below LIBOR, and the Freddie Mac Reference Bill rate has averaged 15 basis points to 17 basis points below LIBOR, but in the past year the spreads have increased significantly and have been more volatile than we have historically seen. We believe that the current market illiquidity is an anomaly and that the spreads and the volatility will return to more stable historic trends, 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.

The difference in interest rates between the DMBS and Reference Bill rates and three-month LIBOR, which is a component of the ineffectiveness of the LIBOR-based swaps, flows through interest expense in the current period, and together with the recognized ineffectiveness (which is also an adjustment to current period interest expense), 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 78% 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, 2008, effectively $185 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, are predominately floating rate facilities. We also have credit facilities with Freddie Mac totaling $300 million which are variable rate facilities. At December 31, 2008, a total of $1.2 billion was outstanding under these facilities. These facilities represent the majority of the variable interest rates we were exposed to at December 31, 2008. 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 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 a loan covenants.

We have a significant proportion of our assets in areas exposed to windstorms and to the New Madrid earthquake zone. A major wind or earthquake loss, or series of losses, could require that 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 (of 145 total) 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 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.

Provisions of our charter and Tennessee law may limit the ability of a third party to acquire control of us.

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

Preferred Stock. Our charter authorizes our Board of Directors to issue up to 20,000,000 shares of preferred stock. The Board of Directors may establish the preferences and rights of any preferred shares issued. The issuance of preferred stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our shareholders best interests. Currently, we have 6,200,000 shares of 8.30% Series H Cumulative Redeemable Preferred Stock issued and outstanding.

Tennessee Anti-Takeover Statutes. As a Tennessee corporation, we are subject to various legislative acts, which impose restrictions on and require compliance with procedures designed to protect shareholders against unfair or coercive mergers and acquisitions. These statutes may delay or prevent offers to acquire us and increase the difficulty of consummating any such offers, even if our acquisition would be in our shareholders best interests.

Our investments in joint ventures may involve risks.

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

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

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

Failure to qualify as a REIT would cause 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.

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.

Mid-America seeks 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 75% of Mid-America's apartment units are located in Georgia, Florida, Tennessee, and Texas markets. Mid-America's strategic focus is to provide our residents high quality apartment units in attractive community settings, characterized by extensive landscaping and attention to aesthetic detail. We utilize our experience and expertise in maintenance, landscaping, marketing and management to effectively reposition many of the apartment communities we acquire to raise occupancy levels and per unit average rents.

The following table sets forth certain historical information for the apartment communities we owned at December 31, 2008:

Property	Location	Year Completed	Year Management Commenced	Number of Units	Approximate Rentable Area (Square Footage)	Averag Unit Size (Squar Footag
100% Owned						
Eagle Ridge	Birmingham, AL	1986	1998	200	181,400	9
Abbington Place	Huntsville, AL	1987	1998	152	162,792	1,0
Paddock Club Huntsville	Huntsville, AL	1989/98	1997	392	414,736	1,0
Paddock Club Montgomery	Montgomery, AL	1999	1998	208	230,880	1,1
				952	**989,808**	**1,0**
Calais Forest	Little Rock, AR	1987	1994	260	195,000	7
Napa Valley	Little Rock, AR	1984	1996	240	183,120	7
Westside Creek I & II	Little Rock, AR	1984/86	1997	308	320,936	1,0
				808	**699,056**	**8**
Edge at Lyon's Gate	Phoenix, AZ	2007	2008	312	299,208	9
Talus Ranch	Phoenix, AZ	2005	2006	480	437,280	9
				792	**736,488**	**9**
Tiffany Oaks	Altamonte Springs, FL	1985	1996	288	234,144	8
Marsh Oaks	Atlantic Beach, FL	1986	1995	120	93,240	7
Indigo Point	Brandon, FL	1989	2000	240	194,640	8
Paddock Club Brandon	Brandon, FL	1997/99	1997	440	516,120	1,1
Preserve at Coral Square	Coral Springs, FL	1996	2004	480	528,480	1,1

Anatole	Daytona Beach, FL	1986	1995	208	149,136	7
Paddock Club Gainesville	Gainesville, FL	1999	1998	264	293,040	1,1
Cooper's Hawk	Jacksonville, FL	1987	1995	208	218,400	1,0
Hunter's Ridge at Deerwood	Jacksonville, FL	1987	1997	336	295,008	8
Lakeside	Jacksonville, FL	1985	1996	416	344,032	8
Lighthouse at Fleming Island	Jacksonville, FL	2003	2003	501	556,110	1,1
Paddock Club Jacksonville	Jacksonville, FL	1989/96	1997	440	475,200	1,0
Paddock Club Mandarin	Jacksonville, FL	1998	1998	288	330,336	1,1
St. Augustine I & II	Jacksonville, FL	1987/2008	1995	524	423,392	8
Woodbridge at the Lake	Jacksonville, FL	1985	1994	188	166,004	8
Woodhollow	Jacksonville, FL	1986	1997	450	342,000	7
Paddock Club Lakeland	Lakeland, FL	1988/90	1997	464	505,296	1,0
Savannahs at James Landing	Melbourne, FL	1990	1995	256	238,592	9
Paddock Park Ocala	Ocala, FL	1986/88	1997	480	485,280	1,0
Paddock Club Panama City	Panama City, FL	2000	1998	254	283,972	1,1
Paddock Club Tallahassee	Tallahassee, FL	1990/95	1997	304	329,232	1,0
Belmere	Tampa, FL	1984	1994	210	202,440	9
Links at Carrollwood	Tampa, FL	1980	1998	230	214,820	9
Village Oaks	Tampa, FL	2005	2008	219	252,726	1,1
				7,808	**7,671,640**	**9**
High Ridge	Athens, GA	1987	1997	160	186,560	1,1
Sanctuary at Oglethorpe	Atlanta, GA	1995	2008	250	287,500	1,1
Bradford Pointe	Augusta, GA	1986	1997	192	156,288	8
Shenandoah Ridge	Augusta, GA	1982	1994	272	222,768	8
Westbury Creek	Augusta, GA	1984	1997	120	107,040	8
Fountain Lake	Brunswick, GA	1983	1997	110	129,800	1,1
Park Walk	College Park, GA	1985	1997	124	112,716	9
Whisperwood	Columbus, GA	80/82/84/86/98	1997	1,008	1,220,688	1,2
Willow Creek	Columbus, GA	1971/77	1997	285	246,810	8
Terraces at Fieldstone	Conyers, GA	1999	1998	316	351,076	1,1
Prescott	Duluth, GA	2001	2004	384	370,176	9
Lanier	Gainesville, GA	1998	2005	344	395,944	1,1
Lake Club	Gainesville, GA	2001	2005	313	359,950	1,1
Whispering Pines	LaGrange, GA	1982/84	1997	216	223,128	1,0
Westbury Springs	Lilburn, GA	1983	1997	150	137,700	9
Austin Chase	Macon, GA	1996	1997	256	292,864	1,1
The Vistas	Macon, GA	1985	1997	144	153,792	1,0

Property	**Location**	**Year Completed**	**Year Management Commenced**	**Number of Units**	**Approximate Rentable Area (Square Footage)**	**Average Unit Size (Square Footage)**	**Mo R I Ur Dec 3 2**
Walden Run	McDonough, GA	1997	1998	240	271,200	1,130	$ 7
Georgetown Grove	Savannah, GA	1997	1998	220	239,800	1,090	$ 8
Oaks at Wilmington Island	Savannah, GA	1999	2006	306	300,492	982	$ 8

Wildwood	Thomasville, GA	1980/84	1997	216	223,128	1,033	$ 6
Hidden Lake	Union City, GA	1985/87	1997	320	342,400	1,070	$ 6
Three Oaks	Valdosta, GA	1983/84	1997	240	247,920	1,033	$ 6
Huntington Chase	Warner Robins, GA	1997	2000	200	218,400	1,092	$ 7
Southland Station	Warner Robins, GA	1987/90	1997	304	354,768	1,167	$ 7
Terraces at Townelake	Woodstock, GA	1999	1998	502	575,794	1,147	$ 7
				7,192	**7,728,702**	**1,075**	**$ 7**
Fairways at Hartland	Bowling Green, KY	1996	1997	240	251,280	1,047	$ 7
Paddock Club Florence	Florence, KY	1994	1997	200	207,000	1,035	$ 7
Grand Reserve Lexington	Lexington, KY	2000	1999	370	432,530	1,169	$ 8
Lakepointe	Lexington, KY	1986	1994	118	90,624	768	$ 6
Mansion, The	Lexington, KY	1989	1994	184	138,736	754	$ 6
Village, The	Lexington, KY	1989	1994	252	182,700	725	$ 6
Stonemill Village	Louisville, KY	1985	1994	384	324,096	844	$ 6
				1,748	**1,626,966**	**931**	**$ 7**
Riverhills	Grenada, MS	1972	1985	96	81,984	854	$ 4
Crosswinds	Jackson, MS	1988/90	1996	360	443,160	1,231	$ 7
Pear Orchard	Jackson, MS	1985	1994	389	338,430	870	$ 6
Reflection Pointe	Jackson, MS	1986	1988	296	254,856	861	$ 7
Lakeshore Landing	Ridgeland, MS	1974	1994	196	171,108	873	$ 6
Savannah Creek	Southaven, MS	1989	1996	204	237,048	1,162	$ 7
Sutton Place	Southaven, MS	1991	1996	253	268,686	1,062	$ 6
				1,794	**1,795,272**	**1,001**	**$ 6**
Hermitage at Beechtree	Cary, NC	1988	1997	194	169,750	875	$ 7
Waterford Forest	Cary, NC	1996	2005	384	344,448	897	$ 7
Woodstream	Greensboro, NC	1983	1994	304	217,056	714	$ 5
Preserve at Brier Creek	Raleigh, NC	2002/07	2006	450	518,850	1,153	$ 9
Providence at Brier Creek	Raleigh, NC	2007	2008	313	297,037	949	$ 8
Corners, The	Winston-Salem, NC	1982	1993	240	173,520	723	$ 5
				1,885	**1,720,661**	**913**	**$ 7**
Fairways at Royal Oak	Cincinnati, OH	1988	1994	214	214,428	1,002	$ 6
				214	**214,428**	**1,002**	**$ 6**
Colony at South Park	Aiken, SC	1989/91	1997	184	174,800	950	$ 7
Woodwinds	Aiken, SC	1988	1997	144	165,168	1,147	$ 7
Tanglewood	Anderson, SC	1980	1994	168	146,664	873	$ 5
Fairways, The	Columbia, SC	1992	1994	240	213,840	891	$ 6
Paddock Club Columbia	Columbia, SC	1989/95	1997	336	367,584	1,094	$ 7
Highland Ridge	Greenville, SC	1984	1995	168	143,976	857	$ 5
Howell Commons	Greenville, SC	1986/88	1997	348	292,668	841	$ 5
Paddock Club Greenville	Greenville, SC	1996	1997	208	212,160	1,020	$ 7
Park Haywood	Greenville, SC	1983	1993	208	156,832	754	$ 5
Spring Creek	Greenville, SC	1985	1995	208	182,000	875	$ 5
Runaway Bay	Mt. Pleasant, SC	1988	1995	208	177,840	855	$ 9
Park Place	Spartanburg, SC	1987	1997	184	195,224	1,061	$ 6

Approximate Rentable	**Average Unit**

Property	Location	Year Completed	Year Management Commenced	Number of Units	Area (Square Footage)	Size (Square Footage)
Farmington Village	Summerville, SC	2007	2007	280	307,440	1,098
				2,884	**2,736,196**	**949**
Hamilton Pointe	Chattanooga, TN	1989	1992	361	256,671	711
Hidden Creek	Chattanooga, TN	1987	1988	300	259,200	864
Steeplechase	Chattanooga, TN	1986	1991	108	98,604	913
Windridge	Chattanooga, TN	1984	1997	174	238,728	1,372
Oaks, The	Jackson, TN	1978	1993	100	87,500	875
Post House Jackson	Jackson, TN	1987	1989	150	163,650	1,091
Post House North	Jackson, TN	1987	1989	144	144,720	1,005
Bradford Chase	Jackson, TN	1987	1994	148	121,360	820
Woods at Post House	Jackson, TN	1997	1995	122	118,950	975
Cedar Mill	Memphis, TN	1973/86	1982/94	276	297,804	1,079
Greenbrook	Memphis, TN	1974/78/83/86	1988	1,037	939,522	906
Kirby Station	Memphis, TN	1978	1994	371	310,156	836
Lincoln on the Green	Memphis, TN	1988/98	1994	618	535,188	866
Park Estate	Memphis, TN	1974	1977	82	96,924	1,182
Reserve at Dexter Lake	Memphis, TN	1999/01	1998	740	792,540	1,071
River Trace	Memphis, TN	1981/85	1997	440	370,920	843
Paddock Club Murfreesboro	Murfreesboro, TN	1999	1998	240	268,800	1,120
Brentwood Downs	Nashville, TN	1986	1994	286	220,220	770
Grand View Nashville	Nashville, TN	2001	1999	433	479,331	1,107
Monthaven Park	Nashville, TN	1999/01	2004	456	427,728	938
Park at Hermitage	Nashville, TN	1987	1995	440	392,480	892
				7,026	**6,620,996**	**942**
Northwood	Arlington, TX	1980	1998	270	224,100	830
Balcones Woods	Austin, TX	1983	1997	384	313,728	817
Grand Reserve at Sunset Valley	Austin, TX	1996	2004	210	198,240	944
Silverado	Austin, TX	2003	2006	312	303,264	972
Stassney Woods	Austin, TX	1985	1995	288	248,832	864
Travis Station	Austin, TX	1987	1995	304	249,888	822
Woods, The	Austin, TX	1977	1997	278	214,060	770
Celery Stalk	Dallas, TX	1978	1994	410	374,740	914
Courtyards at Campbell	Dallas, TX	1986	1998	232	168,200	725
Deer Run	Dallas, TX	1985	1998	304	206,720	680
Grand Courtyard	Dallas, TX	2000	2006	390	341,250	875
Lodge at Timberglen	Dallas, TX	1983	1994	260	226,200	870
Watermark	Dallas, TX	2002	2004	240	205,200	855
Legacy Pines	Houston, TX	1999	2003	308	283,360	920
Park Place (Houston)	Houston, TX	1996	2007	229	207,016	904
Ranchstone	Houston, TX	1996	2007	220	193,160	878
Reserve at Woodwind Lakes	Houston, TX	1999	2006	328	316,192	964
Cascade at Fall Creek	Humble, TX	2007	2008	246	227,796	926
Chalet at Fall Creek	Humble, TX	2006	2007	268	260,228	971
Westborough Crossing	Katy, TX	1984	1994	274	197,280	720
Kenwood Club	Katy, TX	2000	1999	320	318,080	994
Lane at Towne Crossing	Mesquite, TX	1983	1994	384	277,632	723
Highwood	Plano, TX	1983	1998	196	156,800	800
Los Rios Park	Plano, TX	2000	2003	498	470,112	944
Boulder Ridge	Roanoke, TX	1999/2008	2005	494	446,082	903

Copper Ridge	Roanoke, TX	2008	2008	200	254,000	1,270
Cypresswood Court	Spring, TX	1984	1994	208	160,576	772
Villages at Kirkwood	Stafford, TX	1996	2004	274	244,682	893

Property	Location	Year Completed	Year Management Commenced	Number of Units	Approximat Rentable Area (Square Footage)
Green Tree Place	Woodlands, TX	1984	1994	200	152,20
				8,529	**7,439,61**
Township	Hampton, VA	1987	1995	296	248,04
				296	**248,04**
Subtotal 100% Owned				**41,928**	**40,227,87**
Joint Venture Properties					
Milstead Village	Kennesaw, GA	1998	2008	310	356,19
Greenwood Forest	Houston, TX	1994	2008	316	310,94
Subtotal Joint Venture Properties				**626**	**667,13**
Total 100% Owned and Joint Venture Properties				**42,554**	**40,895,01**

(1) Encumbered by a $691.8 million FNMA facility, with $691.8 million available and $596.8 million outstanding with a variable interest rate of 2.85% 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% at December 31, 2008.

(2) Encumbered by a $243.2 million FNMA facility, with $243.2 million available and $198.6 million outstanding, $65 million with a fixed rate of 7.71% and $133.6 million of which had a variable interest rate of 3.60% on which there exists interest rate swaps as mentioned in note (1) at December 31, 2008.

(3) Phase I of Paddock Park - Ocala is encumbered by $6.8 million in bonds on which there exists a $6.8 million interest rate cap of 6.00% which terminates on October 24, 2012.

(4) Encumbered, along with one corporate property, by a term loan with a principal balance of $38.6 million at December 31, 2008, with a maturity of April 1, 2009 and an interest rate of 3.20% on which there is a $25 million interest rate swap agreement with a rate of 4.98%, maturing on March 1, 2009.

(5) Encumbered by a credit line with AmSouth Bank, with an outstanding balance of $0.7 million at December 31, 2008.

(6) Encumbered by a $100 million Freddie Mac facility, with $96.4 million available and an outstanding balance of $96.4 million and a variable interest rate of 1.50% on which there exists five interest rate swap agreements totaling $83 million at an average rate of 5.41% at December 31, 2008.

(7) Encumbered by a $200 million Freddie Mac facility, with $179.5 million available and an outstanding balance of $179.5 million and a variable interest rate of 0.89% on which there exists eight interest rate swap agreements totaling $134 million at an average rate of 5.18% at December 31, 2008.

(8)

Encumbered by a mortgage securing a tax-exempt bond amortizing over 25 years with a principal balance of $11.6 million at December 31, 2008, and an average interest rate of 5.25%.

(9) Encumbered by $8.4 million in bonds on which there exists a $8.4 million interest rate swap agreement fixed at 4.73% and maturing on September 15, 2010.

(10) Encumbered by $7.0 million in bonds on which there exists a $7.0 million interest rate swap agreement fixed at 4.42% and maturing on October 15, 2012.

(11) Encumbered by $5.9 million in bonds on which there exists a $5.9 million interest rate cap of 6.00% which terminates on October 31, 2012.

(12) 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.

(13) 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.

(14) Encumbered by $10.8 million in bonds on which there exists a $10.8 million interest rate swap agreement fixed at 4.42% and maturing on October 15, 2012.

(15) Encumbered by $3.5 million in bonds $0.5 million having a variable rate of 4.42% and $3.0 million with a variable rate of 1.785% on which there exists a $3.0 million interest rate cap of 6.00% which terminates on May 31, 2013.

(16) Encumbered by $5.5 million in bonds $0.5 million having a variable rate of 4.42% and $5.0 million with a variable rate of 1.785% on which there exists a $5.0 million interest rate cap of 6.00% which terminates on May 31, 2013.

(17) 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 2.83% which there exists a $11.7 million and a $6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.

(18) Encumbered by $4.0 million in bonds on which there exists a $4.0 million interest rate cap of 6.00% which terminates on November 15, 2011. Also encumbered by a $17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 2.83% which there exists a $11.7 million and a $6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.

(19) Encumbered by $3.6 million in bonds on which there exists a $3.6 million interest rate 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 2.83% which there exists a $11.7 million and a $6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.

(20) 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 maturing on March 1, 2014 with a variable interest rate of 2.83% which there exists a $11.7 million and a $6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.

ITEM 3. LEGAL PROCEEDINGS.

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

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

None.

PART II

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

Mid-Americas 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 6, 2009, the reported last sale price of Mid-Americas common stock on the NYSE was $29.31 per share, and there were approximately 1,728 holders of record of the common stock. Mid-America believes we have a significantly larger number of beneficial owners of our common stock. The following table sets forth the quarterly high and low sales prices of our common stock and the dividends declared by Mid-America with respect to the periods indicated.

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

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

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

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

In 2006, Mid-America issued a total of 1,356,015 shares through our DRSPP and offered an average discount of 1.5% for optional cash purchases. In 2007, Mid-America issued a total of 136,483 shares through our DRSPP and offered an average discount of 1.5% for optional cash purchases. In 2008, Mid-America issued a total of 421,794 shares through our DRSPP and offered an average discount of 1.5% for optional cash purchases.

The following table provides information with respect to compensation plans under which our equity securities are authorized for issuance as of December 31, 2008.

	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	25,782	$ 25.38	447,581
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	25,782	$ 25.38	447,581

(1) Columns (a) and (b) above do not include 67,679 shares of restricted stock that are subject to vesting requirements which were issued through Mid-America's Fourth Amended and Restated 1994 Restricted Stock and Stock Option Plan, 67,786 shares of restricted stock that are subject to vesting requirements which were issued through Mid-America's 2004 Stock Plan, or 65,436 shares of common stock which have been purchased by employees through the Employee Stock Purchase Plan. See Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 2 for more information on these plans.

(2) Column (c) above includes 363,017 shares available to be issued under Mid-America's 2004 Stock Plan and 84,564 shares available to be issued under Mid-America's Employee Stock Purchase Plan. See Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 2 for more information on these plans.

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

The following graph compares the cumulative total returns of the shareholders of Mid-America since December 31, 2003 with the S&P 500 Index and the FTSE NAREIT Equity 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 '03	Dec '04	Dec '05	Dec '06	Dec '07	Dec '08
Mid-America	$100.00	$131.05	$163.17	$201.12	$156.86	$143.66
S&P 500	$100.00	$110.88	$116.33	$134.70	$142.10	$ 89.53

FTSE NAREIT Equity Index	$100.00	$131.58	$147.58	$199.32	$168.05	$ 89.91

ITEM 6. SELECTED FINANCIAL DATA.

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

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

	Year Ended December 31,			
	2008	**2007**	**2006**	**2**
Operating Data:				
Total operating revenues	$ 369,851	$ 347,346	$ 318,370	$ 2
Expenses:				
Property operating expenses	155,150	142,283	132,503	1
Depreciation	90,168	84,789	77,545	
Property management and general and administrative expenses	28,636	28,726	23,001	
Income from continuing operations before non-operating items	95,897	91,548	85,321	
Interest and other non-property income	509	195	663	
Interest expense	(62,010)	(63,639)	(62,308)	(
(Loss) gain on debt extinguishment	(116)	(123)	(578)	
Amortization of deferred financing costs	(2,307)	(2,407)	(2,036)	
Incentive fees from real estate joint ventures	—	1,019	—	
Net casualty (loss) gains and other settlement proceeds	(247)	589	84	
(Loss) gains on sale of non-depreciable assets	(3)	534	50	
Income from continuing operations before minority interest and investments in real estate joint ventures	31,723	27,716	21,196	
Minority interest in operating partnership income	(1,822)	(3,510)	(1,590)	
(Loss) income from real estate joint ventures	(844)	5,330	(114)	
Income from continuing operations	29,057	29,536	19,492	
Discontinued operations:				
Income (loss) from discontinued operations before asset impairment, settlement proceeds and gain on sale	1,312	1,246	1,453	
Asset impairment of discontinued operations	—	—	—	
Net (loss) gain on insurance and other settlement proceeds of discontinued operations	—	—	—	
(Loss) gains on sale of discontinued operations	(120)	9,164	—	
Net income	30,249	39,946	20,945	
Preferred dividend distributions	12,865	13,688	13,962	
Premiums and original issuance costs associated with the redemption of preferred stock	—	589	—	
Net income available for common shareholders	$ 17,384	$ 25,669	$ 6,983	$
Per Share Data:				
Weighted average shares outstanding (in thousands):				
Basic	26,943	25,296	23,474	
Effect of dilutive stock options	103	166	224	

Diluted	27,046	25,462	23,698	
Net income available for common shareholders	$ 17,384	$ 25,669	$ 6,983	$
Discontinued property operations	(1,192)	(10,410)	(1,453)	
Income from continuing operations available for common shareholders	$ 16,192	$ 15,259	$ 5,530	$
Earnings per share - basic:				
Income from continuing operations available for common shareholders	$ 0.60	$ 0.60	$ 0.24	$
Discontinued property operations	0.05	0.41	0.06	
Net income available for common shareholders	$ 0.65	$ 1.01	$ 0.30	$
Earnings per share - diluted:				
Income from continuing operations available for common shareholders	$ 0.60	$ 0.60	$ 0.23	$
Discontinued property operations	0.04	0.41	0.06	
Net income available for common shareholders	$ 0.64	$ 1.01	$ 0.29	$
Balance Sheet Data:				
Real estate owned, at cost	$2,552,808	$2,343,130	$2,218,532	$1,9
Real estate assets, net	$1,851,331	$1,720,553	$1,669,539	$1,5
Total assets	$1,921,955	$1,783,822	$1,746,646	$1,5
Total debt	$1,323,056	$1,264,620	$1,196,349	$1,1
Minority interest	$ 30,471	$ 28,868	$ 32,600	$
Shareholders' equity and redeemable stock	$ 413,951	$ 403,530	$ 449,066	$ 3
Other Data (at end of period):				
Market capitalization (shares and units) (1)	$1,293,145	$1,358,100	$1,745,674	$1,3
Ratio of total debt to total capitalization (2)	50.6%	48.2%	40.7%	
Number of properties, including joint venture ownership interest (3)	145	137	138	
Number of apartment units, including joint venture ownership interest (3)	42,554	40,248	40,293	

---

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

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

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

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 sales of real estate in accordance with Statement No. 66, *Accounting for Sales 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 1 year for acquired leases, all of which are subjective determinations. Repairs and maintenance costs are expensed as incurred while significant improvements, renovations, and replacements are capitalized. The cost to complete any deferred repairs and maintenance at properties acquired by us in order to elevate the condition of the property to our standards are capitalized as incurred.

Development costs, which in 2008 were limited to adding new units to three existing properties, are capitalized in accordance with Statement of Financial Accounting Standards No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects* and Statement of Financial Accounting Standards No. 34, *Capitalization of Interest Cost*.

Impairment of long-lived assets, including goodwill

We account for long-lived assets in accordance with the provisions of Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, or Statement 144, and evaluate our goodwill for impairment under Statement No. 142, *Goodwill and Other Intangible Assets,* or Statement 142. We evaluate goodwill for impairment on an annual basis in our fiscal fourth quarter, or sooner 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.

In accordance with Statement 144, long-lived assets, such as real estate assets, equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

In accordance with Statement 142, goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. This determination is made at the reporting unit level and consists of two steps. First, we determine the fair value of a reporting unit and compare the fair value 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 Statement of Financial Accounting Standards No. 141, *Business Combinations*. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

Fair value of derivative financial instruments

Mid-America utilizes certain derivative financial instruments, primarily interest rate swaps and caps, during the normal course of business to manage, or hedge, the interest rate risk associated with 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 Mid-America's calculation of hedge effectiveness contains some subjective determinations, the historical correlation of the hedging instruments and the underlying hedged item are measured by Mid-America before entering into the hedging relationship and have been found to be highly correlated.

Mid-America measures ineffectiveness using the change in the variable cash flows method 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.

On January 1, 2008, we adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements,* or Statement 157. Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

28

Statement 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, Statement 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Mid-America has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Mid-America's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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. To comply with the provisions of Statement 157, Mid-America incorporates credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although Mid-America has determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by ourselves and our counterparties. As of December 31, 2008, Mid-America has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and has determined that the credit valuation adjustments are significant to the overall valuation of our derivatives. As a result, Mid-America has determined that our derivative valuations in their entirety are classified in Level 3 of the fair value hierarchy. As of December 31, 2008, Mid-America had a total of $990.5 million of notional amount in derivative instruments, all of which had fair values measured using Level 3 inputs. Realized and unrealized losses did not materially affect our results of operations, liquidity or capital resources during the year. Mid-America experienced an overall decrease in fair value of our derivatives due to the fluctuations in the interest rate market throughout the year.

OVERVIEW OF THE YEAR ENDED DECEMBER 31, 2008

Mid-America experienced an increase in income from continuing operations before non-operating items in 2008 as we continued to grow our portfolio through acquisitions and limited development and our same store portfolio maintained an average occupancy of 95.3% and raised average effective rents by 1.8% over 2007. 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.

Mid-America has grown externally during the past three years by following its acquisition strategy to invest in large and mid-sized growing markets in the Sunbelt region of the United States. Mid-America acquired six properties in 2006, four properties in 2007 and five properties in 2008. Mid-America also purchased two properties through a joint venture in 2008. Offsetting some of this increased revenue stream is five property dispositions in 2007, one of which was through a joint venture.

Mid-America also benefited from reduced interest expense in 2008 as our twelve month average interest rate dropped from 5.4% in 2007 to 4.9% in 2008.

The following is a discussion of the consolidated financial condition and results of operations of Mid-America for the years ended December 31, 2008, 2007, and 2006. This discussion should be read in conjunction with all of the consolidated financial statements included in this Annual Report on Form 10-K.

As of December 31, 2008, the total number of apartment units Mid-America owned or had an ownership interest in was 42,554 in 145 communities, compared to 40,248 apartment units in 137 communities at December 31, 2007, and 40,293 apartment units in 138 communities at December 31, 2006. For communities owned 100% by Mid-America, the average monthly rental per apartment unit, excluding units in lease-up, increased to $750 at December 31, 2008 from $743 at December 31, 2007, and $726 at December 31, 2006. For these same units, overall occupancy at December 31, 2008, 2007, and 2006 was 93.4%, 94.7%, and 94.2%, respectively.

RESULTS OF OPERATIONS

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 $22.3 million from the year ended December 31, 2008, due to (i) a $7.1 million increase in property revenues from the five properties acquired in 2008, or 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 Mid-America□s 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 operating expenses from the properties held throughout both periods consisted primarily of Mid-America□s 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 market value of 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, Mid-America 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 Mid-America of approximately $1.0 million in 2007. In 2007, Mid-America also benefited from a $9.2 million gain resulting from the sale of four communities owned directly by Mid-America. Mid-America had no property dispositions in 2008.

For the year ended December 31, 2007, Mid-America 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, Mid-America recorded a loss of $0.3 million for these same items.

Primarily as a result of the foregoing, net income decreased by approximately $9.7 million in 2008 from 2007.

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

Property revenues for the year ended December 31, 2007, increased by approximately $29.2 million from the year ended December 31, 2006, due to (i) a $4.8 million increase in property revenues from the 2007 acquisitions, (ii) an $11.5 million increase in property revenues from the six properties acquired in 2006, or the 2006 acquisitions, (iii) a $0.8 million increase in property revenues from the development communities, and (iv) a $12.1 million increase in property revenues from the properties held throughout both periods. The increase in property revenues from properties held throughout both periods was generated primarily by Mid-America's same store portfolio and was driven by an average 2.5% increase in average rent per unit in 2007 over 2006.

Property operating expenses include costs for property personnel, building repairs and maintenance, real estate taxes and insurance, utilities, landscaping and other property related costs. Property operating expenses for the year ended December 31, 2007, increased by approximately $9.8 million from the year ended December 31, 2006, due primarily to increases of property operating expenses of (i) $2.1 million from the 2007 acquisitions, (ii) $5.0 million from the 2006 acquisitions, (iii) $0.3 million form the development communities, and (iv) $2.4 million from the properties held throughout both periods. The increase in property operating expenses from the properties held throughout both periods consisted primarily of Mid-America's same store portfolio and represented an average 2.7% increase over prior year expenses.

Depreciation expense increased by approximately $7.2 million primarily due to the increases of depreciation expense of (i) $1.2 million from the 2007 acquisitions, (ii) $3.3 million from the 2006 acquisitions, (iii) $0.2 million from the development communities, (iv) $1.8 million from fixed asset additions at the communities held throughout both periods, and (v) $0.7 million from the amortization of fair market value of leases of acquired communities.

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

Interest expense increased approximately $1.3 million in 2007 from 2006 due primarily to the approximate $42.4 million increase in the average debt outstanding from 2006 due to acquisitions and our development and redevelopment programs.

For the year ended December 31, 2007, Mid-America 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 Mid-America of approximately $1.0 million in 2007. In 2007, Mid-America also benefited from a $9.2 million gain resulting from the sale of four communities owned directly by Mid-America. Mid-America had no property dispositions in 2006.

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

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

FUNDS FROM OPERATIONS

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

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

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

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

The following table is a reconciliation of FFO to net income for the years ended December 31, 2008, 2007, and 2006 (dollars and shares in thousands):

	Years ended December 31,		
	2008	**2007**	**2006**
Net income	$ 30,249	$ 39,946	$ 20,945
Depreciation of real estate assets	88,555	83,532	76,205
Net casualty (gains) loss and other settlement proceeds	247	(589)	(84)
Gains on dispositions within real estate joint ventures	(38)	(5,388)	
Depreciation of real estate assets of discontinued operations	706	1,517	2,003
(Gains) loss on sales of discontinued operations	120	(9,164)	
Depreciation of real estate assets of real estate joint ventures	953	15	500
Preferred dividend distribution	(12,865)	(13,688)	(13,962)
Minority interest in operating partnership income	1,822	3,510	1,590
Premiums and original issuance costs associated with the redemption of preferred stock	—	(589)	
Funds from operations	$ 109,749	$ 99,102	$ 87,197
Weighted average shares and units:			
Basic	29,356	27,777	25,979
Diluted	29,459	27,943	26,204

FFO increases for both 2008 over 2007, and 2007 over 2006 were principally the result of improved community operations from Mid-America’s same store portfolio and the addition of communities from the 2006 acquisitions, 2007 acquisitions and 2008 acquisitions as previously reviewed in the net income discussion above.

TRENDS

During the first half of 2008, rental demand for apartments continued at robust levels in most of our markets with the notable exception of Florida, where after several years of good growth, markets weakened. Towards the end of the second quarter, we experienced a reduction in our rate of revenue growth, which we think is likely to be due to the slowdown in general economic conditions. During the third quarter and through the end of 2008, the rate of revenue growth continued to slow.

Job formation, which is a primary driver of demand by apartment residents, weakened towards the end of the second quarter and through the end of 2008. On the supply side, new apartment construction continued to be limited, as in most markets, rents have yet to rise sufficiently to offset the rapid run-up of costs of new construction over the last five years and financing for new development has become difficult to obtain. Competition from condominiums reverting back to being rental units, or new condominiums being converted to rental, was not a major factor in most of our markets because most of our markets and submarkets have not been primary areas for condominium development. We have found the same to be true for rental competition from single family homes. We have avoided committing a significant amount of capital to markets where most of the excessive inflation in house prices has occurred. We are seeing significant rental competition from condominiums and single family houses in only a few submarkets.

The primary reason that our residents leave us is to buy a house, but we have seen that reason as a percent of total move-outs drop over the past twelve months. Analysts point out that homeownership increased from 65% to over 69% of households over ten years ending in 2005. This increase, representing approximately five million households, 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 believe that the signs of slower revenue growth will be temporary, and that revenue growth should resume in 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 it seems possible that in 2009 we will face declining economic growth as a result of reduced liquidity in the economy, we think that the supply of new apartments is not excessive, and that positive absorption of apartments will return for most of our markets 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.

LIQUIDITY AND CAPITAL RESOURCES

Net cash flow provided by operating activities increased by approximately $19.4 million to $137.9 million for 2008, compared to $118.6 million for 2007, mainly related to the growth of Mid-America through acquisitions and improved operating results in 2008. Net cash flow provided by operating activities increased by approximately $16.1 million to $118.6 million for 2007 compared to $102.5 million for 2006 mainly related to the growth of Mid-America through acquisitions and improved operating results in 2007.

Net cash used in investing activities was approximately $243.0 million, $108.8 million and $241.1 million for 2008, 2007 and 2006, respectively. The change in net cash used in investing activities resulted mainly from the varying levels of acquisition activity. A total of approximately $156.3 million was invested in 2008 to acquire properties, this compares to approximately $88.6 million in 2007, and $195.0 million in 2006. Mid-America began limited development activities in 2006, which used net cash of approximately $10.9 million in 2006, $14.6 million in 2007 and $22.7 million in 2008. Mid-America also expanded our renovation activities using net cash of approximately $6.1 million in 2006, $11.3 million in 2007 and $18.2 million in 2008. In 2007, Mid-America received a total of $39.2 million from the disposition of real estate assets, mainly related to property sales. No communities were sold in 2006 or 2008.

Net cash provided by financing activities was $97.3 million, $1.9 million and $130.1 million for 2008, 2007 and 2006, 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 increased in 2006 to approximately $152.0 million primarily due to Mid-America's raising of funds through stock issuances from our direct stock purchase plan, a controlled equity plan and an overnight offering. During 2007, Mid-America was not as active in raising funds through these equity plans; however, in 2008 Mid-America raised a total of $126.0 million of proceeds from issuances of common shares and units, primarily through a controlled equity plan. Net cash provided by financing activities in 2007 was also impacted by the redemption of our 9¼% Series F Cumulative Redeemable Preferred Stock, or Series F, for $11.9 million.

The weighted average interest rate at December 31, 2008 for the $1.3 billion of debt outstanding was 4.8%, compared to the weighted average interest rate of 5.4% on $1.3 billion of debt outstanding at December 31, 2007. 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, 2008, 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 Federal Home Loan Mortgage Corporation, or Freddie Mac, and a $50 million bank facility. Together, these credit facilities provided a total line capacity of $1.39 billion and collateralized availability to borrow of $1.36 billion at December 31, 2008. We had total borrowings outstanding under these credit facilities of $1.18 billion at December 31, 2008.

Approximately 68% of our outstanding obligations at December 31, 2008 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, 2008. We had total borrowings outstanding under the FNMA Facilities of approximately $905 million at December 31, 2008. Various traunches 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, 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 an average spread of 0.05% - 0.13% over the life of the FNMA Facilities, plus a credit enhancement fee of 0.49% to 0.795%. While, generally, the DMBS continued to trade below three-month LIBOR, the spread between them increased during the fourth quarter of 2007 and during 2008, ranging from 0.05% above three-month LIBOR to 1.23% below three-month LIBOR. 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.

35

Approximately 21% of our outstanding obligations at December 31, 2008 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 $276 million was collateralized and available to borrow at December 31, 2008. We had total borrowings outstanding under the Freddie Mac Facilities of approximately $276 million at December 31, 2008. 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 LIBOR, plus a credit enhancement fee of 65 basis points to 69 basis points. The Freddie Mac Reference Bill rate has traded consistently below LIBOR, and the historical average spread has risen recently from the more normal 15 basis points to 17 basis points below LIBOR to 41 basis points below LIBOR with a high of 200 basis points below LIBOR on November 1, 2008.

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, 2008 (in thousands):

	Line Limit	Amount Collateralized	Amount Borrowed
FNMA Credit Facilities	$ 1,044,429	$ 1,044,429	$ 904,833
Freddie Mac Credit Facilities	300,000	275,929	275,929
Regions Credit Facility	50,000	43,863	661
Regions Term Loan	38,625	38,625	38,625
Other Borrowings	103,008	103,008	103,008
Total Debt	**$ 1,536,062**	**$ 1,505,854**	**$ 1,323,056**

As of December 31, 2008, we had entered into interest rate swaps totaling a notional amount of $908 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 $82 million as of December 31, 2008.

The following schedule outlines our variable versus fixed rate debt, including the impact of interest rate swaps and caps, outstanding as of December 31, 2008 (in thousands):

	Principal Balance	Average Years to Contract Maturity	Effective Rate
Conventional - Fixed Rate or Swapped (1)	$ 1,018,484	4.1	5.5%
Tax-free - Fixed Rate or Swapped (1)	37,730	8.3	4.7%
Conventional - Variable Rate	179,796	5.2	2.5%
Tax-free - Variable Rate	4,760	19.4	3.9%
Conventional - Variable Rate - Capped (2)	17,936	0.9	2.8%
Tax-free - Variable Rate - Capped (2)	64,350	3.2	1.8%
Total Debt Outstanding	**$ 1,323,056**	**4.5**	**4.8%**

(1) Maturities on existing swapped balances are calculated using the life of the underlying variable debt.

(2) When the capped rates of 6.0% and 6.5% are not reached, the average rate represents the rate on the underlying variable debt.

We only have two scheduled refinancings prior to 2011. One is a $39 million mortgage with Regions Bank that matures April 1, 2009. We plan to replace the Regions debt with mortgages from Freddie Mac which were put in place in the fourth quarter of 2008. The other is the $50 million credit facility with a group of banks led by Regions Bank that matures May 24, 2010.

The following schedule outlines the contractual maturity dates of our outstanding debt as of December 31, 2008 (in thousands):

	Line Limit Credit Facilities					
	Fannie Mae	Freddie Mac	Regions	Regions Term Loan	Other	Total
2009	$	$	$	$ 38,625	$	$ 38,625

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		—	18,984	540,220
2015	120,000			—	53,520	173,520
Thereafter	240,000			—	30,504	270,504
Total	**$ 1,044,429**	**$ 300,000**	**$ 50,000**	**$ 38,625**	**$ 103,008**	**$ 1,536,062**

The following schedule outlines the interest rate maturities of our outstanding interest rate swap agreements and fixed rate debt as of December 31, 2008 (in thousands):

	Swap Balances		**Fixed Rate**	**Temporary Fixed Rate**	**Total**	
	LIBOR	**SIFMA** (formerly BMA)	**Balances**	**Balances (1)**	**Balance**	**Contract Rate**
2009	$ 25,000	$ —	$	$ 65,000	$ 90,000	6.9%
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	—	18,984	—	162,984	5.7%
2015	75,000	—	38,321	—	113,321	5.6%
Thereafter	—	—	25,744	—	25,744	5.6%
Total	**$ 882,000**	**$ 26,165**	**$ 83,049**	**$ 65,000**	**$ 1,056,214**	**5.5%**

(1) Represents a $65 million fixed rate FNMA borrowing that converts to a variable rate on December 1, 2009.

During 2008, Mid-America sold 1,955,300 shares of common stock through our continuous equity offering program generating net proceeds of approximately $103.6 million. In 2007 and 2006, Mid-America sold 323,700 shares and 194,000 shares generating net proceeds of approximately $18.8 million and $11.5 million, respectively.

During 2008, Mid-America offered an average 1.5% discount through our DRSPP and issued approximately 403,000 shares of common stock through the direct stock purchase feature of this plan, generating approximately $20 million in proceeds. During 2007 and 2006, Mid-America also offered an average 1.5% discount through our DRSPP and issued approximately 120,000 and 1,340,000 shares of common stock through the direct stock purchase feature of this plan, generating approximately $6 million and $77 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.

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

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 $1.2 billion of our debt as of December 31, 2008. The Federal Housing Finance Agency, or FHFA, is the appointed conservator of the Agencies, and in a press release dated September 12, 2008, stated that business will continue as usual at the Enterprises during the conservatorship this applies to both their single family and multifamily businesses. FHFA recognizes the importance of all aspects of the Enterprises multifamily businesses for a healthy secondary market and housing affordability. In particular, support for multifamily housing finance is central to the Enterprises public purpose As conservator, FHFA expects each Enterprise 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, 2008, 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 $12.7 million, as compared to $4.1 million for the same period in 2007. This compares to a shortfall for the twelve months of 2005 of approximately $4.5 million. While we had sufficient liquidity to permit distributions at current rates through additional borrowings, if necessary, any significant 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.

The following table reflects our total contractual cash obligations which consist of our long-term debt and operating leases as of December 31, 2008, (dollars in thousands):

Contractual Obligations (1)	**2009**	**2010**	**2011**	**2012**	**2013**	**Thereafter**	**Total**
Long-Term Debt (2)	$ 40,357	$ 2,488	$ 178,333	$ 82,036	$ 161,039	$ 858,803	$ 1,323,056
Fixed Rate or Swapped Interest (3)	51,186	43,123	35,404	26,403	18,911	29,076	204,103
Operating Lease	16	16	16	8			56
Total	**$ 91,559**	**$ 45,627**	**$ 213,753**	**$ 108,447**	**$ 179,950**	**$ 887,879**	**$ 1,527,215**

(1) Fixed rate and swapped interest are shown in this table. The average interest rates of variable rate debt are shown in preceeding 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, 2008, and 2007, 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, 2008, Mid-America Multifamily Fund I, LLC owned two properties but did not expect to acquire any additional communities. 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 14.

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

Mid-America renegotiated our insurance programs effective July 1, 2008. 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 would not have a significant impact on our liquidity, financial position or results of operation. We expect the renegotiated programs to result in a reduction in annual policy premiums of approximately $1.3 million when compared to the higher rates experienced with the prior policy.

INFLATION

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

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 *Fair Value Measurements*, or Statement 157. Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. FASB Staff Position No. FAS 157-2 *Effective Date of FASB Statement 157*, or FSP 157-2, delays the effective date of Statement 157 for nonfinancial assets and nonfinancial liabilities except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. For these items, the effective date will be for fiscal years beginning after November 15, 2008. We adopted Statement 157 effective January 1, 2008. We do not believe the adoption has had or will have a material impact on our consolidated financial condition or results of operations taken as a whole.

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

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

On March 19, 2008, the FASB issued FASB Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement 133,* or Statement 161. Statement 161 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 FASB Statement No. 133, *Accounting 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. Statement 161 is effective for fiscal years and interim periods beginning after November 15, 2008.

In June 2008, the FASB issued FSP No. EITF 03-6-1, *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 described in SFAS No. 128, *Earnings Per Share*. This FSP 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 FSP. Management does not believe that the adoption of this FSP will have a material impact on our consolidated financial condition or results of operations taken as a whole.

In September 2008, the FASB ratified EITF Issue No. 08-5, *Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement*, or EITF 08-5. EITF 08-5 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. EITF 08-5 is effective on a prospective basis in the first reporting period beginning on or after December 15, 2008, and the effect of initially applying EITF 08-5 shall be included in the fair value in the period of adoption. Management is evaluating the impact that EITF 08-5 will have on our financial statements.

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

Mid-America's primary market risk exposure is to changes in interest rates obtainable on our secured and unsecured borrowings. At December 31, 2008, 51% of Mid-America's total capitalization consisted of borrowings. Mid-America's interest rate risk objective is to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve this objective, Mid-America manages its exposure to fluctuations in market interest rates for borrowings through the use of fixed rate debt instruments and interest rate swaps and caps which mitigate our interest rate risk on a related financial instrument and effectively fix the interest rate on a portion of our variable debt or on future refinancings. Mid-America uses our best efforts to ladder fixed rate maturities thereby limiting our exposure to interest rate changes in any one year. Mid-America does not enter into derivative instruments for trading or other speculative purposes. Approximately 86% of Mid-America's outstanding debt was subject to fixed or capped rates after considering related derivative instruments at December 31, 2008. Mid-America regularly reviews interest rate exposure on outstanding borrowings in an effort to minimize the risk of interest rate fluctuations.

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

	2009	2010	2011	2012	2013	Total Thereafter	Total
Long-term Debt							
Fixed Rate (1)	$ 65,000	$	$	$	$	$ 83,049	$ 148,04

Average interest rate	7.71%	0.00%	0.00%	0.00%	0.00%	5.77%	6.0
Variable Rate (1)	$38,624	$ 661	$111,404	$ 80,000	$158,629	$785,689	$1,175,00
Average interest rate	3.20%	1.96%	1.79%	3.60%	3.03%	2.30%	2.4
Interest Rate Swaps							
Variable to Fixed	$25,000	$148,365	$158,000	$167,800	$190,000	$219,000	$ 908,16
Average Pay Rate	3.98%	5.07%	4.61%	4.41%	4.58%	4.77%	4.0
Interest Rate Cap							
Variable to Fixed	$11,720	$ 5,095	$ 33,731	$ 23,795	$ 7,945	$ —	$ 82,28
Average Pay Rate	6.00%	6.00%	6.09%	6.00%	6.00%	0.00%	6.0

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Reports of Independent Registered Public Accounting Firm, Consolidated Financial Statements and Selected Quarterly Financial Information are set forth on pages F-1 to F-40 of this Annual Report on Form 10-K.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Management’s Evaluation of Disclosure Controls and Procedures

The management of Mid-America, with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, including ensuring that such information is accumulated and communicated to Mid-America management as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of December 31, 2008, (the end of the period covered by this Annual Report on Form 10-K).

Management’s Report on Internal Control Over Financial Reporting

Management’s report on our internal control over financial reporting is presented on page F-1 of this Annual Report on Form 10-K. The reports of Ernst & Young LLP relating to the consolidated financial statements, notes to the consolidated financial statements and the effectiveness of internal control over financial reporting are presented on pages F-2 to F-3 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

As of the year ended December 31, 2008, there were no significant changes in Mid-America’s internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, Mid-America’s internal control over financial reporting.

ITEM 9A(T). CONTROLS AND PROCEDURES.

Not applicable.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information contained in Mid-America's 2008 Proxy Statement in the sections entitled "Information About The Board of Directors and Its Committees", "Proposal 1 - Election of Directors", "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance," is incorporated herein by reference in response to this item.

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

ITEM 11. EXECUTIVE COMPENSATION.

The information contained in Mid-America's 2008 Proxy Statement in the section entitled "Executive Compensation", "Compensation Committee Interlocks and Insider Participation" and "Compensation Discussion and Analysis" is incorporated herein by reference in response to this item.

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

The information contained in Mid-America's 2008 Proxy Statement in the sections entitled "Security Ownership of Management" and "Security Ownership of Certain Beneficial Owners," is incorporated herein by reference in response to this item.

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

The information contained in Mid-America's 2008 Proxy Statement in the sections entitled "Certain Relationships and Related Transactions" and "Information About The Board of Directors and Its Committees" is incorporated herein by reference in response to this item.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information contained in Mid-America's 2008 Proxy Statement in the section entitled "Proposal 2 - Ratification of Independent Registered Public Accounting Firm," is incorporated herein by reference in response to this item.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

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

1.		Management's Report on Internal Control Over Financial Reporting	F-1
		Reports of Independent Registered Public Accounting Firm	F-2
		Consolidated Balance Sheets as of December 31, 2008, and 2007	F-4

3. The exhibits required by Item 601 of Regulation S-K, except as otherwise noted, have been filed with previous reports by the registrant and are herein incorporated by reference.

Exhibit Number	Exhibit Description
3.1	Amended and Restated Charter of Mid-America Apartment Communities, Inc. dated as of January 10, 1994, as filed with the Tennessee Secretary of State on January 25, 1994 (Filed as Exhibit 3.1 to the Registrants 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 Registrants 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 Registrants 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 Registrants 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).
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 ¼% 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 December 5, 2008 (Filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on December 8, 2008 and incorporated herein by reference).
10.4	Fourth Amended and Restated 1994 Restricted Stock and Stock Option Plan (Filed as Exhibit A to the Registrant's Proxy Statement filed on April 24, 2002 and incorporated herein by reference).
10.5	

	AmSouth Revolving Credit Agreement (Amended and Restated) dated July 17, 2003 (Filed as Exhibit 10.10 to the Registrant's Registration Statement on Form S-3/A (File Number 333-112469) and incorporated herein by reference).
10.6	First Amendment to Amended and Restated Revolving Credit Agreement (AmSouth) dated May 19, 2004 (Filed as Exhibit 10.10 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.7	Second Amendment to Amended and Restated Revolving Credit Agreement (AmSouth) dated May 23, 2005.
10.8	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.
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.
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.
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.
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.
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.
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.

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.
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.
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.
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 Registrants 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.
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.

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.
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 Registrants 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 Registrants Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 and incorporated herein by reference).
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 Registrants 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 Registrants 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 Registrants Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference).
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.
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.
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.
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).

49

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).

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).
11	Statement re: computation of per share earnings (included within the Form 10-K).
14	Code of Ethics (Filed as Exhibit 14.1 to the Registrants 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.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MID-AMERICA APARTMENT COMMUNITIES, INC.

Date: February 24, 2009

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

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

Date: February 24, 2009	/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, 2009	/s/ Simon R.C. Wadsworth Simon R.C. Wadsworth Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
Date: February 24, 2009	/s/ George E. Cates George E. Cates Director
Date: February 24, 2009	/s/ Alan B. Graf, Jr. Alan B. Graf, Jr. Director
Date: February 24, 2009	/s/ John S. Grinalds John S. Grinalds Director
Date: February 24, 2009	/s/ Ralph Horn Ralph Horn Director
Date: February 24, 2009	/s/ Mary E. McCormick Mary E. McCormick Director
Date: February 24, 2009	/s/ Philip W. Norwood Philip W. Norwood Director
Date: February 24, 2009	/s/ William B. Sansom William B. Sansom Director

51

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, 2008 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, 2008.

The effectiveness of Mid-America's internal control over financial reporting as of December 31, 2008, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is presented in this Annual Report.

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, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. 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, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Mid-America Apartment Communities, Inc.s internal control over financial reporting as of December 31, 2008, 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 24, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Memphis, Tennessee
February 24, 2009

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, 2008, based on criteria established in Internal ControlIntegrated 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 Managements Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the companys 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 companys 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 companys 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 companys 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, 2008, 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, 2008 and 2007, and the related consolidated statements of income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2008, of Mid-America Apartment Communities, Inc. and our report dated February 24, 2009, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Memphis, Tennessee
February 24, 2009

F-3

MID-AMERICA APARTMENT COMMUNITIES, INC.
Consolidated Balance Sheets
December 31, 2008, and 2007
(Dollars in thousands, except per share data)

	December 31, 2008	December 31, 2007
Assets:		
Real estate assets:		
Land	$ 240,426	$ 214,743
Buildings and improvements	2,198,063	2,044,380
Furniture, fixtures and equipment	65,540	55,602
Capital improvements in progress	25,268	12,886
	2,529,297	2,327,611
Less accumulated depreciation	(694,054)	(616,364)
	1,835,243	1,711,247
Land held for future development	1,306	2,360
Commercial properties, net	7,958	6,778
Investments in real estate joint ventures	6,824	168
Real estate assets, net	1,851,331	1,720,553
Cash and cash equivalents	9,426	17,192
Restricted cash	414	3,724
Deferred financing costs, net	15,681	15,219
Other assets	16,840	23,028
Goodwill	4,106	4,106
Assets held for sale	24,157	
Total assets	$ 1,921,955	$ 1,783,822
Liabilities and Shareholders' Equity:		
Liabilities:		
Notes payable	$ 1,323,056	$ 1,264,620
Accounts payable	1,234	1,099
Fair market value of interest rate swaps	76,961	16,039
Accrued expenses and other liabilities	66,982	61,213
Security deposits	8,705	8,453
Liabilities associated with assets held for sale	595	
Total liabilities	1,477,533	1,351,424
Minority interest	30,471	28,868
Redeemable stock	1,805	2,574
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 Cumulative Redeemable Preferred Stock, 6,200,000 shares authorized, 6,200,000 shares issued and outstanding	62	62
Common stock, $0.01 par value per share, 50,000,000 shares authorized; 28,224,708 and 25,718,880 shares issued and outstanding at December 31, 2008, and December 31, 2007, respectively [(1)]	282	257
Additional paid-in capital	954,127	832,511
Accumulated distributions in excess of net income	(464,617)	(414,966)
Accumulated other comprehensive income	(77,708)	(16,908)
Total shareholders' equity	412,146	400,956
Total liabilities and shareholders' equity	$ 1,921,955	$ 1,783,822

---

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

See accompanying notes to consolidated financial statements.

MID-AMERICA APARTMENT COMMUNITIES, INC.
Statements of Operations
Years ended December 31, 2008, 2007, and 2006
(Dollars in thousands, except per share data)

	2008	2007	2006
Operating revenues:			
Rental revenues	$ 352,607	$ 331,788	$ 304,237
Other property revenues	17,038	15,524	13,923
Total property revenues	369,645	347,312	318,160
Management fee income	206	34	210
Total operating revenues	369,851	347,346	318,370
Property operating expenses:			
Personnel	46,139	42,102	39,137
Building repairs and maintenance	13,688	12,900	11,603
Real estate taxes and insurance	45,652	42,639	39,929
Utilities	21,908	20,009	19,123
Landscaping	9,146	8,594	8,119
Other operating	18,617	16,039	14,592
Depreciation	90,168	84,789	77,545
Total property operating expenses	245,318	227,072	210,048
Property management expenses	16,799	17,918	13,124
General and administrative expenses	11,837	10,808	9,877
Income from continuing operations before non-operating items	95,897	91,548	85,321
Interest and other non-property income	509	195	663
Interest expense	(62,010)	(63,639)	(62,308)
Loss on debt extinguishment	(116)	(123)	(578)
Amortization of deferred financing costs	(2,307)	(2,407)	(2,036)
Incentive fees from real estate joint ventures	—	1,019	—
Net casualty (loss) gains and other settlement proceeds	(247)	589	84
(Loss) gains on sale of non-depreciable assets	(3)	534	50
Income from continuing operations before minority interest and			

investments in real estate joint ventures	31,723	27,716	21,196
Minority interest in operating partnership income	(1,822)	(3,510)	(1,590)
(Loss) income from real estate joint ventures	(844)	5,330	(114)
Income from continuing operations	29,057	29,536	19,492
Discontinued operations:			
Income from discontinued operations before gain (loss) on sale	1,312	1,246	1,453
(Loss) gain on sale of discontinued operations	(120)	9,164	—
Net income	30,249	39,946	20,945
Preferred dividend distributions	12,865	13,688	13,962
Premiums and original issuance costs associated with the redemption of preferred stock	—	589	—
Net income available for common shareholder	$ 17,384	$ 25,669	$ 6,983
Weighted average shares outstanding (in thousands):			
Basic	26,943	25,296	23,474
Effect of dilutive stock options	103	166	224
Diluted	27,046	25,462	23,698
Net income available for common shareholders	$ 17,384	$ 25,669	$ 6,983
Discontinued property operations	(1,192)	(10,410)	(1,453)
Income from continuing operations available for common shareholder	$ 16,192	$ 15,259	$ 5,530
Earnings per share - basic:			
Income from continuing operations available for common shareholders	$ 0.60	$ 0.60	$ 0.24
Discontinued property operations	0.05	0.41	0.06
Net income available for common shareholder	$ 0.65	$ 1.01	$ 0.30
Earnings per share - diluted:			
Income from continuing operations available for common shareholders	$ 0.60	$ 0.60	$ 0.23
Discontinued property operations	0.04	0.41	0.06
Net income available for common shareholder	$ 0.64	$ 1.01	$ 0.29
Dividends declared per common share[(1)]	$ 2.460	$ 2.430	$ 2.985

---

(1) Beginning in 2006, at their regularly scheduled meetings, the Board of Directors began routinely declaring dividends for payment in the following quarter. This resulted in dividends declared during 2006 being different from dividends paid in 2006. Mid-America paid dividends of $2.46, $2.42 and $2.38 in 2008, 2007 and 2006, respectively.

See accompanying notes to consolidated financial statements.

MID-AMERICA APARTMENT COMMUNITIES, INC.
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2008, 2007, and 2006
(Dollars and Shares in Thousands)

	Preferred Stock		Common Stock		Additional Paid-In		Ac Dis in
	Shares	Amount	Shares	Amount	Capital	Other	N

BALANCE DECEMBER 31, 2005	6,675	67	21,995	220	670,319	(2,422)
Comprehensive income:						
Net income	—	—	—		—	—
Other comprehensive income - derivative instruments (cash flow hedges)	—	—	—		—	—
Comprehensive income						
Issuance and registration of common shares	—	—	2,731	29	147,770	—
Shares repurchased and retired			(1)		(39)	
Exercise of stock options	—	—	183	2	4,631	—
Stock issued to employee stock ownership plan	—	—	14		774	—
Restricted shares issued to officers and directors (Note 2, Note 12)	—	—	80		—	—
Adjustment of Unearned Compensation	—	—	—		(2,213)	2,422
Amortization of LESOP provision employee advances (Note 12)	—	—	—		341	—
Shares issued in exchange for units	—	—	31		384	—
Shares issued in exchange from redeemable stock			—		—	
Adjust redeemable stock to fair market value	—	—	—		—	—
Adjustment for Minority Interest Ownership in operating partnership	—	—	—		(9,006)	—
Amortization of unearned compensation	—	—	—		1,045	—
Dividends on common stock ($2.99 per share) [1]	—	—	—			—
Dividends on preferred stock	—	—	—			—
BALANCE DECEMBER 31, 2006	6,675	67	25,033	251	814,006	0
Comprehensive income:						
Net income	—	—	—		—	—
Other comprehensive income - derivative instruments (cash flow hedges)	—	—	—		—	—
Comprehensive income						
Issuance and registration of common shares	—	—	461	5	25,381	—
Shares repurchased and retired			(2)		(123)	
Exercise of stock options	—	—	81		2,040	—
Stock issued to employee stock ownership plan	—	—	17		876	—
Shares issued in exchange for units	—	—	65	1	762	—
Shares issued in exchange from redeemable stock			—		—	
Adjust redeemable stock to fair market value	—	—	—		—	—
Adjustment for Minority Interest Ownership in operating partnership	—	—	—		274	—
Amortization of unearned compensation	—	—	—		571	—
Dividends on common stock ($2.43 per share)	—	—	—			—
Redemption of preferred stock	(475)	(5)			(11,276)	
Dividends on preferred stock	—	—	—			—
BALANCE DECEMBER 31, 2007	6,200	$ 62	25,655	$ 257	$ 832,511	$ —
Comprehensive income:						
Net income	—	—	—		—	—
Other comprehensive income - derivative instruments (cash flow hedges)	—	—	—		—	—
Comprehensive income						
Issuance and registration of common shares	—	—	2,402	24	124,111	—
Shares repurchased and retired			(14)		(679)	
Exercise of stock options	—	—	81	1	1,862	—
Stock issued to employee stock ownership plan	—	—	22		991	—
Shares issued in exchange for units	—	—	20		236	—
Shares issued in exchange from redeemable stock			10		413	
Redeemable stock fair market value and Issuances	—	—	—			—
Adjustment for Minority Interest Ownership in operating partnership	—	—	—		(6,317)	—
Amortization of unearned compensation	—	—	—		999	—
Dividends on common stock ($2.43 per share)	—	—	—			—
Dividends on preferred stock	—	—	—			—
BALANCE DECEMBER 31, 2008	6,200	$ 62	28,176	$ 282	$ 954,127	$ —

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

See accompanying notes to consolidated financial statement.

F-6

MID-AMERICA APARTMENT COMMUNITIES, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2008, 2007, and 2006
(Dollars in thousands)

	2008	2007	20
Cash flows from operating activities:			
Net income	$ 30,249	$ 39,946	$ 2(
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of deferred financing costs	93,181	88,713	8
Stock compensation expense	1,027	764	
Stock issued to employee stock ownership plan	991	876	
Redeemable stock issued	422	434	
Amortization of debt premium	(1,410)	(2,037)	(
Loss from investments in real estate joint ventures	882	58	
Minority interest in operating partnership income	1,822	3,510	
Loss on debt extinguishment	116	123	
Derivative interest expense (income)	39	(397)	
Loss (gain) on sale of non-depreciable assets	3	(534)	
Loss (gain) on sale of discontinued operations	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 (gains) and other settlement proceeds	247	(589)	
Changes in assets and liabilities:			
Restricted cash	3,249	421	
Other assets	5,649	2,559	(
Accounts payable	145	(1,674)	
Accrued expenses and other	787	1,279	
Security deposits	448	696	
Net cash provided by operating activities	137,929	118,577	10
Cash flows from investing activities:			
Purchases of real estate and other assets	(156,305)	(88,601)	(194
Improvements to existing real estate assets	(40,248)	(33,261)	(3
Renovations to existing real estate assets	(18,192)	(11,323)	(
Development	(22,699)	(14,555)	(1
Distributions from real estate joint ventures	1	9,855	
Contributions to real estate joint ventures	(7,567)	(243)	
Proceeds from disposition of real estate assets	1,967	29,336	
Net cash used in investing activities	(243,043)	(108,792)	(24
Cash flows from financing activities:			
Net change in credit lines	106,058	83,199	5
Proceeds from notes payable	38,700		2
Principal payments on notes payable	(84,912)	(12,891)	(2
Payment of deferred financing costs	(2,835)	(1,650)	(

Repurchase of common stock		(679)		(123)		
Proceeds from issuances of common shares and units		126,003		26,454		15
Distributions to unitholders		(6,313)		(6,221)		(
Dividends paid on common shares		(65,809)		(61,257)		(5
Dividends paid on preferred shares		(12,865)		(13,779)		(1
Redemption of preferred stock				(11,870)		
Net cash provided by financing activities		97,348		1,862		13
Net increase (decrease) in cash and cash equivalents		(7,766)		11,647		(
Cash and cash equivalents, beginning of year		17,192		5,545		1
Cash and cash equivalents, end of year	$	9,426	$	17,192	$	
Supplemental disclosure of cash flow information:						
Interest paid	$	63,722	$	67,345	$	6
Supplemental disclosure of noncash investing and financing activities:						
Conversion of units to common shares	$	236	$	763	$	
Interest capitalized	$	826	$	795	$	
Marked-to-market adjustment on derivative instruments	$	(60,707)	$	(27,805)	$	
Fair value adjustment on debt assumed	$		$		$	
Reclass of redeemable stock from equity to liabilities	$	482	$	448	$	

See accompanying notes to consolidated financial statements.

Mid-America Apartment Communities, Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2008, 2007, and 2006

1. Organization and Summary of Significant Accounting Policies

Organization and Formation of Mid-America Apartment Communities, Inc.

Mid-America Apartment Communities, Inc. (Mid-America) is a self-administrated and self-managed real estate investment trust which owns, acquires and operates multifamily apartment communities mainly in the Sunbelt region of the United States. Mid-America owned and operated 143 apartment communities principally through its majority owned subsidiary, Mid-America Apartments, L.P. (the Operating Partnership), as of December 31, 2008. Mid-America also owned a 33.33% interest in a real estate joint venture, Mid-America Multifamily Fund I, LLC, which owned two apartment communities at December 31, 2008.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements presented herein include the accounts of Mid-America, the Operating Partnership, and all other entities which are variable interest entities (VIEs) as defined by FIN 46(R) in which Mid-America is the primary beneficiary, or any entities in which Mid-America owns a controlling financial interest. In determining whether Mid-America has a controlling financial interest, the following factors are considered, among others: ownership of voting interests, protective rights of investors, and participatory rights of investors. Mid-America owns 51% to 100% of all consolidated subsidiaries. Mid-America had no interests in VIEs during any of the periods presented.

Mid-America uses the equity method of accounting for its investments in entities for which Mid-America exercises significant influence, but does not have the ability to exercise control.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Minority Interest

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

Mid-America's Board of Directors established economic rights in respect to each Operating Partnership Unit that were equivalent to the economic rights in respect to each share of common stock. The holder of each unit may redeem their units in exchange for one share of common stock or cash, at the option of Mid-America. At December 31, 2008, a total of 2,403,515 units were outstanding and redeemable to Mid-America by the holders of the units for 2,403,515 shares of common stock or approximately $89,315,000, based on the closing price of Mid-America's common stock on December 31, 2008 of $37.16 per share, at Mid-America's option. At December 31, 2007, a total of 2,423,819 units were outstanding and redeemable to Mid-America by the holders of the units for 2,423,819 shares of common stock or approximately $103,618,000, based on the closing price of Mid-America's common stock on December 31, 2007 of $42.75 per share, at Mid-America's option.

The Operating Partnership has followed the policy of paying the same per unit distribution in respect to the units as the per share distribution in respect to the common stock. Operating Partnership net income for 2008, 2007 and 2006 was allocated approximately 8.7%, 9.4%, and 10.1%, respectively, to holders of Operating Partnership Units and 91.3%, 90.6%, and 89.9%, respectively, to Mid-America.

Use of Estimates

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

Revenue Recognition

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

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

Rental Costs

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

Earnings Per Share

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

A reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the years ended December 31, 2008, 2007, and 2006 is presented on the Consolidated Statements of Operations.

Cash and Cash Equivalents

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

Restricted Cash

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

Real Estate Assets and Depreciation

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

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

Development projects and the related carrying costs, including interest, property taxes, insurance and allocated development overhead during the construction period, are capitalized and reported in the accompanying balance sheets as "construction in progress" during the construction period in accordance with Statement No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*. Upon completion and certification for occupancy of individual units within a development, amounts representing the completed unit's portion of total estimated development costs for the project are transferred to land, buildings, and furniture, fixtures and equipment as real estate held for investment. Capitalization of interest, property taxes, insurance and allocated development overhead costs cease upon the transfer, and the assets are depreciated over their estimated useful lives in accordance with Statement No. 34, *Capitalization of Interest Costs*. Total interest capitalized during 2008, 2007 and 2006 was approximately $826,000, $795,000, and $297,000, respectively.

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

In accordance with Statement No. 141, *Business Combinations*, the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land, building, furniture, fixtures and equipment, and identified intangible assets and liabilities, consisting of above and below market leases, resident relationship values and the value of in-place leases.

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

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

The fair value of the in-place leases and resident relationships is then amortized over the remaining term of the resident leases. The amount of these resident lease intangibles included in gross real estate assets totaled $23.3 million, $20.7 million, and $18.6 million as of December 31, 2008, 2007, and 2006, respectively, and the amortization recorded as depreciation expense was $2.8 million, $4.6 million, and $3.9 million for the years ending December 31, 2008, 2007, and 2006, respectively.

Goodwill and Intangible Assets

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

In accordance with Statement 144, long-lived assets, such as real estate assets, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

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

Land Held for Future Development

Real estate held for future development are sites intended for future multifamily developments and are carried at the lower of cost or fair value in accordance with Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Investment In and Advances to Real Estate Joint Ventures

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

Deferred Financing Costs

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

Other Assets

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

Accrued Expenses and Other Liabilities

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

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement 157. Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. FASB Staff Position No. FAS 157-2 *Effective Date of FASB Statement 157*, or FSP 157-2, delays the effective date of Statement 157 for nonfinancial assets and nonfinancial liabilities except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. For these items, the effective date will be for fiscal years beginning after November 15, 2008. We adopted Statement 157 effective January 1, 2008. Management does not believe the adoption has had or will have a material impact on our consolidated financial condition or results of operations taken as a whole.

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

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

On March 19, 2008, the FASB issued FASB Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement 133,* or

Statement 161. Statement 161 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 FASB Statement No. 133, *Accounting 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. Statement 161 is effective for fiscal years and interim periods beginning after November 15, 2008.

In June 2008, the FASB issued FSP No. EITF 03-6-1, *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 described in SFAS No. 128, *Earnings Per Share*. This FSP 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 FSP. Management does not believe that the adoption of this FSP will have a material impact on our consolidated financial condition or results of operations taken as a whole.

In September 2008, the FASB ratified EITF Issue No. 08-5, *Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement*, or EITF 08-5. EITF 08-5 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. EITF 08-5 is effective on a prospective basis in the first reporting period beginning on or after December 15, 2008, and the effect of initially applying EITF 08-5 shall be included in the fair value in the period of adoption. Management is evaluating the impact that EITF 08-5 will have on our financial statements.

Reclassifications

Certain prior period amounts have been reclassified to conform to the 2008 presentation; specifically, certain contract labor expenses related to landscaping activities which were previously classified within the landscape line of property operating expenses have been reclassified to the personnel line of property operating expenses and certain communities have been reclassified as held for sale. The reclassifications had no effect on net income available for common shareholders.

2. Stock Based Compensation

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

Mid-America adopted Statement 123R effective January 1, 2006 using the "modified prospective" method permitted by Statement 123R in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123R for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123R that remain unvested on the effective date. The effect of adopting Statement 123R for the year ended December 31, 2006 was an increase of approximately $669,000 in net income from continuing operations and in net income, resulting in an increase of approximately $0.03 in basic earnings per share and $0.02 in diluted earnings per share. These increases occurred primarily because the fair market values assigned to certain plans at grant date were not impacted by the increase in share price that Mid-America had experienced over the prior two years, resulting in plans generating higher payouts for participants than their fair market value models would have predicted based on then stock price volatility. This series of events resulted in the amount recorded to compensation expense in accordance with Statement 123R being smaller than the actual number of shares issued times their issue price. The adoption of Statement 123R had no impact on cash flow from operations or cash flow from financing activities.

Incentive Plans Overview and Summary

Mid-America's stock compensation plans consist of the ESPP and a number of incentives provided to attract and retain independent directors, executive officers and key employees. Incentives are currently granted under the 2004 Stock Plan which was approved at the May 24, 2004 Annual Meeting of Shareholders. This plan replaced the 1994 Restricted Stock and Stock Option Plan (collectively, the "Plans") under which no further awards may be granted as of January 31, 2004. The 1994 Restricted Stock and Stock Option Plan allowed for the grant of restricted stock and stock options up to a total of 2.4 million shares. The 2004 Stock Plan allows for the grant of restricted stock and stock options up to a total of 500,000 shares. Mid-America believes that such awards better align the interests of its employees with those of its shareholders. Total compensation costs under the Plans were approximately $1,022,000, $697,000, and $858,000 for the years ended December 31, 2008, 2007 and 2006, respectively. As of December 31, 2008, the total unrecognized compensation cost related to the Plans was approximately $3,841,000. This cost is expected to be recognized over the weighted average period of 2.1 years. Information concerning specific grants under the Plans is listed below.

Employee Stock Purchase Plan

The Mid-America Apartment Communities, Inc. Employee Stock Purchase Plan (the "ESPP") provides a means for employees to purchase common stock of Mid-America. The Board of Directors has authorized the issuance of 150,000 shares for the plan. The ESPP is administered by the Compensation Committee of the Board of Directors who may annually grant options to employees to purchase annually up to an aggregate of 15,000 shares of common stock at a price equal to 85% of the market price of the common stock. Shares are purchased semi-annually on June 30 and December 31. During the years ended December 31, 2008, 2007 and 2006, 5,581, 4,894, and 4,462 shares, respectively, were purchased through the ESPP. Because it is not possible to reasonably estimate fair value at the grant date, Mid-America estimates the compensation costs based on intrinsic values updated until the date of the settlement. Compensation cost recognized for the years ended December 31, 2008, 2007 and 2006, was approximately $35,000, $35,000 and $44,000, respectively.

Options

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

The fair value of each option award is estimated on the grant date using the Black-Scholes method, which utilizes the assumptions noted in the following table. Volatility is based on the historical volatility of Mid-America's common stock. Expected life of the option is estimated using historical data to estimate option exercise and employee termination. Mid-America uses a U.S. constant-maturity Treasury close to the same expected life of the option to represent the risk-free rate. Turnover is based on the historical rate at which options are exercised. Mid-America uses its current dividend yield at the time of grant to estimate the dividend yield over the life of the option. No options were granted during 2008, 2007 or 2006; therefore, no fair value was calculated.

A summary of option activity under the Plans as of December 31, 2008, and the changes during the year then ended follows:

Options	**Shares**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life**	**Aggregate Intrinsic Value**
Outstanding at December 31, 2007	110,526	$ 23.52		
Granted	—	—		

Exercised	81,344	22.90		
Forfeited	3,400	24.13		
Expired				
Outstanding at December 31, 2008	25,782	$ 25.38	3.1	$ 303,637
Exercisable at December 31, 2008	25,782	$ 25.38	3.1	$ 303,637

The total intrinsic value of options exercised during the year ended December 31, 2008, was approximately $2,249,000. Cash received from the exercise of options for the year ended December 31, 2008, was approximately $1,863,000.

Executive 2000 Restricted Stock

In 2000, Mid-America issued 10,750 restricted shares of common stock to executive officers with a grant date fair value of $22.1875 per share. The grant date fair value was determined by the closing trading price of Mid-America's shares on the day prior to the date of the grant. These shares vest 10% each over ten years through 2010. The executive officers have the option to accelerate the vesting in lieu of bonuses. As of December 31, 2008, no shares have been vested early. Recipients receive dividend payments on the shares of restricted stock prior to vesting.

A summary of the status of the Executive 2000 Restricted Stock nonvested shares as of December 31, 2008, and the changes for the year ended December 31, 2008, is presented below:

Nonvested Shares	**Shares**	**Weighted Average Grant-Date Fair Value**
Nonvested at January 1, 2008	3,225	$ 22.19
Granted		
Vested	(1,075)	$ 22.19
Forfeited		
Nonvested at December 31, 2008	2,150	$ 22.19

As of December 31, 2008, there was approximately $28,000 of total unrecognized compensation cost related to nonvested shares granted. This cost is expected to be recognized over the weighted average period of 0.5 years. The total fair value of shares vesting during the years ended December 31, 2008, 2007, and 2006, was approximately $24,000, $24,000 and $24,000, respectively.

Key Managers 2002 Restricted Stock

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

A summary of the status of the Key Management 2002 Restricted Stock nonvested shares as of December 31, 2008, and the changes for the year ended December 31, 2008, is presented below:

Weighted Average Grant-Date

Nonvested Shares	Shares	Fair Value
Nonvested at January 1, 2008	81,916	$ 25.65
Granted	—	
Vested	(16,387)	$ 25.65
Forfeited	—	
Nonvested at December 31, 2008	65,529	$ 25.65

As of December 31, 2008, there was approximately $660,000 of total unrecognized compensation cost related to nonvested shares granted. This cost is expected to be recognized over the weighted average period of 2.0 years. The total fair value of shares vesting during the year ended December 31, 2008 was approximately $420,000. No shares vested during the years ended December 31, 2007 or 2006.

Director Restricted Stock Plan

Starting with the 2005 Annual Meeting of Shareholders, non-employee directors elected to the Board of Directors received a grant of $75,000 worth of restricted shares of common stock. The shares vest in three equal installments over the director’s three-year term. To begin the program, non-employee directors not sitting for re-election at the 2005 Annual Meeting of Shareholders received a pro-rata grant representing the number of years left in their term. Non-employee directors appointed to the Board outside of the Annual Meeting of Shareholders may be issued partial or initial grants. No shares of restricted stock were granted to non-employee directors during 2007. At our 2008 Annual Meeting of Shareholders, a proposal was approved to move to annual elections of directors and director grants were increased from what was effectively an annual grant of $25,000 under the previous program to annual grants of $30,000. Directors have the right to receive their grants either in shares of restricted stock that will vest after one year of service on the Board of Directors or have them issued into a deferred compensation plan.

A summary of the status of the Director Restricted Stock nonvested shares as of December 31, 2008, and the changes for the year ended December 31, 2008, is presented below:

Nonvested Shares	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2008	5,819	$ 51.53
Granted	1,260	$ 55.47
Vested	(3,077)	$ 48.74
Forfeited	—	
Nonvested at December 31, 2008	4,002	$ 54.92

As of December 31, 2008, there was approximately $118,000 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted. This cost is expected to be recognized over the weighted average period of 0.5 years. The total fair value of shares vesting during the years ended December 31, 2008, 2007, and 2006, was approximately $150,000, $187,000 and $154,000, respectively.

Key Managers 2005 Restricted Stock

In 2005, the Board of Directors adopted the 2005 Key Management Restricted Stock Plan (the “2005 Plan”), a long-term incentive program for key managers and executive officers. The 2005 Plan grants shares of restricted stock based on a sliding scale of total shareholder return over three 12-month periods ending in 2006, 2007 and 2008. Any restricted stock earned will vest 100% three years after the date of the restricted stock issuance. Recipients will receive dividend payments on the shares of restricted stock during the restriction periods. There is no automatic vesting of the shares. Based on Mid-America’s performance from July 1, 2005, through June 30, 2006, 25,034 restricted shares of common stock were issued to key managers and executive officers on June 30, 2006. No shares of restricted stock were issued in 2007 or 2008. As a result of three managers leaving the employment of Mid-America, as of December 31, 2008, only 22,532 shares remain issued under this plan.

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

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

As of December 31, 2008, there was approximately $537,000 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted. Mid-Americas policy is to recognize compensation cost on a straight-line basis over the requisite service period for an entire award (rather than each portion of an award). Accordingly, the $537,000 unrecognized cost will be recognized over the weighted average period of 1.7 years. No shares vested during the years ended December 31, 2008, 2007 or 2006.

Long-Term Performance Based Incentive Plan for Executive Officers

The Compensation Committee, by authorization of the Board of Directors of Mid-America, submitted the Long-Term Performance Based Incentive Plan for Executive Officers (the Long-Term Plan), which was approved by shareholders on June 2, 2003. The Long-Term Plan allowed executive management to earn performance units that converted into shares of restricted stock based on achieving defined total shareholder investment performance levels. Based on Mid-Americas performance from January 1, 2003, through December 31, 2005, 74,895 restricted shares of common stock were issued to executive management on March 14, 2006. While these shares of restricted stock will be entitled to dividend payments, they will not be transferable or have voting privileges until they vest. Dependent upon the executive officers continued employment with Mid-America, these shares of restricted stock vest 20% annually from 2006 through 2010.

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

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

For the year ended December 31, 2008, compensation costs related to the Long-Term Plan were approximately $41,000. As of December 31, 2008, there was approximately $83,000 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted. This unrecognized cost will be recognized over the weighted average period of 1.5 years. The total fair value of shares vesting during the years ended December 31, 2008, 2007, and 2006, was approximately $66,200, $66,200, and $66,200, respectively.

Key Managers 2008 Restricted Stock

In 2008, the Board of Directors adopted the 2008 Key Management Restricted Stock Plan (the 2008 Plan), a long-term incentive program for key managers and executive officers. The 2008 Plan consists of both an annual and three year program. Under the annual program participants can earn both service and performance based shares of restricted stock. The service based shares are awarded at the beginning of the 2008 Plan with the timing of vesting dependent on employment and total shareholder return performance. The earning of restricted shares under the performance program is based on employment and total shareholder return performance. Any shares earned through the annual performance program will be issued on January 1, 2010 and will vest 50% annually beginning on January 1, 2010. Participation in the three year program is limited to the executive officers and awards shares of restricted stock based upon both Mid-America's total shareholder return performance over a three year period and that performance in relation to that of our peers. Any shares earned through the three year program will be issued on January 1, 2012 and will vest 25% annually beginning on January 1, 2013. Recipients will receive dividend payments on any shares of restricted stock earned and issued during the restriction periods. On July 1, 2008, Mid-America issued 15,920 shares of restricted stock under the annual service based program of the 2008 Plan. As a result of two managers leaving the employment of Mid-America, as of December 31, 2008, 149 shares have been forfeited and 473 shares have early vested.

The fair value of the stock award was estimated on the grant date using a multifactor Monte Carlo simulation. The valuation used an interest rate term structure as of July 1, 2008 based on a zero coupon risk-free rate to represent the risk-free rate for the simulation which varied between 1.95% for 0.25 years to 3.24% for 4.00 years. The dividend yield assumption was 4.669% and was based on the closing stock price of $52.69 on July 1, 2008. Volatility for Mid-America and our peers was obtained by using a blend of both historical and implied volatility calculations. Historical volatility was based on the standard deviation of daily total continuous returns and implied volatility was based on the trailing month average of interpolating between the volatilities implied by stock call option contracts that were closest to the terms and closest to the money. Volatility for Mid-America was 34.87% for year 1, 30.92% for year 2, 29.63% for year 3, and 28.61% for year 4. Volatilities for our peers ranged from 25.05% to 49.94%. The requisite service period of the 2008 Plan is based on the criteria for the separate programs and is 5.5 years for the annual service based program, 2.5 years for the annual performance based program and 7.5 years for the three-year program. Turnover is based on the historical experience for the key managers and executive officers.

As of December 31, 2008, there was approximately $2,416,000 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted. Mid-America's policy is to recognize compensation cost on a straight-line basis over the requisite service period for an entire award (rather than each portion of an award). Accordingly, the $2,416,000 unrecognized cost will be recognized over the weighted average period of 2.3 years. No shares vested during the year ended December 31, 2008.

3. Comprehensive Income

Total comprehensive income and its components for the years ended December 31, 2008, 2007, and 2006 were as follows (dollars in thousands):

	Twelve months ended December 31,		
	2008	**2007**	**2006**
Net income	$ 30,249	$ 39,946	$ 20,945
Marked-to-market adjustment on derivative instruments	(60,800)	(27,805)	3,769
Total comprehensive (loss) income	$ (30,551)	$ 12,141	$ 24,714

4. Real Estate Joint Ventures

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

In 2007, Mid-America entered into a joint venture, Mid-America Multifamily Fund I, LLC ("Fund I"), with institutional capital in which we also own a 33.33% interest. In 2008, Fund I acquired two properties with a combined total of 626 units. As of December 31, 2008, Mid-America does not expect to make further investments through Fund I.

The income, contributions, distributions and ending investment balances related to Mid-America’s joint ventures consisted of the following for the years ended December 31, 2008, 2007, and 2006 (dollars in thousands):

	2008			
	CH/Realty	CH/Realty II	Fund I	Total
Joint venture income (loss)	$	$ 8	$ (890)	$ (882)
Gain on joint venture asset dispositions		38		38
Management fee income			206	206
Asset and acquisition fees	—		257	257
Incentive fee income	—			
Contributions to joint venture		(5)	(7,562)	(7,567)
Distributions from joint venture	—		1	1
Investment in at December 31	—		6,824	6,824
Advances to at December 31	—			

	2007			
	CH/Realty	CH/Realty II	Fund I	Total
Joint venture loss	$	$ (11)	$ (47)	$ (58)
Gain on joint venture asset dispositions		5,388		5,388
Management fee income		34		34
Incentive fee income	—	1,019		1,019
Contributions to joint venture		(28)	(215)	(243)
Distributions from joint venture	—	9,855		9,855
Investment in at December 31	—		168	168
Advances to at December 31	—			

	2006			
	CH/Realty	CH/Realty II	Fund I	Total
Joint venture income (loss)	$ (11)	$ (103)	$	$ (114)
Gain on joint venture asset dispositions				
Management fee income		210		210
Incentive fee income	—			
Contributions to joint venture				
Distributions from joint venture	44	306		350
Investment in at December 31	—	3,718		3,718
Advances to at December 31	—			

5. Borrowings

Mid-America maintains a total of $1,044 million of secured credit facilities with Prudential Mortgage Capital, credit enhanced by FNMA (the “FNMA Facilities”). The FNMA Facilities provide for both fixed and variable rate borrowings and have traunches with maturities from 2011 through 2018. The interest rate on the majority of the variable portion renews every 90 days and is based on the FNMA discount mortgage backed security rate on the date of renewal, which, for Mid-America, has historically approximated three-month LIBOR less an average spread of 0.05% - 0.13% over the life of the FNMA Facilities, plus a fee of 0.49% to 0.795%. Borrowings under the FNMA Facilities totaled $905 million at December 31, 2008, consisting of $65 million under a fixed portion at a rate of 7.7%, and the remaining $840 million under the variable rate portion of the facility at an average rate of 2.9%. The available borrowing base capacity at December 31, 2008, was $1,044 million. Commitment fees related to our unused FNMA Facilities totaled approximately $183 thousand for the year ended December 31, 2008. Mid-America has 21 interest rate swap agreements, totaling a notional amount of $666 million designed to fix the interest rate on a portion of the variable rate borrowings outstanding under the FNMA Facilities at approximately 5.3%. The interest rate swaps have maturities between 2010 and 2015. The swaps are highly effective and are designed as cash flow hedges. Mid-America has also entered into thirteen interest rate caps totaling a notional amount of $82 million which are designated against the FNMA Facilities. These interest rate caps have maturities between 2009 and 2013 and twelve are set at 6.0% and one is set at 6.5%. The FNMA Facilities are subject to certain borrowing base calculations that can effectively reduce the amount that may be borrowed.

Mid-America has a $300 million credit facility with Freddie MAC (the Freddie Mac Facility). At December 31, 2008, Mid-America had $276 million borrowed against the Freddie Mac Facility at an interest rate of 1.1%. Commitment fees related to our Freddie Mac Facility totaled approximately $137 thousand for the year ended December 31, 2008. Mid-America has thirteen interest rate swap agreements, totaling a notional amount of $217 million designed to fix the interest rate on a portion of the variable rate borrowings outstanding under the Freddie Mac Facility at approximately 5.3%. The interest rate swaps expire in 2011 and 2014.

Mid-America also maintains a $50 million secured credit facility with two banks led by Regions Bank (the Regions Credit Line; formerly with AmSouth Bank before their merger in 2006). The Regions Credit Line bears an interest rate of LIBOR plus a spread of 1.25%. This credit line expires in May 2010 and is subject to certain borrowing base calculations that effectively reduce the amount that may be borrowed. At December 31, 2008, Mid-America had $44 million available to be borrowed under the Regions Credit Line agreement with $1 million borrowed under this facility at an interest rate of 2.0%. Approximately $6 million of the facility is used for letters of credit.

Each of Mid-Americas credit facilities is subject to various covenants and conditions on usage. If Mid-America were to fail to satisfy a condition to borrowing, the available credit under one or more of the facilities could not be drawn, which could adversely affect Mid-Americas liquidity. Moreover, if Mid-America were to fail to make a payment or violate a covenant under a credit facility, after applicable cure periods one or more of its lenders could declare a default, accelerate the due date for repayment of all amounts outstanding and/or foreclose on properties securing such facilities. Any such event could have a material adverse effect on Mid-America. Mid-America believes it was in compliance with these covenants and conditions on usage at December 31, 2008.

Mid-America had outstanding at December 31, 2008, a $39 million promissory note with Regions Bank, (formerly with Union Planters Bank before their merger in July 2004) at a variable interest rate based on three month LIBOR of 3.2% which matures in April 2009. Mid-America has entered into an interest rate swap agreement with a notional amount of $25 million and an interest rate of 5.0% which expires in 2009 and is designated against the Regions Bank promissory note.

At December 31, 2008, Mid-America had $71 million of fixed rate conventional individual property mortgages with an average interest rate of 5.9% and an average maturity of 2020, a $15 million variable rate mortgage with an embedded cap rate of 7% at an interest rate of 3.8% with a maturity in 2015, a $12 million fixed rate tax exempt individual property mortgage with an interest rate of 5.3% and a maturity in 2028, and a $5 million variable rate tax exempt individual property mortgage at an interest rate of 3.9% with a maturity in 2028.

At December 31, 2008, Mid-America had $180 million (after considering the impact of interest rate swap agreements in effect) conventional variable rate debt outstanding at an average interest rate of 2.5%, $5 million (after considering the impact of interest rate swap agreements) of tax-free variable rate debt outstanding at an average rate of 3.9%, $18 million of capped conventional variable rate debt at an average interest rate of 2.8%, and an additional $64 million of capped tax-free variable rate debt at an average rate of 1.8%. The interest rate on all other debt, totaling $1,056 million, was hedged or fixed at an average interest rate of 5.5%.

As of December 31, 2008, Mid-America estimated that the weighted average interest rate on Mid-America's debt was 4.8%.

The following table summarizes Mid-America's indebtedness at December 31, 2008, and 2007, (dollars in millions):

	At December 31, 2008				
	Actual Interest Rates	Average Interest Rate	Maturity	Balance	Balance at December 31, 2007
Fixed Rate:					
Taxable	5.30-7.71%	6.74%	2009-2044	$ 136.4	$ 223.0
Tax-exempt	5.25%	5.25%	2028	11.6	11.9
Interest rate swaps	4.38-6.42%	5.31%	2009-2015	908.2	756.3
				$ 1,056.2	991.2
Variable Rate: (1)					
Taxable	0.66-4.62%	2.47%	2009-2018	179.8	221.5
Tax-exempt	3.86%	3.86%	2028	4.8	4.8
Interest rate caps	1.66-2.83%	1.99%	2009-2013	82.3	47.1
				266.9	273.4
				$ 1,323.1	$ 1,264.6

(1) Amounts are adjusted to reflect interest rate swap and cap agreements in effect at December 31, 2008, and 2007, respectively which results in Mid-America paying fixed interest payments over the terms of the interest rate swaps and on changes in interest rates above the strike rate of the cap.

The following table includes scheduled principal repayments on the borrowings at December 31, 2008, as well as the amortization of the fair market value of debt assumed (dollars in thousands):

Year	Amortization	Maturities	Total
2009	$ 1,732	$ 38,625	$ 40,357
2010	1,827	661	2,488
2011	1,929	176,404	178,333
2012	2,036	80,000	82,036
2013	2,410	158,629	161,039
Thereafter	64,724	794,079	858,803
	$ 74,658	$ 1,248,398	$ 1,323,056

6. Derivative Financial Instruments

Following are the details of the interest rate swaps that were entered into as of December 31, 2008 (dollars in thousands):

	Notional Balance	Interest Rate Variable Leg Base	Fixed Leg	Expiration

Interest rate swaps designated against the FNMA Facilities				
	50,000	3-month LIBOR	5.48%	2010
	40,000	3-month LIBOR	5.54%	2010
	50,000	3-month LIBOR	5.36%	2011
	25,000	3-month LIBOR	5.15%	2012
	50,000	3-month LIBOR	5.29%	2012
	50,000	3-month LIBOR	5.00%	2012
	50,000	3-month LIBOR	5.06%	2013
	25,000	3-month LIBOR	5.34%	2013
	25,000	3-month LIBOR	5.34%	2013
	25,000	3-month LIBOR	5.89%	2013
	25,000	3-month LIBOR	6.10%	2014
	50,000	3-month LIBOR	6.22%	2010
	25,000	3-month LIBOR	6.09%	2014
	25,000	3-month LIBOR	5.02%	2012
	25,000	3-month LIBOR	5.12%	2013
	50,000	3-month LIBOR	4.94%	2015
	25,000	3-month LIBOR	4.58%	2011
	25,000	3-month LIBOR	5.21%	2015
	640,000		5.37%	
Interest rate swaps designated against the FNMA Tax-Free Bond Facility				
	8,365	BMA Municipal Swap Index	4.73%	2010
	10,800	BMA Municipal Swap Index	4.42%	2012
	7,000	BMA Municipal Swap Index	4.42%	2012
	26,165		4.51%	
Interest rate swaps designated against the Freddie Mac Facility				
	26,000	3-month LIBOR	5.40%	2011
	10,000	3-month LIBOR	5.11%	2011
	15,000	3-month LIBOR	5.19%	2011
	15,000	3-month LIBOR	5.72%	2011
	17,000	3-month LIBOR	5.53%	2011
	10,000	1-month LIBOR	6.25%	2014
	10,000	1-month LIBOR	6.42%	2014
	10,000	1-month LIBOR	5.87%	2014
	10,000	3-month LIBOR	5.72%	2014
	7,000	3-month LIBOR	5.72%	2014
	22,000	3-month LIBOR	4.38%	2014
	40,000	3-month LIBOR	4.82%	2013
	25,000	3-month LIBOR	4.87%	2014
	217,000		5.27%	
Interest rate swaps designated against Union Planters Bank borrowings				
	25,000		4.98%	2009
Total interest rate swaps entered into as of December 31, 2008	$ 908,165		5.31%	

F-24

At December 31, 2008, all of Mid-America's interest rate swaps and interest rate caps were designated as cash flow hedges in accordance with Statement No. 133 as amended. As of December 31, 2008 and 2007, Mid-America recorded approximately $77.0 million and $16.0 million, respectively, to accrued expenses and other liabilities in the consolidated balance sheets. Mid-America also recorded approximately $0.1 million and $0.0 million as of December 31, 2008 and 2007, respectively, to other assets in the consolidated balance sheets. These accrued expenses and other liabilities, and other assets represented the fair values of the interest rate swaps and interest rate caps.

7. Fair Value Disclosure of Financial Instruments

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

Fixed rate notes payable at December 31, 2008, and 2007, total $148 million and $235 million, respectively, and have estimated fair values of $142 million and $221 million (excluding prepayment penalties), respectively, based upon interest rates available for the issuance of debt with similar terms and remaining maturities as of December 31, 2008, and 2007. The carrying value of variable rate notes payable (excluding the effect of interest rate swap and cap agreements) at December 31, 2008, and 2007, total $1,078 million and $1,030 million, respectively, based upon interest rates available for the issuance of debt with similar terms and remaining maturities as of December 31, 2008, and 2007.

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

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

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

All of our derivative financial instruments are reported at fair value, are represented on the balance sheet, and are characterized as cash flow hedges. These transactions hedge the future cash flows of debt transactions through interest rate swaps that convert variable payments to fixed payments and interest rate caps that limit the exposure to rising interest rates. The unrealized gains/losses in the fair value of these hedging instruments are reported on the balance sheet with a corresponding adjustment to accumulated other comprehensive income, with any ineffective portion of the hedging transactions reclassified to earnings. As of December 31, 2008, 2007, and 2006 the year-to-date ineffective portion of the hedging transactions reclassified to earnings was a $93,000 decrease, a $470,000 decrease, and a $144,000 decrease, respectively, to interest expense.

On January 1, 2008, Mid-America adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (Statement 157). Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

Statement 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, Statement 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Mid-America has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Mid-America’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Currently, Mid-America uses certain derivative financial instruments to manage its interest rate risk. The valuation of these 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 options 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. To comply with the provisions of Statement 157, 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 of all of our derivative financial instruments. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, Mid-America has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although Mid-America has determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by our self and our counterparties. As of December 31, 2008, Mid-America has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and has determined that the credit valuation adjustments are significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 3 of the fair value hierarchy.

The table below presents the Mid-America’s assets and liabilities measured at fair value on a recurring basis as of December 31, 2008, aggregated by the level in the fair value hierarchy within which those measurements fall.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2008
(dollars in thousands)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2008
Assets				
Derivative financial instruments	$ —	$ —	$ 51	$ 51
Liabilities				

Derivative financial instruments	$	$ —	$ 76,961	$ 76,961

The table below presents a reconciliation of the beginning and ending balances of assets and liabilities having fair value measurements based on significant unobservable inputs (Level 3).

Changes in Level 3 Assets/(Liabilities) Measured at Fair Value on a Recurring Basis for the year ended December 31, 2008
(dollars in thousands)

	Balance at 12/31/2007	Total Gains Included in Income	Total Realized and Unrealized Gains Included in Other Comprehensive Income	Purchases, Issuances and Settlements	Net Transfers In and/or Out of Level 3	Balance at 12/31/2008
Derivative financial instruments	$ (15,976)	$ (74)	$ (60,969)	$ 109	$ —	$ (76,910)

Changes in Level 3 Assets/(Liabilities) Measured at Fair Value on a Recurring Basis for the period October 1, 2008 to December 31, 2008
(dollars in thousands)

	Balance at 9/30/2008	Total Gains Included in Income	Total Realized and Unrealized Gains Included in Other Comprehensive Income	Purchases, Issuances and Settlements	Net Transfers In and/or Out of Level 3	Balance at 12/31/2008
Derivative financial instruments	$ (18,980)	$ 149	$ (58,153)	$ 74	$ —	$ (76,910)

Of the instruments for which Mid-America utilized significant Level 3 inputs to determine fair value and that were still held by Mid-America at December 31, 2008, the unrealized loss for the year ended December 31, 2008 was $61.2 million. The fair value of these instruments are reported on the balance sheet in Other Assets and Fair Market Value of Interest Rate Swaps with a corresponding adjustment for the unrealized gains/losses to accumulated other comprehensive income, with any ineffective portion of the hedging transactions reclassified to interest expense. We use three major banks to provide nearly 78% 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. Our interest rate swaps with JP Morgan Chase, Royal Bank of Canada, and Deutsche Bank had liability positions on our Consolidated Balance Sheets of $7.5 million, $27.1 million and $30.4 million, respectively, as of December 31, 2008.

Both observable and unobservable inputs may be used to determine the fair value of positions that Mid-America has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The fair value estimates presented herein are based on information available to management as of December 31, 2008, and 2007. These estimates are not necessarily indicative of the amounts Mid-America could ultimately realize.

8. Commitments and Contingencies

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

Mid-America had operating lease expense of approximately $13,000, $11,300, and $12,000 for the years ended December 31, 2008, 2007 and 2006, respectively. Mid-America has commitments of approximately $15,600 in 2009, $15,600 in 2010, $15,600 in 2011, $9,100 in 2012 under operating lease agreements outstanding at December 31, 2008.

9. Income Taxes

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

Earnings and profits, which determine the taxability of dividends to shareholders, differ from net income reported for financial reporting purposes primarily because of differences in depreciable lives, bases of certain assets and liabilities and in the timing of recognition of earnings upon disposition of properties. For federal income tax purposes, the following summarizes the taxability of cash distributions paid on the common shares in 2007 and 2006 and the estimated taxability for 2008:

	2008	**2007**	**2006**
Per common share			
Ordinary income	$ 1.43	$ 1.44	$ 0.94
Capital gains	—	0.47	—
Return of capital	1.03	0.51	1.44
Total	**$ 2.46**	**$ 2.42**	**$ 2.38**

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

FIN 48 requires that an enterprise must calculate interest and penalties related to unrecognized tax benefits. The decision regarding where to classify interest and penalties on the income statement is an accounting policy decision that should be consistently applied. Interest and penalties calculated on any future uncertain tax positions will be presented as a component of income tax expense. No interest and penalties are accrued under FIN 48 on our balance sheet as of December 31, 2008 and 2007.

Mid-America's tax years that remain subject to examination for U.S. federal purposes range from 2004 through 2007. Our tax years that remain open for state examination vary but range from 2003 through 2007.

10. Shareholders' Equity

Series F Preferred Stock

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

Series H Preferred Stock

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

Direct Stock Purchase and Distribution Reinvestment Plan

Mid-America has a Dividend and Distribution Reinvestment and Share Purchase Plan ("DRSPP") pursuant to which Mid-America's shareholders have the ability to reinvest all or part of their distributions from Mid-America's common stock, preferred stock or limited partnership interests in Mid-America Apartments, L.P. into Mid-America's common stock. The plan also provides the opportunity to make optional cash investments in common shares of at least $250, but not more than $5,000 in any given month, free of brokerage commissions and charges. Mid-America, in its absolute discretion, may grant waivers to allow for optional cash payments in excess of $5,000. To fulfill its obligations under the DRSPP, Mid-America may either issue additional shares of common stock or repurchase common stock in the open market. Mid-America has registered with the Securities and Exchange Commission the offer and sale of up to 7,600,000 shares of common stock pursuant to the DRSPP. Mid-America may elect to sell shares under the DRSPP at up to a 5% discount.

Common stock shares totaling 421,794 in 2008, 136,483 in 2007, and 1,356,015 in 2006, were acquired by shareholders under the DRSPP. Mid-America offered an average of a 1.5% discount for optional cash purchases in 2008, 2007 and 2006.

Controlled Equity Offering

On November 3, 2006, Mid-America entered into a sales agreement with Cantor Fitzgerald & Co. to sell up to 2,000,000 shares of Mid-America's common stock, from time to time in at-the-market offerings or negotiated transactions through a controlled equity offering program. On July 3, 2008, Mid-America entered into a second agreement with Cantor Fitzgerald & Co. with materially the same terms for an additional 1,350,000 shares.

During the years ended December 31, 2008, 2007 and 2006, Mid-America sold 1,955,300, 323,700, and 194,000 shares of common stock for net proceeds of $103.6 million, $18.8 million and $11.5 million, respectively.

Stock Repurchase Plan

In 1999, Mid-America's Board of Directors approved a stock repurchase plan to acquire up to a total of 4.0 million shares of Mid-America's common stock. Through December 31, 2007, Mid-America has repurchased and retired approximately 1.9 million shares of common stock for a cost of approximately $42 million at an average price per common share of $22.54. No shares were repurchased in 2002 through 2008 under the plan.

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

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

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

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

12. Employee Benefit Plans

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

401(k) Savings Plan

The Mid-America Apartment Communities, Inc. 401(k) Savings Plan is a defined contribution plan that satisfies the requirements of Section 401(a) and 401(k) of the Code. Mid-America may, but is not obligated to, make a matching contribution of $0.50 for each $1.00 contributed, up to 6% of the participant's compensation. Mid-America's contribution to this plan was approximately $405,000, $483,000, and $383,000, in 2008, 2007, and 2006, respectively.

Non-Qualified Deferred Compensation Retirement Plan

Mid-America has adopted a non-qualified deferred compensation retirement plan for key employees who are not qualified for participation in Mid-America's 401(k) Savings Plan. Under the terms of the plan, employees may elect to defer a percentage of their compensation and Mid-America may, but is not obligated to, match a portion of their salary deferral. The plan is designed so that the employees' investment earnings under the non-qualified plan should be the same as the earning assets in Mid-America's 401(k) Savings Plan. Mid-America's match to this plan in 2008, 2007, and 2006 was approximately $63,000, $43,000, and $60,000, respectively.

Non-Qualified Deferred Compensation Plan for Outside Company Directors

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

During 2008, 2007, and 2006, Mid-America issued 6,600, 5,572, and 4,146 shares of common stock, respectively, with weighted-average grant date fair values of $47.92, $51.29, and $57.05, respectively, to outside directors.

In accordance with ASR 268 and EITF D-98: Classification and Measurement of Redeemable Securities, the shares of common stock held in the Directors Deferred Compensation Plan are classified outside of permanent equity in redeemable stock because the directors have redemption rights not solely within the control of Mid-America. Additionally, any shares that become mandatorily redeemable because a departed director has elected to receive a cash payout are recorded as a liability as required by FASB 150 Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. Accordingly, $246,000, and $230,000 was recorded in accrued expenses and other liabilities at December 31, 2008, and 2007, respectively.

Employee Stock Ownership Plan

The Mid-America Apartment Communities, Inc. Employee Stock Ownership Plan (the ESOP) is a non-contributory stock bonus plan that satisfies the requirements of Section 401(a) of the Internal Revenue Code. Each employee of Mid-America is eligible to participate in the ESOP after completing one year of service with Mid-America. Participants' ESOP accounts will be 100% vested after three years of continuous service, with no vesting prior to that time. Mid-America contributed 22,500 shares of common stock to the ESOP upon conclusion of the initial offering. During 2008, 2007, and 2006, Mid-America contributed approximately $991,000, $876,000, and $774,000, respectively, to the ESOP which purchased an additional 21,822, 16,613, and 13,804, shares of common stock, with weighted-average grant date fair values of $45.41, $52.75, and $56.08, respectively.

Restricted Stock and Stock Option Plan

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

As of December 31, 2008, Mid-America had one advance outstanding relating to the Plan totaling approximately $69,000, which is recorded in other assets in the accompanying consolidated balance sheets. The $69,000 advance at December 31, 2008, is to one former executive officer, has an interest rate of 6.4% and matures in May 2010.

13. Earnings from Discontinued Operations

In accordance with Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the four communities that Mid-America sold in 2007, along with the three communities that Mid-America has identified as communities we are actively marketing for sale as of December 31, 2008, have been classified as discontinued operations in the Consolidated Statements of Operations. The following is a summary of earnings from discontinued operations for the three years ended December 31, 2008, (dollars in thousands):

	2008	2007	2006
Revenues:			
Rental revenues	$ 5,362	$ 7,424	$ 9,697
Other revenues	274	390	444
Total revenues	5,636	7,814	10,141
Expenses:			
Property operating expenses	3,130	3,919	5,113
Depreciation and amortization	706	1,517	2,003
Other non-property income	—	(1)	(10)
Interest expense	488	1,133	1,609
Income on debt extinguishment	—	—	(27)
Total expenses	4,324	6,568	8,688
Earnings from discontinued operations before gain on sale and settlement proceeds	1,312	1,246	1,453
(Loss) gain on sale	(120)	9,164	—
Earnings from discontinued operations	$ 1,192	$ 10,410	$ 1,453

On July 7, 2008, Mid-America entered into a listing agreement to market for sale Westbury Springs, a 150-unit community in Lilburn, GA, and Mid-America classified the community as held for sale at that time; however, during the fourth quarter of 2008, we made the determination to end the active marketing of Westbury Springs based on market feedback. As a result, Westbury Springs was classified as held for use and therefore is not included in the discontinued operation line in the Consolidated Statements of Operations as of December 31, 2008. Furthermore, as of December 31, 2008, Westbury Springs was valued at its carrying amount before it was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the asset been continuously classified as held for use, on the Consolidated Balance Sheets.

14. Related Party Transactions

Pursuant to management contracts with Mid-America's joint ventures, Mid-America manages the operations of the joint venture apartment communities for a fee of 4% of the revenues of the joint venture. Mid-America received approximately $206,000, $34,000, and $210,000, as management fees from the joint ventures in 2008, 2007, and 2006, respectively. Also in 2008, Mid-America received approximately $50,000 of acquisition fees, $185,000 in asset management fees and $22,000 in construction management fees from our joint venture. No such fees were received in 2007 and 2006.

Mid-America has an advance to one former executive officer through the 1994 Plan as discussed in Note 12.

15. Segment Information

At December 31, 2008, Mid-America owned or had an ownership interest in 145 multifamily apartment communities in 13 different states from which it derives all significant sources of earnings and operating cash flows. Mid-America's operational structure is organized on a decentralized basis, with individual property managers having overall responsibility and authority regarding the operations of their respective properties. Each property manager individually monitors local and area trends in rental rates, occupancy percentages, and operating costs. Property managers are given the on-site responsibility and discretion to react to such trends in the best interest of Mid-America. Mid-America's senior management evaluates the performance of each individual property based on its contribution to net operating income in order to ensure that the individual property continues to meet Mid-America's return criteria and long term investment goals. Mid-America defines each of its multifamily communities as an individual operating segment. It has also determined that all of its communities have similar economic characteristics and meet the other criteria which permit the communities to be aggregated into one reportable segment, which is acquisition and operation of the multifamily communities owned.

16. Subsequent Events

Dispositions. On January 15, 2009, Mid-America sold the Woodstream apartments, a 304-unit community in Greensboro, North Carolina.

Acquisitions. On January 16, 2009, Mid-America acquired one of the 15 remaining units of the Village Oaks apartments located in Temple Terrace, Florida.

17. Selected Quarterly Financial Information (Unaudited)

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

	Year Ended December 31, 2008			
	First	**Second**	**Third**	**Fourth**
Total operating revenues	$ 90,749	$ 91,436	$ 93,792	$ 93,874
Income from continuing operations before non-operating items	$ 24,753	$ 24,258	$ 23,046	$ 23,840
Interest expense	$ (16,205)	$ (15,035)	$ (15,039)	$ (15,731)
Minority interest in operating partnership income	$ (532)	$ (513)	$ (321)	$ (456)
Incentive fee from real estate joint ventures	$ —	$ —	$ —	$ —
Net casualty (loss) gains and other settlement proceeds	$ 128	$ 416	$ (1,131)	$ 340
(Loss) income from real estate joint ventures	$ (83)	$ (199)	$ (274)	$ (288)
Discontinued operations:				
Income (loss) from discontinued operations before gain (loss) on sale	$ 200	$ 148	$ 386	$ 578
(Loss) gain on sale of discontinued operations	$ (59)	$ (61)	$ —	$ —
Net income	$ 7,679	$ 8,644	$ 6,193	$ 7,733
Premiums and original issuance costs associated with the redemption of preferred stock	$ —	$ —	$ —	$ —
Net income available for common shareholders	$ 4,463	$ 5,427	$ 2,977	$ 4,517
Per share:				
Net income available per common share - basic	$ 0.17	$ 0.20	$ 0.11	$ 0.16
Net income available per common share - diluted	$ 0.17	$ 0.20	$ 0.11	$ 0.16
Dividend paid	$ 0.615	$ 0.615	$ 0.615	$ 0.615

	Year Ended December 31, 2007			
	First	**Second**	**Third**	**Fourth**
Total operating revenues	$ 83,627	$ 85,340	$ 88,745	$ 89,634
Income from continuing operations before non-operating items	$ 21,378	$ 21,842	$ 23,827	$ 24,501
Interest expense	$ (15,814)	$ (15,828)	$ (15,939)	$ (16,058)

Minority interest in operating partnership income	$ (1,038)	$ (763)	$ (1,034)	$ (675)
Incentive fee from real estate joint ventures	$ 1,019	$ —	$ —	$ —
Net casualty (loss) gains and other settlement proceeds	$ 510	$ 332	$ (197)	$ (56)
(Loss) income from real estate joint ventures	$ 5,380	$ (51)	$ 1	$ —
Discontinued operations:				
Income (loss) from discontinued operations before gain (loss) on sale	$ 357	$ 492	$ 180	$ 217
Gains on sale of discontinued operations	$ —	$ 3,443	$ 5,714	$ 7
Net income	$ 11,324	$ 9,118	$ 11,900	$ 7,604
Premiums and original issuance costs associated with the redemption of preferred stock	$ —	$ —	$ —	$ (589)
Net income available for common shareholders	$ 7,833	$ 5,628	$ 8,409	$ 3,799
Per share:				
Net income available per common share - basic	$ 0.31	$ 0.22	$ 0.33	$ 0.15
Net income available per common share - diluted	$ 0.31	$ 0.22	$ 0.33	$ 0.15
Dividend paid	$ 0.605	$ 0.605	$ 0.605	$ 0.605

Some of the financial data in the tables above differ from the values as originally reported in their respective Form 10-Qs or Form 10-Ks due to the reclassification of certain property level bonuses from property management expenses to property operating expenses, as well as the reclassification of certain properties as discontinued operations.

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

	Values as Originally Reported	Property Bonus Reclass	Held For Sale	Values as Reported at December 31, 2008
First Quarter 2007				
Total operating revenues	$ 84,991	$ —	$ (1,364)	$ 83,627
Income from continuing operations before non-operating items	21,669	3	(294)	21,378
Interest expense	(16,014)	—	200	(15,814)
Discontinued operations:				
Income (loss) from discontinued operations before gain (loss) on sale	265	(3)	95	357
Second Quarter 2007				
Total operating revenues	86,779	—	(1,439)	85,340
Income from continuing operations before non-operating items	22,262	4	(424)	21,842
Interest expense	(16,034)	—	206	(15,828)
Discontinued operations:				
Income (loss) from discontinued operations before gain (loss) on sale	278	(4)	218	492
Third Quarter 2007				
Total operating revenues	90,164	—	(1,419)	88,745
Income from continuing operations before non-operating items	24,220	—	(393)	23,827
Interest expense	(16,147)	—	208	(15,939)
Discontinued operations:				
Income (loss) from discontinued operations before gain (loss) on sale	(5)	—	185	180
Fourth Quarter 2007				
Total operating revenues	91,023	—	(1,389)	89,634
Income from continuing operations before non-operating items	24,894	—	(393)	24,501
Interest expense	(16,257)	—	199	(16,058)
Discontinued operations:				
Income (loss) from discontinued operations before gain (loss) on sale	23	—	194	217
First Quarter 2008				

Total operating revenues	92,144	—	(1,395)	90,749
Income from continuing operations before non-operating items	25,082	—	(329)	24,753
Interest expense	(16,334)	—	129	(16,205)
Discontinued operations:				
Income (loss) from discontinued operations before gain (loss) on sale	—	—	200	200
Second Quarter 2008				
Total operating revenues	92,834	—	(1,398)	91,436
Income from continuing operations before non-operating items	24,516	—	(258)	24,258
Interest expense	(15,145)	—	110	(15,035)
Discontinued operations:				
Income (loss) from discontinued operations before gain (loss) on sale	—	—	148	148
Third Quarter 2008				
Total operating revenues	93,473	—	319	93,792
Income from continuing operations before non-operating items	22,887	—	159	23,046
Interest expense	(15,004)	—	(35)	(15,039)
Discontinued operations:				
Income (loss) from discontinued operations before gain (loss) on sale	510	—	(124)	386
Fourth Quarter 2008 [1]				
Income from continuing operations before non-operating items	23,697	—	143	23,840
Interest expense	(15,654)	—	(77)	(15,731)
Discontinued operations:				
Income (loss) from discontinued operations before gain (loss) on sale	644	—	(66)	578

(1) As originally reported in the registrant's Form 8-K filed on February 5, 2009. In the fourth quarter of 2008, a property which had previously been classified as held for sale was removed from such classification. As a result of the adjustments to remove the property from discontinued operations, some line item values not affecting net income were misadjusted between the third and fourth quarters of 2008. The adjustment did not impact the full year 2008 values.

Mid-America Apartment Communities, Inc.
Schedule III
Real Estate and Accumulated Depreciation
December 31, 2008
(Dollars in thousands)

				Initial Cost		Cost Capitalized subsequent to Acquisition		Gross Amou carried a December 3 2008 (21)	
Property	**Location**	**Encumbrances**		**Land**	**Buildings and Fixtures**	**Land**	**Buildings and Fixtures**	**Land**	**Build an Fixt**
Eagle Ridge	Birmingham, AL	—	(1)	$ 851	$ 7,667	$ —	$ 2,400	$ 851	$ 10
Abbington Place	Huntsville, AL	—	(1)	524	4,724	—	1,635	524	6
Paddock Club Huntsville	Huntsville, AL	—	(1)	909	10,152	830	10,743	1,739	20
Paddock Club Montgomery	Montgomery, AL		(1)	965	13,190	—	985	965	14
Calais Forest	Little Rock, AR	—	(1)	1,026	9,244	—	4,681	1,026	13
Napa Valley	Little Rock, AR	—	(1)	960	8,642	—	2,209	960	10
Westside Creek I & II	Little Rock, AR	—	(1)	1,270	11,463	1	2,854	1,271	14
Edge at Lyon's Gate	Phoenix, AZ			7,901	27,577	—	62	7,901	27
Talus Ranch	Phoenix, AZ			12,741	49,636	—	367	12,741	50
Tiffany Oaks	Altamonte Springs, FL	—	(1)	1,024	9,219	—	4,399	1,024	13
Marsh Oaks	Atlantic Beach, FL		(1)	244	2,829	—	1,431	244	4
Indigo Point	Brandon, FL	—	(4)	1,167	10,500	—	2,493	1,167	12
Paddock Club Brandon	Brandon, FL		(2)	2,896	26,111	—	1,679	2,896	27
Preserve at Coral Square	Coral Springs, FL		(7)	9,600	41,206	—	2,200	9,600	43

Anatole	Daytona Beach, FL	7,000	(10)	1,227	5,879	—	2,338	1,227	8
Paddock Club Gainesville	Gainesville, FL	—	(2)	1,800	15,879	—	739	1,800	16
Cooper's Hawk	Jacksonville, FL	—	(2)	854	7,500	—	1,980	854	9
Hunter's Ridge at Deerwood	Jacksonville, FL		(8)	1,533	13,835	—	4,130	1,533	17
Lakeside	Jacksonville, FL	—	(1)	1,431	12,883	(1)	6,233	1,430	19
Lighthouse at Fleming Island	Jacksonville, FL	—	(1)	4,047	36,431	—	1,523	4,047	37
Paddock Club Jacksonville	Jacksonville, FL	—	(1)	2,294	20,750	(2)	1,869	2,292	22
Paddock Club Mandarin	Jacksonville, FL	—	(2)	1,410	14,967	1	1,098	1,411	16
St. Augustine	Jacksonville, FL	13,235	(20)	2,858	6,475	(1)	17,365	2,857	23
Woodbridge at the Lake	Jacksonville, FL	—	(2)	645	5,804	—	3,666	645	9
Woodhollow	Jacksonville, FL	—	(1)	1,686	15,179	(8)	5,282	1,678	20
Paddock Club Lakeland	Lakeland, FL	—	(1)	2,254	20,452	(1,033)	5,235	1,221	25
Savannahs at James Landing	Melbourne, FL		(2)	582	7,868	—	4,001	582	11
Paddock Park Ocala	Ocala, FL	6,805	(2)(3)	2,284	21,970	—	2,795	2,284	24
Paddock Club Panama City	Panama City, FL	—	(2)	898	14,276	(5)	1,463	893	15
Paddock Club Tallahassee	Tallahassee, FL	—	(2)	530	4,805	950	10,840	1,480	15
Belmere	Tampa, FL	—	(1)	851	7,667	1	3,708	852	11
Links at Carrollwood	Tampa, FL	—	(1)	817	7,355	110	3,895	927	11
Village Oaks	Tampa, FL	—		2,714	19,137	—	17	2,714	19
High Ridge	Athens, GA		(1)	884	7,958	—	1,698	884	9
Sanctuary at Oglethorpe	Atlanta, GA	23,500		6,875	31,859	—	240	6,875	32
Bradford Pointe	Augusta, GA	—	(5)	772	6,949	—	1,610	772	8
Shenandoah Ridge	Augusta, GA	—	(1)	650	5,850	8	3,691	658	9
Westbury Creek	Augusta, GA	3,480	(15)	400	3,626	—	1,015	400	4
Fountain Lake	Brunswick, GA	—	(5)	502	4,551	—	1,630	502	6
Park Walk	College Park, GA	—	(1)	536	4,859	—	979	536	5
Whisperwood	Columbus, GA	—	(1)	4,290	42,722	(4)	10,292	4,286	53
Willow Creek	Columbus, GA	—	(1)	614	5,523	—	3,267	614	8
Terraces at Fieldstone	Conyers, GA	—	(1)	1,284	15,819	—	886	1,284	16
Prescott	Duluth, GA		(6)	3,840	24,876	—	767	3,840	25
Lanier	Gainesville, GA	18,984		3,560	23,248	—	924	3,560	24
Lake Club	Gainesville, GA	—	(6)	3,150	18,997	—	362	3,150	19
Whispering Pines	LaGrange, GA	—	(5)	823	7,470	(2)	1,901	821	9
Westbury Springs	Lilburn, GA		(1)	665	6,038	—	1,568	665	7
Austin Chase	Macon, GA		(8)	1,409	12,687	—	1,404	1,409	14
The Vistas	Macon, GA	—	(1)	595	5,403	—	1,323	595	6
Walden Run	McDonough, GA		(1)	1,281	11,935	—	721	1,281	12
Georgetown Grove	Savannah, GA			1,288	11,579	—	1,083	1,288	12
Oaks at Wilmington Island	Savannah, GA		(7)	2,910	26,337	—	891	2,910	27
Wildwood	Thomasville, GA	—	(1)	438	3,971	371	5,013	809	8

				Initial Cost		Cost Capitalized subsequent to Acquisition		Gross Amoun carried at December 31, 2008 (21)	
Property	Location	Encumbrances		Land	Buildings and Fixtures	Land	Buildings and Fixtures	Land	Building and Fixture
Hidden Lake	Union City, GA		(1)	1,296	11,715	—	3,029	1,296	14,74
Three Oaks	Valdosta, GA	—	(1)	462	4,188	459	6,127	921	10,31
Huntington Chase	Warner Robins, GA			1,160	10,437	—	1,076	1,160	11,51
Southland Station	Warner Robins, GA	—	(1)	1,470	13,284	—	2,250	1,470	15,53
Terraces at Townelake	Woodstock, GA	—	(1)	1,331	11,918	1,688	18,701	3,019	30,61
Fairways at Hartland	Bowling Green, KY		(1)	1,038	9,342	—	2,252	1,038	11,59
Paddock Club Florence	Florence, KY	9,378		1,209	10,969	—	2,058	1,209	13,02
Grand Reserve Lexington	Lexington, KY	—	(1)	2,024	31,525	—	289	2,024	31,81
Lakepointe	Lexington, KY	—	(1)	411	3,699	—	1,446	411	5,14
Mansion, The	Lexington, KY	—	(1)	694	6,242	—	2,115	694	8,35
Village, The	Lexington, KY	—	(1)	900	8,097	—	3,020	900	11,11
Stonemill Village	Louisville, KY	—	(1)	1,169	10,518	—	6,785	1,169	17,30
Crosswinds	Jackson, MS	—	(1)	1,535	13,826	—	3,146	1,535	16,97
Pear Orchard	Jackson, MS		(1)	1,352	12,168	(1)	4,474	1,351	16,64
Reflection Pointe	Jackson, MS	5,880	(11)	710	8,770	138	4,209	848	12,97

Lakeshore Landing	Ridgeland, MS	—	(1)	676	6,470	—	782	676	7,25
Savannah Creek	Southaven, MS	—	(1)	778	7,013	—	2,186	778	9,19
Sutton Place	Southaven, MS	—	(1)	894	8,053	—	2,465	894	10,51
Hermitage at Beechtree	Cary, NC	—	(1)	900	8,099	—	3,028	900	11,12
Waterford Forest	Cary, NC	—	(6)	4,000	20,957	—	802	4,000	21,75
Preserve at Brier Creek	Raleigh, NC	—	(1)	5,850	22,695	(19)	21,586	5,831	44,28
Providence at Brier Creek	Raleigh, NC	—		4,695	30,052	—	95	4,695	30,14
Corners, The	Winston-Salem, NC	—	(2)	685	6,165	—	1,956	685	8,12
Fairways at Royal Oak	Cincinnati, OH	—	(1)	814	7,335	(12)	2,076	802	9,41
Colony at South Park	Aiken, SC		(1)	862	8,005	—	696	862	8,70
Woodwinds	Aiken, SC		(1)	503	4,540	—	1,356	503	5,89
Tanglewood	Anderson, SC		(1)	427	3,853	—	2,114	427	5,96
Fairways, The	Columbia, SC	7,735	(12)	910	8,207	—	1,659	910	9,86
Paddock Club Columbia	Columbia, SC	—	(1)	1,840	16,560	—	2,345	1,840	18,90
Highland Ridge	Greenville, SC	—	(1)	482	4,337	—	1,624	482	5,96
Howell Commons	Greenville, SC	—	(1)	1,304	11,740	—	2,959	1,304	14,69
Paddock Club Greenville	Greenville, SC	—	(1)	1,200	10,800	—	1,331	1,200	12,13
Park Haywood	Greenville, SC	—	(1)	325	2,925	35	3,879	360	6,80
Spring Creek	Greenville, SC	—	(1)	597	5,374	(14)	2,084	583	7,45
Runaway Bay	Mt. Pleasant, SC	8,365	(9)	1,085	7,269	—	4,263	1,085	11,53
Park Place	Spartanburg, SC	—	(1)	723	6,504	—	2,019	723	8,52
Farmington Village	Summerville, SC	15,200		2,800	26,947	—	101	2,800	27,04
Hamilton Pointe	Chattanooga, TN	—	(1)	1,131	10,861	—	830	1,131	11,69
Hidden Creek	Chattanooga, TN	—	(1)	972	9,201	—	771	972	9,97
Steeplechase	Chattanooga, TN	—	(1)	217	1,957	—	2,357	217	4,31
Windridge	Chattanooga, TN	5,465	(16)	817	7,416	—	2,234	817	9,65
Oaks, The	Jackson, TN	—	(1)	177	1,594	12	1,550	189	3,14
Post House Jackson	Jackson, TN	5,095		443	5,078	—	3,290	443	8,36
Post House North	Jackson, TN	3,375	(13)	381	4,299	(57)	1,940	324	6,23
Bradford Chase	Jackson, TN	—	(1)	523	4,711	—	1,398	523	6,10
Woods at Post House	Jackson, TN	4,801		240	6,839	—	1,715	240	8,55
Cedar Mill	Memphis, TN	—	(1)	824	8,023	—	2,360	824	10,38
Greenbrook	Memphis, TN		(4)	2,100	24,468	25	19,631	2,125	44,09
Kirby Station	Memphis, TN	—	(1)	1,148	10,337	—	6,308	1,148	16,64
Lincoln on the Green	Memphis, TN	—	(1)	1,498	20,483	—	10,863	1,498	31,34
Park Estate	Memphis, TN	—	(4)	178	1,141	—	3,698	178	4,83
Reserve at Dexter Lake	Memphis, TN	—	(5)	1,260	16,043	2,147	33,441	3,407	49,48
Paddock Club Murfreesboro	Murfreesboro, TN		(1)	915	14,774	—	853	915	15,62
Brentwood Downs	Nashville, TN		(1)	1,193	10,739	(2)	3,335	1,191	14,07
Grand View Nashville	Nashville, TN	—	(1)	2,963	33,673	—	1,912	2,963	35,58
Monthaven Park	Nashville, TN	—	(7)	2,736	29,556	—	2,193	2,736	31,74
Park at Hermitage	Nashville, TN	6,645	(17)	1,524	14,800	—	4,534	1,524	19,33
Northwood	Arlington, TX	—	(2)	886	8,278	—	650	886	8,92
Balcones Woods	Austin, TX	—	(2)	1,598	14,398	—	7,898	1,598	22,29
Grand Reserve at Sunset Valley	Austin, TX	—	(7)	3,150	11,868	—	1,174	3,150	13,04

Property	Location	Encumbrances		Initial Cost Land	Initial Cost Buildings and Fixtures	Cost Capitalized subsequent to Acquisition Land	Cost Capitalized subsequent to Acquisition Buildings and Fixtures	Gross A carrie Decemb 2008 Land
Silverado	Austin, TX	—	(7)	2,900	24,810	—	523	2,900
Stassney Woods	Austin, TX	4,050	(18)	1,621	7,501	—	4,091	1,621
Travis Station	Austin, TX	3,585	(19)	2,282	6,169	(1)	3,634	2,281
Woods, The	Austin, TX	—	(2)	1,405	13,083	—	1,865	1,405
Celery Stalk	Dallas, TX	—	(6)	1,463	13,165	(1)	5,121	1,462
Courtyards at Campbell	Dallas, TX	—	(2)	988	8,893	—	2,310	988
Deer Run	Dallas, TX		(2)	1,252	11,271	—	2,911	1,252
Grand Courtyard	Dallas, TX		(7)	2,730	23,219	—	800	2,730
Lodge at Timberglen	Dallas, TX	—	(6)	825	7,422	(1)	3,926	824

Watermark	Dallas, TX	—	(6)	960	14,839	—	385	960
Legacy Pines	Houston, TX	—	(2)	2,157	19,491	(15)	1,845	2,142
Reserve at Woodwind Lakes	Houston, TX	14,820		1,968	20,718	—	1,123	1,968
Park Place (Houston)	Houston, TX	—		2,061	16,386	—	1,263	2,061
Ranchstone	Houston, TX	—	(7)	1,480	15,352	—	968	1,480
Cascade at Fall Creek	Humble, TX	—		3,230	20,308	—	84	3,230
Chalet at Fall Creek	Humble, TX	—	(7)	2,755	20,820	—	209	2,755
Westborough Crossing	Katy, TX	—	(6)	677	6,091	(1)	2,695	676
Kenwood Club	Katy, TX		(2)	1,002	17,288	—	999	1,002
Lane at Towne Crossing	Mesquite, TX	—	(2)	1,311	12,254	(8)	1,177	1,303
Highwood	Plano, TX		(4)	864	7,783	—	2,562	864
Los Rios Park	Plano, TX	—	(2)	3,273	29,483	—	1,369	3,273
Boulder Ridge	Roanoke, TX	—	(2)	3,382	27,930	—	2,314	3,382
Copper Ridge	Roanoke, TX	—		4,166	—	—	16,632	4,166
Cypresswood Court	Spring, TX		(6)	577	5,190	(1)	2,098	576
Villages at Kirkwood	Stafford, TX		(7)	1,918	16,358	—	959	1,918
Green Tree Place	Woodlands, TX	—	(6)	539	4,850	—	1,893	539
Township	Hampton, VA	10,800	(14)	1,509	8,189	—	6,690	1,509
Total Properties				**$ 234,839**	**$ 1,823,527**	**$ 5,587**	**$ 465,344**	**$ 240,426**
Land Held for Future Developments	Various			$ 1,306	$ —	$ —	$ —	$ 1,306
Commercial Properties	Various			—	2,769	—	12,612	—
Total Other				**$ 1,306**	**$ 2,769**	**$ —**	**$ 12,612**	**$ 1,306**
Total Real Estate Assets, net of Joint Ventures				**$ 236,145**	**$ 1,826,296**	**$ 5,587**	**$ 477,956**	**$ 241,732**

(1) Encumbered by a $691.8 million FNMA facility, with $691.8 million available and $596.8 million outstanding with a variable interest rate of 2.85% 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% at December 31, 2008.

(2) Encumbered by a $243.2 million FNMA facility, with $243.2 million available and $198.6 million outstanding, $65 million with a fixed rate of 7.71% and $133.6 million of which had a variable interest rate of 3.60% on which there exists interest rate swaps as mentioned in note (1) at December 31, 2008.

(3) Phase I of Paddock Park - Ocala is encumbered by $6.8 million in bonds on which there exists a $6.8 million interest rate cap of 6.00% which terminates on October 24, 2012.

(4) Encumbered, along with one corporate property, by a term loan with a principal balance of $38.6 million at December 31, 2008, with a maturity of April 1, 2009 and an interest rate of 3.20% on which there is a $25 million interest rate swap agreement with a rate of 4.98%, maturing on March 1, 2009.

(5) Encumbered by a credit line with AmSouth Bank, with an outstanding balance of $0.7 million at December 31, 2008.

(6) Encumbered by a $100 million Freddie Mac facility, with $96.4 million available and an outstanding balance of $96.4 million and a variable interest rate of 1.50% on which there exists five interest rate swap agreements totaling $83 million at an average rate of 5.41% at December 31, 2008.

(7) Encumbered by a $200 million Freddie Mac facility, with $179.5 million available and an outstanding balance of $179.5 million and a variable interest rate of 0.89% on which there exists eight interest rate swap agreements totaling $134 million at an average rate of 5.18% at December 31, 2008.

(8) Encumbered by a mortgage securing a tax-exempt bond amortizing over 25 years with a principal balance of $11.6 million at December 31, 2008, and an average interest rate of 5.25%.

(9)	Encumbered by $8.4 million in bonds on which there exists a $8.4 million interest rate swap agreement fixed at 4.73% and maturing on September 15, 2010.
(10)	Encumbered by $7.0 million in bonds on which there exists a $7.0 million interest rate swap agreement fixed at 4.42% and maturing on October 15, 2012.
(11)	Encumbered by $5.9 million in bonds on which there exists a $5.9 million interest rate cap of 6.00% which terminates on October 31, 2012.
(12)	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.
(13)	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.
(14)	Encumbered by $10.8 million in bonds on which there exists a $10.8 million interest rate swap agreement fixed at 4.42% and maturing on October 15, 2012.
(15)	Encumbered by $3.5 million in bonds $0.5 million having a variable rate of 4.42% and $3.0 million with a variable rate of 1.785% on which there exists a $3.0 million interest rate cap of 6.00% which terminates on May 31, 2013.
(16)	Encumbered by $5.5 million in bonds $0.5 million having a variable rate of 4.42% and $5.0 million with a variable rate of 1.785% on which there exists a $5.0 million interest rate cap of 6.00% which terminates on May 31, 2013.
(17)	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 2.83% which there exists a $11.7 million and a $6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.
(18)	Encumbered by $4.0 million in bonds on which there exists a $4.0 million interest rate cap of 6.00% which terminates on November 15, 2011. Also encumbered by a $17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 2.83% which there exists a $11.7 million and a $6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.
(19)	Encumbered by $3.6 million in bonds on which there exists a $3.6 million interest rate 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 2.83% which there exists a $11.7 million and a $6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.
(20)	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 maturing on March 1, 2014 with a variable interest rate of 2.83% which there exists a $11.7 million and a $6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.
(21)	The aggregate cost for Federal income tax purposes was approximately $2,448 million at December 31, 2008. The aggregate cost for book purposes exceeds the total gross amount of real estate assets for Federal income tax purposes, principally due to purchase accounting adjustments recorded under accounting principles generally accepted in the United States of America.

(22) Depreciation is on a straight line basis over the estimated useful asset life which ranges from 8 to 40 years for land improvements and buildings, 5 years for furniture, fixtures and equipment, and 1 year or less for fair market value of leases.

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

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

	Year Ended December 31,		
Dollars in thousands	**2008**	**2007**	**2006**
Real estate investments:			
Balance at beginning of year	$ 2,342,962	$ 2,214,814	$ 1,983,671
Acquisitions	156,305	88,601	196,523
Improvement and development	84,550	61,004	51,807
Assets held for sale	(34,772)		(14,597)
Disposition of real estate assets [1]	(3,061)	(21,457)	(2,590)
Balance at end of year	$ 2,545,984	$ 2,342,962	$ 2,214,814
Accumulated depreciation:			
Balance at beginning of year	$ 616,364	$ 543,802	$ 473,421
Depreciation	89,401	92,200	78,221
Assets held for sale	(10,768)		(7,180)
Disposition of real estate assets [1]	(943)	(19,638)	(660)
Balance at end of year	$ 694,054	$ 616,364	$ 543,802

The Company's consolidated balance sheet at December 31, 2008, 2007, and 2006 includes accumulated depreciation of $7,423, $6,213, and $5,191 respectively, in the caption "Commercial properties, net".

(1) Includes assets sold, casualty losses, and removal of certain fully depreciated assets.

See accompanying reports of independent registered public accounting firms.