

MID AMERICA APARTMENT COMMUNITIES INC
Form 10-Q
October 31, 2014

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

FORM 10-Q

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

For the quarterly period ended September 30, 2014
or

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

For the transition period from _____ to _____

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

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

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

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

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

Mid-America Apartment Communities, Inc.	YES R	NO o
Mid-America Apartments, L.P.	YES R	NO o

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

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

to submit and post such files).

Mid-America Apartment Communities, Inc. YES NO

Mid-America Apartments, L.P. YES NO

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

Mid-America Apartment Communities, Inc.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Mid-America Apartments, L.P.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

Mid-America Apartment Communities, Inc. YES NO

Mid-America Apartments, L.P. YES NO

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

Class	Number of Shares Outstanding at October 27, 2014
Common Stock, \$0.01 par value	75,254,249

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

TABLE OF CONTENTS

	Page
	PART I – FINANCIAL INFORMATION
Item 1. Mid-America Apartment Communities, Inc.	Financial Statements.
	Condensed Consolidated Balance Sheets as of September 30, 2014 (Unaudited) and December 31, 2013 (Unaudited). 4
	Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2014 (Unaudited) and 2013 (Unaudited). 5
	Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 (Unaudited) and 2013 (Unaudited). 6
	Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 (Unaudited) and 2013 (Unaudited). 7
Mid-America Apartments, L.P.	Condensed Consolidated Balance Sheets as of September 30, 2014 (Unaudited) and December 31, 2013 (Unaudited). 8
	Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2014 (Unaudited) and 2013 (Unaudited). 9
	Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 (Unaudited) and 2013 (Unaudited). 10
	Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 (Unaudited) and 2013 (Unaudited). 11
Item 2.	Notes to Condensed Consolidated Financial Statements (Unaudited). 12
Item 3.	Management's Discussion and Analysis of Financial Condition and Results of Operations. 36
Item 4.	Quantitative and Qualitative Disclosures About Market Risk. 52
	Controls and Procedures. 52
	PART II – OTHER INFORMATION
Item 1.	Legal Proceedings. 53
Item 1A.	Risk Factors. 53
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds. 54
Item 3.	Defaults Upon Senior Securities. 54
Item 4.	Mine Safety Disclosures. 54
Item 5.	Other Information. 54
Item 6.	Exhibits. 55
	Signatures. 56

1

Explanatory Note

This Report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2014 of Mid-America Apartment Communities, Inc., a Tennessee corporation and Mid-America Apartments, L.P., a Tennessee limited partnership, of which Mid-America Apartment Communities, Inc. is the sole general partner. Mid-America Apartment Communities, Inc. and its 94.7% owned subsidiary, Mid-America Apartments, L.P., are both required to file periodic reports under the Securities Exchange Act of 1934, as amended.

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

As of September 30, 2014, MAA owned 75,242,266 units (or approximately 94.7%) of the limited partnership interests of the Operating Partnership. MAA conducts substantially all of its business and holds substantially all of its assets through the Operating Partnership, and by virtue of its ownership of the OP Units and being the Operating Partnership's sole general partner, MAA has the ability to control all of the day-to-day operations of the Operating Partnership.

We believe combining the quarterly reports on Form 10-Q of MAA and the Operating Partnership, including the notes to the condensed consolidated financial statements, into this single report results in the following benefits:

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

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

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

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

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

- the consolidated financial statements in Item 1 of this report;
- certain accompanying notes to the financial statements, including Note 3 - Earnings per Common Share of MAA and Note 4 - Earnings per OP Unit of MAALP; and Note 10 - Shareholders' Equity of MAA and Note 11 - Partners' Capital of MAALP;
- the certifications of the Chief Executive Officer and Chief Financial Officer of MAA included as Exhibits 31 and 32 to this report.

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

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

Mid-America Apartment Communities, Inc.
 Condensed Consolidated Balance Sheets
 September 30, 2014 and December 31, 2013
 (Unaudited)
 (Dollars in thousands, except share data)

	September 30, 2014	December 31, 2013
Assets:		
Real estate assets:		
Land	\$872,786	\$871,316
Buildings and improvements	6,595,550	6,366,701
Furniture, fixtures and equipment	208,653	199,573
Development and capital improvements in progress	59,161	166,048
	7,736,150	7,603,638
Less accumulated depreciation	(1,288,374)	(1,124,207)
	6,447,776	6,479,431
Undeveloped land	58,700	63,850
Corporate properties, net	8,263	7,523
Investments in real estate joint ventures	1,802	5,499
Real estate assets, net	6,516,541	6,556,303
Cash and cash equivalents	87,766	89,333
Restricted cash	59,786	44,361
Deferred financing costs, net	17,870	17,424
Other assets	62,996	91,637
Goodwill	2,321	4,106
Assets held for sale	35,734	38,761
Total assets	\$6,783,014	\$6,841,925
Liabilities and Shareholders' Equity:		
Liabilities:		
Secured notes payable	\$1,554,592	\$1,790,935
Unsecured notes payable	1,875,422	1,681,783
Accounts payable	10,089	15,067
Fair market value of interest rate swaps	13,132	20,015
Accrued expenses and other liabilities	238,849	206,268
Security deposits	9,970	9,270
Total liabilities	3,702,054	3,723,338
Redeemable stock	5,028	5,050
Shareholders' equity:		
Common stock, \$0.01 par value per share, 100,000,000 shares authorized; 75,242,266 and 74,830,726 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively (1)	752	747
Additional paid-in capital	3,616,847	3,599,549
Accumulated distributions in excess of net income	(705,022)	(653,593)
Accumulated other comprehensive income	396	108

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

Total MAA shareholders' equity	2,912,973	2,946,811
Noncontrolling interest	162,959	166,726
Total equity	3,075,932	3,113,537
Total liabilities and equity	\$6,783,014	\$6,841,925

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 September 30, 2014 and December 31, 2013 are 85,164 and 83,139, respectively.

See accompanying notes to condensed consolidated financial statements.

4

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

Mid-America Apartment Communities, Inc.
 Condensed Consolidated Statements of Operations
 Three and nine months ended September 30, 2014 and 2013
 (Unaudited)
 (Dollars in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Operating revenues:				
Rental revenues	\$225,789	\$124,612	\$669,387	\$363,445
Other property revenues	22,981	10,648	67,266	31,217
Total property revenues	248,770	135,260	736,653	394,662
Management fee income	11	146	169	465
Total operating revenues	248,781	135,406	736,822	395,127
Property operating expenses:				
Personnel	26,355	14,930	76,447	43,332
Building repairs and maintenance	8,703	4,554	22,286	11,557
Real estate taxes and insurance	30,918	16,741	92,735	48,187
Utilities	14,874	7,506	41,534	20,900
Landscaping	4,002	2,894	15,391	8,595
Other operating	15,781	9,068	47,225	26,464
Depreciation and amortization	70,222	32,766	229,866	97,183
Total property operating expenses	170,855	88,459	525,484	256,218
Acquisition expense	13	—	971	499
Property management expenses	7,429	4,970	24,019	15,301
General and administrative expenses	6,511	3,976	16,065	10,604
Merger related expenses	331	5,561	3,202	11,298
Integration related expenses	147	35	7,140	35
Income from continuing operations before non-operating items	63,495	32,405	159,941	101,172
Interest and other non-property income	85	16	1,166	86
Interest expense	(28,251)	(14,923)	(89,090)	(45,657)
Loss on debt extinguishment/modification	(2,586)	(218)	(2,586)	(387)
Amortization of deferred financing costs	(1,000)	(820)	(3,485)	(2,427)
Net casualty (loss) gain after insurance and other settlement proceeds	(126)	—	(431)	455
Gain on sale of depreciable real estate assets excluded from discontinued operations	36,032	—	42,254	—
Gain on sale of non-depreciable real estate assets	—	—	535	—
Income before income tax expense	67,649	16,460	108,304	53,242
Income tax expense	(442)	(223)	(1,235)	(669)
Income from continuing operations before joint venture activity	67,207	16,237	107,069	52,573
Gain from real estate joint ventures	3,124	60	6,019	161
Income from continuing operations	70,331	16,297	113,088	52,734
Discontinued operations:				
Income from discontinued operations before (loss) gain on sale	488	972	1,353	4,451
Net casualty gain (loss) after insurance and other settlement proceeds on discontinued operations	3	(1)	—	(5)
(Loss) gain on sale of discontinued operations	(103)	28,788	5,378	71,909
Consolidated net income	70,719	46,056	119,819	129,089
Net income attributable to noncontrolling interests	3,743	1,772	6,364	4,536

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

Net income available for MAA common shareholders	\$66,976	\$44,284	\$113,455	\$124,553
Earnings per common share - basic:				
Income from continuing operations available for common shareholders	\$0.89	\$0.37	\$1.43	\$1.19
Discontinued property operations	—	0.67	0.08	1.73
Net income available for common shareholders	\$0.89	\$1.04	\$1.51	\$2.92
Earnings per common share - diluted:				
Income from continuing operations available for common shareholders	\$0.89	\$0.37	\$1.43	\$1.19
Discontinued property operations	—	0.67	0.08	1.72
Net income available for common shareholders	\$0.89	\$1.04	\$1.51	\$2.91
Dividends declared per common share	\$0.7300	\$0.6950	\$2.1900	\$2.0850
See accompanying notes to condensed consolidated financial statements.				

Mid-America Apartment Communities, Inc.
 Condensed Consolidated Statements of Comprehensive Income
 Three and nine months ended September 30, 2014 and 2013
 (Unaudited)
 (Dollars in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Consolidated net income	\$70,719	\$46,056	\$119,819	\$129,089
Other comprehensive income:				
Unrealized (losses) gains from the effective portion of derivative instruments	(696)	(1,826)	(9,096)	10,096
Reclassification adjustment for net losses included in net income for the effective portion of derivative instruments	2,589	3,621	9,399	12,098
Total comprehensive income	72,612	47,851	120,122	151,283
Less: comprehensive income attributable to noncontrolling interests	(3,845)	(1,830)	(6,379)	(5,275)
Comprehensive income attributable to MAA	\$68,767	\$46,021	\$113,743	\$146,008

See accompanying notes to condensed consolidated financial statements.

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

Mid-America Apartment Communities, Inc.
 Condensed Consolidated Statements of Cash Flows
 Nine months ended September 30, 2014 and 2013
 (Unaudited)
 (Dollars in thousands)

	Nine months ended September 30,	
	2014	2013
Cash flows from operating activities:		
Consolidated net income	\$119,819	\$129,089
Adjustments to reconcile net income to net cash provided by operating activities:		
Retail revenue accretion	(17	) (29
Depreciation and amortization	233,312	102,158
Stock compensation expense	3,180	1,729
Redeemable stock issued	690	535
Amortization of debt premium	(20,121	) (948
Gain from investments in real estate joint ventures	(3,159	) (161
Loss on debt extinguishment	2,586	387
Derivative interest (credit) expense	(2,543	) 827
Settlement of forward swaps	(3,625) —
Gain on sale of non-depreciable real estate assets	(535) —
Gain on sale of depreciable real estate assets excluded from discontinued operations	(42,254) —
Gain on sale of discontinued operations	(5,378	) (71,909
Net casualty loss (gain) and other settlement proceeds	431	(450
Changes in assets and liabilities:		
Restricted cash	15,062	(391
Other assets	(5,016	) (7,611
Accounts payable	(1,665	) 2,377
Accrued expenses and other	31,630	12,951
Security deposits	688	223
Net cash provided by operating activities	323,085	168,777
Cash flows from investing activities:		
Purchases of real estate and other assets	(180,272	) (89,866
Normal capital improvements	(71,140	) (35,412
Construction capital and other improvements	(4,456	) (3,873
Renovations to existing real estate assets	(11,950	) (8,616
Development	(40,752	) (26,129
Distributions from real estate joint ventures	15,964	8,311
Contributions to real estate joint ventures	—	(183
Proceeds from disposition of real estate assets	241,691	118,783
Funding of escrow for future acquisitions	(30,487	) (57,380
Net cash used in investing activities	(81,402	) (94,365
Cash flows from financing activities:		
Net change in credit lines	(216,184	) 177,000
Proceeds from notes payable	396,532	—
Principal payments on notes payable	(258,105	) (8,695
Payment of deferred financing costs	(4,156	) (2,655
Repurchase of common stock	(456	) (682
Proceeds from issuances of common shares	728	25,038

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

Exercise of stock options	11,916	—
Distributions to noncontrolling interests	(9,227)	(3,574)
Dividends paid on common shares	(164,298)	(88,814)
Net cash (used in) provided by financing activities	(243,250)	97,618
Net (decrease) increase in cash and cash equivalents	(1,567)	172,030
Cash and cash equivalents, beginning of period	89,333	9,075
Cash and cash equivalents, end of period	\$87,766	\$181,105
Supplemental disclosure of cash flow information:		
Interest paid	\$101,252	\$48,534
Income taxes paid	\$1,596	\$803
Supplemental disclosure of noncash investing and financing activities:		
Conversion of units to shares of common stock	\$992	\$550
Accrued construction in progress	\$6,539	\$4,190
Interest capitalized	\$1,253	\$1,118
Marked-to-market adjustment on derivative instruments	\$6,471	\$21,367
Fair value adjustment on debt assumed	\$2,720	\$704
Loan assumption	\$52,521	\$18,293
See accompanying notes to condensed consolidated financial statements.		

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

Mid-America Apartments, L.P.
 Condensed Consolidated Balance Sheets
 September 30, 2014 and December 31, 2013
 (Dollars in thousands, except unit data)

	September 30, 2014	December 31, 2013
Assets:		
Real estate assets:		
Land	\$872,786	\$871,316
Buildings and improvements	6,595,550	6,366,701
Furniture, fixtures and equipment	208,653	199,573
Development and capital improvements in progress	59,161	166,048
	7,736,150	7,603,638
Less accumulated depreciation	(1,288,374)	(1,124,207)
	6,447,776	6,479,431
Undeveloped land	58,700	63,850
Corporate properties, net	8,263	7,523
Investments in real estate joint ventures	1,802	5,499
Real estate assets, net	6,516,541	6,556,303
Cash and cash equivalents	87,766	89,333
Restricted cash	59,786	44,361
Deferred financing costs, net	17,870	17,424
Other assets	62,996	91,637
Goodwill	2,321	4,106
Assets held for sale	35,734	38,761
Total assets	\$6,783,014	\$6,841,925
Liabilities and Capital:		
Liabilities:		
Secured notes payable	\$1,554,592	\$1,790,935
Unsecured notes payable	1,875,422	1,681,783
Accounts payable	10,089	15,067
Fair market value of interest rate swaps	13,132	20,015
Accrued expenses and other liabilities	238,849	206,268
Security deposits	9,970	9,270
Due to general partner	19	19
Total liabilities	3,702,073	3,723,357
Redeemable units	5,028	5,050
Capital:		
General partner: 75,242,266 OP Units outstanding at September 30, 2014 and 74,830,726 OP Units outstanding at December 31, 2013 ⁽¹⁾	2,912,499	2,946,598
Limited partners: 4,202,123 OP Units outstanding at September 30, 2014 and 4,227,384 OP Units outstanding at December 31, 2013 ⁽¹⁾	162,937	166,746
Accumulated other comprehensive income	477	174

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

Total capital	3,075,913	3,113,518
Total liabilities and capital	\$6,783,014	\$6,841,925

Number of units outstanding represent total OP Units regardless of classification on the consolidated balance sheet.
(1) The number of units classified as redeemable units on the consolidated balance sheet at September 30, 2014 and December 31, 2013 are 85,164 and 83,139, respectively.

See accompanying notes to condensed consolidated financial statements.

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

Mid-America Apartments, L.P.

Condensed Consolidated Statements of Operations

Three and nine months ended September 30, 2014 and 2013

(Unaudited)

(Dollars in thousands, except per unit data)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Operating revenues:				
Rental revenues	\$225,789	\$124,612	\$669,387	\$363,445
Other property revenues	22,981	10,648	67,266	31,217
Total property revenues	248,770	135,260	736,653	394,662
Management fee income	11	146	169	465
Total operating revenues	248,781	135,406	736,822	395,127
Property operating expenses:				
Personnel	26,355	14,930	76,447	43,332
Building repairs and maintenance	8,703	4,554	22,286	11,557
Real estate taxes and insurance	30,918	16,741	92,735	48,187
Utilities	14,874	7,506	41,534	20,900
Landscaping	4,002	2,894	15,391	8,595
Other operating	15,781	9,068	47,225	26,464
Depreciation and amortization	70,222	32,766	229,866	97,183
Total property operating expenses	170,855	88,459	525,484	256,218
Acquisition expense	13	—	971	499
Property management expenses	7,429	4,970	24,019	15,301
General and administrative expenses	6,511	3,976	16,065	10,604
Merger related expenses	331	5,561	3,202	11,298
Integration related expenses	147	35	7,140	35
Income from continuing operations before non-operating items	63,495	32,405	159,941	101,172
Interest and other non-property income	85	16	1,166	86
Interest expense	(28,251)	(14,923)	(89,090)	(45,657)
Loss on debt extinguishment/modification	(2,586)	(218)	(2,586)	(387)
Amortization of deferred financing costs	(1,000)	(820)	(3,485)	(2,427)
Net casualty (loss) gain after insurance and other settlement proceeds	(126)	—	(431)	455
Gain on sale of depreciable real estate assets excluded from discontinued operations	36,032	—	42,254	—
Gain on sale of non-depreciable real estate assets	—	—	535	—
Income before income tax expense	67,649	16,460	108,304	53,242
Income tax expense	(442)	(223)	(1,235)	(669)
Income from continuing operations before joint venture activity	67,207	16,237	107,069	52,573
Gain from real estate joint ventures	3,124	60	6,019	161
Income from continuing operations	70,331	16,297	113,088	52,734
Discontinued operations:				
Income from discontinued operations before (loss) gain on sale	488	973	1,353	4,054
Net casualty gain (loss) after insurance and other settlement proceeds on discontinued operations	3	(1)	—	(5)
(Loss) gain on sale of discontinued operations	(103)	28,806	5,378	60,585
Net income available for Mid-America Apartments, L.P. common unitholders	\$70,719	\$46,075	\$119,819	\$117,368

Earnings per common unit - basic:

Income from continuing operations available for common unitholders	\$0.89	\$0.37	\$1.43	\$1.19
Income from discontinued operations available for common unitholders	—	0.67	0.08	1.46
Net income available for common unitholders	\$0.89	\$1.04	\$1.51	\$2.65

Earnings per common unit - diluted:

Income from continuing operations available for common unitholders	\$0.89	\$0.37	\$1.43	\$1.19
Income from discontinued operations available for common unitholders	—	0.67	0.08	1.46
Net income available for common unitholders	\$0.89	\$1.04	\$1.51	\$2.65

Distributions declared per common unit	\$0.7300	\$0.6950	\$2.1900	\$2.0850
----------------------------------------	----------	----------	----------	----------

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartments, L.P.
 Condensed Consolidated Statements of Comprehensive Income
 Three and nine months ended September 30, 2014 and 2013
 (Unaudited)
 (Dollars in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Net income available for Mid-America Apartments, L.P. common unitholders	\$70,719	\$46,075	\$119,819	\$117,368
Other comprehensive income:				
Unrealized (losses) gains from the effective portion of derivative instruments	(696)	(1,826)	(9,096)	10,096
Reclassification adjustment for net losses included in net income for the effective portion of derivative instruments	2,589	3,621	9,399	12,098
Comprehensive income attributable to Mid-America Apartments, L.P.	\$72,612	\$47,870	\$120,122	\$139,562

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartments, L.P.
Condensed Consolidated Statements of Cash Flows
Nine months ended September 30, 2014 and 2013
(Unaudited)
(Dollars in thousands)

	Nine months ended September 30,	
	2014	2013
Cash flows from operating activities:		
Consolidated net income	\$119,819	\$117,368
Adjustments to reconcile net income to net cash provided by operating activities:		
Retail revenue accretion	(17	) (29
Depreciation and amortization	233,312	101,923
Stock compensation expense	3,180	1,729
Redeemable units issued	690	535
Amortization of debt premium	(20,121	) (948
Gain from investments in real estate joint ventures	(3,159	) (161
Loss on debt extinguishment	2,586	387
Derivative interest (credit) expense	(2,543	) 827
Settlement of forward swaps	(3,625) —
Gain on sale of non-depreciable real estate assets	(535) —
Gain on sale of depreciable real estate assets excluded from discontinued operations	(42,254) —
Gain on sale of discontinued operations	(5,378	) (60,585
Net casualty loss (gain) and other settlement proceeds	431	(450
Changes in assets and liabilities:		
Restricted cash	15,062	(390
Other assets	(5,016	) (7,740
Accounts payable	(1,665	) 2,409
Accrued expenses and other	31,630	13,200
Security deposits	688	242
Net cash provided by operating activities	323,085	168,317
Cash flows from investing activities:		
Purchases of real estate and other assets	(180,272	) (89,866
Normal capital improvements	(71,140	) (35,451
Construction capital and other improvements	(4,456	) (3,873
Renovations to existing real estate assets	(11,950	) (8,616
Development	(40,752	) (26,129
Distributions from real estate joint ventures	15,964	8,311
Contributions to real estate joint ventures	—	(183
Proceeds from disposition of real estate assets	241,691	102,204
Funding of escrow for future acquisitions	(30,487	) (57,380
Net cash used in investing activities	(81,402	) (110,983
Cash flows from financing activities:		
Advances from general partner	—	17,219
Net change in credit lines	(216,184	) 177,000
Proceeds from notes payable	396,532	—
Principal payments on notes payable	(258,105	) (8,695
Payment of deferred financing costs	(4,156	) (2,655
Repurchase of common units	(456	) (682

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

Proceeds from issuances of common units	728	25,038
Exercise of unit options	11,916	—
Distributions paid on common units	(173,525)	(92,388)
Net cash (used in) provided by financing activities	(243,250)	114,837
Net (decrease) increase in cash and cash equivalents	(1,567)	172,171
Cash and cash equivalents, beginning of period	89,333	8,934
Cash and cash equivalents, end of period	\$87,766	\$181,105
Supplemental disclosure of cash flow information:		
Interest paid	\$101,252	\$48,534
Income taxes paid	\$1,596	\$803
Supplemental disclosure of noncash investing and financing activities:		
Accrued construction in progress	\$6,539	\$4,190
Interest capitalized	\$1,253	\$1,118
Marked-to-market adjustment on derivative instruments	\$6,471	\$21,367
Fair value adjustment on debt assumed	\$2,720	\$704
Loan assumption	\$52,521	\$18,293
See accompanying notes to condensed consolidated financial statements.		

Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P.
Notes to Condensed Consolidated Financial Statements
September 30, 2014 and 2013
(Unaudited)

1. Basis of Presentation and Principles of Consolidation and Significant Accounting Policies

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

As of September 30, 2014, MAA owned 75,242,266 units (or approximately 94.7%) of the limited partnership interests of the Operating Partnership. MAA conducts substantially all of its business and holds substantially all of its assets through the Operating Partnership, and by virtue of its ownership of the OP Units and being the Operating Partnership's sole general partner, MAA has the ability to control all of the day-to-day operations of the Operating Partnership.

We believe combining the notes to the consolidated financial statements results in the following benefits:

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

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

The presentation of MAA's shareholders' equity and the Operating Partnership's capital are the principal areas of difference between the consolidated financial statements of MAA and those of the Operating Partnership. MAA's shareholders' equity may include shares of preferred stock, shares of common stock, additional paid-in capital, cumulative earnings, cumulative distributions, noncontrolling interest, preferred units, treasury shares, accumulated

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

On October 1, 2013, MAA acquired Colonial Properties Trust, or Colonial, when Colonial was merged with and into MAA, with MAA being the surviving entity of the merger, pursuant to an agreement and plan of merger, which is referred to as the parent merger or the merger, and Martha Merger Sub, LP, or OP Merger Sub, a wholly-owned indirect subsidiary of MAALP, merged with and into Colonial Realty Limited Partnership, or Colonial LP, with Colonial LP being the surviving entity of the merger and becoming a wholly-owned indirect subsidiary of MAALP, which is referred to as the partnership merger. Under the terms of the merger agreement, each Colonial common share was converted into the right to receive 0.36 of a newly issued share of MAA common stock. In addition, each limited partner interest in Colonial LP designated as a “Class A Unit” and a “Partnership Unit” under the limited partnership agreement of Colonial LP, which we refer to in this filing as Colonial LP units, issued and outstanding immediately prior to the effectiveness of the partnership merger was converted into common units in MAALP at the 0.36 conversion rate. The net assets and results of operations of Colonial are included in our consolidated financial statements from the closing date, October 1, 2013 going forward.

As of September 30, 2014, we owned and operated 265 apartment communities comprising 81,137 apartments located in 14 states principally through the Operating Partnership, and we also owned an interest in the following unconsolidated real estate joint ventures:

	Percent Owned	Number of Units/Square Feet
Multifamily:		
McKinney ⁽¹⁾	25.00%	—
Commercial:		
Land Title Building	33.30%	29,971

⁽¹⁾ This joint venture consists of undeveloped land.

As of September 30, 2014, we had two development communities under construction totaling 514 units, with no units completed. Total expected costs for the development projects are \$72.9 million, of which \$49.2 million has been incurred through September 30, 2014. We expect to complete construction on one of the two projects by the first quarter of 2015 and on the other by the second quarter of 2015. Four of our multifamily properties include retail components with approximately 100,000 square feet of gross leasable area. We also have three wholly owned commercial properties, which we acquired through our merger with Colonial with approximately 287,000 square feet of gross leasable area, excluding tenant owned anchor stores, and one partially owned commercial property with approximately 30,000 square feet of gross leasable area.

Out of Period Adjustment

During the three months ended September 30, 2014, we reviewed our reconciliation of accumulated other comprehensive income, or AOCI. During this review, we noted that balances attributable to certain off-market interest rate swaps had accumulated in AOCI. As a result of this review, in the current quarter we recorded a \$2.3 million non-cash adjustment to interest expense related to certain off-market derivative contracts acquired with the merger. This represents a cumulative adjustment for the one year period ended September 30, 2014 required by Accounting Standards Codification, or ASC, 815 to properly reflect the AOCI related to these off-market derivative contracts. The impact of the misstatement caused Net income available for MAA common shareholders to be understated by approximately \$0.8 million, or \$0.01 per diluted share for the year ended December 31, 2013. Total MAA shareholders' equity would not be affected by this adjustment. Because we believe the impact to Net income available for MAA common shareholders, EPS, and Total MAA shareholders' equity would not impact the readers of these financial statements, we deemed the out of period portion of this adjustment to be immaterial to the current period and all periods presented.

Reclassifications

In order to present comparative financial statements, certain reclassifications have been made. We previously reported approximately \$9.5 million of cash proceeds from stock option exercises within Cash flows from operating activities for the six months ended June 30, 2014. This line has been reclassified to Cash flows from financing activities for the nine months ended September 30, 2014. In addition, we previously reported \$6.2 million of Gain on sale of depreciable real-estate assets excluded from discontinued operations and \$0.5 million of Gain on sale of non-depreciable real-estate assets as separate items below Discontinued operations on our Statement of Operations for the six months ended June 30, 2014. These two lines have been reclassified into Income from continuing operations for all periods presented as allowed under Accounting Standards Update, or ASU, 2014-08. The reclassifications had no effect on Net income available for MAA common shareholders.

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared by our management in accordance with United States generally accepted accounting principles, or GAAP, and applicable rules and regulations of the Securities and Exchange Commission, or the SEC. The consolidated financial statements of MAA presented herein include the accounts of MAA, the Operating Partnership, and all other subsidiaries in which MAA has a controlling financial interest. MAA owns approximately 95% to 100% of all consolidated subsidiaries. The consolidated financial statements of MAALP presented herein include the accounts of MAALP and all other subsidiaries in which MAALP has a controlling financial interest. MAALP owns, directly or indirectly, 100% of all consolidated subsidiaries. In our opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included, and all such adjustments were of a normal, recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation.

We invest in entities which may qualify as variable interest entities, or VIE. A VIE is a legal entity in which the equity investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack the power to direct the activities of a legal entity as well as the obligation to absorb its expected losses or the right to receive its expected residual returns. We consolidate all VIEs for which we are the primary beneficiary and use the equity method to account for investments that qualify as VIEs but for which we are not the primary beneficiary. In determining whether we are the primary beneficiary of a VIE, we consider qualitative and quantitative factors, including but not limited to, those activities that most significantly impact the VIE's economic performance and which party controls such activities.

We use the equity method of accounting for our investments in entities for which we exercise significant influence, but do not have the ability to exercise control. These entities are not variable interest entities. The factors considered in determining that we do not have the ability to exercise control include ownership of voting interests and participatory rights of investors.

2. Business Combinations

Merger of MAA and Colonial

On October 1, 2013, MAA completed its merger with Colonial. As part of the merger, we acquired 115 wholly-owned apartment communities encompassing 34,370 units principally located in the Southeast and Southwest regions of the United States. In addition to the apartment communities, we also acquired four commercial properties totaling approximately 806,000 square feet. The additions have caused us to nearly double in size as a result of the merger. The net assets and results of operations of Colonial are included in our consolidated financial statements from the closing date, October 1, 2013, going forward.

The total purchase price of approximately \$2.2 billion was determined based on the number of Colonial shares and Colonial OP Units outstanding as of October 1, 2013. In all cases in which MAA's stock price was a determining factor in arriving at final consideration for the merger, the stock price used to determine the purchase price was the opening price of MAA's common stock on October 1, 2013 (\$62.56 per share). The total purchase price includes \$7.3 million of other consideration, a majority of which relates to assumed stock compensation plans. As a result of the merger, we issued approximately 31.9 million shares of MAA common stock and approximately 2.6 million OP units.

The acquisition has been accounted for using the acquisition method of accounting in accordance with ASC 805, Business Combinations, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their acquisition date fair values.

For larger, portfolio style acquisitions, like the merger, management engages a third party valuation specialist to assist with the fair value assessment, which includes an allocation of the purchase price. Similar to management's methods, the third party generally uses cash flow analysis as well as an income approach and a market approach to determine the fair value of assets acquired. The third party uses stabilized NOI and a market specific capitalization and discount rates. Management reviews the inputs used by the third party specialist as well as the allocation of the purchase price provided by the third party to ensure reasonableness and that the procedures are performed in accordance with management's policy. The allocation of the purchase price is based on management's assessment, which may differ as more information becomes available. Subsequent adjustments made to the purchase price allocation, if any, are made within the allocation period, which typically does not exceed one year.

The allocation of the purchase price described above requires a significant amount of judgment and represents the Company's best estimate of the fair value as of the acquisition date. The following final purchase price allocation was based on our

valuation as well as estimates and assumptions of the acquisition date fair value of the tangible and intangible assets acquired and liabilities assumed.

The following table summarizes the final purchase price allocation (in thousands):

Land	\$469,396	
Buildings and improvements	3,080,858	
Furniture, fixtures and equipment	96,377	
Development and capital improvements in progress	113,368	
Undeveloped land	58,400	
Properties held for sale	33,300	
Lease intangible assets	57,946	
Cash and cash equivalents	63,454	
Restricted cash	6,825	
Deferred costs and other assets, excluding lease intangible assets	86,141	
Total assets acquired	4,066,065	
Notes payable	(1,759,550)	
Fair market value of interest rate swaps	(14,961)	
Accounts payable, accrued expenses, and other liabilities	(128,678)	
Total liabilities assumed, including debt	(1,903,189))
Total purchase price	\$2,162,876	

We incurred merger and integration related expenses of \$10.3 million for the nine months ended September 30, 2014. These amounts were expensed as incurred and are included in the Consolidated Statement of Operations in the items titled Merger related expenses, primarily consisting of severance, legal, and professional costs and Integration related expenses, primarily related to temporary systems, staffing, and facilities costs.

The allocation of fair values of the assets acquired and liabilities assumed has changed by an immaterial amount from the allocation reported in Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 2 of our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 21, 2014. The changes were based on information concerning the subject assets and liabilities that was not yet known at the time of the 10-K filing. These adjustments had no material impact on the purchase price allocation, the consolidated balance sheet or the results of operations.

3. Earnings per Common Share of MAA

Basic earnings per share is computed by dividing net income attributable to common shareholders by the weighted average number of shares outstanding during the period. All outstanding unvested restricted share awards contain rights to non-forfeitable dividends and participate in undistributed earnings with common shareholders and, accordingly, are considered participating securities that are included in the two-class method of computing basic earnings per share. Both the unvested restricted shares and other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis with our diluted earnings per share being the more dilutive of the treasury stock or two-class methods. Operating Partnership units are included in dilutive earnings per share calculations when they are dilutive to earnings per share. For the three and nine months ended September 30, 2014 and 2013, MAA's basic earnings per share is computed using the two-class method, and our diluted earnings per share is computed using the more dilutive of the treasury stock method or two-class method:

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

(dollars and shares in thousands, except per share amounts)	Three months ended		Nine months ended	
	September 30, 2014	2013	September 30, 2014	2013
Shares Outstanding				
Weighted average common shares - basic	75,058	42,702	74,937	42,583
Weighted average partnership units outstanding	—	(1) —	(1) —	(1) 1,709
Effect of dilutive securities	—	(1) —	(1) —	(1) 53
Weighted average common shares - diluted	75,058	42,702	74,937	44,345
Calculation of Earnings per Share - basic				
Income from continuing operations	\$70,331	\$16,297	\$113,088	\$52,734
Income from continuing operations attributable to noncontrolling interests	(3,722)	(632)	(6,005)	(1,973)
Income from continuing operations allocated to unvested restricted shares	(130)	(14)	(209)	(46)
Income from continuing operations available for common shareholders, adjusted	\$66,479	\$15,651	\$106,874	\$50,715
Income from discontinued operations	\$388	\$29,759	\$6,731	\$76,355
Income from discontinued operations attributable to noncontrolling interest	(21)	(1,140)	(359)	(2,563)
Income from discontinued operations allocated to unvested restricted shares	(1)	(25)	(12)	(67)
Income from discontinued operations available for common shareholders, adjusted	\$366	\$28,594	\$6,360	\$73,725
Weighted average common shares - basic	75,058	42,702	74,937	42,583
Earnings per share - basic	\$0.89	\$1.04	\$1.51	\$2.92
Calculation of Earnings per Share - diluted				
Income from continuing operations	\$70,331	\$16,297	\$113,088	\$52,734
Income from continuing operations attributable to noncontrolling interests	(3,725) ⁽¹⁾	(632) ⁽¹⁾	(6,005) ⁽¹⁾	—
Income from continuing operations allocated to unvested restricted shares	(130) ⁽¹⁾	(14) ⁽¹⁾	(209) ⁽¹⁾	—
Income from continuing operations available for common shareholders, adjusted	\$66,476	\$15,651	\$106,874	\$52,734
Income from discontinued operations	\$388	\$29,759	\$6,731	\$76,355
Income from discontinued operations attributable to noncontrolling interest	(21) ⁽¹⁾	(1,140) ⁽¹⁾	(357) ⁽¹⁾	—
Income from discontinued operations allocated to unvested restricted shares	(1) ⁽¹⁾	(25) ⁽¹⁾	(12) ⁽¹⁾	—
Income from discontinued operations available for common shareholders, adjusted	\$366	\$28,594	\$6,362	\$76,355
Weighted average common shares - diluted	75,058	42,702	74,937	44,345
Earnings per share - diluted	\$0.89	\$1.04	\$1.51	\$2.91

⁽¹⁾ Operating partnership units, other dilutive securities, and the related income with each are not included in the diluted earnings per share calculations as they were not dilutive.

4. Earnings per OP Unit of MAALP

Basic earnings per OP Unit is computed by dividing net income available for common unitholders by the weighted average number of units outstanding during the period. All outstanding unvested restricted share awards contain rights to non-forfeitable dividends and participate in undistributed earnings with common unitholders and, accordingly, are considered participating securities that are included in the two-class method of computing basic earnings per OP unit. Diluted earnings per OP Unit reflects the potential dilution that could occur if securities or other contracts to issue OP Units were exercised or converted into OP Units. A reconciliation of the numerators and denominators of the basic and diluted earnings per unit computations for the three and nine months ended September 30, 2014 and 2013 is presented below:

(dollars and units in thousands, except per unit amounts)	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Units Outstanding				
Weighted average common units - basic	79,263	44,408	79,148	44,293
Effect of dilutive securities	—	(1)	—	(1)
Weighted average common units - diluted	79,263	44,408	79,148	44,346
Calculation of Earnings per Unit - basic				
Income from continuing operations	\$70,331	\$16,297	\$113,088	\$52,734
Income from continuing operations allocated to unvested restricted shares	(130)	(14)	(209)	(46)
Income from continuing operations available for common unitholders, adjusted	\$70,201	\$16,283	\$112,879	\$52,688
Income from discontinued operations	\$388	\$29,778	\$6,731	\$64,634
Income from discontinued operations allocated to unvested restricted shares	(1)	(25)	(12)	(56)
Income from discontinued operations available for common unitholders, adjusted	\$387	\$29,753	\$6,719	\$64,578
Weighted average common units - basic	79,263	44,408	79,148	44,293
Earnings per unit - basic:	\$0.89	\$1.04	\$1.51	\$2.65
Calculation of Earnings per Unit - diluted				
Income from continuing operations	\$70,331	\$16,297	\$113,088	\$52,734
Income from continuing operations allocated to unvested restricted shares	(130)	(14)	(209)	—
Income from continuing operations available for common unitholders, adjusted	\$70,201	\$16,283	\$112,879	\$52,734
Income from discontinued operations	\$388	\$29,778	\$6,731	\$64,634
Income from discontinued operations allocated to unvested restricted shares	(1)	(25)	(12)	—
Income from discontinued operations available for common unitholders, adjusted	\$387	\$29,753	\$6,719	\$64,634
Weighted average common units - diluted	79,263	44,408	79,148	44,346

Earnings per unit - diluted:	\$0.89	\$1.04	\$1.51	\$2.65
------------------------------	--------	--------	--------	--------

⁽¹⁾ Dilutive securities and the related income are not included in the diluted earnings per unit calculations as they were not dilutive.

17

5. MAA Equity

Total equity and its components for the nine-month periods ended September 30, 2014 and 2013 were as follows (dollars in thousands, except per share and per unit data):

	Mid-America Apartment Communities, Inc. Shareholders					
	Common Stock Amount	Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
EQUITY BALANCE DECEMBER 31, 2013	\$ 747	\$ 3,599,549	\$ (653,593)	\$ 108	\$ 166,726	\$3,113,537
Net income			113,455		6,364	119,819
Other comprehensive income - derivative instruments (cash flow hedges)				288	15	303
Issuance and registration of common shares	2	726				728
Shares repurchased and retired	—	(456)				(456)
Exercise of stock options	3	11,913				11,916
Shares issued in exchange for units	—	992			(992)	—
Shares issued in exchange from redeemable stock		998				998
Redeemable stock fair market value			(286)			(286)
Adjustment for noncontrolling interest ownership in operating partnership		(55)			55	—
Amortization of unearned compensation		3,180				3,180
Dividends on common stock (\$2.19 per share)			(164,598)		—	(164,598)
Dividends on noncontrolling interest units (\$2.19 per unit)					(9,209)	(9,209)
EQUITY BALANCE SEPTEMBER 30, 2014	\$ 752	\$ 3,616,847	\$ (705,022)	\$ 396	\$ 162,959	\$3,075,932

	Mid-America Apartment Communities, Inc. Shareholders					
	Common Stock Amount	Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
EQUITY BALANCE DECEMBER 31, 2012	\$ 422	\$ 1,542,999	\$ (603,315)	\$ (26,054)	\$ 31,058	\$945,110
Net income			124,553		4,536	129,089
Other comprehensive income - derivative instruments (cash flow hedges)				21,455	739	22,194

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

Issuance and registration of common shares	4	25,034		25,038
Shares repurchased and retired	—	(682	)	(682
Shares issued in exchange for units	1	549	(550) —
Redeemable stock fair market value			209	209
Adjustment for noncontrolling interest ownership in operating partnership				