

MID AMERICA APARTMENT COMMUNITIES INC

Form 424B5

August 20, 2003

Table of Contents

Filed pursuant to Rule 424(b)(5)

Registration Number 333-60285

PROSPECTUS SUPPLEMENT

(To prospectus dated September 9, 1998)

700,000 Shares

Common Stock

\$28.40 per share

We are selling 700,000 shares of our Common Stock to certain investment advisory clients of Cohen & Steers Capital Management, Inc. (Cohen & Steers).

Our common stock is listed on the New York Stock Exchange under the symbol MAA. The last reported sale price of our Common Stock on the New York Stock Exchange on August 18, 2003 was \$29.75 per share.

You should consider the risks that we have described in Additional Risk Factors beginning on page S-3 and in Risk Factors in the accompanying prospectus beginning on page 5 before buying shares of our Common Stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The common stock will be ready for delivery on or about August 22, 2003.

The date of this prospectus supplement is August 18, 2003.

Table of Contents**TABLE OF CONTENTS****Prospectus Supplement**

	Page
<u>Our Company</u>	S-2
<u>Our Markets</u>	S-3
<u>Additional Risk Factors</u>	S-4
<u>Use of Proceeds</u>	S-4
<u>Capitalization</u>	S-5
<u>Federal Income Tax Considerations</u>	S-6
<u>Plan of Distribution</u>	S-19
<u>Legal Matters</u>	S-19
<u>Experts</u>	S-19
<u>Incorporation of Certain Information by Reference</u>	S-19
<u>Where You Can Find More Information</u>	S-20
<u>Forward-Looking Statements</u>	S-20

Prospectus

<u>Summary</u>	2
<u>Where You Can Find More Information</u>	4
<u>About This Prospectus</u>	4
<u>Risk Factors</u>	5
<u>Use of Proceeds</u>	8
<u>Consolidated Ratio of Earnings to Combined Fixed Charges and Preferred Stock Distributions and Consolidated Ratio of Earnings to Fixed Charges</u>	9
<u>Description of Capital Stock</u>	9
<u>Description of Debt Securities</u>	19
<u>Description of Depositary Shares</u>	29
<u>Federal Income Taxation Considerations</u>	31
<u>Plan of Distribution</u>	42
<u>Experts</u>	43
<u>Legal Matters</u>	43

In this prospectus supplement, the terms we, us or our include Mid-America Apartment Communities, Inc., Mid-America Apartments, L.P. and their subsidiaries. Substantially all of our assets are held by, and all of our operations are conducted through, Mid-America Apartments, L.P., of which Mid-America Apartment Communities, Inc. is the sole general partner and owns an approximate 84.9% ownership interest as of July 31, 2003. Unless otherwise stated in this prospectus supplement, we have assumed throughout this prospectus supplement that the underwriters' over-allotment option is not exercised.

You should rely on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates or on other dates which are specified in those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

Table of Contents

Our Company

Mid-America Apartment Communities, Inc. is a Memphis, Tennessee-based real estate investment trust, or REIT. As of July 31, 2003, we owned, or had an ownership interest in, and operated 125 apartment communities containing 34,735 apartment units in 12 states. Our apartment communities appeal to middle and upper income residents primarily in large to mid-size cities in the southeastern United States and Texas. Approximately 72% of our apartment units are located in Tennessee, Georgia, Florida and Texas markets. As of July 31, 2003, our apartment communities had an average occupancy rate of 92.7%. We presently employ approximately 1,100 people. Currently our executive officers and directors beneficially own approximately 11.5% of our common stock.

Our strategic focus is to provide our residents high quality apartment units in attractive community settings, characterized by extensive landscaping and attention to aesthetic detail. We utilize our experience and expertise in maintenance, landscaping and management to provide highly competitive apartment communities, with a goal of maintaining high occupancy levels and increasing per unit average rentals. We manage expenses through our system of detailed management reporting and accountability in order to achieve increases in operating cash flow. We seek to increase operating cash flow and earnings per share to maximize shareholder value through a balanced strategy of internal and external growth.

In order to meet our strategic and financial objectives, we strive to:

empower our property managers to adjust rents in response to local market conditions and to concentrate resident turnover in peak rental demand months;

offer new services, including telephone and cable access, to residents to increase our revenue, and reduce our operating costs through initiatives such as the installation of individual apartment unit water and utility meters and billing for trash collection in certain apartment communities;

maintain a highly competitive portfolio with attractive curb appeal through extensive landscaping and exterior improvements and a research-based program of selective property additions and dispositions;

pursue joint venture relationships to generate additional fee income;

compensate employees through performance-based compensation and stock ownership programs;

maintain a hands-on management style and flat organizational structure that emphasizes senior management's continued close contact with the market and employees; and

improve our cost of capital through refinancing, repurchasing and issuing debt, shares of common stock and preferred stock and by managing our interest rate risk.

Table of Contents**Our Markets**

As of July 31, 2003, we owned, or had an ownership interest in, and operated 125 apartment communities containing 34,735 apartment units in 12 states.

	Units	Portfolio Concentration	Average Occupancy	Average Rental Rate
Tennessee				
Memphis (1)	4,837	14.0%	92.1%	\$ 642.07
Nashville	1,399	4.0%	94.1%	\$ 722.26
Chattanooga	943	2.7%	92.7%	\$ 566.23
Jackson	664	1.9%	96.2%	\$ 577.84
Tennessee Total	7,843	22.6%	92.9%	\$ 641.82
Florida				
Jacksonville	3,130	9.0%	95.4%	\$ 725.29
Tampa	1,120	3.2%	92.8%	\$ 763.85
Other	2,518	7.2%	94.7%	\$ 727.67
Florida Total	6,768	19.4%	94.7%	\$ 732.55
Georgia				
Atlanta	2,116	6.1%	88.1%	\$ 757.19
Columbus/LaGrange	1,509	4.3%	97.2%	\$ 652.58
Augusta/Aiken/Savannah (3)	1,132	3.3%	93.5%	\$ 637.35
Other	1,742	5.0%	95.4%	\$ 659.75
Georgia Total	6,499	18.7%	93.1%	\$ 685.91
Texas				
Dallas	2,356	6.8%	86.2%	\$ 654.76
Austin	1,254	3.6%	93.7%	\$ 624.92
Houston	1,310	3.8%	91.7%	\$ 730.01
Texas Total	4,920	14.2%	89.6%	\$ 667.19
South Carolina				
Greenville	1,492	4.3%	86.5%	\$ 558.30
Other (3)	784	2.3%	82.8%	\$ 681.42
South Carolina Total	2,276	6.6%	85.2%	\$ 600.71
Mississippi (1)	1,673	4.8%	96.1%	\$ 588.98
Kentucky (2)	1,548	4.5%	95.8%	\$ 660.95
Alabama	952	2.7%	97.9%	\$ 648.87
Arkansas	808	2.3%	93.3%	\$ 622.04
North Carolina	738	2.1%	90.4%	\$ 548.21

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Ohio (2)	414	1.2%	93.0%	\$ 678.69
Virginia	296	0.9%	95.9%	\$ 732.26
	<hr/>	<hr/>	<hr/>	<hr/>
Total Apartment Units	34,735	100.0%	92.7%	\$ 665.91
	<hr/>	<hr/>	<hr/>	<hr/>

- (1) The Memphis, TN market includes two properties located in Southaven, MS.
 (2) The Ohio market includes one property located in Florence, KY.
 (3) The Augusta/Aiken/Savannah market includes two properties located in Aiken, SC.

S-3

Table of Contents

ADDITIONAL RISK FACTORS

Before you invest in the Common Stock, you should consider carefully the risk factors listed below together with all of the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the Risk Factors beginning on page 5 in the accompanying prospectus.

Increasing insurance costs may negatively impact our financial condition.

Because we have substantial real estate holdings, the cost of insuring our properties is a significant item of expense to us. Due in part to the events of September 11, 2001, and other recent disasters, premiums for property and casualty insurance have risen significantly in recent months. In addition, the effects of September 11, 2001 made it more likely that lenders will begin to require us to carry insurance against acts of terrorism on our properties. The cost of such insurance is likely to be high. If the cost of property and casualty insurance continues to rise, or if our lenders require us to begin insuring our properties against terrorism, our cost of doing business would likely rise, which may in turn negatively impact our financial condition and results of operations.

Adverse legislative or regulatory tax changes could reduce the market price of the Common Stock.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect Mid-America or its shareholders. On May 28, 2003, the President signed into law new tax legislation that reduces the federal tax rate on both dividends and long-term capital gains for individuals to 15% until 2008. Because REITs generally are not subject to corporate income tax, this reduced tax rate generally will not apply to ordinary REIT dividends, which will continue to be taxed at the higher tax rates applicable to ordinary income. However, the new 15% tax rate will apply to (i) long-term capital gains recognized on the disposition of REIT shares, (ii) REIT capital gain distributions (except to the extent attributable to real estate depreciation, in which case such distributions would continue to be subject to a 25% tax rate), (iii) REIT dividends attributable to dividends received by the REIT from non-REIT corporations, such as taxable REIT subsidiaries, and (iv) REIT dividends attributable to income that was subject to corporate income tax at the REIT level (e.g., to the extent that a REIT distributes less than 100% of its taxable income). The new tax legislation could cause shares in non-REIT corporations to be a more attractive investment to individual investors than shares in REITs and could have an adverse effect on the market price of the Common Stock.

USE OF PROCEEDS

The net proceeds from the sale of the 700,000 shares of common stock offered hereby are estimated to be \$19,850,000. We will use the net proceeds along with borrowings under our existing credit facilities to purchase the two-thirds interest in our joint venture with Blackstone Realty Advisors that we do not currently own. The joint venture owns 10 properties totaling 2,793 apartments.

Table of Contents**CAPITALIZATION**

The following table sets forth our actual capitalization on June 30, 2003, our capitalization on June 30, 2003 pro forma to give effect to the issuance of our Series H Preferred Stock and the redemption of our Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock, and our capitalization on June 30, 2003 pro forma as adjusted to give effect to the issuance and redemptions previously described and issuance of 700,000 shares of common stock. The information set forth in the following table should be read in connection with, and is qualified in its entirety by reference to, the financial statements and notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus.

	June 30, 2003		
	Historical	Pro Forma	As Adjusted
	(unaudited)		
	(Dollars in thousands)		
Notes payable	\$ 833,212	\$ 838,445	\$ 838,472
Minority interest	30,512	30,512	32,258
Shareholders' equity:			
Preferred stock, \$0.01 par value per share, 20,000,000 shares authorized No shares of 8.30% Series H Cumulative Redeemable Preferred Stock, Liquidation Preference \$25 per share, issued and outstanding, 5,600,000 shares issued and outstanding as adjusted		62	62
400,000 shares of 8 ⁵ / ₈ % Series G Cumulative Redeemable Preferred Stock, Liquidation Preference \$25 per share, issued and outstanding	4	4	4
3,000,000 shares of 9 ¹ / ₄ % Series F Cumulative Redeemable Preferred Stock, Liquidation Preference \$25 per share, authorized, 474,500 shares issued and outstanding	5	5	5
2,000,000 shares of 9 ¹ / ₄ % Series C Cumulative Redeemable Preferred Stock, Liquidation Preference \$25 per share, issued and outstanding, no shares issued and outstanding as adjusted	20		
1,938,830 shares of 8 ⁷ / ₈ % Series B Cumulative Preferred Stock, Liquidation Preference \$25 per share, issued and outstanding, no shares issued and outstanding as adjusted	19		
2,000,000 shares of 9.5% Series A Cumulative Preferred Stock, Liquidation Preference \$25 per share, issued and outstanding, no shares issued and outstanding as adjusted	20		
Common stock, \$0.01 par value per share, 50,000,000 shares authorized, 17,985,134 shares issued and outstanding, 18,685,134 shares issued and outstanding as adjusted	180	180	187
Additional paid-in capital	561,638	568,165	586,265
Other	(4,208)	(4,208)	(4,208)
Accumulated distributions in excess of net income	(207,484)	(207,484)	(207,484)
Accumulated other comprehensive loss	(34,542)	(34,542)	(34,542)
Total shareholders' equity	315,652	322,182	340,289
Total capitalization	\$ 1,179,376	\$ 1,191,139	\$ 1,211,019

Table of Contents

FEDERAL INCOME TAX CONSIDERATIONS

This section summarizes the federal income tax issues that you, as a shareholder, may consider relevant and supersedes the discussion in "Federal Income Tax Consequences" in the accompanying prospectus. The discussion contained herein does not purport to deal with all aspects of taxation that may be relevant to particular shareholders in light of their personal investment or tax circumstances, or to shareholders who are subject to special treatment under the federal income tax laws, such as insurance companies, tax-exempt organizations, financial institutions or broker-dealers, foreign corporations and persons who are not citizens or residents of the United States. Throughout this section Mid-America Apartment Communities, Inc. will be referred to as "Mid-America" in order to distinguish it from its subsidiaries.

The statements in this section are based on the current federal income tax laws governing qualification as a REIT. We cannot assure you that new laws, interpretations thereof, or court decisions, any of which may take effect retroactively, will not cause any statement in this section to be inaccurate.

We urge you to consult your own tax advisor regarding the specific tax consequences to you of investing in the Common Stock and of Mid-America's election to be taxed as a REIT. Specifically, you should consult your own tax advisor regarding the federal, state, local, foreign, and other tax consequences of such investment and election, and regarding potential changes in applicable tax laws.

Taxation of Mid-America

Mid-America elected to be taxed as a REIT for its taxable year ended on December 31, 1994. Mid-America believes that it has operated in a manner intended to qualify as a REIT since its election to be a REIT and it intends to continue to operate in such a manner. This section discusses the laws governing the federal income tax treatment of a REIT and its shareholders. These laws are highly technical and complex.

Mid-America's qualification as a REIT depends on its ability to meet on a continuing basis the qualification tests required by the federal tax laws. Those qualification tests involve the percentage of income that Mid-America earns from specified sources, the percentage of its assets that fall within specified categories, the diversity of its share ownership, and the percentage of its earnings that it distributes. We describe the REIT qualification tests in more detail below. For a discussion of the tax treatment of Mid-America and its shareholders if Mid-America fails to qualify as a REIT, please read "Failure to Qualify" on page S-12.

If Mid-America qualifies as a REIT, it generally will not be subject to federal income tax on the taxable income that it distributes to its shareholders. The benefit of that tax treatment to shareholders is that they avoid the "double taxation" (i.e., at both the corporate and shareholder levels) that generally results from owning stock in a corporation. However, even if Mid-America qualifies as a REIT, it will be subject to federal tax in the following circumstances:

Mid-America will pay federal income tax on taxable income (including net capital gain) that it does not distribute to its shareholders during, or within a specified time period after, the calendar year in which the income is earned.

Mid-America may be subject to the alternative minimum tax on any items of tax preference that it does not distribute or allocate to its shareholders.

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Mid-America will pay income tax at the highest corporate rate on (1) net income from the sale or other disposition of property acquired through foreclosure (foreclosure property) that it holds primarily for sale to customers in the ordinary course of business and (2) other non-qualifying income from foreclosure property.

Mid-America will pay a 100% tax on net income from certain sales or other dispositions of property (other than foreclosure property) that it holds primarily for sale to customers in the ordinary course of business.

If Mid-America fails to satisfy the 75% gross income test or the 95% gross income test, which are described below under

Requirements for Qualification Income Tests on page S-8, and nonetheless continues to qualify as a REIT because it meets certain other requirements, it will pay a 100% penalty tax on (1) the gross income attributable to the greater of (a) the amount by which it fails the 95% gross income

Table of Contents

test (but only if the qualifying income is less than 90% of its gross income) or (b) the amount by which it fails the 75% gross income test, multiplied by (2) a fraction intended to reflect its profitability.

If Mid-America fails to distribute during a calendar year at least the sum of (1) 85% of its REIT ordinary income for such year, (2) 95% of its REIT capital gain net income for such year, and (3) any undistributed taxable income from prior periods, it will pay a 4% excise tax on the excess of such required distribution over the amount it actually distributed. Mid-America may elect to retain and pay income tax on its net long-term capital gain.

If Mid-America acquires any asset from a C corporation, or a corporation generally subject to full corporate-level tax, in a merger or other transaction in which it acquires a basis in the asset that is determined by reference to the C corporation's basis in the asset, or another asset, it will pay tax at the highest regular corporate rate applicable if it recognizes gain on the sale or disposition of such asset during the 10-year period after it acquires such asset. The amount of gain on which it will pay tax is the lesser of (1) the amount of gain that it recognizes at the time of the sale or disposition and (2) the amount of gain that it would have recognized if it had sold the asset at the time it acquired the asset. Beginning with transactions occurring after January 2, 2002, the rule described in this paragraph will apply unless Mid-America elects deemed sale treatment.

Mid-America will be subject to a 100% tax on any redetermined rents, redetermined deductions or excess interest. In general, redetermined rents are rents from real property that are overstated as a result of services furnished by a taxable REIT subsidiary of Mid-America to any of its tenants. Redetermined deductions and excess interest represent amounts that are deducted by a taxable REIT subsidiary of Mid-America for amounts paid to Mid-America that are in excess of the amounts that would have been deducted based on arm's-length negotiations. See Taxable REIT Subsidiaries.

Requirements for Qualification

A REIT is a corporation, trust, or unincorporated association that meets the following requirements:

- 1) it is managed by one or more trustees or directors;
- 2) its beneficial ownership is evidenced by transferable shares or by transferable certificates of beneficial interest;
- 3) it would be taxable as a domestic corporation, but for the REIT provisions of the federal income tax laws;
- 4) it is neither a financial institution nor an insurance company subject to special provisions of the federal income tax laws;
- 5) at least 100 persons are beneficial owners of its shares or ownership certificates;

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6) not more than 50% in value of its outstanding shares or ownership certificates is owned, directly or indirectly, by five or fewer individuals, as defined in the federal income tax laws to include certain entities, during the last half of any taxable year;

7) it elects to be a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the Internal Revenue Service that must be met to elect and maintain REIT status;

8) it uses a calendar year for federal income tax purposes and complies with the record keeping requirements of the federal income tax laws; and

9) it meets certain other qualification tests, described below, regarding the nature of its income and assets.

Mid-America must meet requirements (1) through (4) during its entire taxable year and must meet requirement (5) during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. If Mid-America complies with all the requirements for ascertaining the ownership of its

S-7

Table of Contents

outstanding shares in a taxable year and has no reason to know that it violated requirement (5), it will be deemed to have satisfied requirement (5) for such taxable year. For purposes of determining share ownership under requirement (6), an individual generally includes a supplemental unemployment compensation benefits plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes. An individual, however, generally does not include a trust that is a qualified employee pension or profit sharing trust under the federal income tax laws, and beneficiaries of such a trust will be treated as holding shares of Mid-America in proportion to their actuarial interests in the trust for purposes of requirement (6).

Mid-America believes that it has issued sufficient common stock with sufficient diversity of ownership to satisfy requirements (5) and (6) set forth above. In addition, Mid-America's charter restricts the ownership and transfer of the common and preferred stock so that Mid-America should continue to satisfy requirements (5) and (6). The provisions of the charter restricting the ownership and transfer of the common stock and preferred stock are described in *Description of Capital Stock Ownership Limitations* on page 18 in the accompanying prospectus.

Mid-America currently has 8 corporate subsidiaries and may have additional corporate subsidiaries in the future. A corporation that is a qualified REIT subsidiary is not treated as a corporation separate from its parent REIT. All assets, liabilities, and items of income, deduction, and credit of a qualified REIT subsidiary are treated as assets, liabilities, and items of income, deduction, and credit of the REIT. A qualified REIT subsidiary is a corporation, all of the capital stock of which is owned by the REIT and which does not make an election to be a taxable REIT subsidiary. Thus, in applying the requirements described herein, the separate existence of any qualified REIT subsidiary of Mid-America will be ignored, and all assets, liabilities, and items of income, deduction, and credit of such subsidiary will be treated as assets, liabilities, and items of income, deduction, and credit of Mid-America. All of Mid-America's corporate subsidiaries are qualified REIT subsidiaries. Accordingly, they are not subject to federal corporate income taxation, though they may be subject to state and local taxation.

In the case of a REIT that is a partner in a partnership, the REIT is treated as owning its proportionate share of the assets of the partnership and as earning its allocable share of the gross income of the partnership for purposes of the applicable REIT qualification tests. Thus, Mid-America's proportionate share of the assets, liabilities, and items of income of Mid-America Apartments, L.P., and of any other partnership, joint venture, or limited liability company that is treated as a partnership for federal income tax purposes in which Mid-America has acquired or will acquire an interest, directly or indirectly (a *Subsidiary Partnership*), is treated as assets and gross income of Mid-America for purposes of applying the various REIT qualification requirements.

REITs are permitted to own up to 100% of the stock of one or more taxable REIT subsidiaries, or TRSs, after January 1, 2001. A TRS is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by the parent REIT. However, a TRS may not directly or indirectly operate or manage any hotels or health care facilities or provide rights to any brand name under which any hotel or health care facility is operated. The subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A TRS will pay income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. Further, the rules impose a 100% excise tax on transactions between a TRS and its parent REIT or the REIT's tenants that are not *conducted on an arm's length basis*. *We do not currently have any TRSs, but we may form or acquire one or more TRSs in the future.*

Income Tests

Mid-America must satisfy two gross income tests annually to maintain its qualification as a REIT. First, at least 75% of its gross income for each taxable year must consist of defined types of income that it derives, directly or indirectly, from investments relating to real property or mortgages on real property or temporary investment income. Qualifying income for purposes of that 75% gross income test includes, but is not limited to:

