

MID AMERICA APARTMENT COMMUNITIES INC
Form 10-Q
August 01, 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 June 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

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to submit and post such files).

Mid-America Apartment Communities, Inc.	YES <input type="radio"/>	NO <input type="radio"/>
Mid-America Apartments, L.P.	YES <input type="radio"/>	NO <input type="radio"/>

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 <input type="radio"/>	Accelerated filer <input type="radio"/>	Non-accelerated filer <input type="radio"/>	Smaller reporting company <input type="radio"/>
(Do not check if a smaller reporting company)			

Mid-America Apartments, L.P.

Large accelerated filer <input type="radio"/>	Accelerated filer <input type="radio"/>	Non-accelerated filer <input type="radio"/>	Smaller reporting company <input type="radio"/>
(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 <input type="radio"/>	NO <input type="radio"/>
Mid-America Apartments, L.P.	YES <input type="radio"/>	NO <input type="radio"/>

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 July 28, 2014
Common Stock, \$0.01 par value	75,194.824

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 June 30, 2014 (Unaudited) and December 31, 2013 (Unaudited). 4
	Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2014 (Unaudited) and 2013 (Unaudited). 5
	Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2014 (Unaudited) and 2013 (Unaudited). 6
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2014 (Unaudited) and 2013 (Unaudited). 7
Mid-America Apartments, L.P.	Condensed Consolidated Balance Sheets as of June 30, 2014 (Unaudited) and December 31, 2013 (Unaudited). 8
	Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2014 (Unaudited) and 2013 (Unaudited). 9
	Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2014 (Unaudited) and 2013 (Unaudited). 10
	Condensed Consolidated Statements of Cash Flows for the six months ended June 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. 37
Item 4.	Quantitative and Qualitative Disclosures About Market Risk. 51
	Controls and Procedures. 51
	PART II – OTHER INFORMATION
Item 1.	Legal Proceedings. 52
Item 1A.	Risk Factors. 53
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds. 66
Item 3.	Defaults Upon Senior Securities. 66
Item 4.	Mine Safety Disclosures. 66
Item 5.	Other Information. 66
Item 6.	Exhibits. 67
	Signatures. 68
	Exhibit Index. 70

Explanatory Note

This report combines the quarterly reports on Form 10-Q for the quarter ended June 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 June 30, 2014, MAA owned 75,194,807 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 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 limited partnership units as of the date of the applicable balance sheet, valued at the greater of the closing market price of MAA's common stock or the aggregate value of the individual partners' capital balances. Each redeemable unit may be redeemed by the holder thereof for either cash equal to the fair market value of one share of common stock of MAA at the time of such redemption or, at the option of MAA, one share of common stock of MAA.

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.

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

	June 30, 2014	December 31, 2013
Assets:		
Real estate assets:		
Land	\$877,368	\$871,316
Buildings and improvements	6,602,860	6,366,701
Furniture, fixtures and equipment	206,877	199,573
Development and capital improvements in progress	84,502	166,048
	7,771,607	7,603,638
Less accumulated depreciation	(1,258,554)	(1,124,207)
	6,513,053	6,479,431
Undeveloped land	59,195	63,850
Corporate properties, net	8,285	7,523
Investments in real estate joint ventures	3,295	5,499
Real estate assets, net	6,583,828	6,556,303
Cash and cash equivalents	26,318	89,333
Restricted cash	64,683	44,361
Deferred financing costs, net	18,262	17,424
Other assets	51,789	91,637
Goodwill	4,106	4,106
Assets held for sale	34,135	38,761
Total assets	\$6,783,121	\$6,841,925
Liabilities and Shareholders' Equity:		
Liabilities:		
Secured notes payable	\$1,563,014	\$1,790,935
Unsecured notes payable	1,912,399	1,681,783
Accounts payable	15,297	15,067
Fair market value of interest rate swaps	17,997	20,015
Accrued expenses and other liabilities	201,997	206,190
Security deposits	9,808	9,270
Liabilities associated with assets held for sale	—	78
Total liabilities	3,720,512	3,723,338
Redeemable stock	5,407	5,050
Shareholders' equity:		
Common stock, \$0.01 par value per share, 100,000,000 shares authorized; 75,194,807 and 74,830,726 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively ⁽¹⁾	751	747
Additional paid-in capital	3,613,221	3,599,549
Accumulated distributions in excess of net income	(717,642)	(653,593)

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Accumulated other comprehensive (loss) income	(1,395) 108
Total MAA shareholders' equity	2,894,935	2,946,811
Noncontrolling interest	162,267	166,726
Total equity	3,057,202	3,113,537
Total liabilities and equity	\$6,783,121	\$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 June 30, 2014 and December 31, 2013 are 82,511 and 83,139, respectively.

See accompanying notes to condensed consolidated financial statements.

4

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Operating revenues:				
Rental revenues	\$222,610	\$121,128	\$443,598	\$238,833
Other property revenues	21,883	10,531	44,285	20,569
Total property revenues	244,493	131,659	487,883	259,402
Management fee income	61	142	158	319
Total operating revenues	244,554	131,801	488,041	259,721
Property operating expenses:				
Personnel	25,183	14,421	50,092	28,402
Building repairs and maintenance	7,184	3,874	13,583	7,003
Real estate taxes and insurance	30,686	15,958	61,817	31,446
Utilities	13,182	6,829	26,660	13,394
Landscaping	5,981	2,835	11,389	5,701
Other operating	15,406	8,904	31,444	17,396
Depreciation and amortization	69,631	32,222	159,644	64,417
Total property operating expenses	167,253	85,043	354,629	167,759
Acquisition expense	947	489	958	499
Property management expenses	9,579	5,223	16,590	10,331
General and administrative expenses	5,212	3,389	9,554	6,628
Merger related expenses	795	5,737	2,871	5,737
Integration related expenses	3,151	—	6,993	—
Income from continuing operations before non-operating items	57,617	31,920	96,446	68,767
Interest and other non-property income	921	23	1,081	70
Interest expense	(30,163)	(15,189)	(60,839)	(30,734)
Loss on debt extinguishment/modification	—	—	—	(169)
Amortization of deferred financing costs	(1,174)	(803)	(2,485)	(1,607)
Net casualty (loss) gain after insurance and other settlement proceeds	(295)	439	(305)	455
Income before income tax expense	26,906	16,390	33,898	36,782
Income tax expense	(523)	(223)	(793)	(446)
Income from continuing operations before joint venture activity	26,383	16,167	33,105	36,336
Gain from real estate joint ventures	2,919	47	2,895	101
Income from continuing operations	29,302	16,214	36,000	36,437
Discontinued operations:				
Income from discontinued operations before gain on sale	449	1,697	865	3,479
Net casualty loss after insurance and other settlement proceeds on discontinued operations	(1)	(4)	(3)	(4)
Gain on sale of discontinued operations	—	43,121	5,481	43,121
Income before gain (loss) on sale of properties	29,750	61,028	42,343	83,033
Gain on sale of depreciable real estate assets excluded from discontinued operations	3,658	—	6,222	—
(Loss) gain on sale of non-depreciable real estate assets	(22)	—	535	—
Consolidated net income	33,386	61,028	49,100	83,033

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Net income attributable to noncontrolling interests	1,773	1,939	2,621	2,764
Net income available for MAA common shareholders	\$31,613	\$59,089	\$46,479	\$80,269
Earnings per common share - basic:				
Income from continuing operations available for common shareholders	\$0.42	\$0.37	\$0.54	\$0.82
Discontinued property operations	—	1.01	0.08	1.07
Net income available for common shareholders	\$0.42	\$1.38	\$0.62	\$1.89
Earnings per common share - diluted:				
Income from continuing operations available for common shareholders	\$0.42	\$0.36	\$0.54	\$0.82
Discontinued property operations	—	1.01	0.08	1.05
Net income available for common shareholders	\$0.42	\$1.37	\$0.62	\$1.87
Dividends declared per common share	\$0.7300	\$0.6950	\$1.4600	\$1.3900
See accompanying notes to condensed consolidated financial statements.				

5

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Consolidated net income	\$33,386	\$61,028	\$49,100	\$83,033
Other comprehensive income:				
Unrealized (losses) gains from the effective portion of derivative instruments	(7,403)	12,105	(8,400)	11,926
Reclassification adjustment for net losses included in net income for the effective portion of derivative instruments	3,085	3,932	6,810	8,477
Total comprehensive income	29,068	77,065	47,510	103,436
Less: comprehensive income attributable to noncontrolling interests	(1,542)	(2,442)	(2,534)	(3,445)
Comprehensive income attributable to MAA	\$27,526	\$74,623	\$44,976	\$99,991

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended June	
	30,	
	2014	2013
Cash flows from operating activities:		
Consolidated net income	\$49,100	\$83,033
Adjustments to reconcile net income to net cash provided by operating activities:		
Retail revenue accretion	(12	) (20
Depreciation and amortization	162,099	68,236
Stock compensation expense	2,045	1,171
Exercise of stock options	9,544	—
Redeemable stock issued	507	377
Amortization of debt premium	(14,648	) (505
Gain from investments in real estate joint ventures	(2,878	) (101
Loss on debt extinguishment	—	169
Derivative interest expense	402	484
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	(6,222) —
Gain on sale of discontinued operations	(5,481	) (43,121
Net casualty loss (gain) and other settlement proceeds	308	(451
Changes in assets and liabilities:		
Restricted cash	21,318	(279
Other assets	11,134	(3,176
Accounts payable	229	5,527
Accrued expenses and other	594	(2,239
Security deposits	526	277
Net cash provided by operating activities	224,405	109,382
Cash flows from investing activities:		
Purchases of real estate and other assets	(166,388	) (89,871
Normal capital improvements	(43,176	) (22,494
Construction capital and other improvements	(3,420	) (2,137
Renovations to existing real estate assets	(5,901	) (5,112
Development	(29,393	) (20,816
Distributions from real estate joint ventures	11,541	8,197
Contributions to real estate joint ventures	—	(183
Proceeds from disposition of real estate assets	125,640	73,089
Funding of escrow for future acquisitions	(41,640	) (11,902
Net cash used in investing activities	(152,737	) (71,229
Cash flows from financing activities:		
Net change in credit lines	(181,183	) 2,000
Proceeds from notes payable	396,180	—
Principal payments on notes payable	(230,952	) (2,799
Payment of deferred financing costs	(3,395) (426
Repurchase of common stock	(336) (673

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Proceeds from issuances of common shares	575	24,968
Distributions to noncontrolling interests	(6,158)	(2,391)
Dividends paid on common shares	(109,414)	(59,115)
Net cash used in financing activities	(134,683)	(38,436)
Net decrease in cash and cash equivalents	(63,015)	(283)
Cash and cash equivalents, beginning of period	89,333	9,075
Cash and cash equivalents, end of period	\$26,318	\$8,792
Supplemental disclosure of cash flow information:		
Interest paid	\$75,818	\$33,610
Income taxes paid	\$803	\$1,596
Supplemental disclosure of noncash investing and financing activities:		
Conversion of units to shares of common stock	\$799	\$444
Accrued construction in progress	\$8,458	\$7,126
Interest capitalized	\$850	\$872
Marked-to-market adjustment on derivative instruments	\$1,633	\$19,916
Fair value adjustment on debt assumed	\$1,651	\$704
Loan assumption	\$31,692	\$18,293
See accompanying notes to condensed consolidated financial statements.		

7

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

	June 30, 2014	December 31, 2013
Assets:		
Real estate assets:		
Land	\$877,368	\$871,316
Buildings and improvements	6,602,860	6,366,701
Furniture, fixtures and equipment	206,877	199,573
Development and capital improvements in progress	84,502	166,048
	7,771,607	7,603,638
Less accumulated depreciation	(1,258,554)	(1,124,207)
	6,513,053	6,479,431
Undeveloped land	59,195	63,850
Corporate properties, net	8,285	7,523
Investments in real estate joint ventures	3,295	5,499
Real estate assets, net	6,583,828	6,556,303
Cash and cash equivalents	26,318	89,333
Restricted cash	64,683	44,361
Deferred financing costs, net	18,262	17,424
Other assets	51,789	91,637
Goodwill	4,106	4,106
Assets held for sale	34,135	38,761
Total assets	\$6,783,121	\$6,841,925
Liabilities and Capital:		
Liabilities:		
Secured notes payable	\$1,563,014	\$1,790,935
Unsecured notes payable	1,912,399	1,681,783
Accounts payable	15,297	15,067
Fair market value of interest rate swaps	17,997	20,015
Accrued expenses and other liabilities	201,997	206,190
Security deposits	9,808	9,270
Due to general partner	19	19
Liabilities associated with assets held for sale	—	78
Total liabilities	3,720,531	3,723,357
Redeemable units	5,407	5,050
Capital:		
General partner: 75,194,807 OP Units outstanding at June 30, 2014 and 74,830,726 OP Units outstanding at December 31, 2013 ⁽¹⁾	2,896,253	2,946,598
Limited partners: 4,207,126 OP Units outstanding at June 30, 2014 and 4,227,384 OP Units outstanding at December 31, 2013 ⁽¹⁾	162,346	166,746

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Accumulated other comprehensive (loss) income	(1,416) 174
Total capital	3,057,183	3,113,518
Total liabilities and capital	\$6,783,121	\$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 June 30, 2014 and December 31, 2013 are 82,511 and 83,139, respectively.

See accompanying notes to condensed consolidated financial statements.

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Mid-America Apartments, L.P.
 Condensed Consolidated Statements of Operations
 Three and six months ended June 30, 2014 and 2013
 (Unaudited)
 (Dollars in thousands, except per unit data)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Operating revenues:				
Rental revenues	\$222,610	\$121,128	\$443,598	\$238,833
Other property revenues	21,883	10,531	44,285	20,569
Total property revenues	244,493	131,659	487,883	259,402
Management fee income	61	142	158	319
Total operating revenues	244,554	131,801	488,041	259,721
Property operating expenses:				
Personnel	25,183	14,421	50,092	28,402
Building repairs and maintenance	7,184	3,874	13,583	7,003
Real estate taxes and insurance	30,686	15,958	61,817	31,446
Utilities	13,182	6,829	26,660	13,394
Landscaping	5,981	2,835	11,389	5,701
Other operating	15,406	8,904	31,444	17,396
Depreciation and amortization	69,631	32,222	159,644	64,417
Total property operating expenses	167,253	85,043	354,629	167,759
Acquisition expense	947	489	958	499
Property management expenses	9,579	5,223	16,590	10,331
General and administrative expenses	5,212	3,389	9,554	6,628
Merger related expenses	795	5,737	2,871	5,737
Integration related expenses	3,151	—	6,993	—
Income from continuing operations before non-operating items	57,617	31,920	96,446	68,767
Interest and other non-property income	921	23	1,081	70
Interest expense	(30,163)	(15,189)	(60,839)	(30,734)
Loss on debt extinguishment/modification	—	—	—	(169)
Amortization of deferred financing costs	(1,174)	(803)	(2,485)	(1,607)
Net casualty (loss) gain after insurance and other settlement proceeds	(295)	439	(305)	455
Income before income tax expense	26,906	16,390	33,898	36,782
Income tax expense	(523)	(223)	(793)	(446)
Income from continuing operations before joint venture activity	26,383	16,167	33,105	36,336
Gain from real estate joint ventures	2,919	47	2,895	101
Income from continuing operations	29,302	16,214	36,000	36,437
Discontinued operations:				
Income from discontinued operations before gain on sale	449	1,511	865	3,081
Net casualty loss after insurance and other settlement proceeds on discontinued operations	(1)	(4)	(3)	(4)
Gain on sale of discontinued operations	—	31,779	5,481	31,779
Income before gain (loss) on sale of properties	29,750	49,500	42,343	71,293
Gain on sale of depreciable real estate assets excluded from discontinued operations	3,658	—	6,222	—
(Loss) gain on sale of non-depreciable real estate assets	(22)	—	535	—
	\$33,386	\$49,500	\$49,100	\$71,293

Net income available for Mid-America Apartments, L.P. common unitholders

Earnings per common unit - basic:

Income from continuing operations available for common unitholders	\$0.42	\$0.36	\$0.54	\$0.82
Income from discontinued operations available for common unitholders	—	0.75	0.08	0.79
Net income available for common unitholders	\$0.42	\$1.11	\$0.62	\$1.61

Earnings per common unit - diluted:

Income from continuing operations available for common unitholders	\$0.42	\$0.36	\$0.54	\$0.82
Income from discontinued operations available for common unitholders	—	0.75	0.08	0.79
Net income available for common unitholders	\$0.42	\$1.11	\$0.62	\$1.61

Distributions declared per common unit	\$0.7300	\$0.6950	\$1.4600	\$1.3900
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See accompanying notes to condensed consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net income available for Mid-America Apartments, L.P. common unitholders	\$33,386	\$49,500	\$49,100	\$71,293
Other comprehensive income:				
Unrealized (losses) gains from the effective portion of derivative instruments	(7,403)	12,105	(8,400)	11,926
Reclassification adjustment for net losses included in net income for the effective portion of derivative instruments	3,085	3,932	6,810	8,477
Comprehensive income attributable to Mid-America Apartments, L.P.	\$29,068	\$65,537	\$47,510	\$91,696

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended June	
	2014	2013
Cash flows from operating activities:		
Consolidated net income	\$49,100	\$71,293
Adjustments to reconcile net income to net cash provided by operating activities:		
Retail revenue accretion	(12	) (20
Depreciation and amortization	162,099	68,001
Stock compensation expense	2,045	1,171
Exercise of unit options	9,544	—
Redeemable units issued	507	377
Amortization of debt premium	(14,648	) (505
Gain from investments in real estate joint ventures	(2,878	) (101
Loss on debt extinguishment	—	169
Derivative interest expense	402	465
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	(6,222) —
Gain on sale of discontinued operations	(5,481	) (31,779
Net casualty loss (gain) and other settlement proceeds	308	(451
Changes in assets and liabilities:		
Restricted cash	21,318	(278
Other assets	11,134	(2,076
Accounts payable	229	5,552
Accrued expenses and other	594	(4,483
Security deposits	526	296
Net cash provided by operating activities	224,405	107,631
Cash flows from investing activities:		
Purchases of real estate and other assets	(166,388	) (89,871
Normal capital improvements	(43,176	) (22,383
Construction capital and other improvements	(3,420	) (2,137
Renovations to existing real estate assets	(5,901	) (5,112
Development	(29,393	) (20,816
Distributions from real estate joint ventures	11,541	8,197
Contributions to real estate joint ventures	—	(183
Proceeds from disposition of real estate assets	125,640	56,386
Funding of escrow for future acquisitions	(41,640	) (11,902
Net cash used in investing activities	(152,737	) (87,821
Cash flows from financing activities:		
Advances from general partner	—	18,021
Net change in credit lines	(181,183	) 2,000
Proceeds from notes payable	396,180	—
Principal payments on notes payable	(230,952) (2,799
Payment of deferred financing costs	(3,395) (426

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Repurchase of common units	(336)	(673)
Proceeds from issuances of common units	575	24,969
Distributions paid on common units	(115,572)	(61,044)
Net cash used in financing activities	(134,683)	(19,952)
Net decrease in cash and cash equivalents	(63,015)	(142)
Cash and cash equivalents, beginning of period	89,333	8,934
Cash and cash equivalents, end of period	\$26,318	\$8,792
Supplemental disclosure of cash flow information:		
Interest paid	\$75,818	\$33,610
Income taxes paid	\$803	\$1,596
Supplemental disclosure of noncash investing and financing activities:		
Accrued construction in progress	\$8,458	\$7,126
Interest capitalized	\$850	\$872
Marked-to-market adjustment on derivative instruments	\$1,633	\$19,916
Fair value adjustment on debt assumed	\$1,651	\$704
Loan assumption	\$31,692	\$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
June 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 June 30, 2014, MAA owned 75,194,807 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 June 30, 2014, we owned and operated 269 apartment communities comprising 83,075 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:			
Mid-America Multifamily Fund II, LLC (Fund II)	33.33%	300	(1)
Belterra	10.00%	288	(2)
McKinney	25.00%	—	(3)
Commercial:			
Land Title Building	33.30%	29,971	

(1) This joint venture is comprised of one apartment community.

(2) This joint venture is not managed by MAA.

(3) This joint venture consists of undeveloped land.

As of June 30, 2014, we had two development communities under construction totaling 514 units, with no units completed. Total expected costs for the development projects are \$72.0 million, of which \$38.3 million has been incurred through June 30, 2014. We expect to complete construction on the two projects by the first 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.

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 Accounting Standards Codification, or 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 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. While the current allocation of the purchase price is substantially complete, the valuation of the real estate properties and certain other assets and liabilities is in the process of being finalized. We do not expect future revisions, if any, to have a significant impact on our financial position or results of operations.

The purchase price was allocated as follows (in thousands):

Land	\$469,396	
Buildings and improvements	3,075,642	
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	87,713	
Total assets acquired	4,062,421	
Notes payable	(1,759,550)	
Fair market value of interest rate swaps	(14,961)	
Accounts payable, accrued expenses, and other liabilities	(125,034)	
Total liabilities assumed, including debt	(1,899,545))
Total purchase price	\$2,162,876	

We incurred merger and integration related expenses of \$9.9 million for the six months ended June 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 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 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 available at the time of the 10-K filing. These adjustments had no material impact on 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 six months ended June 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:

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(dollars and shares in thousands, except per share amounts)	Three months ended		Six months ended June	
	June 30, 2014	2013	30, 2014	2013
Shares Outstanding				
Weighted average common shares - basic	74,948	42,690	74,876	42,523
Weighted average partnership units outstanding	—	(1) —	(1) —	(1) 1,711
Effect of dilutive securities	—	(1) —	(1) 162	60
Weighted average common shares - diluted	74,948	42,690	75,038	44,294
Calculation of Earnings per Share - basic				
Income from continuing operations	\$29,302	\$16,214	\$36,000	\$36,437
Gain on sale of depreciable assets excluded from discontinued operations	3,658	—	6,222	—
(Loss) gain on sale of non-depreciable assets	(22)	—	535	—
Income from continuing operations attributable to noncontrolling interests	(1,749)	(580)	(2,283)	(1,341)
Income from continuing operations allocated to unvested restricted shares	(64)	(14)	—	(32)
Income from continuing operations available for common shareholders, adjusted	\$31,125	\$15,620	\$40,474	\$35,064
Income from discontinued operations	\$448	\$44,814	\$6,343	\$46,596
Income from discontinued operations attributable to noncontrolling interest	(24)	(1,359)	(338)	(1,423)
Income from discontinued operations allocated to unvested restricted shares	(1)	(39)	(12)	(42)
Income from discontinued operations available for common shareholders, adjusted	\$423	\$43,416	\$5,993	\$45,131
Weighted average common shares - basic	74,948	42,690	74,876	42,523
Earnings per share - basic	\$0.42	\$1.38	\$0.62	\$1.89
Calculation of Earnings per Share - diluted				
Income from continuing operations	\$29,302	\$16,214	\$36,000	\$36,437
Gain on sale of depreciable assets excluded from discontinued operations	3,658	—	6,222	—
(Loss) gain on sale of non-depreciable assets	(22)	—	535	—
Income from continuing operations attributable to noncontrolling interests	(1,749) ⁽¹⁾	(623) ⁽¹⁾	(2,283) ⁽¹⁾	—
Income from continuing operations allocated to unvested restricted shares	(64) ⁽¹⁾	(14) ⁽¹⁾	—	—
Income from continuing operations available for common shareholders, adjusted	\$31,125	\$15,577	\$40,474	\$36,437
Income from discontinued operations	\$448	\$44,814	\$6,343	\$46,596
Income from discontinued operations attributable to noncontrolling interest	(24) ⁽¹⁾	(1,722) ⁽¹⁾	(338) ⁽¹⁾	—
Income from discontinued operations allocated to unvested restricted shares	(1) ⁽¹⁾	(39) ⁽¹⁾	—	—

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Income from discontinued operations available for common shareholders, adjusted	\$423	\$43,053	\$6,005	\$46,596
Weighted average common shares - diluted	74,948	42,690	75,038	44,294
Earnings per share - diluted	\$0.42	\$1.37	\$0.62	\$1.87

⁽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.

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A reconciliation of the numerators and denominators of the basic and diluted earnings per unit computations for the three and six months ended June 30, 2014 and 2013 is presented below:

(dollars and units in thousands, except per unit amounts)	Three months ended		Six months ended	
	June 30, 2014	2013	June 30, 2014	2013
Units Outstanding				
Weighted average common units - basic	79,156	44,398	79,090	44,234
Effect of dilutive securities	—	(1)	(1)	60
Weighted average common units - diluted	79,156	44,398	79,252	44,294
Calculation of Earnings per Unit - basic				
Income from continuing operations	\$29,302	\$16,214	\$36,000	\$36,437
Gain on sale of depreciable assets excluded from discontinued operations	3,658	—	6,222	—
(Loss) gain on sale of non-depreciable assets	(22)	—	535	—
Income from continuing operations allocated to unvested restricted shares	(63)	(14)	(79)	(32)
Income from continuing operations available for common unitholders, adjusted	\$32,875	\$16,200	\$42,678	\$36,405
Income from discontinued operations	\$448	\$33,286	\$6,343	\$34,856
Income from discontinued operations allocated to unvested restricted shares	(1)	(29)	—	—
Income from discontinued operations available for common unitholders, adjusted	\$447	\$33,257	\$6,343	\$34,856
Weighted average common units - basic	79,156	44,398	79,090	44,234
Earnings per unit - basic:	\$0.42	\$1.11	\$0.62	\$1.61
Calculation of Earnings per Unit - diluted				
Income from continuing operations	\$29,302	\$16,214	\$36,000	\$36,437
Gain on sale of depreciable assets	3,658	—	6,222	—
(Loss) gain on sale of non-depreciable assets	(22)	—	535	—
Income from continuing operations allocated to unvested restricted shares	(63) ⁽¹⁾	(14) ⁽¹⁾	—	—
Income from continuing operations available for common unitholders, adjusted	\$32,875	\$16,200	\$42,757	\$36,437
Income from discontinued operations	\$448	\$33,286	\$6,343	\$34,856
Income from discontinued operations allocated to unvested restricted shares	(1) ⁽¹⁾	(29) ⁽¹⁾	—	—
Income from discontinued operations available for common unitholders, adjusted	\$447	\$33,257	\$6,343	\$34,856
Weighted average common units - diluted	79,156	44,398	79,252	44,294
Earnings per unit - diluted:	\$0.42	\$1.11	\$0.62	\$1.61

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

5. MAA Equity

Total equity and its components for the six-month periods ended June 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			46,479		2,621	49,100
Other comprehensive income - derivative instruments (cash flow hedges)				(1,503)	(87)	(1,590)
Issuance and registration of common shares	2	573				575
Shares repurchased and retired	—	(336)				(336)
Exercise of stock options	2	9,542				9,544
Shares issued in exchange for units	—	799			(799)	—
Shares issued in exchange from redeemable stock		998				998
Redeemable stock fair market value			(848)			(848)
Adjustment for noncontrolling interest ownership in operating partnership		51			(51)	—
Amortization of unearned compensation		2,045				2,045
Dividends on common stock (\$1.46 per share)			(109,680)		—	(109,680)
Dividends on noncontrolling interest units (\$1.46 per unit)					(6,143)	(6,143)
EQUITY BALANCE JUNE 30, 2014	\$ 751	\$ 3,613,221	\$ (717,642)	\$ (1,395)	\$ 162,267	\$3,057,202

	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			80,269		2,764	83,033
Other comprehensive income - derivative instruments (cash flow hedges)				19,718	681	20,399

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Issuance and registration of common shares	4	24,965			24,969
Shares repurchased and retired	—	(673)		(673
Shares issued in exchange for units 1		442		(443) —
Redeemable stock fair market value			(431	)	(431
Adjustment for noncontrolling interest ownership in operating partnership		186		(186) —
Amortization of unearned compensation		1,171			1,171
Dividends on common stock (\$1.39 per share)			(59,407	)	— (59,407
Dividends on noncontrolling interest units (\$1.39 per unit)				(2,374	) (2,374
EQUITY BALANCE JUNE 30, 2013	\$ 427	\$ 1,569,090	\$ (582,884	) \$ (6,336	) \$ 31,500 \$ 1,011,797

6. MAALP Capital

Total capital and its components for the six-month periods ended June 30, 2014 and 2013 were as follows (dollars in thousands, except per unit data):

	Mid-America Apartments, L.P. Unitholders			
	Limited Partner	General Partner	Accumulated Other Comprehensive Income (Loss)	Total Partnership Capital
CAPITAL BALANCE DECEMBER 31, 2013	\$ 166,746	\$ 2,946,598	\$ 174	\$ 3,113,518
Net income	2,621	46,479		49,100
Other comprehensive income - derivative instruments (cash flow hedges)			(1,590)	(1,590)
Issuance of units	—	575		575
Units repurchased and retired		(336)		(336)
Exercise of unit options		9,544		9,544
General partner units issued in exchange for limited partner units	(799)	799		—
Units issued in exchange from redeemable units		998		998
Redeemable units fair market value adjustment		(848)		(848)
Adjustment for limited partners' capital at redemption value	(79)	79		—
Amortization of unearned compensation		2,045		2,045
Distributions (\$1.46 per unit)	(6,143)	(109,680)		(115,823)
CAPITAL BALANCE JUNE 30, 2014	\$ 162,346	\$ 2,896,253	\$ (1,416)	\$ 3,057,183

	Mid-America Apartments, L.P. Unitholders			
	Limited Partner	General Partner	Accumulated Other Comprehensive Income (Loss)	Total Partnership Capital
CAPITAL BALANCE DECEMBER 31, 2012	\$ 38,154	\$ 927,734	\$ (26,881)	\$ 939,007
Net income	2,758	68,535		71,293
Other comprehensive income - derivative instruments (cash flow hedges)			20,381	20,381
Issuance of units		24,969		24,969
Units repurchased and retired		(673)		(673)
General partner units issued in exchange for limited partner units	(443)	443		—
Redeemable units fair market value adjustment		(431)		(431)
Adjustment for limited partners capital at redemption value	557	17,259		17,816
Amortization of unearned compensation		1,171		1,171
Distributions (\$1.39 per unit)	(2,374)	(59,407)		(61,781)
CAPITAL BALANCE JUNE 30, 2013	\$ 38,652	\$ 979,600	\$ (6,500)	\$ 1,011,752

7. Borrowings

On June 30, 2014 and December 31, 2013, we had total indebtedness of approximately \$3.48 billion and \$3.47 billion, respectively. Our indebtedness as of June 30, 2014 consisted of both conventional and tax exempt debt. Borrowings were made through individual property mortgages as well as company-wide credit facilities. We utilize both secured and unsecured debt.

On August 7, 2013, our Operating Partnership entered into a \$500 million unsecured revolving credit facility agreement with KeyBank National Association and thirteen other banks. This agreement amends our Operating Partnership's previous unsecured credit facility with KeyBank. Interest is paid using an investment grade pricing grid using LIBOR plus a spread of 0.90% to 1.70%, currently bearing interest at 1.10%. As of June 30, 2014, we had \$35 million borrowed under this facility.

On October 16, 2013, MAALP issued \$350 million in aggregate principal amount of notes, maturing on October 15, 2023 with an interest rate of 4.3% per annum (the "2023 Notes"). The purchase price paid by the initial purchasers was 99.047% of the principal amount. The 2023 Notes are general unsecured senior obligations of MAALP and rank equally in right of payment with all other senior unsecured indebtedness of MAALP. Interest on the 2023 Notes is payable on April 15 and October 15 of

each year, beginning on April 15, 2014. The net proceeds from the offering after deducting the original issue discount of approximately \$3.3 million and underwriting commissions and expenses of approximately \$2.3 million was approximately \$344.4 million. The 2023 Notes have been reflected net of discount in the consolidated balance sheet. The Company also entered into three forward swaps related to the bond financing totaling \$150 million, which resulted in a total effective interest rate of 4.15%.

On December 13, 2013, MAALP completed a series of exchange offers (the "Exchange Offers") pursuant to which it exchanged \$154.2 million aggregate principal amount of 6.25% Senior Notes due 2014, \$169.2 million aggregate principal amount of 5.50% Senior Notes due 2015 and \$68.1 million aggregate principal amount of 6.05% Senior Notes due 2016 (collectively, the "Existing Notes") issued by Colonial Realty Limited Partnership, a Delaware limited partnership and wholly owned subsidiary of MAALP, for \$154.2 million aggregate principal amount of MAALP's new 6.25% Senior Notes due 2014 (the "2014 Notes"), \$169.1 million aggregate principal amount of MAALP's new 5.50% Senior Notes due 2015 (the "2015 Notes") and \$68.1 million aggregate principal amount of MAALP's new 6.05% Senior Notes due 2016 (the "2016 Notes" and together with the 2014 Notes and the 2015 Notes, the "Exchange Notes"), plus approximately \$975,000 in cash.

The Exchange Notes are senior unsecured obligations of MAALP and will rank equally in right of payment with all of MAALP's other existing and future senior unsecured indebtedness. Interest on the 2014 Notes will accrue from, and including, December 15, 2013 and was payable on June 15, 2014, which was the maturity date for the 2014 Notes. Interest on the 2015 Notes will accrue from, and including, October 1, 2013 and will be payable semiannually on April 1 and October 1 of each year, beginning on April 1, 2014. Interest on the 2016 Notes accrued from, and including, September 1, 2013 and was paid on March 1, 2014. Interest payments will be payable semiannually on March 1 and September 1 of each year, beginning on March 1, 2014. In certain circumstances described below MAALP may be required to pay additional interest on the Exchange Notes.

All of the Existing Notes tendered into the Exchange Offers were cancelled in connection with the settlement of the Exchange Offers. In connection with the issuance and sale of the Exchange Notes, MAALP also entered into three separate registration rights agreements, each dated as of December 13, 2013, and each with J.P. Morgan Securities LLC, the dealer manager in the Exchange Offers (the "Registration Rights Agreements"). Under the Registration Rights Agreements, MAALP agreed to use commercially reasonable efforts to complete exchange offers registered under the Securities Act pursuant to which MAALP will offer to issue new exchange notes containing terms substantially similar in all material respects to the Exchange Notes (except that the exchange notes will not contain terms with respect to transfer restrictions or any increase in annual interest rate) in exchange for the Exchange Notes. MAALP also agreed, if it determines that a registered exchange offer is not available or specified other circumstances occur, to use commercially reasonable efforts to file and have become effective a shelf registration statement relating to resales of the Exchange Notes. MAALP would be obligated to pay additional interest of up to 0.50% per annum on the Exchange Notes if it had not completed the exchange offers within 270 days after the issue date of the Exchange Notes and in other specified circumstances. We completed the exchange within the 270 day window and did not incur the additional interest.

On June 10, 2014, MAALP issued \$400 million in aggregate principal amount of notes, maturing on June 15, 2024 with an interest rate of 3.75% per annum (the "2024 Notes"). The purchase price paid by the initial purchasers was 98.873% of the principal amount. The 2024 Notes are general unsecured senior obligations of MAALP and rank equally in right of payment with all other senior unsecured indebtedness of MAALP. Interest on the 2024 Notes is payable on June 15 and December 15 of each year, beginning on December 15, 2014. The net proceeds from the offering after deducting the original issue discount of approximately \$4.5 million and underwriting commissions and expenses of approximately \$2.6 million was approximately \$392.9 million. The 2024 Notes have been reflected net of discount in the consolidated balance sheet. The Company also entered into five forward swaps related to the bond financing totaling \$250 million, which resulted in a total effective interest rate of 3.98%.

The Indenture under which the 2023 and 2024 notes were issued contains certain covenants that, among other things, limit the ability of MAALP and its subsidiaries to incur secured and unsecured indebtedness if not in pro forma compliance with the following negative covenants: (1) total leverage not to exceed 60% of adjusted total assets, (2) secured leverage not to exceed 40% of adjusted total assets and (3) a fixed charge coverage ratio of at least 1.50 to 1. In addition, MAALP is required to maintain at all times unencumbered consolidated total assets of not less than 150% of the aggregate principal amount of its outstanding unsecured debt. At June 30, 2014, MAALP was in compliance with each of these financial covenants.

We utilize interest rate swaps and interest rate caps to help manage our current and future interest rate risk and entered into 11 interest rate swaps and 6 interest rate caps as of June 30, 2014, representing notional amounts totaling \$675.0 million and \$165.0 million, respectively. We also held 14 non-designated interest rate caps with notional amounts totaling \$90.3 million as of June 30, 2014.

The following table summarizes our outstanding debt structure as of June 30, 2014 (dollars in thousands):

	Borrowed Balance	Effective Rate	Contract Maturity
Fixed Rate Secured Debt			
Individual property mortgages	\$1,101,194	4.0	% 5/13/2019
FNMA conventional credit facilities	50,000	4.7	% 3/31/2017
Credit facility balances with:			
LIBOR-based interest rate swaps	125,000	5.3	% 12/24/2014
Total fixed rate secured debt	\$1,276,194	4.2	% 11/6/2018
Variable Rate Secured Debt ⁽¹⁾			
FNMA conventional credit facilities	\$171,785	0.7	% 1/31/2017
FNMA tax-free credit facilities	87,858	0.9	% 7/22/2031
Freddie Mac mortgages	27,177	3.4	% 10/31/2015
Total variable rate secured debt	\$286,820	1.0	% 5/26/2021
Total Secured Debt	\$1,563,014	3.6	% 4/26/2019
Unsecured Debt			
Variable rate credit facility	\$35,000	1.3	% 8/7/2017
Term loans fixed with swaps	550,000	3.1	% 11/10/2017
Fixed rate senior bonds	1,327,399	4.5	% 12/3/2021
Total Unsecured Debt	\$1,912,399	4.0	% 9/3/2020
Total Outstanding Debt	\$3,475,413	3.8	% 9/29/2019

⁽¹⁾ Includes capped balances.

8. Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future contractual and forecasted cash amounts, principally related to our borrowings, the value of which are determined by changing interest rates, related cash flows and other factors.

Cash Flow Hedges of Interest Rate Risk

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we use interest rate swaps and interest rate caps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for us making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up front premium.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three and six months ended June 30, 2014 and 2013, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt and forecasted issuances of fixed-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three months ended June 30, 2014 and 2013, we recorded ineffectiveness of \$59,000 (increase to interest expense) and \$22,000

(decrease to interest expense), respectively, and during the six months ended June 30, 2014 and 2013, we recorded ineffectiveness of \$63,000 (increase to interest expense) and \$26,000 (decrease to interest expense), respectively, mainly attributable to a mismatch in the underlying indices of the derivatives and the hedged interest payments made on our variable-rate debt.

Amounts reported in accumulated other comprehensive income related to derivatives designated as qualifying cash flow hedges will be reclassified to interest expense as interest payments are made on our variable-rate or fixed-rate debt. During the next 12 months, we estimate that an additional \$8.8 million will be reclassified to earnings as an increase to interest expense, which primarily represents the difference between our fixed interest rate swap payments and the projected variable interest rate swap payments.

As of June 30, 2014, we had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional
Interest Rate Caps	6	\$165,000,000
Interest Rate Swaps	11	\$675,000,000

Non-Designated Hedges

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of FASB ASC 815, Derivatives and Hedging. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and resulted in a loss of \$59,000 for the three months ended June 30, 2014 and a loss of \$128,000 for the six months ended June 30, 2014. We recorded a gain of \$10,000 for the three months ended June 30, 2013 and a loss of \$3,000 for the six months ended June 30, 2013.

As of June 30, 2014, we had the following outstanding interest rate derivatives that were not designated as hedges:

Interest Rate Derivative	Number of Instruments	Notional
Interest rate caps	14	\$90,326,031

Tabular Disclosure of Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the fair value of our derivative financial instruments as well as their classification on the Consolidated Balance Sheet as of June 30, 2014 and December 31, 2013, respectively.

Fair Values of Derivative Instruments on the Consolidated Balance Sheet as of June 30, 2014 and December 31, 2013 (dollars in thousands)

	Asset Derivatives		Liability Derivatives			
		June 30, 2014	December 31, 2013		June 30, 2014	December 31, 2013
Derivatives designated as hedging instruments	Balance Sheet Location	Fair Value	Fair Value	Balance Sheet Location Fair market value of interest rate swaps	Fair Value	Fair Value
Interest rate contracts	Other assets	\$ 132	\$ 396		\$ 17,997	\$ 20,015
Total derivatives designated as hedging instruments		\$ 132	\$ 396		\$ 17,997	\$ 20,015
Derivatives not designated as hedging instruments						
Interest rate contracts	Other assets	\$ 24	\$ 49		\$ —	\$ —
Total derivatives not designated as hedging instruments		\$ 24	\$ 49		\$ —	\$ —

Tabular Disclosure of the Effect of Derivative Instruments on the Statements of Operations

The table below presents the effect of our derivative financial instruments on the Consolidated Statements of Operations for the three and six months ended June 30, 2014 and 2013, respectively.

Effect of Derivative Instruments on the Consolidated Statements of Operations for the Three and six months ended June 30, 2014 and 2013 (dollars in thousands)

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2014	2013		2014	2013		2014	2013
Three months ended June 30,								
Interest rate contracts	\$(7,403)	\$12,105	Interest expense	\$(3,085)	\$(3,932)	Interest expense	\$(59)	\$22
Total derivatives in cash flow hedging relationships	\$(7,403)	\$12,105		\$(3,085)	\$(3,932)		\$(59)	\$22
Six months ended June 30,								
Interest rate contracts	\$(8,400)	\$11,926	Interest expense	\$(6,810)	\$(8,477)	Interest expense	\$(63)	\$26
Total derivatives in cash flow hedging relationships	\$(8,400)	\$11,926		\$(6,810)	\$(8,477)		\$(63)	\$26
Derivatives Not Designated as Hedging Instruments								
Three months ended June 30,						Location of Gain or (Loss) Recognized in Income	2014	2013
Interest rate contracts						Interest expense	\$(59)	\$10
Total							\$(59)	\$10
Six months ended June 30,								

Interest rate contracts	Interest expense	\$(128)	\$(3)
Total		\$(128)	\$(3)

Credit-Risk-Related Contingent Features

As of June 30, 2014, derivatives that were in a net liability position and subject to credit-risk-related contingent features had a termination value of \$19.6 million, which includes accrued interest but excludes any adjustment for nonperformance risk. These derivatives had a fair value, gross of asset positions, of \$18.0 million at June 30, 2014.

Certain of our derivative contracts contain a provision where if we default on any of our indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then we could also be declared in default on our derivative obligations. As of June 30, 2014, we had not breached the provisions of these agreements. If we had breached these provisions, we could have been required to settle our obligations under the agreements at their termination value of \$2.1 million.

Certain of our derivative contracts contain a provision where we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to our default on the indebtedness. As of June 30, 2014, we had not breached the provisions of these agreements. If we had breached these provisions, we could have been required to settle our obligations under the agreements at the termination value of \$16.6 million.

Certain of our derivative contracts are credit enhanced by either FNMA or Freddie Mac. These derivative contracts require that our credit enhancing party maintain credit ratings above a certain level. If our credit support providers were downgraded below Baa1 by Moody's or BBB+ by Standard & Poor's, or S&P, we may be required to either post 100 percent collateral or settle the obligations at their termination value of \$3.1 million as of June 30, 2014. Both FNMA and Freddie Mac are currently rated Aaa by Moody's and AA+ by S&P, and therefore, the provisions of this agreement have not been breached, and no collateral has been posted related to these agreements as of June 30, 2014.

Although our derivative contracts are subject to master netting arrangements, which serve as credit mitigants to both us and our counterparties under certain situations, we do not net our derivative fair values or any existing rights or obligations to cash collateral on the Consolidated Balance Sheet.

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The table below presents a gross presentation, the effects of offsetting, and a net presentation of our derivatives as of June 30, 2014 and December 31, 2013. The net amounts of derivative assets or liabilities can be reconciled to the Tabular Disclosure of Fair Values of Derivative Instruments above, which also provides the location that derivative assets and liabilities are presented on the Consolidated Balance Sheet (dollars in thousands):

Offsetting of Derivative Assets

As of June 30, 2014

				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Received	Net Amount
Derivatives	\$156	\$—	\$156	\$—	\$—	\$156

Offsetting of Derivative Liabilities

As of June 30, 2014

				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Posted	Net Amount
Derivatives	\$17,997	\$—	\$17,997	\$—	\$—	\$17,997

Offsetting of Derivative Assets

As of December 31, 2013

				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Received	Net Amount
Derivatives	\$444	\$—	\$444	\$—	\$—	\$444

Offsetting of Derivative Liabilities

As of December 31, 2013

Gross Amounts Not Offset
in the Statement of

Financial Position

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Posted	Net Amount
Derivatives	\$20,015	\$—	\$20,015	\$—	\$—	\$20,015

Other Comprehensive Income

Our other comprehensive income consists entirely of gains and losses attributable to the effective portion of our cash flow hedges. The chart below shows the change in the balance for the six months ended June 30, 2014 and 2013:

Changes in Accumulated Other Comprehensive Income by Component

	Affected Line Item in the Consolidated Statements Of Operations	Gains and Losses on Cash Flow Hedges for the six months ended June 30,	
		2014	2013
Beginning balance		\$108	\$(26,054)
Other comprehensive (loss) income before reclassifications		(8,400)	11,922
Amounts reclassified from accumulated other comprehensive income (interest rate contracts)	Interest (income)/expense	6,810	8,477
Net current-period other comprehensive income (loss) attributable to noncontrolling interest		87	(681)
Net current-period other comprehensive (loss) income attributable to MAA		(1,503)	19,718
Ending balance		\$(1,395)	\$(6,336)

See also discussions in Item 1. Financial Statements – Notes to Consolidated Financial Statements, Note 9.

9. 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 that reasonably approximate their fair value due to their short term nature.

We apply Financial Accounting Standards Board, or FASB, ASC 820 Fair Value Measurements and Disclosures, or ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 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.

ASC 820 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, ASC 820 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 we have 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. Our 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.

Fixed rate notes payable at June 30, 2014 and December 31, 2013, totaled \$2.48 billion and \$2.29 billion, respectively, and had estimated fair values of \$2.51 billion and \$2.30 billion (excluding prepayment penalties), respectively, as of June 30, 2014 and December 31, 2013. The carrying value of variable rate notes payable (excluding the effect of interest rate swap and cap agreements) at June 30, 2014 and December 31, 2013, totaled \$1.00 billion and \$1.18 billion, respectively, and had estimated

fair values of \$0.91 billion and \$1.12 billion (excluding prepayment penalties), respectively, as of June 30, 2014 and December 31, 2013. The valuation of our debt is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each debt instrument. This analysis reflects the contractual terms of the debt, and uses observable market-based inputs, including interest rate curves and credit spreads. The fair values of fixed debt are determined by using the present value of future cash outflows discounted with the applicable current market rate plus a credit spread. The fair values of variable debt are determined using the stated variable rate plus the current market credit spread. Our variable rates reset every 30 to 90 days and we conclude that these rates reasonably estimate current market rates. We have determined that inputs used to value our debt fall within Level 2 of the fair value hierarchy and therefore our fair market valuation of debt is considered Level 2 in the fair value hierarchy.

Currently, we use interest rate swaps and interest rate caps (options) to manage our 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. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or 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 ASC 820, 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. 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. In conjunction with the FASB's fair value measurement guidance, we made an accounting policy election to measure the credit risk of our derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

We have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, and as a result, all of our derivatives held as of June 30, 2014 and December 31, 2013 were classified as Level 2 of the fair value hierarchy.

The table below presents our assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013, 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 June 30, 2014
(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 June 30, 2014
Assets				
Derivative financial instruments	\$—	\$156	\$—	\$156

Liabilities

Derivative financial instruments	\$—	\$17,997	\$—	\$17,997
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Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2013

(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, 2013
Assets				
Derivative financial instruments	\$—	\$444	\$—	\$444
Liabilities				
Derivative financial instruments	\$—	\$20,015	\$—	\$20,015

The fair value estimates presented herein are based on information available to management as of June 30, 2014 and December 31, 2013. These estimates are not necessarily indicative of the amounts we could ultimately realize. See also discussions in Item 1. Financial Statements – Notes to Consolidated Financial Statements, Note 8.

10. Shareholders' Equity of MAA

On June 30, 2014, 75,194,807 shares of common stock of MAA and 4,207,126 partnership units in the Operating Partnership were issued and outstanding, representing a total of 79,401,933 shares and units. At June 30, 2013, 42,736,134 shares of common stock of MAA and 1,707,660 partnership units in the Operating Partnership were outstanding, representing a total of 44,443,794 shares and units. There were 121,992 outstanding options as of June 30, 2014 compared to zero outstanding options as of June 30, 2013. The primary reason for the increase in shares, units, and options is due to the merger with Colonial. In connection with the merger, on October 1, 2013, we issued 31,916,765 shares and 2,574,631 partnership units.

On August 26, 2010, we and our Operating Partnership entered into sales agreements with Cantor Fitzgerald & Co., Raymond James & Associates, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated to sell up to a combined total of 6,000,000 shares of our common stock, from time to time in at-the-market offerings or negotiated transactions through a controlled equity offering program, or ATM. We terminated this ATM program, and on February 25, 2013, we and our Operating Partnership entered into sales agreements with J.P. Morgan Securities LLC, BMO Capital Markets Corp., KeyBanc Capital Markets Inc. and UBS Securities LLC to sell up to 4,500,000 shares of our common stock with materially the same terms as our previous sales agreements.

During the three- and six-month periods ended June 30, 2014, we issued no shares through our ATM programs. During the three- and six-month periods ended June 30, 2013, we issued 39,845 and 365,011 shares respectively through our ATM programs for net proceeds of \$2.7 million and \$24.8 million, respectively. The gross proceeds for these issuances were \$2.8 million and \$25.1 million, respectively. We have 4,134,989 shares remaining under our ATM program as of June 30, 2014.

During the three- and six-month periods ended June 30, 2014, we issued 300 and 640 shares of common stock through the optional cash purchase feature of our Dividend and Distribution Reinvestment and Share Purchase Program, or DRSP. The issuances resulted in gross proceeds of approximately \$21,000 and \$44,000. During the three- and six-month periods ended June 30, 2013, we issued 188 and 329 shares of common stock through the optional cash purchase feature of our DRSP resulting in gross proceeds of approximately \$13,000 and \$22,000.

During the six months ended June 30, 2014, 7,362 shares of our common stock were acquired from employees to satisfy minimum tax withholding obligations that arose upon vesting of restricted stock granted pursuant to approved plans. During the six months ended June 30, 2013, 4,582 shares were acquired for these purposes.

11. Partners' Capital of Mid-America Apartments, L.P.

Interests in MAALP are represented by OP Units. As of June 30, 2014, there were 79,401,933 OP Units outstanding, 75,194,807 or 94.7% of which were owned by MAA, MAALP's general partner. The remaining 4,207,126 OP Units were owned by non-affiliated limited partners ("Class A Limited Partners"). As of June 30, 2013, there were 44,443,794 OP Units outstanding, 42,736,134 or 96.2% of which were owned by MAA and 1,707,660 of which were owned by the Class A Limited Partners. The increase in OP Units was due primarily to the merger with Colonial. In order to complete the merger, on October 1, 2013, we issued 34,491,396 OP Units.

MAA, as the sole general partner of MAALP, has full, complete and exclusive discretion to manage and control the business of the Operating Partnership subject to the restrictions specifically contained within the Partnership Agreement. Unless otherwise stated in the Partnership Agreement of MAALP, this power includes, but is not limited to, acquiring, leasing, or disposing of any real property; constructing buildings and making other improvements to properties owned; borrowing money, modifying or extinguishing current borrowings, issuing evidence of indebtedness, and securing such indebtedness by mortgage, deed of trust, pledge or other lien on the Operating Partnership's assets; and distribution of Operating Partnership cash or other assets in accordance with the Partnership Agreement. MAA can generally, at its sole discretion, issue and redeem OP Units and determine the consideration to be received or the redemption price to be paid, as applicable. The general partner may delegate these and other powers granted if the general partner remains in supervision of the designee.

Under the Partnership Agreement, the Operating Partnership may issue Class A OP Units and Class B OP Units. Class A OP Units may only be held by limited partners who are not affiliated with MAA, in its capacity as general partner of the Operating Partnership, while Class B OP Units may only be held by MAA, in its capacity as general partner of the Operating Partnership, and as of June 30, 2014, a total of 4,207,126 Class A OP Units in the Operating Partnership were held by limited partners unaffiliated with MAA, while a total of 75,194,807 Class B OP Units were held by MAA. In general, the limited partners do not have the power to participate in the management or control of the Operating Partnership's business except in limited circumstances including changes in the general partner and protective rights if the general partner acts outside of the provisions provided in the Partnership Agreement. The transferability of Class A OP Units is also limited by the Partnership Agreement.

Net income is allocated to the general partner and limited partners based on their respective ownership percentages of the Operating Partnership. Issuance or redemption of additional Class A OP Units or Class B OP Units changes the relative ownership percentage of the partners. The issuance of Class B OP Units generally occurs when MAA issues common stock and the proceeds from that issuance are contributed to the Operating Partnership in exchange for the issuance to MAA of a number of OP Units equal to the number of shares of common stock issued. Likewise, if MAA repurchases or redeems outstanding shares of common stock, the Operating Partnership generally redeems an equal number of Class B OP Units with similar terms held by MAA for a redemption price equal to the net purchase price of those shares of common stock. At each reporting period, the allocation between general partner capital and limited partner capital is adjusted to account for the change in the respective percentage ownership of the underlying capital of the Operating Partnership. Holders of the Class A OP Units may require MAA to redeem their Class A OP Units, in which case MAA may, at its option, pay the redemption price either in cash (in an amount per Class A OP Unit equal, in general, to the average closing price of MAA's common stock on the New York Stock Exchange over a specified period prior to the redemption date) or by delivering one share of MAA common stock (subject to adjustment under specified circumstances) for each Class A OP Unit so redeemed.

At June 30, 2014, a total of 4,207,126 Class A OP Units were outstanding and redeemable for 4,207,126 shares of MAA common stock or \$307,330,554, based on the closing price of MAA's common stock on June 30, 2014 of \$73.05 per share, at MAA's option. At June 30, 2013, a total of 1,707,660 Class A OP Units were outstanding and redeemable for 1,707,660 shares of MAA common stock or \$115,728,118, based on the closing price of MAA's common stock on June 30, 2013 of \$67.77 per share, at MAA's option.

The Operating Partnership pays the same per unit distribution in respect to the OP Units as the per share dividend MAA pays in respect to its common stock.

12. Legal Proceedings

The Company (by virtue of its merger with Colonial) and Colonial LP along with multiple other parties, are named defendants in lawsuits arising out of alleged construction deficiencies with respect to condominium units at Regatta at

James Island in Charleston, South Carolina. Regatta at James Island property was developed by certain of the Company's subsidiaries and constructed by Colonial Construction Services, LLC. The condominiums were constructed in 2006 and all 212 units were sold. The lawsuits, one filed on behalf of the condominium homeowners association and one filed by three of the unit owners (purportedly on behalf of all unit owners), were filed in South Carolina state court (Charleston County) in August 2012, against various parties involved in the development and construction of the Regatta at James Island property, including the contractors, subcontractors, architect, developer, and product manufacturers. The plaintiffs are seeking damages resulting primarily from alleged construction deficiencies, but the amount plaintiffs seek to recover has not been disclosed. The lawsuits are currently in discovery. The Company is continuing to investigate the matter and evaluate its options and intends to vigorously defend itself against these claims. No assurance can be given that the matter will be resolved favorably to the Company. The Company has included in its loss contingency an estimate of probable loss in connection with this matter, but currently cannot reasonably estimate any further possible loss, or any further range of reasonably possible loss, in connection with this matter.

The Company (by virtue of its merger with Colonial) and Colonial LP along with multiple other parties, were named defendants in a lawsuit arising out of alleged construction deficiencies with respect to condominium units at Plantation Point in Bluffton, South Carolina. Plantation Point was previously owned and operated by Colonial LP as a multi-family rental project by the name of the Ashley Plantation apartments. Colonial LP sold the property in 2005 to a third party, which then converted the property to condominiums and sold all 414 units. The lawsuit was settled in the second quarter of 2014.

In addition, the Company is subject to various other legal proceedings and claims that arise in the ordinary course of its business operations. Matters which arise out of allegations of bodily injury, property damage, and employment practices are generally covered by insurance. While the resolution of these other matters cannot be predicted with certainty, management currently believes the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Loss Contingencies

The outcomes of the claims, disputes and legal proceedings described or referenced above are subject to significant uncertainty. The Company records an accrual for loss contingencies when a loss is probable and the amount of the loss can be reasonably estimated. The Company reviews these accruals quarterly and makes revisions based on changes in facts and circumstances. When a loss contingency is not both probable and reasonably estimable, the Company does not accrue the loss. However, if the unrecorded loss (or an additional loss in excess of the accrual) is at least a reasonable possibility and material, then the Company discloses a reasonable estimate of the possible loss, or range of loss, if such reasonable estimate can be made. If the Company cannot make a reasonable estimate of the possible loss, or range of loss, then that is disclosed.

The assessment of whether a loss is probable or a reasonable possibility, and whether the loss or range of loss is reasonably estimable, often involve a series of complex judgments about future events. Among the factors that the Company considers in this assessment, including with respect to the matters disclosed in this Note, are the nature of existing legal proceedings and claims, the asserted or possible damages or loss contingency (if reasonably estimable), the progress of the matter, existing law and precedent, the opinions or views of legal counsel and other advisers, the Company's experience in similar matters, the facts available to the Company at the time of assessment, and how the Company intends to respond, or has responded, to the proceeding or claim. The Company's assessment of these factors may change over time as individual proceedings or claims progress. For matters where the Company is not currently able to reasonably estimate a range of reasonably possible loss, the factors that have contributed to this determination include the following: (i) the damages sought are indeterminate; (ii) the proceedings are in the early stages; (iii) the matters involve novel or unsettled legal theories or a large or uncertain number of actual or potential cases or parties; and/or (iv) discussions with the parties in matters that are expected ultimately to be resolved through negotiation and settlement have not reached the point where the Company believes a reasonable estimate of loss, or range of loss, can be made. In such instances, the Company believes that there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss or business impact, if any.

13. Discontinued Operations

In April 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. We adopted ASU 2014-08 during the period ending March 31, 2014. Due to the early adoption of ASU 2014-08, we did not classify Brookwood Mall, Ansley Village, Colonial Village at North Arlington, or Colonial Village at Vista Ridge, which were sold during the six months ended June 30, 2014, as discontinued operations.

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Willow Creek, one of the properties that we sold during the six months ended June 30, 2014, as well as the eight properties sold by us during 2013, have been classified as discontinued operations in the Consolidated Statements of Operations. One additional property, Colonial Promenade Nord du Lac, that was classified as held for sale during the second quarter of 2014 was classified as a discontinued operation. We expect to complete the sale of Colonial Promenade Nord du Lac during the third quarter of 2014. Willow Creek and Colonial Promenade Nord du Lac are included in discontinued operations because they were shown in discontinued operations as of December 31, 2013, our latest fiscal year, and thus are not subject to ASU 2014-08.

The following table lists the communities classified as discontinued operations for the six months ended June 30, 2014:

Community	Units/Sq. Ft.	Date Sold	Location	Operating Segment
Willow Creek	285	January 15, 2014	Columbus, Georgia	Non-same store and other
Colonial Promenade Nord du Lac	195,536	Held for Sale	New Orleans, Louisiana	Non-same store and other

The following is a summary of income from continuing and discontinued operations attributable to MAA and noncontrolling interest for the three- and six-month periods ended June 30, 2014 and 2013 (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Income from continuing operations:				
Attributable to MAA ⁽¹⁾	\$31,189	\$15,634	\$40,474	\$35,096
Attributable to noncontrolling interest	1,749	580	2,283	1,341
Income from continuing operations	\$32,938	\$16,214	\$42,757	\$36,437
Income from discontinued operations:				
Attributable to MAA	\$424	\$43,455	\$6,005	\$45,173
Attributable to noncontrolling interest	24	1,359	338	1,423
Income from discontinued operations	\$448	\$44,814	\$6,343	\$46,596

⁽¹⁾ The three and six month periods ended June 30, 2014 include \$3.6 million and \$6.8 million of gains related to the sale of real estate which are not included in continuing operations on the Condensed Consolidated Statements of Operations.

The following is a summary of earnings from discontinued operations for MAA for the three- and six-month periods ended June 30, 2014 and 2013 (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenues				
Rental revenues	\$757	\$4,528	\$1,589	\$9,535
Other revenues	—	406	(5	) 845
Total revenues	757	4,934	1,584	10,380
Expenses				
Property operating expenses	286	2,108	600	4,364
Depreciation and amortization	—	974	42	2,211
Interest expense and other	22	155	77	326
Total expense	308	3,237	719	6,901
Income from discontinued operations before gain on sale	449	1,697	865	3,479
Net loss on insurance and other settlement proceeds on discontinued operations	(1	) (4	) (3	) (4
Gain on sale of discontinued operations	—	43,121	5,481	43,121
Income from discontinued operations	\$448	\$44,814	\$6,343	\$46,596

The following is a summary of earnings from discontinued operations for MAALP for the three- and six-month periods ended June 30, 2014 and 2013 (dollars in thousands):

	Three months ended		Six months ended	
	June 30, 2014	2013	June 30, 2014	2013
Revenues:				
Rental revenues	\$757	\$4,061	\$1,589	\$8,495
Other revenues	—	364	(5	) 755
Total revenues	757	4,425	1,584	9,250
Expenses:				
Property operating expenses	286	1,880	600	3,868
Depreciation and amortization	—	879	42	1,975
Interest expense and other	22	155	77	326
Total expenses	308	2,914	719	6,169
Income from discontinued operations before gain on sale	449	1,511	865	3,081
Net loss on insurance and other settlement proceeds on discontinued operations	(1	) (4	) (3	) (4
Gain on sale of discontinued operations	—	31,779	5,481	31,779
Income from discontinued operations	\$448	\$33,286	\$6,343	\$34,856

14. Segment Information

As of June 30, 2014, we owned or had an ownership interest in 271 multifamily apartment communities in 14 different states from which we derived all significant sources of earnings and operating cash flows. Senior management evaluates performance and determines resource allocations by reviewing apartment communities individually and in the following reportable operating segments:

Large market same store communities are generally communities:

in markets with a population of at least 1 million and at least 1% of the total public multifamily REIT units; and that we have owned and have been stabilized for at least a full 12 months and have not been classified as held for sale.

Secondary market same store communities are generally communities:

in markets with populations of more than 1 million but less than 1% of the total public multifamily REIT units or in markets with a population of less than 1 million; and

that we have owned and have been stabilized for at least a full 12 months and have not been classified as held for sale.

Non same store communities and other includes recent acquisitions, communities in development or lease-up, communities that have been identified for disposition, and communities that have undergone a significant casualty loss. Also included in non same store communities are non multifamily activities, which represent less than 1% of our portfolio.

On the first day of each calendar year, we determine the composition of our same store operating segments for that year as well as adjusting the previous year, which allows us to evaluate full period-over-period operating comparisons. Properties in development or lease-up will be added to the same store portfolio on the first day of the calendar year after they have been owned and stabilized for at least a full 12 months. Communities are considered stabilized after achieving 90% occupancy for 90 days. Communities that have been identified for disposition are excluded from our same store portfolio. We utilize net operating income, or NOI, a non-GAAP financial measure, in evaluating the performance of the segments. Total NOI represents total property revenues less total property operating expenses, excluding depreciation and amortization, for all properties held during the period regardless of their status as held for sale. We believe NOI is a helpful tool in evaluating the operating performance of our segments

because it measures the core operations of property performance by excluding corporate level expenses and other items not related to property operating performance.

A redevelopment community is a community with a specific plan in place to either upgrade at least half of the community's units over a period of time with new finishes, fixtures, and appliances, among other upgrades. These plans include spending a pre-defined amount of capital per unit to achieve a rent increase as a result of the upgrades. We separately identify

redevelopment communities that would cause a material distortion of normal same store operating results. Routine renovations occur at a property as items need to be replaced as a normal part of operations and which are done with an expectation to maintain the current level of quality at the property. There is no specified plan in place for routine renovations.

Revenues and NOI for each reportable segment for the three- and six-month periods ended June 30, 2014 and 2013 were as follows (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenues				
Large Market Same Store	\$62,351	\$59,936	\$123,695	\$118,878
Secondary Market Same Store	61,971	61,298	123,502	121,697
Non-Same Store and Other	120,171	10,425	240,686	18,827
Total property revenues	244,493	131,659	487,883	259,402
Management fee income	61	142	158	319
Total operating revenues	\$244,554	\$131,801	\$488,041	\$259,721
NOI				
Large Market Same Store	\$37,074	\$35,487	\$73,353	\$70,628
Secondary Market Same Store	36,466	37,006	74,043	74,080
Non-Same Store and Other	72,695	9,172	146,465	17,371
Total NOI	146,235	81,665	293,861	162,079
Discontinued operations NOI included above	636	(2,827)	(963)	(6,019)
Management fee income	61	142	158	319
Depreciation and amortization	(69,631)	(32,222)	(159,644)	(64,417)
Acquisition expense	(947)	(489)	(958)	(499)
Property management expense	(9,579)	(5,223)	(16,590)	(10,331)
General and administrative expense	(5,212)	(3,389)	(9,554)	(6,628)
Merger related expenses	(795)	(5,737)	(2,871)	(5,737)
Integration costs	(3,151)	—	(6,993)	—
Interest and other non-property income	921	23	1,081	70
Interest expense	(30,163)	(15,189)	(60,839)	(30,734)
Loss on debt extinguishment/modification	—	—	—	(169)
Amortization of deferred financing costs	(1,174)	(803)	(2,485)	(1,607)
Gain on sale of depreciable real estate assets excluded from discontinued operations	3,658	—	6,222	—
Net casualty (loss) gain after insurance and other settlement proceeds	(295)	439	(305)	455
Income tax expense	(523)	(223)	(793)	(446)
(Loss) gain on sale of non-depreciable real estate assets	(22)	—	535	—
Gain from real estate joint ventures	2,919	47	2,895	101
Discontinued operations	448	44,814	6,343	46,596
Net income attributable to noncontrolling interests	(1,773)	(1,939)	(2,621)	(2,764)
Net income attributable to MAA	\$31,613	\$59,089	\$46,479	\$80,269

Assets for each reportable segment as of June 30, 2014 and December 31, 2013, were as follows (dollars in thousands):

	June 30, 2014	December 31, 2013
Assets		
Large Market Same Store	\$1,232,186	\$1,252,575
Secondary Market Same Store	782,078	796,697
Non-Same Store and Other	4,657,067	4,638,892
Corporate assets	111,790	153,761
Total assets	\$6,783,121	\$6,841,925

15. Real Estate Acquisitions and Dispositions

On May 29, 2014, Fund II closed on the sale of the 294-unit Ansley Village apartment community located in Macon, Georgia.

On June 2, 2014, we closed on the purchase of the 251-unit Stonefield Commons apartment community located in Charlottesville, Virginia.

On June 12, 2014, we closed on the purchase of the 454-unit Cityscape at Market Center apartment community located in Plano (Dallas), Texas.

On June 27, 2014, we closed on the sale of the 240-unit Colonial Village at North Arlington apartment community located in Fort Worth, Texas. This property was previously part of our non-same store communities and other operating segment.

On June 27, 2014, we closed on the sale of the 300-unit Colonial Village at Vista Ridge apartment community located in Fort Worth, Texas. This property was previously part of our non-same store communities and other operating segment.

16. Recent Accounting Pronouncements

Impact of Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial condition and results of operations taken as a whole, but does not expect the impact to be material.

In April 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 raises the threshold for disposals to qualify as discontinued operations. It also requires additional disclosures for discontinued operations and new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. The ASU is effective for fiscal years beginning after December 15, 2014, and interim periods within those years; however, early adoption is permitted beginning in the first quarter of 2014. We adopted ASU 2014-08 during the period ending March 31, 2014. The

adoption of ASU 2014-08 required us to not classify certain disposals occurring during 2014 as discontinued operations.

In January 2013, the FASB issued ASU No. 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU 2013-01 clarifies that the scope of ASU 2011-11, Disclosures about Offsetting Assets and Liabilities, would apply to derivatives accounted for in accordance with FASB ASC 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with ASC 210-20-45 or ASC 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. This ASU is effective for fiscal years beginning on or after January 1, 2013 and interim periods within those annual periods. We adopted ASU 2013-01 during the period ended March 31, 2013. The adoption of ASU 2013-01 has not had a material impact on our consolidated financial condition or results of operations taken as a whole.

17. Subsequent Events

Dispositions

On July 10, 2014, we closed on the sale of the 214-unit Colonial Village at Charleston Place apartment community located in Charlotte, North Carolina.

On July 10, 2014, we closed on the sale of the 1,037-unit Greenbrook apartment community located in Memphis, Tennessee.

On July 10, 2014, we closed on the sale of the 586-unit Colonial Village at Inverness apartment community located in Birmingham, Alabama.

Acquisitions

On July 23, 2014, we closed on the purchase of the 300-unit Verandas at Southwood apartment community located in Tallahassee, Florida. This property was previously a part of Fund II.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion analyzes the financial condition and results of operations of both MAA and the Operating Partnership, of which MAA is the sole general partner and in which MAA owned a 94.7% limited partner interest as of June 30, 2014. MAA conducts all of its business through the Operating Partnership and the Operating Partnership's various subsidiaries.

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes appearing elsewhere in this Quarterly Report. Historical results and trends that might appear in the condensed consolidated financial statements should not be interpreted as being indicative of future operations.

Risk Associated with Forward Looking Statements

We consider this and other sections of this Quarterly Report on Form 10-Q to contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, with respect to our expectations for future periods. The factors described in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2013, as updated in Part II, Item 1A in this Quarterly Report on Form 10-Q, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Quarterly Report on Form 10-Q, in the documents incorporated by reference into this Quarterly Report on Form 10-Q or presented elsewhere by our management from time to time. 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, joint venture activity, development and renovation activity as well as other capital expenditures, capital raising activities, rent and expense growth, occupancy, financing activities and interest rate and other economic expectations and statements about the benefits of our merger with Colonial Properties Trust, or Colonial. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and variations of such words and similar expressions are intended to identify such forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the results of operations, financial conditions 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;

exposure, as a multifamily focused REIT, to risks inherent in investments in a single industry;
difficulty in completing the integration of Colonial's operations, systems and personnel with ours and certain uncertainties associated with our ability to sell our commercial asset portfolio;
adverse changes in real estate markets, including, but not limited to, the extent of future demand for multifamily units in our primary markets, barriers of entry into new markets which we may seek to enter in the future, limitations on our ability to increase rental rates, competition, our ability to identify and consummate attractive acquisitions or development projects on favorable terms, our ability to consummate any planned dispositions in a timely manner on acceptable terms, and our ability to reinvest sale proceeds in a manner that generates favorable returns;
failure of new acquisitions to achieve anticipated results or be efficiently integrated;
failure of development communities to be completed, if at all, within budget and on a timely basis or to lease-up as anticipated;
unexpected capital needs;
changes in operating costs, including real estate taxes, utilities and insurance costs;
losses from catastrophes in excess of our insurance coverage;
ability to obtain financing at favorable rates, if at all, and refinance existing debt as it matures;
level and volatility of interest or capitalization rates or capital market conditions;
loss of hedge accounting treatment for interest rate swaps or interest rate caps;
the continuation of the good credit of our interest rate swap and cap providers;
price volatility, dislocations and liquidity disruptions in the financial markets and the resulting impact on financing;
the effect of any rating agency actions on the cost and availability of new debt financing;
significant decline in market value of real estate serving as collateral for mortgage obligations;
significant change in the mortgage financing market that would cause single-family housing, either as an owned or rental product, to become a more significant competitive product;
our ability to continue to satisfy complex rules in order to maintain our status as a REIT for federal income tax purposes, the ability of the Operating Partnership to satisfy the rules to maintain its status as a partnership for federal income tax purposes, the ability of our taxable REIT subsidiaries to maintain their status as such for federal income tax purposes, and our ability and the ability of our subsidiaries to operate effectively within the limitations imposed by these rules;
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; and
other risks identified in this Quarterly Report on Form 10-Q and, from time to time, in other reports we file with the Securities and Exchange Commission, or the SEC, or in other documents that we publicly disseminate.

We undertake no obligation to publicly update or revise these forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report.

Critical Accounting Policies and Estimates

Please refer to the 2013 Form 10-K for discussions of our critical accounting policies. During the three months ended June 30, 2014, there were no material changes to these policies.

Overview of the Three Months Ended June 30, 2014

As noted earlier, on October 1, 2013, we consummated the merger and acquired all of Colonial's net assets. Our June 30, 2014 and December 31, 2013 balance sheets include the combined assets and liabilities of MAA and Colonial. All properties acquired from Colonial have been placed in our Non-Same Store operating segment, as the

properties are recent acquisitions and have not been owned and stabilized for at least 12 months.

We experienced an increase in income from continuing operations for the three months ended June 30, 2014 over the three months ended June 30, 2013 as increases in revenues outpaced increases in expenses. The increases in revenues came from a 4.0% increase in our large market same store segment, a 1.1% increase in our secondary market same store segment and a 1,052.7% increase in our non-same store and other segment, which was primarily a result of the merger. The increase in expense came from a 3.4% increase in our large market same store segment, a 5.0% increase in our secondary market same store segment and a 1,047.7% increase in our non-same store and other segment, which was primarily the result of the merger. 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. The drivers of these increases are discussed below in the results of operations section.

The following table shows our multifamily real estate assets as of June 30, 2014 and 2013:

	June 30, 2014	June 30, 2013
Properties	271	164
Units	83,663	49,113
Development Units	514	564
Average Effective Monthly Rent/Unit, excluding lease-up and development	\$914.52	\$875.88
Occupancy, excluding lease-up and development	95.7%	96.0%

See discussion of same store average rent per unit and occupancy comparisons in the Trends section below.

In addition to the multi-family assets detailed above, we also owned or owned an interest in four commercial properties totaling 317,000 square feet of leasable space.

Average effective monthly rent per unit is equal to the average of gross rent amounts after the effect of leasing concessions for occupied units plus prevalent market rates asked for unoccupied units, divided by the total number of units. Leasing concessions represent discounts to the current market rate. We believe average effective monthly rent is a helpful measurement in evaluating average pricing. It does not represent actual rental revenue collected per unit.

The following is a discussion of our consolidated financial condition and results of operations for the three and six-month periods ended June 30, 2014 and 2013. This discussion should be read in conjunction with all of the consolidated financial statements included in this Quarterly Report on Form 10-Q.

Results of Operations

Comparison of the three months ended June 30, 2014, to the three months ended June 30, 2013

Property Revenues

The following table shows our property revenues by segment for the three months ended June 30, 2014 and June 30, 2013 (dollars in thousands):

	Three months ended June 30,		Increase	Percentage Increase	
	2014	2013			
Large Market Same Store	\$62,351	\$59,936	\$2,415	4.0	%
Secondary Market Same Store	61,971	61,298	673	1.1	%
Non-Same Store and Other	120,171	10,425	109,746	1,052.7	%
Total	\$244,493	\$131,659	\$112,834	85.7	%

The increases in property revenues from our large market same store and secondary market same store groups are primarily a result of increased average rent per unit of 4.4%. The increase in property revenues from our non-same store and other group is primarily due to the addition of the Colonial portfolio as a result of the merger.

Property Operating Expenses

Property operating expenses include costs for property personnel, building repairs and maintenance, real estate taxes and insurance, utilities, landscaping and depreciation and amortization. The following table shows our property operating expenses by segment for the three months ended June 30, 2014 and June 30, 2013 (dollars in thousands):

	Three months ended June 30,		Increase	Percentage Increase	
	2014	2013			
Large Market Same Store	\$25,277	\$24,448	\$829	3.4	%
Secondary Market Same Store	25,506	24,292	1,214	5.0	%
Non-Same Store and Other	46,839	4,081	42,758	1,047.7	%
Total	\$97,622	\$52,821	\$44,801	84.8	%

The increase in property operating expenses from our large market same store group is primarily a result of increases in real estate taxes, water and sewer utilities, and landscaping expenses, with real estate taxes being the largest component. The increase in property operating expenses from our secondary market same store group is primarily a result of increases in real estate taxes, mulch landscaping expenses, and water and sewer utilities, with real estate taxes being the largest component. The increase in property operating expenses from our non-same store and other group is primarily due to the addition of the Colonial portfolio as a result of the merger.

Depreciation and Amortization

The following table shows our depreciation and amortization expense by segment for the three months ended June 30, 2014 and June 30, 2013 (dollars in thousands):

	Three months ended June 30,		Increase	Percentage Increase	
	2014	2013			
Large Market Same Store	\$14,512	\$14,391	\$121	0.8	%
Secondary Market Same Store	14,955	14,725	230	1.6	%
Non-Same Store and Other	40,164	3,106	37,058	1,193.1	%
Total	\$69,631	\$32,222	\$37,409	116.1	%

The increase in depreciation and amortization expense from our non-same store and other group is primarily due to the addition of the Colonial portfolio as a result of the merger.

Property Management Expense

Property management expense for the three months ended June 30, 2014 was approximately \$9.6 million, an increase of \$4.4 million from the three months ended June 30, 2013. The majority of the increase was related to increases in payroll expenses and software maintenance fees primarily as a result of the merger.

General and Administrative Expense

General and Administrative expense for the three months ended June 30, 2014 was approximately \$5.2 million, an increase of \$1.8 million from the three months ended June 30, 2013. The majority of the increase was related to increases in stock incentives and payroll expenses primarily as a result of the merger.

Merger and Integration Costs

Merger related expenses, primarily severance, legal, and professional costs for the acquisition of Colonial were approximately \$0.8 million for the three months ended June 30, 2014. We also incurred integration related expenses of \$3.2 million, primarily related to temporary systems, staffing, and facilities costs for the three months ended June 30, 2014. There were \$5.7 million of merger related expenses for the three months ended June 30, 2013. We did not incur any integration related expenses for the three months ended June 30, 2013.

Interest Expense

Interest expense for the three months ended June 30, 2014 was approximately \$30.2 million, an increase of \$15.0 million from the three months ended June 30, 2013. The increase was primarily the result of an increase in our average debt outstanding from the three months ended June 30, 2013 to the three months ended June 30, 2014 of approximately \$1.74 billion, due primarily to the assumption of Colonial's debt as a result of the merger.

Gain from Real Estate Joint Ventures

Gain from real estate joint ventures for the three months ended June 30, 2014 was approximately \$2.9 million, an increase of \$2.9 million from the three months ended June 30, 2013. The increase was primarily a result of recording a \$3.4 million gain for the disposition of Ansley Village by Fund II during the three months ended June 30, 2014. There was no such gain recorded during the three months ended June 30, 2013.

Discontinued Operations

Income from discontinued operations before gain on sale for the three months ended June 30, 2014 was approximately \$0.4 million, a decrease of \$1.2 million from the three months ended June 30, 2013. The decrease is driven by the fact that the properties included in discontinued operations had lower net income during the three months ended June 30, 2014 as compared to the three months ended June 30, 2013 and there were two fewer properties included in discontinued operations.

We recorded a gain on sale of discontinued operations of \$43.1 million for the three months ended June 30, 2013. We did not record a gain on sale of discontinued operations for the three months ended June 30, 2014 because we did not dispose of any properties which were classified as discontinued operations.

Dispositions of Depreciable Real Estate Assets Excluded from Discontinued Operations

We recorded a gain on sale of depreciable assets excluded from discontinued operations of \$3.7 million for the three months ended June 30, 2014. We did not record a gain on sale of discontinued operations for the three months ended June 30, 2013 because we did not dispose of any properties which were excluded from discontinued operations.

Net Income Attributable to MAA

Primarily as a result of the foregoing, net income attributable to MAA decreased by approximately \$27.5 million for the three months ended June 30, 2014 from the three months ended June 30, 2013.

Comparison of the six months ended June 30, 2014, to the six months ended June 30, 2013

Property Revenues

The following table shows our property revenues by segment for the six months ended June 30, 2014 and June 30, 2013 (dollars in thousands):

	Six months ended June 30,		Increase	Percentage Increase	
	2014	2013			
Large Market Same Store	\$ 123,695	\$ 118,878	\$ 4,817	4.1	%
Secondary Market Same Store	123,502	121,697	1,805	1.5	%

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Non-Same Store and Other	240,686	18,827	221,859	1,178.4	%
Total	\$487,883	\$259,402	\$228,481	88.1	%

The increases in property revenues from our large market same store and secondary market same store groups are primarily a result of increased average rent per unit of 4.4%. The increase in property revenues from our non-same store and other group is primarily due to the addition of the Colonial portfolio as a result of the merger.

Property Operating Expenses

Property operating expenses include costs for property personnel, building repairs and maintenance, real estate taxes and insurance, utilities, landscaping and depreciation and amortization. The following table shows our property operating expenses by segment for the six months ended June 30, 2014 and June 30, 2013 (dollars in thousands):

	Six months ended June 30,		Increase	Percentage Increase	
	2014	2013			
Large Market Same Store	\$50,342	\$48,249	\$2,093	4.3	%
Secondary Market Same Store	49,460	47,618	1,842	3.9	%
Non-Same Store and Other	95,183	7,475	87,708	1,173.4	%
Total	\$194,985	\$103,342	\$91,643	88.7	%

The increase in property operating expenses from our large market same store group is primarily a result of increases in real estate taxes, water and sewer utilities, and mulch landscaping expenses, with real estate taxes being the largest component. The increase in property operating expenses from our secondary market same store group is primarily a result of increases in real estate taxes, mulch landscaping expenses, and water and sewer utilities, with real estate taxes being the largest component. The increase in property operating expenses from our non-same store and other group is primarily due to the addition of the Colonial portfolio as a result of the merger.

Depreciation and Amortization

The following table shows our depreciation and amortization expense by segment for the six months ended June 30, 2014 and June 30, 2013 (dollars in thousands):

	Six months ended June 30,		Increase	Percentage Increase	
	2014	2013			
Large Market Same Store	\$28,964	\$28,926	\$38	0.1	%
Secondary Market Same Store	29,886	29,776	110	0.4	%
Non-Same Store and Other	100,794	5,715	95,079	1,663.7	%
Total	\$159,644	\$64,417	\$95,227	147.8	%

The increase in depreciation and amortization expense from our non-same store and other group is primarily due to the addition of the Colonial portfolio as a result of the merger.

Property Management Expense

Property management expense for the six months ended June 30, 2014 was approximately \$16.6 million, an increase of \$6.3 million from the six months ended June 30, 2013. The majority of the increase was related to increases in payroll expenses and software maintenance fees primarily as a result of the merger.

General and Administrative Expense

General and Administrative expense for the six months ended June 30, 2014 was approximately \$9.6 million, an increase of \$2.9 million from the six months ended June 30, 2013. The majority of the increase was related to increases in payroll expenses and stock incentives primarily as a result of the merger.

Merger and Integration Costs

Merger related expenses, primarily severance, legal, and professional costs for the acquisition of Colonial were approximately \$2.9 million for the six months ended June 30, 2014. We also incurred integration related expenses, primarily related to temporary systems, staffing, and facilities costs of \$7.0 million for the six months ended June 30, 2014. There were \$5.7 million of merger related expenses for the six months ended June 30, 2013. We did not incur any integration related expenses for the six months ended June 30, 2013.

Interest Expense

Interest expense for the six months ended June 30, 2014 was approximately \$60.8 million, an increase of \$30.1 million from the six months ended June 30, 2013. The increase was primarily the result of an increase in our average debt outstanding from the six months ended June 30, 2013 to the six months ended June 30, 2014 of approximately \$1.76 billion, due primarily to the assumption of Colonial's debt as a result of the merger.

Gain from Real Estate Joint Ventures

Gain from real estate joint ventures for the six months ended June 30, 2014 was approximately \$2.9 million, an increase of \$2.8 million from the six months ended June 30, 2013. The increase was primarily a result of recording a \$3.4 million gain for the disposition of Ansley Village by Fund II during the six months ended June 30, 2014. There was no such gain recorded during the six months ended June 30, 2013.

Discontinued Operations

Income from discontinued operations before gain on sale for the six months ended June 30, 2014 was approximately \$0.9 million, a decrease of \$2.6 million from the six months ended June 30, 2013. The decrease is driven by the fact that the properties included in discontinued operations had lower net income during the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 and there were two fewer properties included in discontinued operations.

We recorded a gain on sale of discontinued operations of \$5.5 million for the six months ended June 30, 2014 as compared to a \$43.1 million gain for the six months ended June 30, 2013. The decrease in the gain is caused by the proceeds received in 2014 being less than the proceeds received in 2013 in relation to the net book value of the properties sold.

Dispositions of Depreciable Real Estate Assets Excluded from Discontinued Operations

We recorded a gain on sale of depreciable assets excluded from discontinued operations of \$6.2 million for the six months ended June 30, 2014. We did not record a gain on sale of discontinued operations for the six months ended June 30, 2013 because we did not dispose of any properties which were excluded from discontinued operations.

Net Income Attributable to MAA

Primarily as a result of the foregoing, net income attributable to MAA decreased by approximately \$33.8 million for the six months ended June 30, 2014 from the six months ended June 30, 2013.

Funds from Operations

Funds from operations, or FFO, represents net income (computed in accordance with GAAP) excluding extraordinary items, asset impairment, gains or losses on disposition of depreciable real estate assets, plus net income attributable to noncontrolling interest, depreciation and amortization of real estate, and adjustments for joint ventures to reflect FFO on the same basis. Disposition of real estate assets includes sales of discontinued operations.

FFO should not be considered as an alternative to net income or any other GAAP measurement of performance, as an indicator of operating performance or as an alternative to cash flow from operating, investing, and financing activities as a measure of liquidity. We believe that FFO is helpful to investors in understanding our operating performance

because its calculation excludes depreciation and amortization expense on real estate assets. We believe that GAAP historical cost depreciation of real estate assets is generally not correlated with changes in the value of those assets, whose value does not diminish predictably over time, as historical cost depreciation implies. Our calculation of FFO may differ from the methodology for calculating FFO utilized by other REITs and, accordingly, may not be comparable to such other REITs.

Core FFO represents FFO excluding certain non-cash or non-routine items such as acquisition, merger and integration expenses, mark-to-market debt adjustments and loss or gain on debt extinguishment. While our definition of Core FFO is similar to others in our industry, our precise methodology for calculating Core FFO may differ from that utilized by other REITs and, accordingly, may not be comparable to such other REITs. Core FFO should not be considered as an alternative to net income. MAA believes that Core FFO is helpful in understanding our operating performance in that it removes certain items that by their nature are not comparable over periods and therefore tend to obscure actual operating performance.

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The following table is a reconciliation of Core FFO and FFO to net income available for MAA common shareholders for the three and six months ended June 30, 2014 and June 30, 2013 (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net income available for MAA common shareholders	\$31,613	\$59,089	\$46,479	\$80,269
Depreciation and amortization of real estate assets	69,044	31,708	158,493	63,441
Depreciation and amortization of real estate assets of discontinued operations	—	973	42	2,210
Gain on sales of discontinued operations	—	(43,121)	(5,481)	(43,121)
Gain on sale of depreciable real estate assets excluded from discontinued operations	(3,658)	—	(6,222)	—
Gain on disposition within unconsolidated entities	(3,414)	—	(3,414)	—
Depreciation and amortization of real estate assets of real estate joint ventures	155	247	354	491
Net income attributable to noncontrolling interests	1,773	1,939	2,621	2,764
Funds from operations	95,513	50,835	192,872	106,054
Acquisition expense	947	489	958	499
Merger related expenses	795	5,737	2,871	5,737
Integration related expenses	3,151	—	6,993	—
Loss (gain) on sale of non-depreciable real estate assets	22	—	(535)	—
Mark-to-market debt adjustment	(7,094)	(280)	(14,235)	(505)
Loss on debt extinguishment ⁽¹⁾	540	—	540	169
Core funds from operations	\$93,874	\$56,781	\$189,464	\$111,954

⁽¹⁾ The loss on debt extinguishment for 2014 is MAA's share of debt extinguishment costs incurred by our joint venture, Mid-America Multifamily Fund II.

FFO for the three months ended June 30, 2014 increased approximately \$44.7 million from the three months ended June 30, 2013 primarily as a result of the increase in total property revenues of approximately \$112.8 million discussed above that was only partially offset by the \$44.8 million increase in property operating expenses as well as the \$15.0 million of increased interest expense, \$4.4 million of increased property management expense, and \$3.2 million of integration related expenses, partially offset by the decrease in merger related expenses of \$4.9 million.

FFO for the six months ended June 30, 2014 increased approximately \$86.8 million from the six months ended June 30, 2013 primarily as a result of the increase in total property revenues of approximately \$228.5 million discussed above that was only partially offset by the \$91.6 million increase in property operating expenses as well as the \$30.1 million of increased interest expense, \$6.3 million of increased property management expense, and \$7.0 million of integration related expenses.

Core FFO for the three months ended June 30, 2014 increased approximately \$37.1 million from the three months ended June 30, 2013 primarily as a result of the increase in total property revenues of approximately \$112.8 million discussed above that was only partially offset by the \$44.8 million increase in property operating expenses as well as the \$21.8 million of increased interest expense (excluding the impact of mark to market adjustment) and \$4.4 million of increased property management expense.

Core FFO for the six months ended June 30, 2014 increased approximately \$77.5 million from the six months ended June 30, 2013 primarily as a result of the increase in total property revenues of approximately \$228.5 million discussed above that was only partially offset by the \$91.6 million increase in property operating expenses as well as

the \$43.8 million of increased interest expense (excluding the impact of mark to market adjustment) and \$6.3 million of increased property management expense.

Trends

During the three months ended June 30, 2014, rental demand for apartments was solid, as it was during the three months ended June 30, 2013. This strength was evident on two fronts: same store average physical occupancy during the three months ended June 30, 2014 was strong, ending the quarter at almost 96% occupancy and averaging in excess of 95% for the

quarter; while same store effective rent per unit continued to grow, up 3.1% in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013. We have maintained this momentum despite job formation, one of the primary drivers of apartment demand, continuing to increase at a slower pace than a typical growth cycle.

An important part of our portfolio strategy is to maintain a broad diversity of markets across the Sunbelt region of the United States. The diversity of markets tends to mitigate exposure to economic issues in any one geographic market or area. We believe that a well-diversified portfolio, including both large and select secondary markets, will perform well in “up” cycles as well as weather “down” cycles better. As of June 30, 2014, we were invested in approximately 48 defined Metropolitan Statistical Areas, with approximately 63% of our multifamily assets, based on gross assets, in large markets and 37% of our multifamily assets in select secondary markets.

New supply of rental units entering the market remained below peak new supply delivery averages, but multifamily permitting did pick up in 2013 and has continued into 2014. We believe this permitting will ultimately lead to an increase in supply but also believe the lack of new apartments in recent years combined with demand from new households will help keep supply and demand in balance. Also, we believe that more sustainable credit terms for residential mortgages should work to favor rental demand at existing multi-family properties. Competition from condominiums reverting back to rental units, or new condominiums being converted to rental, has not been a major factor in our portfolio because most of our 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 or submarkets where most of the excessive inflation in house prices occurred. We saw significant rental competition from condominiums or single family houses in only a few of our submarkets. Long term, we expect demographic trends (including the growth of prime age groups for rentals and immigration and population movement to the southeast and southwest) will continue to build apartment rental demand for our markets.

Our focus is on maintaining strong physical occupancy while increasing pricing where possible through our revenue management system. As noted above, physical occupancy ended the quarter strong while effective rents continued to grow. As we continue through the summer leasing season, which typically produces more leasing traffic than other parts of the year, physical occupancy will be strong. This will enable us to maximize pricing and occupancy in the third quarter of 2014.

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

Liquidity and Capital Resources

Net cash flow provided by operating activities increased to \$224.4 million for the six months ended June 30, 2014 from \$109.4 million for the six months ended June 30, 2013. This change was a result of various items, including merger related activities driving higher revenue as discussed above.

Net cash used in investing activities was approximately \$152.7 million during the six months ended June 30, 2014 compared to \$71.2 million used in investing activities during the six months ended June 30, 2013. The increase in outflows is due to the factors discussed below. In the six months ended June 30, 2014, we had acquisition cash outflows of \$166.4 million compared to \$89.9 million for the six months ended June 30, 2013. We also had outflows of \$43.2 million for normal capital improvements during the six months ended June 30, 2014 compared to only \$22.5 million during the six months ended June 30, 2013. During the six months ended June 30, 2014, we had cash outflows of \$29.4 million for development activities, compared to \$20.8 million for the six months ended June 30, 2013.

During the six months ended June 30, 2014, we also had cash outflows of \$5.9 million for improvements to existing real estate assets compared to \$5.1 million for the six months ended June 30, 2013. The cash outflows from investing activities were offset by an increase in cash inflows from disposition activity. During the six months ended June 30, 2014, we had cash inflows of approximately \$125.6 million, which were related to the sale of five properties and five outparcels. During the six months ended June 30, 2013, we had \$73.1 million of cash inflows from four property sales.

As of June 30, 2014, we owned 75,194,807 OP Units, comprising a 94.7% limited partnership interest in the Operating Partnership, while the remaining 4,207,126 outstanding OP Units were held by limited partners of the Operating Partnership. Holders of OP Units (other than us and our affiliates) may require us to redeem their OP Units from time to time, in which case we may, at our option, pay the redemption price either in cash (in an amount per OP Unit equal, in general, to the average closing price of our common stock on the New York Stock Exchange over a specified period prior to the redemption date) or by

delivering one share of our common stock (subject to adjustment under specified circumstances) for each OP Unit so redeemed. In addition, we have registered the 4,207,126 shares of our common stock, which as of June 30, 2014, were issuable upon redemption of OP Units held by the Operating Partnership's limited partners under the Securities Act of 1933, as amended, so that those shares can be sold freely in the public markets. To the extent that additional OP Units are issued to limited partners of the Operating Partnership, we will likely register the additional shares of common stock issuable upon redemption of those OP Units under the Securities Act of 1933, as amended, so that those shares can also be sold in the public markets. If we issue shares of our common stock upon the redemption of OP Units in our Operating Partnership, sales of substantial amounts of such shares of our common stock, or the perception that these sales could occur, may adversely affect prevailing market prices for our common stock or may impair our ability to raise capital through the sale of our common stock or other equity securities.

Net cash used in financing activities was approximately \$134.7 million for the six months ended June 30, 2014 compared to \$38.4 million used in financing activities for the six months ended June 30, 2013. During the six months ended June 30, 2014 we paid \$109.4 million in dividends and \$6.2 million in distributions to noncontrolling interests compared to \$59.1 million of dividends and \$2.4 million of distributions paid during the six months ended June 30, 2013. We made \$231.0 million in principal payments, \$225.9 million of which related to the pay-off of various notes and mortgages, during the six months ended June 30, 2014 compared to \$2.8 million of principal payments during the six months ended June 30, 2013. In the six months ended June 30, 2014, we had cash inflows of \$396.2 million from proceeds of notes payable compared to none for the six months ended June 30, 2013. In the six months ended June 30, 2014, we received proceeds of approximately \$0.6 million primarily from the issuance of common stock through the optional cash feature of our DRSP. During the six months ended June 30, 2013, we received proceeds of approximately \$25.0 million primarily through our at-the-market program, or ATM, and the DRSP. In the six months ended June 30, 2014, we had cash outflows of \$181.2 million from the net change in credit lines compared to \$2.0 million of inflows from the net change in credit lines for the six months ended June 30, 2013.

During six months ended June 30, 2014, we sold no shares of common stock through our ATM. This compares to 365,011 shares of common stock sold for net proceeds of approximately \$24.8 million for the six months ended June 30, 2013. As of June 30, 2014, there were 4,134,989 shares outstanding under our ATM.

During the six months ended June 30, 2014, we issued 640 shares for gross proceeds of approximately \$44,000 through the direct stock purchase feature of our DRSP. During the six months ended June 30, 2013, we issued 329 shares for gross proceeds of \$22,000 through our DRSP. No discount was offered on these issuances.

The weighted average interest rate at June 30, 2014 for the \$3.48 billion of debt outstanding was 3.8%, compared to the weighted average interest rate of 3.6% on \$1.7 billion of debt outstanding at June 30, 2013. We utilize both conventional and tax exempt debt to help finance our activities. Borrowings are made through individual property mortgages, company-wide secured and unsecured credit facilities, and private and public unsecured notes. 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 June 30, 2014, we had secured credit facility relationships with Prudential Mortgage Capital which are credit enhanced by Fannie Mae and a \$500 million unsecured facility with a syndicate of banks. Together, these credit facilities provided a total line capacity of \$1.16 billion with all but \$229.6 million collateralized and available to borrow at June 30, 2014. We had total borrowings outstanding under these credit facilities of \$469.6 million at June 30, 2014.

Approximately 12.5% of our outstanding obligations at June 30, 2014 were borrowed through credit facilities with/or credit enhanced by Fannie Mae, also referred to as the Fannie Mae Facilities. The Fannie Mae Facilities have a combined line limit of \$660.6 million, of which \$434.6 million was collateralized and available to borrow at June 30,

2014. We had total borrowings outstanding under the Fannie Mae Facilities of approximately \$434.6 million at June 30, 2014. Various Fannie Mae rate tranches of the Fannie Mae Facilities mature from 2014 through 2018. The Fannie Mae Facilities provide for both fixed and variable rate borrowings. The interest rate on the majority of the variable portion is based on the Fannie Mae Discount Mortgage Backed Security, or DMBS, rate which are credit-enhanced by Fannie Mae and are typically sold every 90 days by Prudential Mortgage Capital at interest rates approximating three-month LIBOR less a spread that has averaged 0.17% over the life of the Fannie Mae Facilities, plus a credit enhancement fee of 0.49% to 0.67%. We have seen more volatility in the spread between the DMBS and three-month LIBOR since late 2007 than was historically prevalent.

On June 27, 2014, we paid off \$198.2 million under our credit facility with or credit enhanced by Freddie Mac, also referred to as the Freddie Mac Facility. As of June 30, 2014, we no longer had any borrowings outstanding through the Freddie Mac Facility.

We currently maintain a \$500.0 million unsecured credit facility with fourteen banks led by KeyBank National Association (Key Bank). The Key Bank credit facility bears an interest rate of LIBOR plus a spread of 0.90% to 1.70%, currently bearing interest at 1.10%, based on an investment grade pricing grid. This facility has an accordion feature which allows for expansion up to \$800.0 million. This credit facility expires in August 2017 with two separate six-month extension options after the initial maturity date. At June 30, 2014, we had \$496.4 million available to be borrowed under the Key Bank credit facility agreement with \$35.0 million borrowings under this facility. Approximately \$3.6 million of the facility is used to support letters of credit.

Each of our credit facilities is subject to various covenants and conditions on usage, and the secured facilities are 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. A default on an obligation to repay outstanding debt could also create a cross default on a separate piece of debt, whereby one or more of our lenders could accelerate the due date for repayment of all amounts outstanding and/or foreclose on properties securing the related facilities. Any such event could have a material adverse effect.

On October 16, 2013, MAALP issued \$350 million in aggregate principal amount of notes, maturing on October 15, 2023 with an interest rate of 4.3% per annum (the "2023 Notes"). The purchase price paid by the initial purchasers was 99.047% of the principal amount. The 2023 Notes are general unsecured senior obligations of MAALP and rank equally in right of payment with all other senior unsecured indebtedness of MAALP. Interest on the 2023 Notes is payable on April 15 and October 15 of each year, beginning on April 15, 2014. The net proceeds from the offering after deducting the original issue discount of approximately \$3.3 million and underwriting commissions and expenses of approximately \$2.3 million were approximately \$344.4 million. The 2023 Notes have been reflected net of discount in the consolidated balance sheet. The Company transacted three swaps totaling \$150 million, which resulted in a total effective interest rate of 4.15%.

On December 13, 2013, MAALP completed a series of exchange offers (the "Exchange Offers") pursuant to which it exchanged \$154,235,000 aggregate principal amount of 6.25% Senior Notes due 2014, \$169,161,000 aggregate principal amount of 5.50% Senior Notes due 2015 and \$68,130,000 aggregate principal amount of 6.05% Senior Notes due 2016 (collectively, the "Existing Notes") issued by Colonial Realty Limited Partnership, a Delaware limited partnership and wholly owned subsidiary of MAALP, for \$154,235,000 aggregate principal amount of MAALP's new 6.25% Senior Notes due 2014 (the "2014 Notes"), \$169,112,000 aggregate principal amount of MAALP's new 5.50% Senior Notes due 2015 (the "2015 Notes") and \$68,130,000 aggregate principal amount of MAALP's new 6.05% Senior Notes due 2016 (the "2016 Notes" and together with the 2014 Notes and the 2015 Notes, the "Exchange Notes"), plus approximately \$975,000 in cash.

The Exchange Notes are senior unsecured obligations of MAALP and will rank equally in right of payment with all of MAALP's other existing and future senior unsecured indebtedness. Interest on the 2014 Notes accrued from, and including, December 15, 2013 and were payable on June 15, 2014, which was the maturity date for the 2014 Notes. Interest on the 2015 Notes will accrue from, and including, October 1, 2013 and will be payable semiannually on April 1 and October 1 of each year, beginning on April 1, 2014. Interest on the 2016 Notes accrued from, and including, September 1, 2013 and was paid on March 1, 2014. Interest payments will be payable semiannually on March 1 and September 1 of each year, beginning on March 1, 2014. In certain circumstances described below MAALP may be required to pay additional interest on the Exchange Notes.

On June 10, 2014, MAALP issued \$400 million in aggregate principal amount of notes, maturing on June 15, 2024 with an interest rate of 3.75% per annum (the "2024 Notes"). The purchase price paid by the initial purchasers was 98.873% of the principal amount. The 2024 Notes are general unsecured senior obligations of MAALP and rank equally in right of payment with all other senior unsecured indebtedness of MAALP. Interest on the 2024 Notes is payable on June 15 and December 15 of each year, beginning on December 15, 2014. The net proceeds from the offering after deducting the original issue discount of approximately \$4.5 million and underwriting commissions and expenses of approximately \$2.6 million was approximately \$392.9 million. The 2024 Notes have been reflected net of discount in the consolidated balance sheet. The Company entered into five forward swaps totaling \$250 million, which resulted in a total effective interest rate of 3.98%.

The Indenture under which the 2023 and 2024 notes were issued contains certain covenants that, among other things, limit the ability of MAALP and its subsidiaries to incur secured and unsecured indebtedness if not in pro forma compliance with the following negative covenants: (1) total leverage not to exceed 60% of adjusted total assets, (2) secured leverage not to exceed 40% of adjusted total assets and (3) a fixed charge coverage ratio of at least 1.50 to 1. In addition, MAALP is required to maintain at all times unencumbered consolidated total assets of not less than 150% of the aggregate principal amount of its outstanding unsecured debt. At June 30, 2014, MAALP was in compliance with each of these financial covenants.

All of the Existing Notes tendered into the Exchange Offers were cancelled in connection with the settlement of the Exchange Offers. In connection with the issuance and sale of the Exchange Notes, MAALP also entered into three separate registration rights agreements, each dated as of December 13, 2013, and each with J.P. Morgan Securities LLC, the dealer manager in the Exchange Offers (the "Registration Rights Agreements"). Under the Registration Rights Agreements, MAALP agreed to use commercially reasonable efforts to complete exchange offers registered under the Securities Act pursuant to which MAALP will offer to issue new exchange notes containing terms substantially similar in all material respects to the Exchange Notes (except that the exchange notes will not contain terms with respect to transfer restrictions or any increase in annual interest rate) in exchange for the Exchange Notes. MAALP also agreed, if it determines that a registered exchange offer is not available or specified other circumstances occur, to use commercially reasonable efforts to file and have become effective a shelf registration statement relating to resales of the Exchange Notes. MAALP will be obligated to pay additional interest of up to 0.50% per annum on the Exchange Notes if it does not complete the exchange offers within 270 days after the issue date of the Exchange Notes and in other specified circumstances. We completed the exchange within the 270 day window and did not incur the additional interest.

On October 1, 2013, we acquired the Colonial term loan agreements with Wells Fargo and U.S. Bank Association of \$250 million and \$150 million, respectively. The Wells Fargo term loan bears interest at a rate of LIBOR plus a spread of 1.65% to 2.90% based on the credit ratings of our unsecured debt from time to time and matures on August 1, 2018. The U.S. Bank National Association term loan bears interest at a rate of LIBOR plus a spread of 1.10% to 2.05% based on the credit ratings of our unsecured debt from time to time and matures on May 11, 2017. Including our term loan agreement with Key Bank and J.P. Morgan, we had total borrowings of \$550 million outstanding under these term loan agreements at June 30, 2014.

As of June 30, 2014, we had entered into interest rate swaps totaling a notional amount of \$675.0 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 \$255.3 million as of June 30, 2014.

The following schedule outlines our variable versus fixed rate debt, including the impact of interest rate swaps and caps, outstanding as of June 30, 2014 (dollars in thousands):

	Principal Balance	Average Years to Rate Maturity	Effective Rate	
SECURED DEBT				
Conventional - Fixed Rate or Swapped	\$1,276,194	4.9	4.2	%
Conventional - Variable Rate - Capped (1)	192,177	2.0	1.1	%
Tax-free - Variable Rate - Capped (1)	87,858	3.6	0.9	%
Total Fixed or Hedged Rate Maturity	\$1,556,229	4.5	3.6	%
Conventional - Variable Rate (2)	6,785	0.1	0.7	%
Total Secured Rate Maturity	\$1,563,014	4.4	3.6	%
UNSECURED DEBT				
Fixed Rate or Swapped	\$1,877,399	5.3	4.0	%
Variable Rate	35,000	0.1	1.3	%
Total Unsecured Rate Maturity	\$1,912,399	5.2	4.0	%
TOTAL DEBT RATE MATURITY	\$3,475,413	4.9	3.8	%
TOTAL FIXED OR HEDGED DEBT RATE MATURITY	\$3,433,628	4.9	3.8	%

- The effective rate represents the average rate on the underlying variable debt unless the cap rates are reached,
- (1) which average 4.6% of LIBOR for conventional caps and 6% of SIFMA for tax-free caps.
 - (2) Includes \$27 million of mortgages with an imbedded cap at a 7% all-in interest rate.

The following schedule outlines the interest rate maturities of our outstanding debt as of June 30, 2014 (dollars in thousands):

	Fixed Rate Debt	Interest Rate Swaps	Total Fixed Rate Balances	Contract Rate	Interest Rate Caps	Total Fixed or Hedged
2014	\$—	\$50,000	\$50,000	6.1	% \$—	\$50,000
2015	253,924	75,000	328,924	5.5	% 51,977	380,901
2016	95,044	—	95,044	6.0	% 104,354	199,398
2017	159,814	300,000	459,814	2.3	% 64,573	524,387
2018	103,639	250,000	353,639	3.2	% 32,691	386,330
Thereafter	1,866,172	—	1,866,172	4.8	% 26,440	1,892,612
Total	\$2,478,593	\$675,000	\$3,153,593	4.4	% \$280,035	\$3,433,628

The following schedule outlines the contract maturities of our outstanding debt as of June 30, 2014 (dollars in thousands):

	Credit Facilities				Total
	Fannie Mae Secured	Key Bank Unsecured	Other Secured	Other Unsecured	
2014	\$—	\$—	\$—	\$—	\$—
2015	105,785	—	72,534	193,230	\$371,549
2016	80,000	—	29,619	80,449	\$190,068
2017	80,000	35,000	91,592	318,223	\$524,815
2018	80,000	—	52,600	301,068	\$433,668
Thereafter	88,858	—	882,026	984,429	\$1,955,313
Total	\$434,643	\$35,000	\$1,128,371	\$1,877,399	\$3,475,413

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 refinance debt maturities, and on rate renewals for Fannie Mae. Fannie Mae provided credit enhancement for approximately \$434.6 million of our outstanding debt through credit facilities as of June 30, 2014.

The interest rate markets for Fannie Mae DMBS, 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 Delegated Underwriting and Servicing (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.

For the quarter ended June 30, 2014, our net cash provided by operating activities was in excess of covering funding of normal capital improvements to existing real estate assets, distributions to unitholders, and dividends paid on common and preferred shares by approximately \$65.7 million, as compared to \$25.4 million for the same period in 2013. 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, development fees and operating leases as of June 30, 2014 (dollars in thousands):

Contractual Obligations (1)	2014	2015	2016	2017	2018	Thereafter	Total
Long-Term Debt Obligations (2)	\$5,383	\$430,937	\$186,252	\$497,297	\$392,922	\$1,962,622	\$3,475,413
Fixed Rate or Swapped Interest (3)	50,651	97,193	83,254	71,652	62,809	218,596	584,155
Purchase Obligations (4)	1,086	—	—	—	—	—	1,086
Operating Lease Obligations	127	250	249	244	174	—	1,044
Total	\$57,247	\$528,380	\$269,755	\$569,193	\$455,905	\$2,181,218	\$4,061,698

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

(2) Represents principal payments.

(3) Swapped interest is subject to the ineffective portion of cash flow hedges as described in Note 8 to the financial statements.

(4) Represents development fees.

Off-Balance Sheet Arrangements

At June 30, 2014, and 2013, 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. 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 June 30, 2014, Mid-America Multifamily Fund I, LLC was legally dissolved and owned zero properties. Mid-America Multifamily Fund II, LLC, was established to acquire \$250 million of apartment communities with redevelopment upside offering value creation opportunity through capital improvements, operating enhancements and restructuring in-place financing. As of June 30, 2014, Mid-America Multifamily Fund II, LLC owned one property. 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 17 in our Annual Report on Form 10-K filed with the SEC on February 21, 2014.

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

Insurance

We renegotiated our insurance programs effective July 1, 2014. We believe that the property and casualty insurance program in place provides appropriate insurance coverage for financial protection against insurable risks such that any insurable loss experienced that can be reasonably anticipated would not have a significant impact on our liquidity, financial position or results of operation.

Inflation

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

Impact of Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the

cumulative effect recognized as of the date of initial application. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial condition and results of operations taken as a whole, but does not expect the impact to be material.

In April 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 raises the threshold for disposals to qualify as discontinued operations. It also requires additional disclosures for discontinued operations and new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. The ASU is effective for fiscal years beginning after December 15, 2014, and interim periods within those years; however, early adoption is permitted beginning in the first quarter of 2014. We adopted ASU 2014-08 during the period ending March 31, 2014. The adoption of ASU 2014-08 required us to not classify certain disposals occurring during 2014 as discontinued operations.

In January 2013, the FASB issued ASU No. 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU 2013-01 clarifies that the scope of ASU 2011-11, Disclosures about Offsetting Assets and Liabilities, would apply to derivatives accounted for in accordance with FASB ASC 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with ASC 210-20-45 or ASC 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. This ASU is effective for fiscal years beginning on or after January 1, 2013 and interim periods within those annual periods. We adopted ASU 2013-01 during the period ended March 31, 2013. The adoption of ASU 2013-01 has not had a material impact on our consolidated financial condition or results of operations taken as a whole.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to interest rate changes associated with our credit facilities and other variable rate debt as well as refinancing risk on our fixed rate debt. Our involvement with derivative financial instruments is limited to managing our exposure to changes in interest rates and we do not expect to use them for trading or other speculative purposes.

There have been no material changes in our market risk as disclosed in the Annual Report on Form 10-K filed with the SEC on February 21, 2014.

Item 4. Controls and Procedures.

Management's Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of June 30, 2014 (the end of the period covered by this Quarterly Report on Form 10-Q).

Changes in Internal Controls

During the quarter ended June 30, 2014, there were no changes in our internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The Company (by virtue of its merger with Colonial) and Colonial LP along with multiple other parties, are named defendants in lawsuits arising out of alleged construction deficiencies with respect to condominium units at Regatta at James Island in Charleston, South Carolina. Regatta at James Island property was developed by certain of the Company's subsidiaries and constructed by Colonial Construction Services, LLC. The condominiums were constructed in 2006 and all 212 units were sold. The lawsuits, one filed on behalf of the condominium homeowners association and one filed by three of the unit owners (purportedly on behalf of all unit owners), were filed in South Carolina state court (Charleston County) in August 2012, against various parties involved in the development and construction of the Regatta at James Island property, including the contractors, subcontractors, architect, developer, and product manufacturers. The plaintiffs are seeking damages resulting primarily from alleged construction deficiencies, but the amount plaintiffs seek to recover has not been disclosed. The lawsuits are currently in discovery. The Company is continuing to investigate the matter and evaluate its options and intends to vigorously defend itself against these claims. No assurance can be given that the matter will be resolved favorably to the Company. The Company has included in its loss contingency an estimate of probable loss in connection with this matter, but currently cannot reasonably estimate any further possible loss, or any range of reasonably possible loss, in connection with this matter.

The Company (by virtue of its merger with Colonial) and Colonial LP along with multiple other parties, were named defendants in a lawsuit arising out of alleged construction deficiencies with respect to condominium units at Plantation Point in Bluffton, South Carolina. Plantation Point was previously owned and operated by Colonial LP as a multi-family rental project by the name of the Ashley Plantation apartments. Colonial LP sold the property in 2005 to a third party, which then converted the property to condominiums and sold all 414 units. The lawsuit was settled in the second quarter of 2014.

In addition, the Company is subject to various other legal proceedings and claims that arise in the ordinary course of its business operations. Matters which arise out of allegations of bodily injury, property damage, and employment practices are generally covered by insurance. While the resolution of these other matters cannot be predicted with certainty, management currently believes the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Loss Contingencies

The outcomes of the claims, disputes and legal proceedings described or referenced above are subject to significant uncertainty. The Company records an accrual for loss contingencies when a loss is probable and the amount of the loss can be reasonably estimated. The Company reviews these accruals quarterly and makes revisions based on changes in facts and circumstances. When a loss contingency is not both probable and reasonably estimable, the Company does not accrue the loss. However, if the unrecorded loss (or an additional loss in excess of the accrual) is at least a reasonable possibility and material, then the Company discloses a reasonable estimate of the possible loss, or range of loss, if such reasonable estimate can be made. If the Company cannot make a reasonable estimate of the possible loss, or range of loss, then that is disclosed.

The assessment of whether a loss is probable or a reasonable possibility, and whether the loss or range of loss is reasonably estimable, often involve a series of complex judgments about future events. Among the factors that the Company considers in this assessment, including with respect to the matters disclosed, are the nature of existing legal proceedings and claims, the asserted or possible damages or loss contingency (if reasonably estimable), the progress of the matter, existing law and precedent, the opinions or views of legal counsel and other advisers, the Company's

experience in similar matters, the facts available to the Company at the time of assessment, and how the Company intends to respond, or has responded, to the proceeding or claim. The Company's assessment of these factors may change over time as individual proceedings or claims progress. For matters where the Company is not currently able to reasonably estimate a range of reasonably possible loss, the factors that have contributed to this determination include the following: (i) the damages sought are indeterminate; (ii) the proceedings are in the early stages; (iii) the matters involve novel or unsettled legal theories or a large or uncertain number of actual or potential cases or parties; and/or (iv) discussions with the parties in matters that are expected ultimately to be resolved through negotiation and settlement have not reached the point where the Company believes a reasonable estimate of loss, or range of loss, can be made. In such instances, the Company believes that there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss or business impact, if any.

Item 1A. Risk Factors.

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

Risks relating to the Colonial Merger

We have incurred and expect to incur substantial expenses related to the Merger.

We have incurred and expect to incur substantial expenses in connection with the Merger and integrating Colonial's business, operations, networks, systems, technologies, policies and procedures with ours. There are a large number of systems that are in the process of being integrated, including property management, revenue management, resident payment, credit screening, lease administration, website content management, purchasing, accounting, payroll, fixed assets and financial reporting. Moreover, there are a number of factors beyond our control that could affect the total amount or the timing of these integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. As a result, expenses associated with the Merger could, particularly in the near term, exceed the savings that we expect to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the businesses.

We may be unable to integrate Colonial's businesses with ours successfully or realize the anticipated synergies and other benefits of the Merger or do so within the anticipated timeframe.

Because Colonial was a public company, we expect to benefit from the elimination of duplicative costs associated with supporting Colonial's public company platform and the leveraging of our technology and systems. These savings are expected to be realized upon full integration, which is expected to occur over the 18-month period following the closing of the Merger. However, we are required to devote significant management attention and resources to integrating the business practices and operations of Colonial with our business practices and operations. Potential difficulties we may encounter in the integration process include the following:

- the inability to successfully combine the businesses of Colonial with ours in a manner that permits us to achieve the cost savings anticipated to result from the Merger, which would result in the anticipated benefits of the Merger not being realized in the time frame currently anticipated or at all;
- the complexities associated with managing the combined businesses out of several different locations and integrating personnel from the two companies;
- the additional complexities of combining two companies with different histories, cultures, regulatory restrictions, markets and customer bases;
- potential unknown or unforeseen liabilities, increased expenses, delays or regulatory conditions associated with Colonial, Colonial LP or the Merger; and
- performance shortfalls as a result of the diversion of management's attention caused by integrating Colonial's operations with our operations.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of our management, the disruption of our ongoing business or inconsistencies in our operations, services, standards,

controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with tenants, vendors and employees or to achieve the anticipated benefits of the Merger, or could otherwise adversely affect our business, results of operations, financial condition and prospects.

We may be unable to retain key employees as a result of the Merger.

Our success will depend in part upon the ability to retain key former employees of Colonial, as well as our key employees. Key employees may depart because of, among other things, issues relating to the combination of the two companies, uncertainty and difficulty of integration or a desire not to remain with us following the Merger. Accordingly, no assurance can be given that we will be able to retain key employees to the same extent as in the past.

The Merger resulted in changes to MAA's board of directors that may affect our strategy going forward.

The composition of MAA's board of directors changed as a result of the Merger. MAA's board of directors now consists of twelve members, including all seven directors from MAA's board of directors prior to the Merger and five directors who were members of the Colonial board of trustees prior to the Merger. This new composition of MAA's board of directors may affect our business strategy and operations going forward.

Our future results will suffer if we do not effectively manage our expanded operations following the Merger.

We have expanded our operations as a result of the Merger and intend to continue to expand our operations through additional acquisitions of properties, some of which may involve complex challenges. Our future success will depend, in part, upon our ability to manage the integration of the Colonial operations and our expansion opportunities, each of which may pose substantial challenges for us to integrate new operations into our existing business in an efficient and timely manner, and upon our ability to successfully monitor our operations, costs, regulatory compliance and service quality, and to maintain other necessary internal controls. There is no assurance that our expansion or acquisition opportunities will be successful, or that we will realize any operating efficiencies, cost savings, revenue enhancements, synergies or other benefits from any future acquisitions we may complete.

We may incur adverse tax consequences if Colonial failed to qualify as a REIT for U.S. federal income tax purposes; and if that occurs, it may have a material adverse effect on our consolidated results of operations and financial condition.

Prior to the Merger, Colonial operated in a manner intended to allow it to qualify as a REIT for U.S. federal income tax purposes under the Code. As discussed in Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on February 27, 2014, qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations and Colonial's qualification as a REIT prior to the Merger was generally subject to the same requirements, risks and uncertainties as described in such Exhibit 99.1. Moreover, the complexity of these provisions and of the applicable Treasury Regulations that have been promulgated under the Code is greater in the case of a REIT that holds its assets through a partnership (such as we do and Colonial did prior to the Merger). The determination of various factual matters and circumstances not entirely within a REIT's control may affect its ability to qualify as a REIT.

If Colonial is determined to have lost its REIT status at any time prior to the Merger, MAA will face serious tax consequences and material tax liabilities. Because MAA owns no material assets other than its ownership interest in the Operating Partnership, the Operating Partnership and its subsidiaries would likely be required to provide cash to MAA to satisfy any such tax liabilities, which would substantially reduce the Operating Partnership's available cash, including cash available to pay its indebtedness or make distributions to its limited partners or MAA's shareholders because, among other things:

- MAA would be required to pay U.S. federal income tax on Colonial's prior net income at regular corporate rates for the years it did not qualify for taxation as a REIT (and, for such years, Colonial would not be allowed a deduction for dividends paid to its former shareholders in computing its taxable income);

- Colonial could be subject to the federal alternative minimum tax and possibly increased state and local taxes for such periods; and

- Unless Colonial is entitled to relief under applicable statutory provisions, neither it nor any "successor" company could elect to be taxed as a REIT until the fifth taxable year following the year during which it was disqualified.

MAA is liable for any taxes payable by Colonial for any periods prior to the Merger. In addition, if Colonial failed to qualify as a REIT but we nonetheless qualified as a REIT, in the event of a taxable disposition of a former Colonial

asset during the ten years following the Merger we would be subject to corporate tax with respect to any built-in gain inherent in such asset as of the date of the Merger. In addition, under the “investment company” rules under Section 368 of the Code, if both MAA and Colonial were “investment companies” under such rules, the failure of either Colonial or us to have qualified as a REIT could cause the Merger to be taxable to us and our shareholders. As a result of all these factors, Colonial’s failure to have qualified as a REIT could jeopardize our qualification as a REIT and require our Operating Partnership to provide material amounts of cash to us to satisfy our additional tax liabilities and therefore have a material adverse effect on our financial condition, results of operations, business and prospects and our ability to make payments on our indebtedness or distributions to our shareholders.

Risks Related to Our Real Estate Investments and Our Operations

Economic slowdown in the United States and downturns in the housing and real estate markets may adversely affect our financial condition and results of operations.

There have been significant declines in economic growth, both in the United States and globally. Both the real estate industry and the broader United States economy have experienced unfavorable conditions, which adversely affected our business. Factors such as weakened economies and related reduction in spending, falling home prices and job losses, price volatility, and/or dislocations and liquidity disruptions in the financial and credit markets could, among other things, impede the ability of our tenants and other parties with which we conduct business to perform their contractual obligations, which could lead to an increase in defaults by our tenants and other contracting parties, which could adversely affect our revenues. Furthermore, our ability to lease our properties at favorable rates, or at all, could be adversely affected by increases in supply and deterioration in multifamily markets and is partially dependent upon the overall level of spending in the economy, which is adversely affected by, among other things, job losses and unemployment levels, recession, personal debt levels, downturns in the housing market, stock market volatility and uncertainty about the future. With regard to our ability to lease our multifamily properties, the increasing rental of excess for-sale condominiums and single family homes, which increases the supply of multifamily units and housing alternatives, may reduce our ability to lease our multifamily units and depress rental rates in certain markets. When we experience a downturn, we cannot predict how long demand and other factors in the real estate market will remain unfavorable, but if the markets remain weak over extended periods of time or deteriorate significantly, our ability to lease our properties or our ability to increase or maintain rental rates in certain markets may weaken, which would adversely affect our revenues.

Failure to generate sufficient cash flows could limit our ability to make payments on our debt and to pay distributions to shareholders and unitholders.

Our ability to make payments on our debt and to make distributions depends on our ability to generate cash flow in excess of operating costs and capital expenditure requirements 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 that are beyond our control. Such events or conditions could include:

- competition from other apartment communities;
- overbuilding of new apartment units or oversupply of available apartment units in our markets, which might adversely affect apartment occupancy or rental rates and/or require rent concessions in order to lease apartment units;
- conversion of condominiums and single family houses to rental use;
- weakness in the overall economy which lowers job growth and the associated demand for apartment housing;
- increases in operating costs (including real estate taxes and insurance premiums) due to inflation and other factors, which may not be offset by increased rental rates;
- inability to initially, or subsequently after lease terminations, rent apartments on favorable economic terms;
- failure of development communities to be completed, if at all, within budget and on a timely basis or to lease up as anticipated;
- changes in governmental regulations and the related costs of compliance;
- changes in laws including, but not limited to, tax laws and housing laws including the enactment of rent control laws or other laws regulating multifamily housing;
- withdrawal of government support of apartment financing through its financial backing of the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation;
- an uninsured loss, including those resulting from a catastrophic storm, earthquake, or act of terrorism;
-

changes in interest rate levels and the availability of financing, borrower credit standards, and down-payment requirements which could lead renters to purchase homes (if interest rates decrease and home loans are more readily available) or increase our acquisition and operating costs (if interest rates increase and financing is less readily available); and
the relative illiquidity of real estate investments.

At times, we rely on external funding sources to fully fund the payment of distributions to shareholders and our capital investment program, including our existing property 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 make payments on our debt and 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 or the trading price of our debt securities.

Our operations are concentrated in the Sunbelt Region of the United States, in particular the state of Texas; we are subject to general economic conditions in the regions in which we operate.

Approximately 40.0% of our portfolio is centered in our top six markets: Austin, Texas; Atlanta, Georgia; Charlotte, North Carolina; Raleigh/Durham, North Carolina; Dallas, Texas; and Orlando, Florida. Our performance could be adversely affected by economic conditions in, and other factors relating to, these geographic areas, including supply and demand for apartments in these areas, zoning and other regulatory conditions and competition from other communities and alternative forms of housing. In particular our performance is disproportionately influenced by job growth and unemployment. To the extent the aforementioned general economic conditions, job growth and unemployment in any of these markets deteriorate or any of these areas experiences natural disasters, the value of the portfolio, our results of operations and our ability to make distributions to our shareholders and pay amounts due on our debt could be materially adversely affected.

Substantial competition among multifamily communities and real estate companies may adversely affect our rental revenues and development and acquisition opportunities.

There are numerous other multifamily communities and real estate companies, many of which have greater financial and other resources than we have, within the market area of each of our communities that compete with us for residents and development and acquisition opportunities. The number of competitive multifamily communities and real estate companies in these areas could have a material effect on (1) our ability to rent the apartments and the rents charged, and (2) development and acquisition opportunities. The activities of these competitors could cause us to pay a higher price for a new property than we otherwise would have paid or may prevent us from purchasing a desired property at all, which could have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt.

We may be adversely affected by new laws and regulations.

The current United States administration and Congress have enacted, or called for consideration of, proposals relating to a variety of issues, including with respect to health care, financial regulation reform, climate control, executive compensation and others. We believe that these and other potential proposals could have varying degrees of impact on us ranging from minimal to material. At this time, we are unable to predict with certainty what level of impact specific proposals could have on us.

Certain rulemaking and administrative efforts that may have an impact on us focus principally on the areas perceived as contributing to the global financial crisis and the continuing economic downturn. These initiatives have created uncertainty regarding the basic rules governing the real estate industry and many other businesses. The federal legislative response in this area culminated in the enactment on July 21, 2010 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act. Many of the provisions of the Dodd-Frank Act have extended implementation periods and delayed effective dates and will require extensive rulemaking by regulatory authorities; thus, the impact on us may not be known for an extended period of time. The Dodd-Frank Act, including future rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals that are proposed or pending in the United States Congress, may limit our revenues, impose fees or taxes on us, and/or intensify the regulatory framework in which we operate in ways that are not currently identifiable.

Changing laws, regulations and standards relating to corporate governance and public disclosure in particular, including certain provisions of the Dodd-Frank Act and the rules and regulations promulgated thereunder, have created uncertainty for public companies like ours and could significantly increase the costs and risks associated with accessing the United States public markets. Because we are committed to maintaining high standards of internal control over financial reporting, corporate governance and public disclosure, our management team will need to

devote significant time and financial resources to comply with these evolving standards for public companies. We intend to continue to invest appropriate resources to comply with both existing and evolving standards, and this investment has resulted and will likely continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

Breaches of our data security could materially harm our business and reputation.

We collect and retain certain personal information provided by our tenants and employees. While we have implemented a variety of security measures to protect the confidentiality of this information and periodically review and improve our security measures, there can be no assurance that we will be able to prevent unauthorized access to this information. Any breach of our data security measures and loss of this information may result in legal liability and costs

(including damages and penalties), as well as damage to our reputation, that could materially and adversely affect our business and financial performance.

We may not realize the anticipated benefits of past or future acquisitions, and the failure to integrate acquired communities and new personnel successfully could create inefficiencies.

We have selectively acquired in the past, and if presented with attractive opportunities we intend to selectively acquire in the future, apartment communities that meet our investment criteria. Our acquisition activities and their success are subject to the following risks:

- we may be unable to obtain financing for acquisitions on favorable terms or at all;
- even if we are able to finance the acquisition, cash flow from the acquisition may be insufficient to meet our required principal and interest payments on the acquisition;
- even if we enter into an acquisition agreement for an apartment community, we may be unable to complete the acquisition after incurring certain acquisition-related costs;
- we may incur significant costs and divert management attention in connection with the evaluation and negotiation of potential acquisitions, including potential acquisitions that we are subsequently unable to complete;
- when we acquire an apartment community, we may invest additional amounts in it with the intention of increasing profitability, and these additional investments may not produce the anticipated improvements in profitability; and
- we may be unable to quickly and efficiently integrate acquired apartment communities and new personnel into our existing operations, and the failure to successfully integrate such apartment communities or personnel will result in inefficiencies that could adversely affect our expected return on our investments and our overall profitability.

We are subject to certain risks associated with selling apartment communities, which could limit our operational and financial flexibility.

We periodically dispose of apartment communities that no longer meet our strategic objectives, but adverse market conditions may make it difficult to sell apartment communities like the ones we own. We cannot predict whether we will be able to sell any property for the price or on the terms we set, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. These conditions may limit our ability to dispose of properties and to change our portfolio promptly in order to meet our strategic objectives, which may in turn have a material adverse effect on our financial condition and the market value of our securities. We are also subject to the following risks in connection with sales of our apartment communities:

- a significant portion of the proceeds from our overall property sales may be held by intermediaries in order for some sales to qualify as like-kind exchanges under Section 1031 of the Code, so that any related capital gain can be deferred for federal income tax purposes. As a result, we may not have immediate access to all of the cash proceeds generated from our property sales; and
- federal tax laws limit our ability to profit on the sale of communities that we have owned for less than two years, and this limitation may prevent us from selling communities when market conditions are favorable.

Environmental problems are possible and can be costly.

Under various federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances in, on, around or under such property. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. The presence of, or failure to remediate

properly, hazardous or toxic substances may adversely affect the owner's or operator's ability to sell or rent the affected property or to borrow using the property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of hazardous or toxic substances at a disposal or treatment facility, whether or not the facility is owned or operated by the person. Certain environmental laws impose liability for release of asbestos-containing materials into the air, and third parties may also seek recovery from owners or operators of real property for personal injury associated with asbestos-containing materials and other hazardous or toxic substances. Federal and state laws also regulate the operation and subsequent removal of certain underground storage tanks. In connection with the current or former ownership (direct or indirect), operation, management, development or control of real property, we may be considered an owner or operator of such communities or as having arranged for the disposal or treatment of hazardous or toxic substances and,

therefore, may be potentially liable for removal or remediation costs, as well as certain other costs, including governmental fines, and claims for injuries to persons and property.

Our current policy is to obtain a Phase I environmental study on each property we seek to acquire, which generally does not involve invasive techniques such as soil or ground water sampling, and to proceed accordingly. We cannot assure you, however, that the Phase I environmental studies or other environmental studies undertaken with respect to any of our current or future communities will reveal:

- all or the full extent of potential environmental liabilities;
- that any prior owner or operator of a property did not create any material environmental condition unknown to us;
- that a material environmental condition does not otherwise exist as to any one or more of such communities; or
- that environmental matters will not have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt.

Certain environmental laws impose liability on a previous owner of property to the extent that hazardous or toxic substances were present during the prior ownership period. A transfer of the property does not relieve an owner of such liability. Thus, we may have liability with respect to communities previously sold by our predecessors or by us.

There have been a number of lawsuits against owners and managers of multifamily communities 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. Insurance carriers have reacted to these liability awards by excluding mold related claims from standard policies and pricing mold endorsements separately. We have obtained a separate pollution insurance policy that covers mold-related claims and have adopted programs designed to minimize the existence of mold in any of our communities as well as guidelines for promptly addressing and resolving reports of mold. To the extent not covered by our pollution policy, the presence of mold could expose us to liability from residents and others if property damage, health concerns, or allegations thereof, arise.

Changes in the system for establishing United States accounting standards may materially and adversely affect our reported results of operations.

Accounting for public companies in the United States has historically been conducted in accordance with GAAP. GAAP is established by the Financial Accounting Standards Board, or FASB, an independent body whose standards are recognized by the SEC as authoritative for publicly held companies. The International Accounting Standards Board, or IASB, is a London-based independent board established in 2001 and charged with the development of International Financial Reporting Standards, or IFRS. IFRS generally reflects accounting practices that prevail in Europe and in developed nations around the world.

IFRS differs in material respects from GAAP. Among other things, IFRS has historically relied more on “fair value” models of accounting for assets and liabilities than GAAP. “Fair value” models are based on periodic revaluation of assets and liabilities, often resulting in fluctuations in such values as compared to GAAP, which relies more frequently on historical cost as the basis for asset and liability valuation.

It is unclear at this time if or how the SEC will transition from GAAP to IFRS. Switching to a new method of accounting and adopting IFRS will be a complex undertaking. We may need to develop new systems and controls based on the principles of IFRS. Since these are new endeavors, and the precise requirements of the pronouncements ultimately adopted are not now known, the magnitude of costs associated with this conversion is uncertain. We are currently evaluating the impact of the adoption of IFRS on our financial position and results of operations. Such evaluation cannot be completed, however, without more clarity regarding the specific IFRS standards that will be adopted. Until there is more certainty with respect to the IFRS standards to be adopted, prospective investors should

consider that our conversion to IFRS could have a material adverse effect on our reported results of operations.

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 operating results.

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.

We may experience increased costs arising from health care reform.

In March 2010, the United States government enacted comprehensive health care reform legislation which, among other things, includes guaranteed coverage requirements, eliminates pre-existing condition exclusions and annual and lifetime maximum limits, restricts the extent to which policies can be rescinded and imposes new and significant taxes on health insurers and health care benefits. The legislation imposes implementation effective dates extending through 2020, and many of the changes require additional guidance from government agencies or federal regulations. Therefore, due to the phased-in nature of the implementation and the lack of interpretive guidance, in some cases, it is difficult to determine at this time what impact the health care reform legislation will have on our financial results. Possible adverse effects of the health reform legislation include increased costs, exposure to expanded liability and requirements for us to revise ways in which we provide healthcare and other benefits to our employees. In addition, our results of operations, financial position and cash flows could be materially adversely affected.

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.

Development and construction risks could impact our profitability.

As of June 30, 2014, we had two development communities under construction totaling 514 units. We have completed no units for the development projects as of June 30, 2014. Our development and construction activities are subject to the following risks:

- we may be unable to obtain, or face delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, which could result in increased development costs, could delay initial occupancy dates for all or a portion of a development community, and could require us to abandon our activities entirely with respect to a project for which we are unable to obtain permits or authorizations;
- yields may be less than anticipated as a result of delays in completing projects, costs that exceed budget and/or higher than expected concessions for lease up and lower rents than pro forma;

bankruptcy of developers in our development projects could impose delays and costs on us with respect to the development of our communities and may adversely affect our financial condition and results of operations; we may abandon development opportunities that we have already begun to explore, and we may fail to recover expenses already incurred in connection with exploring such opportunities; we may be unable to complete construction and lease-up of a community on schedule, or incur development or construction costs that exceed our original estimates, and we may be unable to charge rents that would compensate for any increase in such costs; occupancy rates and rents at a newly developed community may fluctuate depending on a number of factors, including market and economic conditions, preventing us from meeting our profitability goals for that community; and when we sell to third parties communities or properties that we developed or renovated, we may be subject to warranty or construction defects that are uninsured or exceed the limit of our insurance.

Risks Related to Our Indebtedness and Financing Activities

Our substantial indebtedness could adversely affect our financial condition and results of operations.

As of June 30, 2014, the amount of our total debt was approximately \$3.48 billion. We may incur additional indebtedness in the future in connection with, among other things, our acquisition, development and operating activities.

The degree of our leverage creates significant risks, including the following:

- we may be required to dedicate a substantial portion of our funds from operations to servicing our debt and our cash flow may be insufficient to make required payments of principal and interest;
- we may be subject to prepayment penalties if we elect to repay our indebtedness prior to the stated maturity date; debt service obligations will reduce funds available for distribution to our shareholders and funds available for acquisitions, development and redevelopment;
- we may be more vulnerable to economic and industry downturns than our competitors that have less debt;
- we may be limited in our ability to respond to changing business and economic conditions; and
- we may default on our indebtedness, which could result in acceleration of those obligations, assignment of rents and leases and loss of properties to foreclosure.

If any one of these events were to occur, our financial condition and results of operations could be materially and adversely affected.

We may be unable to renew, repay or refinance our outstanding debt.

We are subject to the normal risks associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest, the risk that indebtedness on our communities, or unsecured indebtedness, will not be able to be renewed, repaid or refinanced when due or that the terms of any renewal or refinancing will not be as favorable as the existing terms of such indebtedness. If we were unable to refinance our indebtedness on acceptable terms, or at all, we might be forced to dispose of one or more of our communities on disadvantageous terms, which might result in losses to us. Such losses could have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt. Furthermore, if a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose upon the property, appoint a receiver and receive an assignment of rents and leases or pursue other remedies, all with a consequent loss of our revenues and asset value. Foreclosures could also create taxable income without accompanying cash proceeds, thereby hindering our ability to meet the REIT distribution requirements of the Code.

Rising interest rates would increase the cost of our variable rate debt.

We have incurred and expect in the future to incur indebtedness that bears interest at variable rates. Accordingly, increases in interest rates would increase our interest costs, which could have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt or cause us to be in default under certain debt instruments. In addition, an increase in market interest rates may lead holders of our shares of common stock to demand a higher yield on their shares from distributions by us, which could adversely affect the market price for our common stock.

We may incur additional debt in the future.

We currently fund the acquisition and development of multifamily apartment communities partially through borrowings (including our revolving credit facility) as well as from other sources such as sales of communities which no longer meet our investment criteria. Our organizational documents do not contain any limitation on the amount of indebtedness that we may incur. Accordingly, subject to limitations on indebtedness set forth in various loan agreements and the indentures governing our senior notes, we could become more highly leveraged, resulting in an increase in debt service, which could have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt and in an increased risk of default on our obligations.

The restrictive terms of certain of our indebtedness may cause acceleration of debt payments.

At June 30, 2014, we had outstanding borrowings of approximately \$3.48 billion. Our indebtedness contains financial covenants as to minimum net worth, interest coverage ratios, maximum secured debt, and total debt to capital, among others. In the event that an event of default occurs, our lenders may declare borrowings under the respective loan agreements to be due

and payable immediately, which could have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt.

A change in United States government policy with regard to Fannie Mae could impact our financial condition.

Fannie Mae is a major source of financing for multifamily real estate in the United States. We utilize loan programs sponsored by these entities as one source of capital to finance our growth and our operations. On February 11, 2011, the Obama Administration released a report to Congress which included options, among others, to gradually shrink and eventually shut down Fannie Mae. We do not know when or if Fannie Mae will restrict their support of lending to the multifamily industry or to us in particular. As of June 30, 2014, 13% of our outstanding debt was borrowed through credit facilities provided by or credit-enhanced by Fannie Mae with agency rate-based maturities ranging from 2014 through 2018. We decreased the indebtedness outstanding on our Fannie Mae and Freddie Mac credit facilities from \$702.6 million on June 30, 2013 to \$434.6 million on June 30, 2014, which includes paying off the Freddie Mac facility. Since June 30, 2013 we have added approximately \$1.0 billion of unsecured senior notes and added an additional \$400.0 million of unsecured term loans. A decision by the U.S. government to eliminate or downscale Fannie Mae or to reduce government support for multifamily housing more generally may adversely affect interest rates, capital availability, development of multifamily communities and the value of multifamily residential real estate and, as a result, may adversely affect us and our growth and operations.

Failure to hedge effectively against interest rates may adversely affect results of operations.

From time-to-time we may seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as interest rate cap agreements and interest rate swap agreements. These agreements involve risks, such as the risk that the counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that a court could rule that such an agreement is not legally enforceable. Hedging may reduce overall returns on our investments. Failure to hedge effectively against interest rate changes could have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt.

A downgrade in our credit ratings could have a material adverse effect on our business, financial condition and results of operations.

We have a significant amount of debt outstanding. We are currently assigned corporate credit ratings from each of the three ratings agencies based on their evaluation of our creditworthiness. These ratings are based on a number of factors, which included their assessment of our financial strength, liquidity, capital structure, asset quality, and sustainability of cash flow and earnings. If our credit ratings are downgraded or other negative action is taken, we could be required to pay additional interest and fees on our outstanding borrowings. In addition, a downgrade may adversely impact our ability to borrow secured and unsecured debt and otherwise limit our access to capital, which could adversely affect our business, financial condition and results of operations.

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. If we issue additional equity securities to obtain additional financing, the interest of our existing

shareholders could be diluted.

Risks Related to MAA's Organization and Ownership of Its Stock

MAA's ownership limit restricts the transferability of its capital stock.

MAA's charter limits ownership of its capital stock by any single shareholder to 9.9% of the value of all outstanding shares of its capital stock, both common and preferred, unless approved by its Board of Directors. The charter also prohibits anyone from buying shares if the purchase would result in it losing REIT status. This could happen if a share transaction results in fewer than 100 persons owning all of its shares or in five or fewer persons, applying certain broad attribution rules of the Code, owning 50% or more of its shares. If you acquire shares in excess of the ownership limit or in violation of the ownership requirements of the Code for REITs, MAA:

61

- will consider the transfer to be null and void;
- will not reflect the transaction on its 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 its benefit; and
- will either direct you to sell the shares and turn over any profit to MAA, or MAA will redeem the shares. If MAA redeems the shares, you will be paid a price equal to the lesser of:

the principal price paid for the shares by the holder,
a price per share equal to the market price (as determined in the manner set forth in its charter) of the applicable capital stock,
the market price (as so determined) on the date such holder would, but for the restrictions on transfers set forth in its charter, be deemed to have acquired ownership of the shares and
the maximum price allowed under Tennessee Greenmail Act (such price being the average of the highest and lowest closing market price for the shares during the 30 trading days preceding the purchase of such shares or, if the holder of such shares has commenced a tender offer or has announced an intention to seek control of MAA, during the 30 trading days preceding the commencement of such tender offer or the making of such announcement).

The redemption price may be paid, at MAA's option, by delivering one common unit (subject to adjustment from time to time in the event of, among other things, stock splits, stock dividends, or recapitalizations affecting its common stock or certain mergers, consolidations or asset transfers by MAA) issued by the Operating Partnership for each Excess Share being redeemed.

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 MAA's charter and Tennessee law may limit the ability of a third party to acquire control of MAA.

Ownership Limit

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

Preferred Stock

MAA's 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 MAA, even if a change in control were in MAA shareholders' best interests. As of June 30, 2014, no shares of preferred stock were issued and outstanding.

Tennessee Anti-Takeover Statutes

As a Tennessee corporation, MAA is 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 MAA and increase the difficulty of consummating any such offers, even if MAA's acquisition would be in MAA shareholders' best interests.

Market interest rates and low trading volume may have an adverse effect on the market value of MAA's common shares.

The market price of shares of a REIT may be affected by the distribution rate on those shares, as a percentage of the price of the shares, relative to market interest rates. If market interest rates increase, prospective purchasers of MAA's shares may expect a higher annual distribution rate. Higher interest rates would not, however, result in more funds for MAA to distribute and, in fact, would likely increase MAA's borrowing costs and potentially decrease funds available for distribution.

This could cause the market price of MAA's common shares to go down. In addition, although MAA's common shares are listed on The New York Stock Exchange, or NYSE, the daily trading volume of MAA's shares may be lower than the trading volume for other industries. As a result, MAA's investors who desire to liquidate substantial holdings may find that they are unable to dispose of their shares in the market without causing a substantial decline in the market value of the shares.

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

We believe that the market value of a REIT's equity securities is based primarily upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, and is secondarily based upon the real estate market value of the underlying assets. For that reason, MAA's shares may trade at prices that are higher or lower than the net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of MAA's common shares. In addition, we are subject to the risk that our cash flow will be insufficient to pay distributions to MAA's shareholders. Our failure to meet the market's expectations with regard to future earnings and cash distributions would likely adversely affect the market price of MAA's shares.

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

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

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

Risks Related to the Operating Partnership's Organization and Ownership of OP Units

The Operating Partnership's existing unitholders have limited approval rights, which may prevent the Operating Partnership's sole general partner, MAA, from completing a change of control transaction that may be in the best interests of all unitholders and of all the shareholders of MAA.

MAA may not engage in a sale or other disposition of all or substantially all of the assets of the Operating Partnership, dissolve the Operating Partnership or, upon the occurrence of certain triggering events, take any action that would result in any unitholder realizing taxable gain, without the approval of the holders of a majority of the outstanding OP Units held by holders other than MAA or its affiliates, or Class A OP Units. The right of the holders of our Class A OP Units to vote on these

transactions could limit MAA's ability to complete a change of control transaction that might otherwise be in the best interest of all of our unitholders and all shareholders of MAA.

In certain circumstances, certain of the Operating Partnership's unitholders must approve the Operating Partnership's sale of certain properties contributed by the unitholders.

In certain circumstances as detailed in the partnership agreement of the Operating Partnership, the Operating Partnership may not sell or otherwise transfer certain properties unless a specified percentage of the limited partners who were partners in the limited partnership holding such properties at the time of its acquisition by us approves such sale or transfer. The exercise of these approval rights by the Operating Partnership's unitholders could delay or prevent the Operating Partnership from completing a transaction that may be in the best interest of all of the Operating Partnership's unitholders and all shareholders of MAA.

MAA, its officers and directors have substantial influence over the Operating Partnership's affairs.

MAA, as the Operating Partnership's sole general partner and acting through its officers and directors, has a substantial influence on the Operating Partnership's affairs. MAA, its officers and directors could exercise their influence in a manner that is not in the best interest of the Operating Partnership's unitholders. Also, MAA owns approximately 94.7% of the OP Units and as such, will have substantial influence on the outcome of any matters submitted to the Operating Partnership's unitholders for approval.

Market interest rates and low trading volume may have an adverse effect on the market value of MAA's common stock, which would affect the redemption price of the OP Units.

The market price of shares of a REIT may be affected by the distribution rate on those shares, as a percentage of the price of the shares, relative to market interest rates. If market interest rates increase, prospective purchasers of MAA's shares may expect a higher annual distribution rate. Higher interest rates would not, however, result in more funds for MAA to distribute and, in fact, would likely increase MAA's borrowing costs and potentially decrease funds available for distribution. This could cause the market price of MAA's common stock to go down, which would reduce the price received upon redemption of any OP Units, or if MAA so elects, the value of MAA's common stock received in lieu of cash upon redemption of such OP Units. In addition, although MAA's stock is listed on the NYSE, the daily trading volume of MAA's shares may be lower than the trading volume for companies in other industries. As a result, MAA's investors who desire to liquidate substantial holdings may find that they are unable to dispose of their shares in the market without causing a substantial decline in the market value of the shares.

Changes in market conditions or a failure to meet the market's expectations with regard to MAA's results of operations and cash distributions could adversely affect the market price of MAA's common stock, which may reduce the amount of cash available to the Operating Partnership to meet its obligations.

As discussed above under "Risks Related to MAA's Organization and Ownership of its Stock," changes in market conditions or a failure to meet the market's expectations with regard to MAA's results of operations and cash distributions could adversely affect the market price of MAA's common stock. In addition, the Operating Partnership is subject to the risk that its cash flow will be insufficient to service its debt and to pay distributions to its unitholders, which may cause MAA to not have the funds to service its debt or to pay dividends to its shareholders. MAA's failure to meet the market's expectations with regard to future results of operations and cash distributions would likely adversely affect the market price of its shares and thus potentially reduce MAA's ability to contribute funds from issuances down to the Operating Partnership, resulting in a lower level of cash available for investment or to service our debt or to make distributions to the Operating Partnership's unitholders.

Risks Related to Tax Laws

Failure to qualify as a REIT would cause us to be taxed as a corporation, which would significantly reduce funds available for distribution to shareholders.

If MAA fails to qualify as a REIT for federal income tax purposes, it will be subject to federal income tax on its taxable income at regular corporate rates (subject to any applicable alternative minimum tax). In addition, unless MAA is entitled to relief under applicable statutory provisions, it would be ineligible to make an election for treatment as a REIT for the four taxable years following the year in which MAA loses its qualification. The additional tax liability resulting from the failure to qualify as a REIT would significantly reduce or eliminate the amount of funds available for distribution to MAA's shareholders. Furthermore, MAA would no longer be required to make distributions to its shareholders. Thus, MAA's failure to

qualify as a REIT could also impair its ability to expand its business and raise capital, and would adversely affect the value of its common stock.

MAA believes that it is organized and qualified as a REIT, and MAA intends to operate in a manner that will allow it to continue to qualify as a REIT. However, MAA cannot assure you that it is qualified as a REIT, or that MAA will remain qualified in the future. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Code for which there are only limited judicial and administrative interpretations and involves the determination of a variety of factual matters and circumstances not entirely within MAA's control. In addition, future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for federal income tax purposes or the federal income tax consequences of this qualification.

Even if MAA qualifies as a REIT, we will be subject to certain federal, state and local taxes on our income and property and on taxable income that MAA does not distribute to its shareholders. In addition, MAA may hold certain assets and engage in certain activities that a REIT could not engage in directly through its taxable REIT subsidiaries, or TRSs, and will be subject to federal income tax at regular corporate rates on the income of those subsidiaries.

The Operating Partnership may fail to be treated as a partnership for federal income tax purposes.

We believe that the Operating Partnership qualifies, and has so qualified since its formation, as a partnership for federal income tax purposes and not as a publicly traded partnership taxable as a corporation. No assurance can be provided, however, that the Internal Revenue Service, or IRS will not challenge the treatment of the Operating Partnership as a partnership for federal income tax purposes or that a court would not sustain such a challenge. If the IRS were successful in treating the Operating Partnership as a corporation for federal income tax purposes, then the taxable income of the Operating Partnership would be taxable at regular corporate income tax rates. In addition, the treatment of the Operating Partnership as a corporation would cause MAA to fail to qualify as a REIT. See "Failure to qualify as a REIT would cause us to be taxed as a corporation, which would significantly reduce funds available for distribution to shareholders" above.

Item 2. Purchases of Equity Securities

The following chart shows our repurchases of shares for the three-month period ended June 30, 2014:

MAA Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs (1)
April 1, 2014 - April 30, 2014	—	\$—	—	2,138,000
May 1, 2014 - May 31, 2014	—	\$—	—	2,138,000
June 1, 2014 - June 30, 2014	—	\$—	—	2,138,000
Total	—	\$—	—	2,138,000

(1) This number reflects the amount of shares of MAA's common stock that were available for purchase under our 4,000,000 share repurchase program authorized by our Board of Directors in 1999.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not Applicable.

Item 6. Exhibits.

(a) The following exhibits are filed as part of this Quarterly Report.

Exhibit Number	Exhibit Description
10.1 †	Amended and Restated Mid-America Apartment Communities, Inc. 2013 Stock Incentive Plan (Filed as Appendix B to the Registrant's Definitive Proxy Statement on Form DEF 14A filed on April 16, 2014 and incorporated herein by reference)
12.1	Consolidated Ratio of Earnings to Fixed charges for MAA
12.2	Consolidated Ratio of Earnings to Fixed charges for MAALP
31.1	Certification of Chief Executive Officer of MAA Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer of MAA Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	Certification of Chief Executive Officer of MAA, in its capacity as general partner of MAALP, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4	Certification of Chief Financial Officer of MAA, in its capacity as general partner of MAALP, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer of MAA 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 of MAA Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.3	Certification of Chief Executive Officer of MAA, in its capacity as general partner of MAALP, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.4	Certification of Chief Financial Officer of MAA, in its capacity as general partner of MAALP, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from Mid-America Apartment Communities, Inc.'s (MAA) and Mid-America Apartments, L.P.'s (MAALP) Quarterly Report on Form 10-Q for the period ended June 30, 2014, filed with the SEC on August 1, 2014, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets as of June 30, 2014 (Unaudited) and December 31, 2013 (Unaudited); (ii) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2014 (Unaudited) and 2013 (Unaudited); (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2014 (Unaudited) and 2013 (Unaudited); (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2014 (Unaudited) and 2013 (Unaudited); and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text (Unaudited).

† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements 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: August 1, 2014

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

SIGNATURES

Pursuant to the requirements 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.

By: MID-AMERICA APARTMENTS, L.P.
a Tennessee Limited Partnership
Mid-America Apartment Communities, Inc., its general partner

Date: August 1, 2014 /s/Albert M. Campbell, III
Albert M. Campbell, III
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

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