

MID AMERICA APARTMENT COMMUNITIES INC  
Form DEF 14A  
April 06, 2007

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  Soliciting Material Under Rule 14a-12
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials

MID-AMERICA APARTMENT COMMUNITIES, INC.

-----  
(Name of Registrant as Specified In Its Charter)  
-----

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

-----  
2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

-----  
5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which

the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or

schedule and the date of its filing.

-----  
1) Amount previously paid:

---

2) Form, Schedule or Registration Statement No.:

---

3) Filing Party:

---

4) Date Filed:

---

**MID-AMERICA APARTMENT COMMUNITIES, INC.**

April 13, 2007

To our shareholders:

You are invited to attend the 2007 Annual Meeting of Shareholders of Mid-America Apartment Communities, Inc., or Mid-America, to be held at 1:00 p.m., Central Daylight Time, on Tuesday, May 22, 2007, at the Reserve at Dexter Lake Apartments, 1505 Dexter Lake Drive, Memphis, Tennessee 38018. The Notice of Annual Meeting of Shareholders and Proxy Statement, both of which accompany this letter, provide details regarding the business to be conducted at the meeting, as well as other important information about Mid-America.

During the meeting, management will review our recently completed 2006 fiscal year and provide a report on our progress, including recent developments. Shareholders will also have the opportunity to ask questions about Mid-America.

Along with the other members of the Board of Directors and management, I look forward to greeting you at the Annual Meeting if you are able to attend.

Very truly yours,

H. ERIC BOLTON, JR.  
*President and Chief Executive Officer*

---

**MID-AMERICA APARTMENT COMMUNITIES, INC.**  
**6584 Poplar Avenue, Suite 300**  
**Memphis, Tennessee 38138**

---

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**To Be Held on Tuesday May 22, 2007**

---

**TIME, DATE & PLACE**

The 2007 Annual Meeting of Shareholders will be held at 1:00 p.m., Central Daylight Time, on Tuesday, May 22, 2007, at the Reserve at Dexter Lake Apartments, 1505 Dexter Lake Drive, Memphis, Tennessee 38018.

**ITEMS OF BUSINESS**

Shareholders will consider and vote on the following items at the Annual Meeting:

1. To elect two Class I directors to serve until the 2010 Annual Meeting of Shareholders and until their successors have been duly elected and qualified;

2. To ratify the selection of Ernst & Young LLP as Mid-America's independent registered public accounting firm for 2007; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

**WHO MAY VOTE**

Shareholders of record at the close of business on Friday, March 16, 2007, are entitled to receive this notice and vote at the Annual Meeting.

**HOW TO VOTE**

Your vote is important. Please refer to the proxy card and the accompanying proxy statement for information regarding your voting options. Even if you plan to attend the Annual Meeting, please take advantage of one of the advance voting options to assure that your shares are represented at the Annual Meeting. You may revoke your proxy at any time before it is voted by following the procedures described in the accompanying Proxy Statement.

By Order of the Board of Directors

LESLIE B.C. WOLFGANG  
*Vice President, Director of External Reporting and  
Corporate Secretary*

Memphis, Tennessee  
April 13, 2007

**Whether or not you plan to attend the meeting, please submit your proxy prior to the meeting by following the instructions on the enclosed proxy card or voter instruction form. Shareholders who attend the Annual Meeting may vote even if they have already sent in a proxy.**

---

**MID-AMERICA APARTMENT COMMUNITIES, INC.**  
**6584 Poplar Avenue, Suite 300**  
**Memphis, Tennessee 38138**

---

**PROXY STATEMENT FOR THE  
2007 ANNUAL MEETING OF SHAREHOLDERS**

---

Mid-America Apartment Communities, Inc. is soliciting proxies, and your vote is very important. For this reason, the Board of Directors is requesting that you allow your shares to be represented at the Annual Meeting of Shareholders by the proxies named on the enclosed proxy card. In connection with our solicitation of proxies, we are mailing this proxy statement, the enclosed proxy card, our 2006 Annual Report, and our 2006 Annual Report on Form 10-K to all shareholders beginning on or about April 13, 2007.

In this proxy statement, terms such as "we," "us" and "our" refer to Mid-America Apartment Communities, Inc., which may also be referred to from time to time as the "Company" to distinguish it from its subsidiaries or other related entities.

**INFORMATION ABOUT THE MEETING**

**When is the Annual Meeting?**

The Annual Meeting will be held on Tuesday, May 22, 2007, at 1:00 p.m., Central Daylight Time.

**Where will the Annual Meeting be held?**

Our Annual Meeting will be held at the Reserve at Dexter Lake Apartments, 1505 Dexter Lake Drive, Memphis, Tennessee 38018.

**What items will be voted on at the Annual Meeting?**

You will vote on the following matters:

1. To elect two Class I directors to serve until the 2010 Annual Meeting of Shareholders and until their successors have been duly elected and qualified;
2. To ratify the selection of Ernst & Young LLP as Mid-America's independent registered public accounting firm for 2007; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

As of the date of this Proxy Statement, we are not aware of any other matters that will be presented for action at the Annual Meeting.

**What are the Board of Directors' recommendations?**

Our Board of Directors recommends that you vote:

- FOR the election of the two nominees for Class I director named herein to serve on the Board of Directors;
- FOR the ratification of the selection of Ernst & Young LLP as Mid-America's independent registered public accounting firm for 2007;

If any other matter properly comes before the Annual Meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion.

---

**Do directors attend the annual meeting of shareholders?**

Mid-America does not require its directors to attend its Annual Meeting of Shareholders, but the Board of Directors encourages its members to attend. Messrs. Bolton, Cates, Graf, Grinalds, Fogelman, Wadsworth and Ms. McCormick attended the Annual Meeting of Shareholders held on May 16, 2006.

**INFORMATION ABOUT VOTING**

**Who is entitled to vote at the Annual Meeting?**

Only shareholders of record at the close of business on the record date, March 16, 2007, are entitled to receive notice of the 2007 Annual Meeting and to vote the shares that they held on that date at the annual meeting, or any postponement or adjournment of the annual meeting. The only class of stock that can be voted at the meeting is our common stock. Each share of common stock is entitled to one vote on all matters that come before the meeting. As of the close of business on March 16, 2007, Mid-America had 25,349,551 shares of common stock outstanding.

*Shareholders of Record: Shares Registered in Your Name.* If on March 16, 2007 your shares were registered directly in your name with our transfer agent, then you are a shareholder of record. As a shareholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card, or vote by proxy over the telephone or on the Internet as instructed below, to ensure your vote is counted.

*Beneficial Owner: Shares Registered in the Name of a Broker or Bank.* If on March 16, 2007 your shares were held in an account at a brokerage firm, bank, dealer or similar organization, then you are the beneficial owner of shares held in [street name] and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the shareholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

### **How do I vote my shares?**

You may vote your shares in person or by proxy:

*By Proxy:* You can vote by telephone, on the Internet or by mail. We encourage you to vote by telephone or Internet, both of which are convenient, cost-effective, and reliable alternatives to returning your proxy card by mail.

- **By Telephone:** You may submit your voting instructions by telephone by following the instructions printed on the proxy card. If you submit your voting instructions by telephone, you do not have to mail in your proxy card.
- **On the Internet:** You may vote on the Internet by following the instructions printed on the proxy card. If you vote on the Internet, you do not have to mail in your proxy card.
- **By Mail:** If you properly complete and sign the enclosed proxy card and return it in the enclosed envelope, it will be voted in accordance with your instructions. The enclosed envelope requires no additional postage if mailed in the United States.

*In Person:* You may attend the Annual Meeting and vote in person. If you are a registered holder of your shares (if you hold your stock in your own name), you need only attend the meeting. However, if your shares are held in an account by a broker, you will need to present a written consent from your broker permitting you to vote the shares in person at the Annual Meeting.

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should receive a proxy card and voting instructions with these proxy materials from that organization rather than Mid-America. Simply complete and mail the proxy card to ensure that your vote is counted. Alternatively, you may vote

---

by telephone or over the Internet as instructed by your broker or bank. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker to request a proxy form.

### **What if I have shares in the Mid-America Employee Stock Ownership Plan?**

If you have shares in an account under the Mid-America Employee Stock Ownership Plan, you have the right to vote the shares in your account. To do this you must sign and timely return the proxy card you received with this Proxy Statement, or grant your proxy by telephone or over the Internet by following the instructions on the proxy card.

### **How will my vote be counted?**

Your vote will be cast as you indicate on your proxy card. If you submit an executed proxy without marking any voting selections, your shares will be voted  **For** the election of all nominees for Class I director, and  **For** the ratification of Ernst & Young LLP as Mid-America's independent registered public accounting firm for its current fiscal year ending December 31, 2007. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment. Votes will be counted by the inspector of election appointed for the meeting, who will separately count  **For** and  **Withheld** votes and (with respect to proposals other than the election of directors)  **Against** and Abstain votes; abstentions and broker non-votes; abstentions and broker non-votes have no effect and are not counted towards the voted total for any proposal.

If your shares are held by your broker as your nominee (that is, in  street name), you will need to obtain a proxy form from the institution that holds your shares and follow the instructions included on that form regarding how to instruct your broker to vote your shares. In the event that a broker, bank, custodian, nominee or other record holder of our common stock indicates on a proxy that it does not have discretionary authority to vote certain shares on a particular matter, then those shares will be treated as broker non-votes. Shares represented by such broker non-votes will, however, be counted in determining whether there is a quorum.

### **Can I change my vote after I return my proxy card?**

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy bearing a later date;
- You may send a written notice that you are revoking your proxy to Mid-America's Corporate Secretary, Leslie Wolfgang, 6584 Poplar Avenue, Suite 300, Memphis, Tennessee 38138; or
- You may attend the annual meeting and notify the election officials at the meeting that you wish to revoke your proxy and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

If your shares are held by your broker or bank as nominee or agent, you should follow the instructions provided by your broker or bank.

### **How many votes are needed to approve each proposal?**

- For the election of directors, the two nominees receiving the most  **For** votes (among votes properly cast in person or by proxy) will be elected. Broker non-votes will have no effect.
- For ratification of the proposal to appoint Ernst & Young LLP as Mid-America's independent registered public accounting firm for the fiscal year ending December 31, 2007, the proposal must receive more votes in favor of ratification than votes cast against. Abstentions and broker non-votes will not be counted as voting either for or against the firm. However, the Audit Committee is not bound by a vote either for or against the firm. The Audit Committee will consider a vote against the firm by the stockholders in selecting our independent registered public accounting firm in the future.

---

### **How many shares must be present to constitute a quorum for the meeting?**

A quorum of shareholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares are represented by shareholders present at the meeting or by proxy. On March 16, 2007, the record date, there were 25,349,551 shares outstanding and entitled to vote. Thus 12,674,776 shares must be represented by shareholders present at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy vote or vote at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, a majority of the votes present at the meeting may adjourn the meeting to another date.

**How can I find out the results of the voting at the annual meeting?**

Preliminary voting results will be announced at the annual meeting. Final results will be published in Mid-America's quarterly report on Form 10-Q for the second quarter of 2007.

**ADDITIONAL INFORMATION**

**How and when may I submit a stockholder proposal for Mid-America's 2008 Annual Meeting?**

Our annual meeting of shareholders generally is held in May of each year. We will consider for inclusion in our proxy materials for the 2008 Annual Meeting of Shareholders, shareholder proposals that are received at our executive offices no later than December 17, 2007, and that comply with all applicable requirements of Rule 14a-8 promulgated under the Securities Exchange Act of 1934. Proposals must be sent to our Corporate Secretary at Mid-America Apartment Communities, Inc., 6584 Poplar Ave., Ste. 300, Memphis, Tennessee 38138.

Shareholders wishing to submit proposals or director nominations that are not to be included in our proxy materials must have given timely notice thereof in writing to our Corporate Secretary. To be timely for the 2008 Annual Meeting of Shareholders, you must notify our Corporate Secretary, in writing, not later than the close of business on March 3, 2008. We also advise you to review Mid-America's bylaws, which contain additional requirements about advance notice of shareholder proposals and director nominations. The Chairman of the 2008 Annual Meeting of Shareholders may determine, if the facts warrant, that a matter has not been properly brought before the meeting and, therefore, may not be considered at the meeting. In addition, the proxy solicited by the Board of Directors for the 2008 Annual Meeting of Shareholders will confer discretionary voting authority with respect to any matter presented by a shareholder at that meeting for which we have not been provided with timely notice.

**How can I obtain Mid-America's Annual Report on Form 10-K?**

Our Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC, including the financial statements, and financial statement schedules is being mailed along with this Proxy Statement. Our Annual Report on Form 10-K for the year ended December 31, 2006, including all exhibits may be obtained from the SEC Filings link on the Investor Relations page of our web-site at [www.maac.net](http://www.maac.net) or received free of charge by writing Investor Relations at Mid-America Apartment Communities, Inc., 6584 Poplar Avenue, Suite 300, Memphis, Tennessee 38138.

**Who is paying for this proxy solicitation?**

We will pay for the entire cost of soliciting proxies. We expect that this Proxy Statement will first be sent to shareholders on or about April 13, 2007. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

---

**How many copies should I receive if I share an address with another shareholder?**

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for shareholders and cost savings for companies.

Mid-America and some brokers household proxy materials, delivering a single proxy statement to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker or us that they or we will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or

if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account or us if you hold registered shares. You can notify us by sending a written request to the Corporate Secretary at Mid-America Apartment Communities, Inc., 6584 Poplar Avenue, Suite 300, Memphis, Tennessee 38138 or by calling 901-435-5371. You also may elect to participate in householding if you are eligible to do so by marking the appropriate box on your proxy card.

**Who should I contact if I have any questions?**

If you have any questions about the Annual Meeting, these proxy materials or your ownership of our common stock, please contact our Investor Relations Department at 6584 Poplar Avenue, Suite 300, Memphis, Tennessee 38138, or by emailing [investor.relations@maac.net](mailto:investor.relations@maac.net) or calling (901) 435-5371.

**INFORMATION ABOUT THE BOARD OF DIRECTORS AND ITS COMMITTEES**

**What is our philosophy regarding corporate governance?**

We believe that effective corporate governance is critical to our long-term health and our ability to create value for our shareholders. We have continued to review our corporate governance policies and practices and to compare them against "best practices" proposals and the practices of other public companies. We also have continued to review the provisions of the Sarbanes-Oxley Act of 2002, new and proposed rules of the SEC, and the corporate governance rules of the New York Stock Exchange, or the NYSE. We will continue to monitor emerging developments in corporate governance and enhance our policies and procedures when required or when our Board of Directors determines that it would benefit Mid-America and our shareholders. Based on this review, the Board of Directors has established and maintains Corporate Governance Guidelines that include detailed specifications for director qualification and responsibility. You may find a copy of our Corporate Governance Guidelines on our website at [www.maac.net](http://www.maac.net).

The responsibilities of our Board of Directors and Board committees are described below, along with other corporate governance-related disclosures. All of our Board's committees have written charters which can be found in the Company Info and Governance section on the Investor Relations page of our website at [www.maac.net](http://www.maac.net). Mid-America will also provide a copy of any committee charter, the Corporate Governance Guidelines or our Code of Business Conduct and Ethics without charge upon written request sent to: Mid-America Apartment Communities, Inc., Attention: Investor Relations, 6584 Poplar Avenue, Suite 300, Memphis, Tennessee 38138. The Board of Directors may, from time to time, form other committees as circumstances warrant. Such committees will have authority and responsibility as delegated by the Board of Directors.

**How many independent directors do we have?**

Our Board of Directors has affirmatively determined that seven of our current ten directors are independent: Robert F. Fogelman, Alan B. Graf, Jr., John S. Grinalds, Ralph Horn, Mary E. McCormick, William B. Sansom and Michael S. Starnes. All of these directors meet the independence standards of our Corporate Governance Guidelines, the NYSE listing standards and applicable SEC rules.

---

**How do we determine whether a director is independent?**

A director is considered independent if our Board of Directors affirmatively determines that the director has no direct or indirect material relationship with us. Consistent with the requirements of the SEC, the NYSE and general corporate "best practices" proposals, our Board of Directors reviews all relevant transactions or relationships between each director, or any of his or her family members, and Mid-America, its senior management and its independent auditors. The Board has adopted the following categorical standards:

- A director who is an employee, or whose immediate family member is an executive officer, of Mid-America is not independent until three years after the end of such employment relationship.



- A director who receives, or whose immediate family member receives, more than \$100,000 per year in direct compensation from us, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than \$100,000 per year in such compensation.
- A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of Mid-America is not independent until three years after the end of the affiliation or the employment or auditing relationship.
- A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the our present executive officers serve on that company's Compensation Committee is not independent until three years after the end of such service or the employment relationship.
- A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, Mid-America for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues, is not "independent" until three years after falling below such threshold.

The Board consults with Mid-America's corporate counsel to ensure that the Board's determinations are consistent with all relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in pertinent listing standards of the NYSE, as in effect from time to time.

**Do any independent directors have relationships with Mid-America that the Board of Directors determined were not material?**

Mr. Graf is an Executive Vice President and Chief Financial officer of FedEx Corporation. In the normal course of business, we use FedEx as an overnight courier. The Board of Directors concluded that this relationship is not material and does not otherwise impair, or appear to impair, Mr. Graf's independent judgment, and therefore does not prevent him from being independent.

Mr. Horn was Chairman of the Board of Directors of First Tennessee National Corporation, ("FTNC"), now First Horizon National Corporation, until December 2003 and was previously the President and Chief Executive Officer of FTNC until 2002. We have a line of credit with a group of banks led by AmSouth Bank. First Tennessee Bank, the principal banking subsidiary of FTNC, has committed approximately \$17.5 million towards this line of credit. We have also entered into interest rate swap agreements with First Tennessee Bank totaling a notional amount of \$75 million based on three-month LIBOR. Both the line of credit and the interest rate swap agreements were entered into in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions between unrelated parties. Because of the arm's-length nature of the transaction, the Board of Directors concluded that these relationships are not material and do not otherwise impair, or appear to impair, Mr. Horn's independent judgment, and therefore do not prevent him from being independent.

---

**How many times did our Board of Directors meet last year?**

The Board of Directors held nine meetings during 2006.

**Did any of our directors attend fewer than 75% of the meetings of the Board of Directors and their assigned committees?**

All of the directors who were serving during the calendar year 2006 attended more than 75% of the meetings of the Board of Directors and their assigned committees during the fiscal year with the exceptions of Messrs. Horn and Starnes. Mr. Horn attended 63% of the meetings of the Board of Directors and his assigned committee meetings as he was unable to attend two previously unscheduled telephonic board meetings. Mr. Starnes

attended 6% of the Board of Directors and his assigned committee meetings as he was recovering from an illness experienced early in 2006.

**Does our Board of Directors meet regularly without management present?**

Our directors, excluding Messrs. Bolton and Wadsworth, regularly meet to promote open discussion among the non-management directors. Mr. Cates presides over these executive sessions. The non-management directors held one executive session during 2006.

**Do our independent directors meet regularly without non-independent members?**

Our directors, excluding Messrs. Bolton, Cates and Wadsworth, meet regularly to promote open discussion among the independent directors. The directors share presidation over these sessions. The independent directors held one executive session during 2006.

**Does our Board of Directors have any standing committees?**

We have three standing committees: Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. The members of each committee are independent, pursuant to the standards set forth in our Governance Guidelines, the NYSE listing standards and applicable SEC rules. Each standing committee of the Board of Directors has a charter which can be found on our website at <http://www.maac.net> in the Company Info and Governance section on the Investor Relations page.

The current membership of and information about each of our Board committees is shown below.

<b>Committee/Current Members</b>	<b>•</b>	<b>Committee Functions</b>
<b>Audit Committee</b>	•	appointing, determining the compensation of, and overseeing the work of the independent registered public accounting firm;
<i>Current Members</i> Mr. Graf (Chairman) Mr. Grinalds Mr. Starnes Ms. McCormick	•	pre-approving all auditing services and permitted non-audit services, including the fees and terms thereof, to be performed by the independent registered public accounting firm;
Number of meetings held in 2006: Nine	•	reviewing and discussing with management and the independent registered public accounting firm the annual audited and quarterly unaudited financial statements and our disclosure under Management's Discussion and Analysis of Financial Condition and Results of Operations in our 10-Qs and 10-Ks;
	•	reviewing and discussing the adequacy and effectiveness of our systems of internal accounting and financial controls;
	•	establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
	•	

reviewing the overall corporate "tone" for financial reports, controls, and ethical behavior;

- reviewing with management and the independent registered public accounting firm our compliance with the requirements for qualification as a REIT; and
- issuing a report annually as required by the SEC's proxy solicitation rules.

Committee/Current Members	Committee Functions
<p><b>Compensation Committee</b></p> <p><i>Current Members:</i>                      Mr. Horn (Chairman)                      Mr. Fogelman                      Mr. Grinalds                      Mr. Sansom</p> <p>Number of meetings held in 2006: Three</p>	<ul style="list-style-type: none"> <li>• reviews and approves our compensation objectives;</li> <li>• reviews and approves the compensation programs, plans, and awards for executive officers;</li> <li>• acts as administrator as may be required for our equity-related incentive plans; and</li> <li>• issues a report annually related to executive compensation, as required by the SEC's proxy solicitation rules.</li> </ul>
<p><b>Nominating and Corporate Governance Committee</b></p> <p><i>Current Members:</i>                      Mr. Horn (Chairman)                      Mr. Fogelman                      Mr. Grinalds                      Mr. Sansom</p> <p>Number of meetings held in 2006: Four</p>	<ul style="list-style-type: none"> <li>• provides assistance and oversight in identifying qualified candidates to serve as members of the Board of Directors;</li> <li>• reviews the qualification and performance of incumbent directors to determine whether to recommend them as nominees for reelection;</li> <li>• reviews and considers candidates for directors who may be suggested by any director or executive officer, or by any shareholder if made in accordance with our charter, bylaws and applicable law; and</li> <li>• recommends to the Board of Directors appropriate corporate governance principles that best serve the practices and objectives of the Board of Directors.</li> </ul>

**Does the Audit Committee have an Audit Committee Financial Expert?**

The Board has determined that Mr. Graf and Ms. McCormick both meet the qualifications of an audit committee financial expert as defined by applicable SEC rules.

**How does the Board of Directors select director candidates?**

Our charter divides the Board of Directors into three classes as nearly equal in number as possible, with each class serving a term of three years. Our shareholders elect one class of directors at each annual meeting.

At their November 30, 2006, meeting, the Board of Directors elected Mr. Sansom to serve as a Class I director until the 2007 Annual Meeting of Shareholders. Shareholders are being asked to elect Mr. Sansom to serve as a Class I director to serve until the 2010 Annual Meeting of Shareholders or until his successor is duly elected and qualified.

***Director Nomination Policy***

It is the policy of the Nominating and Corporate Governance Committee to review and consider all candidates for nomination and election as directors who may be suggested by any director or executive officer of Mid-America. It is Mid-America's policy to refer to its Nominating and Corporate Governance committee for consideration any director candidate recommended by any shareholder who beneficially owns at least 1,000 shares of Mid-America's outstanding common stock if made in accordance with Mid-America's charter, bylaws and applicable law.

We will consider for inclusion in our proxy materials for the 2008 Annual Meeting of Shareholders, shareholder proposals that are received at our executive offices no later than December 14, 2007 and that comply with all applicable requirements of Rule 14a-8 promulgated under the Securities Exchange Act of 1934. Proposals must be sent to the Nominating and Corporate Governance Committee, Attention: Leslie B. C. Wolfgang, Corporate Secretary, Mid-America Apartment Communities, Inc., 6584 Poplar Ave., Ste. 300, Memphis, TN 38138

8

---

Shareholders wishing to submit proposals or director nominations that are not to be included in our proxy materials must have given timely notice thereof in writing to our Corporate Secretary. To be timely for the 2008 Annual Meeting of Shareholders, you must notify our Corporate Secretary, in writing, no later than the close of business on March 3, 2008. Any submission should include enough information about the proposed nominee to make them identifiable by the committee and include the submitter's name and the name their shares are held in so that the status as a shareholder and the number of shares they own may be verified.

***Minimum Director Qualifications***

The Nominating and Corporate Governance Committee along with the Board of Directors is responsible for determining the skills and characteristics that need to be met by each director and director nominee. In determining director or director nominee qualifications, views of both the individual and the Board of Directors as a whole shall be considered.

A director or director nominee's knowledge and/or experience in areas such as, but not limited to, real estate investing, REITs, management, leadership, public companies, equity and debt capital markets and public company financial accounting are likely to be considered both in relation to the individual's qualification to serve on our Board of Directors and the needs of the Board as a whole.

The Board of Directors does not impose term limits but has adopted a retirement age of 70 after which a director will not be nominated for election. While it is believed that a director's knowledge and/or experience can continue to provide benefit to the Board of Directors following a director's retirement from their primary work affiliation, it is recognized that a director's knowledge of and involvement in ever changing business environments can weaken and therefore their ability to continue to be an active contributor to the Board of Directors shall be reviewed. Upon a director's change in employment status they are required to notify the Chairman of the Board of Directors and the Nominating and Corporate Governance Committee of such change and to offer their resignation for review.

Other characteristics including, but not limited to, the director or director nominee's material relationships with Mid-America, time availability, service on other boards of directors and their committees, or any other characteristics which may prove relevant at any given time as determined by the Nominating and Corporate Governance Committee shall be reviewed for purposes of determining a director or director nominee's qualification.

Members of the Nominating and Corporate Governance Committee as well as other Board members and members of executive management may meet with directors or director nominees for purposes of determining their qualification.

**Can I communicate directly with the Board of Directors?**

Yes. Shareholders and other interested parties may communicate in writing with our Board of Directors, any of its committees, its non-management directors, or any individual director by using the following address:

Corporate Secretary  
ATTN: {Group or director to whom you are addressing}  
Mid-America Apartment Communities, Inc.  
6584 Poplar Ave., Ste. 300  
Memphis, TN 38138

All letters addressed to the Board of Directors or its committees will be forwarded unopened to the appropriate chairman. Letters addressed to the non-management directors will be forwarded unopened to the lead director of that group. Letters addressed to individual directors will be forwarded unopened to the addressee.

### **Does Mid-America have a Code of Ethics?**

Mid-America's Board of Directors has adopted a Code of Business Conduct and Ethics applicable to Mid-America's executive officers, including the Chief Executive Officer and Chief Financial Officer. The Code of Business Conduct and Ethics is available on our website at <http://www.maac.net> in Mid-America Info and Governance section

9

---

of the Investor Relations page. We intend to post amendments to or waivers from our Code of Business Conduct and Ethics (to the extent applicable to our chief executive officer, principal financial officer or principal accounting officer) at this location on our website.

### **What is the role of the Compensation Committee?**

Our Compensation Committee reviews and approves our compensation objectives and our compensation programs, plans, and awards for executive officers, among other things. The Compensation Committee's charter can be found at our corporate web site at <http://www.maac.net> in the "Company Info and Governance" section on the Investor Relations page. The Compensation Committee reviews its charter on an annual basis and, if necessary, recommends changes to the charter to the Board of Directors for approval.

The Compensation Committee consists of Messrs. Horn (Chairman), Fogelman, Grinalds and Sansom, each of whom is an independent director as affirmatively determined by our Board of Directors, in consultation with outside counsel. The Board consults with our outside counsel to ensure that the Board's determinations are consistent with all relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in pertinent listing standards of the NYSE, as in effect from time to time.

Mr. Horn, as chairman of the Compensation Committee, is responsible for setting the agenda for meetings. The Compensation Committee may delegate any of its responsibilities to a subcommittee comprised of two or more members of the Compensation Committee, and may delegate authority to make grants and awards under any equity-based plan to the chief executive officer with such limitations as determined by the Compensation Committee and as may be required by law or the listing standards of the NYSE. To date, the Compensation Committee has made no such delegation of its responsibilities.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **GENERAL POLICY**

We have adopted a Code of Business Conduct and Ethics, which specifies our policy relating to conflicts of interest. The Code of Business Conduct and Ethics states that a "conflict of interest" occurs when an individual's private interests interfere in a material way or appear from the perspective of a reasonable person to interfere in a material way with the interests of Mid-America as a whole. Under the Code of Business Conduct and Ethics, an employee or director who becomes aware of a potential conflict of interest must report the conflict to

Mid-America's internal audit group. The Nominating and Corporate Governance Committee of the Board of Directors will determine whether a conflict of interest exists on a case-by-case basis and will memorialize its determinations and the reasons behind such determinations and whether to grant a waiver if a conflict of interest exists. In addition, all transactions involving related parties must be approved by a majority of the disinterested members of the Board of Directors.

**INDEBTEDNESS OF MANAGEMENT TO MID-AMERICA**

In 1997, 1998, and 2000 we sold shares of common stock and limited partnership units in Mid-America Apartments, L.P. to certain employees pursuant to a Leadership Employee Stock Ownership Program (LESOP). Under the LESOP, shares of common stock and limited partnership units were sold to employees at market prices, with 15% of the sale price bonused to the employee over a five-year period.

Mr. Cates purchased a total of 175,000 shares pursuant to this program at an aggregate purchase price of \$4,496,500. Roughly 85% of this amount, or \$3,822,063 was funded by personal loans obtained by Mr. Cates, and the balance, \$674,437, was funded by Mid-America's LESOP bonus program over a five-year period.

Mr. Bolton purchased a total of 110,000 limited partnership units pursuant to this program at an aggregate purchase price of \$2,966,500. Roughly 85% of this amount, or \$2,521,563 was funded by personal loans obtained by Mr. Bolton, and the balance, \$444,937 was funded by Mid-America's LESOP bonus program over a five-year period.

10

Mr. Wadsworth purchased a total of 100,000 shares and limited partnership units pursuant to this program at an aggregate purchase price of \$2,706,500. Roughly 85% of this amount, or \$2,300,563 was funded by personal loans obtained by Mr. Wadsworth, and the balance, \$405,937 was funded by Mid-America's LESOP bonus program over a five-year period.

In April 2002 Mid-America entered into duplicate LESOP bonus programs to the existing common stock and limited partnership unit sales. These agreements took effect immediately following the conclusion of the first agreements, have the same form and terms of the original agreements, and effectively raise the total LESOP bonus amount to 30% of the original sale price.

The employees of Mid-America listed in the table below are indebted to Mid-America pursuant to such promissory notes for shares of common stock and limited partnership units acquired under the LESOP, which amounts are bonused to them over a five-year period. The table indicates the largest amount of the indebtedness outstanding during fiscal year 2006 and the amount outstanding at February 28, 2007. Such indebtedness bears interest at rates ranging from 5.59% to 6.49% per annum.

	<b>Maximum Indebtedness During 2006</b>	<b>Indebtedness at February 28, 2007</b>
George E. Cates (1)	\$ 415,593.75	\$ 280,706.25
H. Eric Bolton, Jr.	220,162.50	131,175.00
Simon R. C. Wadsworth	204,562.50	123,375.00
Total executive officers	\$ 840,318.75	\$ 535,256.25

(1) George E. Cates was not an executive officer of Mid-America during 2006, but is shown here as a participant in the LESOP program as a result of his former executive status with Mid-America.

**STOCK OWNERSHIP**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

Edgar Filing: MID AMERICA APARTMENT COMMUNITIES INC - Form DEF 14A

The number of shares owned and percentage ownership in the following table is based on 25,093,156 shares of common stock outstanding on December 31, 2006. The following table sets forth information as of December 31, 2006, regarding each person known to us to be the beneficial owner of more than five percent of our common stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Cohen & Steers, Inc. (1) 280 Park Avenue, 10th Floor New York, NY 10017	1,588,100	6.33%
Barclays (2) 45 Fremont Street San Francisco, CA 94105	1,454,699	5.80%
AXA Financial, Inc. (3) 1290 Avenue of the Americas New York, NY 10104	1,417,506	5.65%
AMVESCAP PLC (4) 30 Finsbury Square London EC2A 1AG England	1,414,029	5.64%
The Vanguard Group, Inc. (5) 100 Vanguard Blvd. Malvern, PA 19355	1,355,952	5.40%

- 
- (1) The indicated ownership is based solely on a Schedule 13G filed with the SEC by the beneficial owner. The Schedule 13G indicates that the beneficial ownership is attributable to Cohen & Steers Capital Management, Inc. which has sole power to vote or to direct the vote for 1,444,900 shares and sole power to dispose or to direct the disposition of 1,588,100 shares.
- (2) The indicated ownership is based solely on a Schedule 13G filed with the SEC by the beneficial owner. The Schedule 13G indicates that beneficial ownership is divided between Barclays Global Investors, NA (694,145 shares as to which 597,429 have sole voting power and 694,145 have sole dispositive power); Barclays Global Fund Advisors (734,193 shares as to which 734,193 have sole voting power and 734,193 have sole dispositive power); Barclays Global Investors, Ltd (17,748 shares as to which 17,748 have sole voting power and 17,748 have sole dispositive power); and Barclays Global Investors Japan Limited (8,613 shares as to which 8,613 have sole voting power and 8,613 have sole dispositive power).
- (3) The indicated ownership is based solely on a Schedule 13G filed with the SEC by the beneficial owner. The Schedule 13G indicates that beneficial ownership is divided between AllianceBernstein (1,416,956 shares as to which 1,315,266 have sole voting power, 19,335 have shared voting power, 1,416,936 have sole dispositive power and 20 have shared dispositive power); and AXA Equitable Life Insurance

Company (550 shares as to which 550 have sole voting power and 550 have sole dispositive power).

- (4) The indicated ownership is based solely on a Schedule 13G filed with the SEC by the beneficial owner. The Schedule 13G indicates that beneficial ownership is divided between AIM Advisors (31,092 shares as to which 31,092 have sole voting power and 31,092 have sole dispositive power); Atlantic Trust Company, N.A. (1,300 shares as to which 1,300 have sole voting power and 1,300 have sole dispositive power); INVESCO Institutional (N.A.) (1,381,088 shares as to which 1,381,088 have sole voting power and 1,381,088 have sole dispositive power); and PowerShares Capital Management LLC (549 shares as to which 549 have sole voting power and 549 have sole dispositive power).
- (5) The indicated ownership is based solely on a Schedule 13G filed with the SEC by the beneficial owner. The Schedule 13G indicates that the entity has sole power to vote or to direct the vote for 35,052 shares and sole power to dispose or to direct the disposition of 1,355,952 shares.

#### SECURITY OWNERSHIP OF MANAGEMENT

The number of shares owned and percentage ownership in the following table is based on 25,274,375 shares of common stock outstanding on January 31, 2007. We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules include shares of common stock issuable pursuant to the exercise of stock options that are either immediately exercisable or exercisable within 60 days of January 31, 2007. These shares are deemed to be outstanding and beneficially owned by the person holding those options for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, we believe that the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

12

The following table sets forth the beneficial ownership of our common stock as of January 31, 2007 by (i) each director, (ii) each director nominee, (iii) each executive officer named in the Summary Compensation Table, and (iv) all directors, nominees and executive officers as a group. Except as otherwise indicated, the address of each officer, director and/or nominee listed below is c/o 6584 Poplar Avenue, Suite 300, Memphis, Tennessee 38138.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
George E. Cates	636,619(1)	2.52%
Robert F. Fogelman	586,167(2)	2.32%
H. Eric Bolton, Jr.	233,299(3)	*
Simon R. C. Wadsworth	197,260(4)	*
Ralph Horn	46,844(5)	*
John S. Grinalds	15,960(6)	*
Michael S. Starnes	15,384(7)	*
Alan B. Graf, Jr.	12,668(8)	*
Mary Beth McCormick**	2,022(9)	*
William B. Sansom**	1,566(10)	*
All Directors, Nominees and Executive Officers as a group (10 Persons)	1,747,789	6.92%

- (1) Includes 277,089 shares owned directly by Mr. Cates, as to 127,732 of which Mr. Cates has sole voting power, 115,000 to which Mr.



Cates has pledged as collateral towards a personal line of credit and as to 34,357 of which Mr. Cates has shared voting power, (7,130 shares held by Mr. Cates through an individual retirement account, 13,918 shares Mr. Cates owns in a joint account with his wife, and 13,309 shares owned in a Keough plan); 201,233 shares that Mr. Cates has the current right to acquire upon redemption of limited partnership units; 105,986 shares that Mr. Cates has the right to acquire upon the exercise of options that are exercisable within 60 days of January 30, 2007; and 3,396 shares held in a deferred compensation account. Also includes 10,712 shares and 38,203 limited partnership units owned by Mr. Cates' wife, over which Mr. Cates exercises no voting or investment power.

- (2) Includes 1,228 shares Mr. Fogelman owns directly; 3,500 shares held by Romar Partnership as to which Mr. Fogelman shares voting and investment power; 570,500 shares that Mr. Fogelman has the current right to acquire upon redemption of limited partnership units; 2,000 shares that Mr. Fogelman has the right to acquire upon the exercise of options that are exercisable within 60 days of January 30, 2007; and 8,939 shares held in a deferred compensation account.
- (3) Includes 100,971 shares owned directly by Mr. Bolton, as to 93,332 of which Mr. Bolton has sole voting power and as to 7,639 of which Mr. Bolton has shared voting power; 110,000 shares that Mr. Bolton has the current right to acquire upon redemption of limited partnership units, 4,328 shares attributed to Mr. Bolton in Mid-America's Employee Stock Ownership Plan, and 18,000 shares that Mr. Bolton has the right to acquire upon the exercise of options that are exercisable within 60 days of January 30, 2007.
- (4) Includes 128,728 shares owned directly by Mr. Wadsworth; 4,344 shares attributed to Mr. Wadsworth in Mid-America's Employee Stock Ownership Plan; 52,188 shares that Mr. Wadsworth has the right to acquire upon redemption of limited partnership units and to which Mr. Wadsworth has pledged as collateral towards a line of credit; and 12,000 shares that Mr. Wadsworth has the right to acquire upon the exercise of options that are exercisable within 60 days of January 30, 2007.
- (5) Includes 33,842 shares owned directly by Mr. Horn; 1,000 shares that Mr. Horn has the right to acquire upon the exercise of options that are exercisable within 60 days of January 30, 2007; and 12,002 shares held in a deferred compensation account.
- (6) Includes 3,513 shares owned directly by General Grinalds; 678 shares held by General Grinalds through an individual retirement account; 514 shares held in a trust; 10,680 shares held in a deferred compensation account; and 575 shares owned by General Grinalds' wife.

- 
- (7) Includes 4,228 shares owned directly by Mr. Starnes; 1,000 shares that Mr. Starnes has the right to acquire upon the exercise of options that are exercisable within 60 days of January 30, 2007; and 10,156 shares held in a deferred compensation account.
- (8) Includes 5,842 shares owned directly by Mr. Graf; and 6,826 shares held in a deferred compensation account.
- (9) Includes 2,022 shares owned directly by Mrs. McCormick.

(10) Includes 1,458 shares owned directly by Mr. Sansom; and 108 shares held in a deferred compensation account.

\* Represents less than 1% of total.

\*\* Director Nominee.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires Mid-America's directors and executive officers file with the Commission initial reports of ownership and reports of changes in ownership of Mid-America's common stock and furnish Mid-America with copies of all forms filed.

To Mid-America's knowledge, based solely on review of the copies of such reports furnished to Mid-America and representations that no other reports were required, during the past fiscal year all Section 16(a) filing requirements applicable to Mid-America's directors and executive officers were completed on a timely basis.

### **EXECUTIVE OFFICERS**

The following served as the executive officers of Mid-America in 2006:

#### **H. ERIC BOLTON, JR.**

Mr. Bolton, age 50, is our President, Chief Executive Officer and Chairman of the Board of Directors. Mr. Bolton joined us in 1994 as Vice President of Development and was named Chief Operating Officer in February 1996 and promoted to President in December 1996. Mr. Bolton assumed the position of Chief Executive Officer following the planned retirement of George E. Cates in October 2001 and became Chairman of the Board in September 2002. Mr. Bolton was with Trammell Crow Company for more than five years, and prior to joining us was Executive Vice President and Chief Financial Officer of Trammell Crow Realty Advisors.

#### **SIMON R. C. WADSWORTH**

Mr. Wadsworth, age 59, has been Executive Vice President, Chief Financial Officer and a director since joining Mid-America in March 1994. Mr. Wadsworth owned a distribution company from 1982 until its successful sale in 1993 and prior to that served as Director of Mergers and Acquisitions for Holiday Inns, Inc.

### **COMPENSATION DISCUSSION & ANALYSIS**

#### **INTRODUCTION AND CORPORATE GOVERNANCE**

##### **General Compensation Committee Matters**

Pursuant to its charter, our Compensation Committee reviews and approves our compensation objectives and our compensation programs, plans, and awards for executive officers, among other things. The Compensation Committee's charter can be found at our corporate web site at <http://www.maac.net> in the "Company Info and Governance" section on the Investor Relations page. The Compensation Committee reviews its charter on an annual basis and, if necessary, recommends changes to the charter to the Board of Directors for approval.

---

The Compensation Committee consists of Messrs. Horn (Chairman), Fogelman, Grinalds and Sansom, each of whom is an independent director as affirmatively determined by our Board of Directors, in consultation with outside counsel. The Board consults with our outside counsel to ensure that the Board's determinations are consistent with all relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in pertinent listing standards of the NYSE, as in effect from time to time.

Mr. Horn, as chairman of the Compensation Committee, is responsible for setting the agenda for meetings. The Compensation Committee may delegate any of its responsibilities to a subcommittee comprised of two or more members of the Compensation Committee, and may delegate authority to make grants and awards under any equity-based plan to the chief executive officer with such limitations as determined by the Compensation Committee and as may be required by law or the listing standards of NYSE. To date, the Compensation Committee has made no such delegation of its responsibilities.

### **Compensation Consultant**

The Compensation Committee has the power and authority to hire outside advisors or consultants to assist the committee in fulfilling its responsibilities, at Mid-America's expense and upon terms established by the Compensation Committee. In 2005, the Compensation Committee hired an external consultant, FPL Associates Compensation, to review the then current compensation program offered to executive management, benchmark it against industry and peer levels and offer suggestions for changes (the "FPL Review"). FPL Associates Compensation presented the results of the FPL Review at the March 14, 2006, Compensation Committee meeting. The terms of the engagement and scope of work were established by the Compensation Committee.

### **Role of Executives in Establishing Compensation**

While Messrs. Bolton and Wadsworth, our CEO and CFO, do participate in general meetings of the Compensation Committee, they do not participate in executive sessions nor do they participate in any discussions concerning their own compensation. Annually, upon request from the Compensation Committee, Messrs. Bolton and Wadsworth provide the Compensation Committee with data pertinent to their compensation. This data may from time-to-time include peer executive compensation levels, achievement of individual performance components of their annual bonus plans or data pertinent to their annual base salary increases. The Compensation Committee utilizes this information, along with input from committee members and, at times, outside consultants before making final independent compensation decisions.

Messrs. Bolton and Wadsworth also provide data pertinent to the terms of our long-term incentive plans to the Compensation Committee, upon their request. At the end of any incentive or bonus plan measurement period, Messrs. Bolton and Wadsworth, along with Mid-America's Corporate Secretary and/or outside legal counsel, prepare and present to the Compensation Committee, the preliminary results of the plan for the committee's review and, if necessary, further evaluation and/or adjustment. All incentive plans are ultimately developed and adopted by the Compensation Committee.

### **Compensation Committee Activity**

Our Compensation Committee held three meetings during 2006. At the March 14, 2006 meeting, the Compensation Committee received the results of the FPL Review. The Compensation Committee's primary focus for the FPL review was to evaluate whether executive compensation was reasonable compared to industry and peer standards and yet sufficient to adequately reward the talents and efforts of the executives and to retain their talents at Mid-America. The Compensation Committee felt the FPL Review showed the current compensation package being utilized is meeting those goals.

## **OBJECTIVES OF COMPENSATION PROGRAMS**

### **Compensation Philosophy**

The main objectives of our Compensation Committee with respect to executive compensation are to attract, motivate and retain high quality executive talent, to tie annual and long-term cash and stock incentives to the achievement of measurable corporate, business unit and individual performance objectives, and to align executives'

---

interests with shareholder value creation. To achieve these objectives, the Compensation Committee reviews and approves corporate goals and objectives relevant to compensation of our executive officers, evaluates executive officer performance in light of those goals, and recommends to the other independent members of the board of

directors executive officer compensation level based on this evaluation.

Our Compensation Committee generally sets executive compensation programs to be competitive with other well-managed, multi-family REITs, taking into account individually each component of compensation. The Compensation Committee intends for each component and the aggregate of the compensation program to be competitive and to address the Compensation Committee's general underlying philosophy and policies for executive officer compensation:

- to align the financial interests of the executive officers with those of our shareholders, both in the short and long term;
- to provide incentives for achieving and exceeding annual and long-term performance goals;
- to attract, retain and motivate highly competent executives by providing total compensation that is competitive with compensation at other well-managed companies in the REIT industry;
- to reward superior corporate and individual performance achieved through ethical leadership; and
- to appropriately reward executive officers for creating long-term shareholder value and returns.

Our Compensation Committee evaluates the effectiveness of its compensation programs by reviewing the performance of Mid-America as a whole and the individual officers of Mid-America. In doing so, the Compensation Committee takes into account Mid-America's strategy as annually presented to the Board of Directors by Messrs. Bolton and Wadsworth, the total return being obtained by Mid-America's shareholders, Mid-America's fiscal performance both annually and for longer-term periods, as well as Messrs. Bolton's and Wadsworth's individual goals. To the extent that the Compensation Committee believes that changes to compensation programs are warranted, it will make changes to the plans as they conclude with respect to long-term incentive plans, and annually with respect to annual bonus plans.

## **Benchmarking**

Our Compensation Committee annually reviews and sets executive compensation. At the direction of the Compensation Committee, we conduct an annual survey of multifamily REITs by reviewing publicly available information on compensation of REITs' senior management personnel, with special emphasis on those of similar geographic concentration, size, and/or business focus as Mid-America. This information is compiled and made available to the Compensation Committee for use in the setting of executive compensation for the succeeding year.

In 2005, the survey consisted of 12 multifamily REITs: AMLI Residential Properties Trust, Associated Estates Realty Corporation, BNP Residential Properties, Inc., BRE Properties, Inc., Camden Property Trust, Colonial Properties Trust, Essex Property Trust, Inc., Gables Residential Trust, Home Properties, Inc., Post Properties, Inc., Town and Country Trust and United Dominion Realty Trust, Inc. The number of peers included can vary annually, mainly dependent upon merger and acquisition activity. In 2005, only two of the peers had higher total shareholder returns than Mid-America and on a three-year basis, Mid-America had a higher total shareholder return than every multifamily REIT in the peer survey. On an FFO per share growth basis, only four of the peers in the benchmarking group performed better than Mid-America in 2005.

As a result of Mid-America's performance, Messrs. Bolton and Wadsworth benefited from the payout of some long-term incentive plans which made their total compensation packages compare favorably to that of their peers in the 2005 survey. Messrs. Bolton's and Wadsworth's total compensation was roughly 1.5 times that of the average of the peer group in 2005; however, their base salary was slightly below the average of the group. As the Compensation Committee has tried to tie long-term incentive programs to both the performance of Mid-America and the returns received by shareholders, it is reasonable to experience a fluctuation in comparisons as Mid-America performs at different levels comparatively to its peers on an annual basis.

---

While the Compensation Committee has set no definitive benchmark for the level at which they wish to maintain Messrs. Bolton's and Wadsworth's salary or total compensation in comparison to their peers, they do feel

that it is not appropriate for Mid-America to be the compensation leader.

The Compensation Committee received additional benchmarking information in March 2006 as a result of the FPL Review. FPL Associates Compensation utilized three comparative peer groups in their analysis: an Asset-Based Peer Group consisting of 12 public real estate investment trusts that focus primarily on multifamily properties, a Size-Based Peer Group consisting of 13 public real estate investment trusts that are similar to Mid-America in terms of market capitalization and a Private Peer Group consisting of ten private real estate companies that are actively engaged in the multifamily sector. FPL Associates Compensation compared base salaries, annual bonuses and total compensation to each peer group. The findings were as follows:

- the then current base salaries for our executive officers were below the average (50<sup>th</sup> percentile) in all peer groups except for the chief executive officer's salary which was 113% of the average in the Private Peer Group;
- the annual bonus for the year reviewed varied from one times to two and a half times the average across the peer groups; and
- total compensation varied from less than average to almost two times average across the peer groups.

The Compensation Committee believed the additional bonus observed in the year reviewed by FPL Associates Compensation reflected the significantly higher shareholder return experienced by Mid-America during that period. The Compensation Committee felt the overall results matched that of the annual survey provided to the committee and did not feel that any material adjustments to the executive compensation package were required at the time.

## **ELEMENTS OF COMPENSATION**

The executive compensation package is achieved through several different components including a base salary, annual bonus and various equity-based plans. The combination of these different elements is intended to provide a complete package that addresses the different needs discussed above. The details of each component and how it fits in the overall compensation package is discussed in more detail below.

### ***Base Salary***

Executive officer base salaries are based upon the competitive market for their services, their specific responsibilities, experience and overall performance. The Compensation Committee reviews base salaries annually and adjusts base salaries from time-to-time to realign salaries with market levels after taking into account individual responsibilities, performance and experience. The Compensation Committee also takes into account the normal increases being experienced by our other non-executive employees. While the Compensation Committee feels executive officers should be adequately rewarded for their work, they do not believe Mid-America should be a salary leader. Generally, we believe that executive base salaries should be targeted near the median of the range of salaries for executives in similar positions and with similar responsibilities at comparable companies. After consideration of the FPL Review and each component of compensation, the Compensation Committee increased Messrs. Bolton's and Wadsworth's base salaries to \$380,650 and \$248,250 for 2006, respectively, which it felt was in line with the increases received by our general employee base. For 2007, our executive officers received base salary increases of 3%.

### ***Annual Bonus/Short-Term Incentive***

The annual incentive bonuses are intended to compensate executive officers for achieving our annual financial goals at corporate and business unit levels and for achieving agreed-upon individual annual performance objectives. The Compensation Committee believes that this feature of compensation motivates executive officers to strive to attain Mid-America's annual goals. Historically, the Compensation Committee has utilized annual bonus plans with both cash and/or restricted stock payout features depending on the size of the award obtained and the potential cash impact to Mid-America. The annual bonus plan for executive officers for 2006 included both FFO growth and individual goal performance objectives. The plan is described in more detail under Executive Compensation - Grants of Plan Based Awards. On March 20, 2007, the Compensation Committee evaluated the performance of

both aspects of the plan. As permitted by the plan, the Compensation Committee exercised its discretion to disregard a one-time non-recurring event that negatively impacted FFO, but improved the balance sheet of the registrant for purposes of determining the level of bonuses to award. The Compensation Committee believed that its actions better aligned FFO results with that of actual shareholder performance realized for the year. Following its discussions, the Compensation Committee, in compliance with the 2006 annual bonus plan, awarded cash bonuses of \$456,780 for Mr. Bolton and \$297,900 for Mr. Wadsworth.

### ***Equity-Based Plans***

Equity-based plans provide for longer-term incentives that both align executive officer performance with our long-term goals and offer a retention component to the compensation package. The Compensation Committee also believes that having executive officers who are significant shareholders helps to better align their interests with that of other shareholders. Our executive officers are currently involved in various equity-based plans that have been granted in prior years that are described in more detail below under the "Narrative Disclosure to Summary Compensation Table and Grants of Plan Based Awards Table" section of this proxy.

### **STOCK OWNERSHIP GUIDELINES**

Our executive officers are not subject to mandated stock ownership or stock retention guidelines. It is the belief of the Compensation Committee that the equity-based programs included in the executive compensation packages ensure that Mid-America's executive officers are also owners of Mid-America and that those plans work to align the executive officers' goals with the best interests of shareholders.

Both of Mid-America's executive officers are currently serving as directors on Mid-America's Board and as such are subject to the stock ownership guidelines required of Mid-America's directors which requires ownership of \$100,000 of Mid-America shares or the equivalent within three years of joining the Board. Both of Mid-America's executive officers are in compliance with this requirement.

### **ELEMENTS OF POST-TERMINATION COMPENSATION**

#### ***Employment Agreements***

Messrs. Bolton and Wadsworth both have employment agreements with Mid-America which they entered into in December 1999 which outline the compensation they will receive under different termination scenarios. Both employment agreements have (i) a term of one year that renews automatically on the first day of each month for an additional one-month period, so that on the first day of each month, unless sooner terminated in accordance with the terms of the agreement, the remaining term is one year; and (ii) provide for annual base salary for the executive, subject to change at the discretion of the Compensation Committee; and (iii) allows for annual incentive/bonus compensation.

Upon the executive officer's termination due to death or permanent disability or in the event the executive is terminated without cause by Mid-America or suffers a constructive termination of his employment in the absence of a change of control, Mid-America will pay the executive all amounts due to the executive as of the date of termination under the terms of all incentive and bonus plans, and will also continue to pay the executive his base salary as then in effect for one year after the termination. In addition, all stock options granted to the executive shall become fully vested and exercisable in accordance with their terms on the termination date, or the executive may elect to receive an amount in cash equal to the in-the-money value of the shares covered by all such options. Finally, Mid-America will pay to the executive officer all legal fees incurred by the executive in connection with his termination without cause or constructive termination by Mid-America. In this scenario, Mid-America's current equity plans allow for the full vesting of any earned restricted stock as defined by each individual plan.

If the executive officer is terminated without cause or suffers a constructive termination in anticipation of, on, or within three years after a change in control of Mid-America, the executive is entitled to receive a payment equal to the sum of two and 99/100 (2.99) times his annual base salary in effect on the date of termination plus two and 99/100 (2.99) times his average annual cash bonus paid during the two immediately preceding fiscal

years. To the extent that an excise tax on excess parachute payments will be imposed on the executive under Section 4999 of the Internal Revenue Code as a result of such payment, Mid-America shall pay the executive an additional amount sufficient to

reimburse him for taxes imposed pursuant to Sections 280G and 4999 of the Internal Revenue Code. In addition, all stock options granted to the executive shall become fully vested and exercisable in accordance with their terms on the termination date, or the executive may elect to receive an amount in cash equal to the greater of (i) the in-the-money value of the shares covered by all such options or (ii) the difference between the highest per share price for shares of Mid-America paid in connection with the change of control and the per share exercise price of the options held by the executive, multiplied by the number of shares covered by all such options. Finally, Mid-America will pay to the executive all legal fees incurred by the executive in connection with the change of control.

Each employment agreement also contains confidentiality and non-competition provisions, as well as the agreement of the executive officer not to have an interest in a competitor either as an owner or an employee within 5 miles of a property owned by Mid-America at the