MID AMERICA APARTMENT COMMUNITIES INC
Form 424B5
October 02, 2002
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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

FILED PURSUANT TO
RULE 424 (B) (5)
REGISTRATION NO: 333-60285

Subject to Completion, dated October 2, 2002

PROSPECTUS SUPPLEMENT
(To prospectus dated September 9, 1998)

1,050,000 Shares

% Series F Cumulative Redeemable Preferred Stock (Liquidation Preference $25 Per Share)

Dividends on the % Series F Cumulative Redeemable Preferred Stock, par value $.01 per share, will be cumulative from (but excluding) the date of original issue and payable monthly in arrears, beginning on November 15, 2002, at the rate of % of the liquidation preference per annum, or $ per share of Series F Preferred Stock.

The shares of Series F Preferred Stock are not redeemable until October , 2007, after which we may redeem the shares at a redemption price of $25 per share of Series F Preferred Stock, plus any accumulated, accrued and unpaid dividends to and including the date of redemption. The shares of Series F Preferred Stock have no maturity date and will remain outstanding indefinitely unless redeemed.

We intend to file an application to list the Series F Preferred Stock on the New York Stock Exchange under the symbol MAA PrF.

You should consider the risks which we have described in Additional Risk Factors beginning on page S-6 and in Risk Factors in the accompanying prospectus beginning on page 5 before buying shares of our Series F Preferred Stock.

	Per Share	Total
Public offering price	$	$
Underwriting discount(1)	$	$
Proceeds, before expenses, to us	$	$

(1) See Underwriting on page S-38.

The underwriters may purchase up to an additional 50,000 shares of Series F Preferred Stock from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover over-allotments. If the option is exercised in full, the total public offering price will be $, the total underwriting discount will be $ and the total proceeds, before expenses, to us will be $.

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

The underwriters expect to deliver the shares of Series F Preferred Stock to purchasers on or before October , 2002.

RAYMOND JAMES

The date of this prospectus supplement is October , 2002.

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Prospectus Supplement

In this prospectus supplement, the terms we, us or our include Mid-America Apartment Communities, Inc., Mid-America Apartments, L.P. and their subsidiaries. Substantially all of our assets are held by, and all of our operations are conducted through, Mid-America Apartments, L.P., of which Mid-America Apartment Communities, Inc. is the sole general partner and owns an approximate 84.1% ownership interest as of September 30, 2002. Unless otherwise stated in this prospectus supplement, we have assumed throughout this prospectus supplement that the underwriters over-allotment option is not exercised.

You should rely on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates or on other dates which are specified in those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary may not contain all of the information that is important to you. You should carefully read this entire prospectus supplement and the accompanying prospectus. You should also read the documents we have referred you to in Incorporation of Certain Information by Reference beginning on page S-39.

Our Company

Mid-America Apartment Communities, Inc. is a Memphis, Tennessee-based real estate investment trust, or REIT. As of August 31, 2002, we owned, or had an ownership interest in, and operated 123 apartment communities containing 33,923 apartment units in 12 states. Our apartment communities appeal to middle and upper income residents primarily in mid-size cities in the southeastern United States and Texas. Approximately 72% of our apartment units are located in Tennessee, Georgia, Florida and Texas markets. As of August 31, 2002, our apartment communities had an average occupancy rate of 94.5%. We currently employ approximately 1,100 people. Currently our executive officers and directors beneficially own approximately 11.5% of our common stock.

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

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

- empower our property managers to adjust rents in response to local market conditions and to concentrate resident turnover in peak rental demand months;
- offer new services, including telephone and cable access, to residents to increase our revenue, and reduce our operating costs through initiatives such as the installation of individual apartment unit water and utility meters and billing for trash collection in certain apartment communities;
- maintain a highly competitive portfolio with attractive curb appeal through extensive landscaping and exterior improvements and a research-based program of selective property additions and dispositions;
- pursue joint venture relationships to generate additional fee income;
- compensate employees through performance-based compensation and stock ownership programs;
- maintain a hands-on management style and flat organizational structure that emphasizes senior management s continued close contact with the market and employees; and
- improve our cost of capital through refinancing, repurchasing and issuing debt, shares of common stock and preferred stock and by managing our interest rate risk.

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Our Markets

As of August 31, 2002, we owned, or had an ownership interest in, and operated 123 apartment communities containing 33,923 apartment units in 12 states.

	Units	Portfolio Concentration	Average Occupancy (1)	Average Rental Rate (1)
Tennessee				
Memphis	4,460	13.1%	93.3%	$ 634
Nashville	1,399	4.1%	94.0%	$ 772
Chattanooga	943	2.8%	96.0%	$ 561
Jackson	664	2.0%	94.3%	$ 616
Tennessee Total	7,466	22.0%	93.8%	$ 650
Florida				
Jacksonville	2,846	8.4%	95.1%	$ 687
Tampa	1,120	3.3%	94.1%	$ 754
Other	2,518	7.4%	96.2%	$ 715
Florida Total	6,484	19.1%	95.4%	$ 710
Georgia				
Atlanta	2,116	6.2%	93.1%	$ 810
Columbus/LaGrange	1,509	4.4%	95.2%	$ 655
Augusta/Aiken/Savannah	804	2.4%	96.9%	$ 610
Other	1,742	5.1%	94.5%	$ 656
Georgia Total	6,171	18.1%	94.5%	$ 702
Texas				
Dallas	2,056	6.1%	88.7%	$ 658
Austin	1,254	3.7%	97.4%	$ 701
Houston	1,002	3.0%	94.2%	$ 673
Texas Total	4,312	12.8%	92.5%	$ 674
South Carolina	2,604	7.7%	94.6%	$ 605
Mississippi	2,130	6.3%	96.4%	$ 597
Kentucky	1,748	5.1%	95.4%	$ 696
Alabama	952	2.8%	95.3%	$ 649
Arkansas	808	2.4%	98.1%	$ 607
North Carolina	738	2.2%	91.3%	$ 573
Virginia	296	0.9%	98.6%	$ 688
Ohio	214	0.6%	95.8%	$ 664
Total Apartment Units	**33,923**	**100%**	**94.5%**	**$ 667**

(1) Averages as of August 31, 2002

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Recent Developments

Crow Joint Venture

In July 2002, we entered into an agreement of limited partnership with CH Realty II/MAA, L.L.C., or Crow Holdings, establishing Mid-America/CH Realty Limited Partnership, or the Crow Joint Venture, to pursue attractive multifamily property investment opportunities. The Crow Joint Venture will seek to acquire up to approximately $150 million of multifamily properties located in major and select secondary markets throughout the southeast and south central regions of the United States. Under the joint venture partnership agreement, we have agreed to contribute up to $16.7 million of capital in exchange for a 33 $^{1}/_{3}$% interest in the Crow Joint Venture to fund the equity portion of multifamily property investments that are mutually acceptable to us and Crow Holdings. We provide acquisition, redevelopment and property management services to the Crow Joint Venture and receive a property management fee for our services equal to 4% of gross revenue from each property in the Crow Joint Venture. Under the joint venture partnership agreement, until April 1, 2003, we are required to offer to the Crow Joint Venture each opportunity for new investment in any apartment community we do not own anywhere in the United States.

In July 2002, we acquired for $33.7 million Preston Hills apartments, a 464-unit property located in a northeast suburb of Atlanta, Georgia. We intend to transfer Preston Hills apartments at our cost basis into the Crow Joint Venture in October 2002. Through the Crow Joint Venture, we will continue to pursue a number of investment opportunities in the higher growth markets of the southeast, including Atlanta, Austin, Dallas, Houston, and major Florida and Virginia markets.

Recent Financing Activity

In August 2002, we entered into an amended credit facility with Fannie Mae, increasing the combined total available credit to $550 million from $300 million. The terms are generally similar to our prior Fannie Mae facility and include a five-year base term and interest rate floating at approximately 65 basis points over LIBOR, with an option to extend the term for five more years at then-current pricing.

We believe that through a hedging strategy we have reduced our interest rate risk on approximately 98% of our fixed rate debt maturities through December 2003. We executed forward interest rate swaps with three different counter-parties commencing in 2003, which hedge the variable interest rate risk for periods up to 2010 on $175 million aggregate principal amount of debt. These swaps have been designated against forecasted debt which will replace $144 million maturing fixed-rate debt and to replace $25 million of expiring interest rate swaps. The weighted average interest rate fixed by these forward swaps is 5.95%, compared to a weighted average interest rate of 7.09% on the debt to be refinanced.

Following the planned sale of Preston Hills into the Crow Joint Venture during October 2002, our variable rate debt will be approximately 17% of our total debt. We have attempted to manage our interest rate and refinancing risk by laddering our debt maturities at a relatively constant level for the next seven years. We also have debt maturities beyond seven years (mainly tax-free bonds) that total approximately $135 million.

The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Series F Preferred Stock, see Description of the Series F Preferred Stock beginning on page S-16 in this prospectus supplement.

Issuer	Mid-America Apartment Communities, Inc.
Securities Offered	1,050,000 shares of % Series F Cumulative Redeemable Preferred Stock, par value $.01 per share. The underwriters have the option to purchase up to 50,000 additional shares of Series F Preferred Stock from us to cover over-allotments, if any.
Dividends	Investors will be entitled to receive preferential cumulative cash dividends on the Series F Preferred Stock at a rate of % per annum of the $25 per share liquidation preference (equivalent to $ per annum per share). Beginning on November 15, 2002, dividends on the Series F Preferred Stock will be payable monthly in arrears on or about the 15th day of each month. The first dividend, which will be payable on November 15, 2002, will be for less than a full month. Dividends on the Series F Preferred Stock will be cumulative from (but excluding) the date of original issuance, which is expected to be October , 2002.
Maturity	The Series F Preferred Stock does not have any maturity date, and we are not required to redeem the Series F Preferred Stock. In addition, we are not required to set aside funds to redeem the Series F Preferred Stock. Accordingly, the shares of Series F Preferred Stock will remain outstanding indefinitely unless we decide in our sole discretion to redeem them.
Optional Redemption	We may not redeem the Series F Preferred Stock prior to October , 2007, except in limited circumstances relating to our continuing qualification as a REIT. On and after October , 2007, we may, at our option, redeem the Series F Preferred Stock, in whole or in part, at any time or from time to time, by payment of $25 per share, plus any accumulated, accrued and unpaid dividends to and including the date of redemption.
Liquidation Preference	If we liquidate, dissolve or wind up, holders of the Series F Preferred Stock will have the right to receive the $25 per share liquidation preference, plus any accumulated, accrued and unpaid dividends to and including the date of payment, but without interest, before any payment is made to the holders of our common stock or any other class or series of our capital stock rating junior to the Series F Preferred Stock.
Rank	With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series F Preferred Stock will be equal in rank with our 9.5% Series A Cumulative Preferred Stock, $25 liquidation preference per share; our 8 7/8% Series B Cumulative Preferred Stock, $25 liquidation preference per share; and our 9 3/8% Series C Cumulative Redeemable Preferred Stock, $25 liquidation preference per share; senior to our common stock, par value $.01 per share; and junior to all our existing and future indebtedness.

Voting Rights	Holders of Series F Preferred Stock generally have no voting rights. However, if dividends on any shares of the Series F Preferred Stock are in arrears for 18 or more months, holders of the Series F Preferred Stock (voting together as a single class with holders of shares of any series of our preferred stock equal in rank with the Series F Preferred Stock upon which like voting rights have been conferred) will have the right to elect two additional directors to serve on our Board of Directors until such dividend arrearage is eliminated. In addition, we may not change the designations, rights, preferences, privileges or limitations in respect of the Series F Preferred Stock in a manner that would be materially adverse to the rights of holders of the Series F Preferred Stock without the affirmative vote of at least two-thirds of the shares of Series F Preferred Stock then outstanding.
Restrictions on Ownership and Transfer	Our charter states that no person, directly or indirectly, may own more than 9.9% in value of our outstanding capital stock. Shares of Series F Preferred Stock acquired or transferred in breach of this limitation will be automatically deemed held in trust for the exclusive benefit of the transferees to whom that capital stock may be transferred without violating the 9.9% ownership limitation. In such event the purchaser-transferee shall not be entitled to vote or to participate in dividends or other distributions. The Series F Preferred Stock is subject to the general restrictions on ownership and transferability described under Description of Capital Stock Ownership Limitations on page 18 in the accompanying prospectus.
Conversion	Shares of Series F Preferred Stock are not convertible into or exchangeable for any other securities or property.
Use of Proceeds	We estimate that our net proceeds from the offering will be approximately $25.2 million (approximately $26.4 million if the underwriters over-allotment option is exercised in full). We intend to use the net proceeds from the offering of Series F Preferred Stock (together with approximately $1.6 million (approximately $350,000 if the underwriters over-allotment option is exercised in full) of additional borrowings under available credit lines) to repurchase and retire all issued and outstanding shares of our 9 1/2% Series E Preferred Stock, $25 liquidation preference per share.
Listing	We intend to file an application to list the Series F Preferred Stock on the New York Stock Exchange under the symbol MAA PrF. If the application is approved, trading of the Series F Preferred Stock on the NYSE is expected to begin within 30 days after the date of initial delivery of the Series F Preferred Stock.

ADDITIONAL RISK FACTORS

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

Our issuance of additional preferred stock equal in rank with or senior to the Series F Preferred Stock could dilute the interests of the holders of the Series F Preferred Stock.

Our charter currently authorizes the issuance of up to 20,000,000 shares of preferred stock in one or more series. As of the date of this prospectus supplement, there are issued and outstanding 2,000,000 shares of Series A Preferred Stock, 1,938,830 shares of Series B Preferred Stock and 2,000,000 shares of Series C Preferred Stock, all of which are equal in rank with the Series F Preferred Stock with respect to the payment of dividends and amounts on liquidation, dissolution and winding up. Our Board of Directors has designated 3,000,000 shares of preferred stock as Series F Preferred Stock, only 1,050,000 (1,100,000 shares if the underwriters over-allotment option is exercised in full) of which will be issued in this offering. The remaining shares of Series F Preferred Stock may be issued in the future upon authorization by our Board of Directors. The issuance of additional shares of Series F Preferred Stock or other series of preferred stock equal in rank with or senior to the Series F Preferred Stock could have the effect of diluting the interests of holders of the Series F Preferred Stock. None of the provisions of our charter relating to the Series F Preferred Stock afford the holders of the Series F Preferred Stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all of our property or business, that might adversely affect the holders of the Series F Preferred Stock. Upon completion of this offering, the net proceeds of this offering (together with additional borrowings) will be used to repurchase all 1,000,000 issued and outstanding shares of Series E Preferred Stock, which will be retired. See Use of Proceeds below.

Increasing insurance costs may negatively impact our financial condition.

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

USE OF PROCEEDS

We estimate the net proceeds from the sale of the Series F Preferred Stock to be approximately $25.2 million after deducting underwriting discounts and paying offering expenses of approximately $223,000 (approximately $26.4 million if the underwriters over-allotment option is exercised in full). We intend to use all of the net proceeds (together with approximately $1.6 million (approximately $350,000 if the underwriters over-allotment option is exercised in full) of additional borrowings under available credit lines) to repurchase and retire all of the issued and outstanding shares of our Series E Preferred Stock.

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CAPITALIZATION

The following table sets forth our capitalization on June 30, 2002 and as adjusted to give effect to the issuance of the Series F Preferred Stock and the application of the net proceeds as described in Use of Proceeds in this prospectus supplement. The information set forth in the following table should be read in connection with, and is qualified in its entirety by reference to, the financial statements and notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus.

	June 30, 2002	
	Historical	As Adjusted
	(unaudited)	
	(Dollars in thousands)	
Notes payable	$ 788,136	$ 789,686
Minority interest	43,106	$ 43,106
Shareholders equity:		
Preferred stock, $.01 par value per share, 20,000,000 shares authorized		
No shares of % Series F Cumulative Redeemable Preferred Stock, Liquidation Preference $25 per share, issued and outstanding, 1,050,000 shares issued and outstanding as adjusted		11
1,000,000 shares of 9 1/2% Series E Cumulative Redeemable Preferred Stock, Liquidation Preference $25 per share, issued and outstanding, no shares issued and outstanding as adjusted	10	
2,000,000 shares of 9 3/8% Series C Cumulative Redeemable Preferred Stock, Liquidation Preference $25 per share, issued and outstanding	20	20
1,938,830 shares of 8 7/8% Series B Cumulative Preferred Stock, Liquidation Preference $25 per share, issued and outstanding	19	19
2,000,000 shares of 9.5% Series A Cumulative Preferred Stock, Liquidation Preference $25 per share, issued and outstanding	20	20
Common stock, $.01 par value per share, 50,000,000 shares authorized, 17,628,760 shares issued and outstanding	176	176
Additional paid-in capital	554,387	554,586
Other	(4,612)	(4,612)
Accumulated distributions in excess of net income	(164,290)	(166,040)
Accumulated other comprehensive loss	(12,526)	(12,526)
Total shareholders equity	373,204	371,654
Total capitalization	$ 1,204,446	$ 1,204,446

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SELECTED FINANCIAL AND OPERATING DATA

The following table sets forth selected financial and operating information on an historical basis. The following information should be read in conjunction with all of the financial statements and notes thereto included in our Quarterly Report on Form 10-Q for the quarter and six-month period ended June 30, 2002 (unaudited), and our Annual Report on Form 10-K for the year ended December 31, 2001, which are incorporated by reference into this prospectus supplement.

MID-AMERICA APARTMENT COMMUNITIES, INC.
SELECTED FINANCIAL AND OPERATING DATA
(Dollars in thousands except per share and property data)

	Six Months Ended June 30,		Year Ended December 31,		
	2002	**2001**	**2001**	**2000**	**1999**
Operating Data:					
Total revenues	$ 112,819	$ 114,718	$ 228,039	$ 224,640	$ 226,322
Expenses:					
Property operating expenses	42,640	41,972	84,584	83,446	84,885
Depreciation and amortization	27,156	26,091	52,051	51,844	49,903
General and administrative and property management expenses	7,907	8,195	16,083	14,826	14,479
Interest	24,724	27,302	52,598	50,736	48,302
Amortization of deferred financing costs	1,321	1,165	2,352	2,758	2,854
Net gain on disposition of assets and insurance settlement proceeds	565	164	11,933	11,587	10,237
Income before minority interest in operating partnership income and extraordinary items	9,636	10,157	32,304	32,617	36,136
Minority interest in operating partnership income	(338)	(251)	(2,573)	(2,626)	(2,497)
Extraordinary items	(28)	(443)	(1,033)	(204)	(67)
Net income	9,270	9,463	28,698	29,787	33,572
Preferred dividends	8,057	8,057	16,113	16,114	16,114
Net income available for common shareholders	$ 1,213	$ 1,406	$ 12,585	$ 13,673	$ 17,458
Per Share Data:					
Basic and diluted:					
Before extraordinary items	$ 0.07	$ 0.11	$ 0.78	$ 0.79	$ 0.93
Extraordinary items		(0.03)	(0.06)	(0.01)	
Net income available per common share	$ 0.07	$ 0.08	$ 0.72	$ 0.78	$ 0.93
Dividends declared	$ 1.170	$ 1.170	$ 2.340	$ 2.325	$ 2.305
Balance Sheet Data:					
Real estate owned, at cost	$ 1,458,661	$ 1,451,521	$ 1,449,720	$ 1,430,378	$ 1,396,743
Real estate owned, net	1,198,938	1,239,566	1,216,933	1,244,475	1,248,051
Total assets	1,250,962	1,286,753	1,263,488	1,303,771	1,298,823
Total debt	788,136	790,708	779,664	781,089	744,238
Minority interest	43,106	47,876	46,431	51,383	56,060
Shareholders equity	373,204	410,962	395,829	433,993	463,884
Weighted average common shares (000 s):					
Basic	17,477	17,438	17,427	17,544	18,784
Diluted	17,673	17,495	17,532	17,597	18,808
Other Data (at end of period):					
Shares and units outstanding	20,530	20,351	20,371	20,451	20,936
Market capitalization (1)	$ 722,659	$ 694,243	$ 709,224	$ 634,903	$ 639,095
Ratio of total debt to total capitalization (2)	52.2%	53.2%	52.4%	55.2%	53.8%
Number of properties, including joint venture properties (3)	122	124	122	124	129

Number of apartment units, including joint venture properties (3)	33,459	33,778	33,411	33,612	33,901
Ratio of earnings to fixed charges and preferred stock dividends (4)	1.0x	1.0x	1.1x	1.0x	1.1x
EBITDA (4)	62,272	64,551	127,372	126,368	126,958
EBITDA to interest coverage (4)	2.5x	2.3x	2.4x	2.3x	2.4x
EBITDA to fixed charges and preferred stock dividends (4)	1.8x	1.7x	1.8x	1.7x	1.8x

(1) Market capitalization is the aggregate value of shares of preferred stock (based on $25 per share liquidation preference), shares of common stock (based on closing price of common stock on last day of period indicated) and units of limited partnership interests in Mid-America Apartments, L.P. not held by us (based on 1:1 common stock equivalency) outstanding on the last day of the period indicated.

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

(3) Does not include Preston Hills, which contains 464 units and was acquired in July 2002.

(4) For purposes of these computations, EBITDA consists of net income (loss) before gain on dispositions of assets, extraordinary items, allocation to minority interests, plus depreciation and amortization, interest expense and deferred financing costs. Fixed charges include interest expense and capitalized interest, amortized premiums, discounts and capitalized expenses relating to debt, and the interest component of rent expense.

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OUR COMPANY

General

Mid-America Apartment Communities, Inc. is a Memphis, Tennessee-based REIT. As of August 31, 2002, we owned, or had an ownership interest in, and operated 123 apartment communities containing 33,923 apartment units in 12 states. Our apartment communities appeal to middle and upper income residents primarily in mid-size cities in the southeastern United States and Texas. Approximately 72% of our apartment units are located in Tennessee, Georgia, Florida and Texas markets. As of August 31, 2002, our apartment communities had an average occupancy rate of 94.5%. We currently employ approximately 1,100 people. Currently, our executive officers and directors beneficially own approximately 11.5% of our common stock.

Our Strategic Focus

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

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

- empower our property managers to adjust rents in response to local market conditions and to concentrate resident turnover in peak rental demand months;
- offer new services, including telephone and cable access, to residents to increase our revenue, and reduce our operating costs through initiatives such as the installation of individual apartment unit water and utility meters and billing for trash collection in certain apartment communities;
- maintain a highly competitive portfolio with attractive curb appeal through extensive landscaping and exterior improvements and a research-based program of selective property additions and dispositions;
- pursue joint venture relationships to generate additional fee income;
- compensate employees through performance-based compensation and stock ownership programs;
- maintain a hands-on management style and flat organizational structure that emphasizes senior management s continued close contact with the market and employees; and
- improve our cost of capital through refinancing, repurchasing and issuing debt, shares of common stock and preferred stock and by managing our interest rate risk.

Our Operating Philosophy

Investment Focus

Depending on market conditions and opportunities created by the real estate cycle, our management seeks to use its experience across market cycles to invest profitably. For example, between 1994 and 1997, we focused on the acquisition and redevelopment of existing apartments because capital was plentiful, acquisition prices were reasonable and many apartment communities were good prospects for repositioning in their markets through capital improvements and strategic marketing. Between 1998 and 2000, we focused on development of new apartments because we believed development properties offered enhanced returns as compared to acquired properties. When equity capital at a reasonable cost became unavailable in 1999, we established the Blackstone Joint Venture and sold assets to that joint venture, primarily to generate capital to fund our development pipeline. Between August 1999 and December 2001, we repurchased and retired approximately 1.9 million shares of our common stock, funded in part by asset sales, as we believed the equity market undervalued our common stock. Our present focus is on the acquisition of properties that we believe can be repositioned with appropriate use of capital and our operating management skills. We are also interested in increasing our investment in properties in larger and faster growing markets in the southeastern and south central United States and Texas and have formed the Crow Joint Venture to acquire apartment communities in these markets with the potential for above-average growth and return. We intend to continue our established process of selling mature assets and will adapt our investment focus to opportunities and markets where our experienced management team believes we can achieve superior adjusted returns.

High Quality Assets

We maintain our assets in excellent condition, believing that continuous maintenance will lead to higher long-term returns on investment. We believe that recognition by third parties of the quality of our properties, landscaping, and property management will lead to higher rents and profitability. We have won numerous awards for the quality of many of our apartment communities. We sell assets selectively in order to ensure that our portfolio consists of high quality, well-located assets within our market areas.

Diversified Market Focus

We focus on owning, operating, developing, constructing and acquiring apartment communities throughout the southeastern United States and Texas. We do not concentrate our investments in particular markets, but we focus on markets about which our management team has substantial knowledge.

Intensive Property Management Focus

We strongly emphasize on-site property management. We pay particular attention to opportunities to increase rents, raise average occupancy rates and control costs, and our property managers and regional management are given the responsibility for monitoring market trends and the discretion to react to such trends. As part of our intense management focus, we have established regional training facilities to produce highly trained property managers, leasing consultants and service technicians who work on-site at our apartment communities.

Decentralized Operational Structure

We have adopted a decentralized operating structure. Our management believes that our decentralized operating structure capitalizes on specific market knowledge, increases personal accountability relative to a centralized structure and is beneficial in the acquisition, redevelopment and development processes.

Proactive Balance Sheet and Portfolio Management

We focus on maximizing return on assets and adding to intrinsic shareholder value, routinely reviewing each asset based on its determined value and selling those assets which no longer fit our investment criteria. We constantly evaluate the effectiveness of our capital allocations and make adjustments to our strategy, including investing in acquisitions and new development, debt retirement, and repurchases of shares of our common stock.

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Our Properties

The following table sets forth certain historical information with respect to each of our properties at August 31, 2002.

Property	Location	Year Completed	Year Management Commenced	Number of Units	Occupancy Rate(4)
Alabama					
Eagle Ridge	Birmingham	1986	1998	200	95.0%
Abbington Place	Huntsville	1987	1998	152	92.1%
Paddock Club-Huntsville	Huntsville	1998/99	1997	392	95.4%
Paddock Club-Montgomery I & II	Montgomery	1999	1998	208	97.6%
Total Alabama				952	95.3%
Arkansas					
Calais Forest	Little Rock	1987	1994	260	97.7%
Napa Valley	Little Rock	1984	1996	240	98.3%
Westside Creek I	Little Rock	1984	1997	142	98.6%
Westside Creek II	Little Rock	1986	1997	166	98.2%
Total Arkansas				808	98.1%
Florida					
Tiffany Oaks	Altamonte Springs	1985	1996	288	94.8%
Marsh Oaks	Atlantic Beach	1986	1995	120	98.3%
Indigo Point	Brandon	1989	2000	240	96.3%
Paddock Club-Brandon I & II	Brandon	1997/99	1997	440	92.5%
Anatole	Daytona Beach	1986	1995	208	97.1%
Paddock Club-Gainesville	Gainesville	1999	1998	264	98.1%
Cooper s Hawk	Jacksonville	1987	1995	208	95.7%
Hunter s Ridge at Deerwood	Jacksonville	1987	1997	336	97.3%
Lakeside	Jacksonville	1985	1996	416	97.8%
Paddock Club-Jacksonville I, II & III	Jacksonville	1989/96	1997	440	91.6%
Paddock Club-Mandarin	Jacksonville	1998	1998	288	93.4%
St. Augustine	Jacksonville	1987	1995	400	92.3%
Woodbridge at the Lake	Jacksonville	1985	1994	188	98.4%
Woodhollow	Jacksonville	1986	1997	450	95.3%
Paddock Club-Lakeland	Lakeland	1988/90	1997	464	95.7%
Savannahs at James Landing	Melbourne	1990	1995	256	92.2%
Paddock Park-Ocala I	Ocala	1986	1997	200	96.0%
Paddock Park-Ocala II	Ocala	1988	1997	280	95.0%
Paddock Club-Panama City	Panama City	2000	1998	254	98.0%
Paddock Club-Tallahassee I	Tallahassee	1990	1997	192	99.0%
Paddock Club-Tallahassee II	Tallahassee	1995	1997	112	99.0%
Belmere	Tampa	1984	1994	210	94.8%
Links at Carrollwood	Tampa	1980	1998	230	94.3%
Total Florida				6,484	95.4%
Georgia					
High Ridge	Athens	1987	1997	160	97.5%
Preston Hills (1)	Atlanta	2001	2002	464	88.6%
Bradford Pointe	Augusta	1986	1997	192	96.9%
Shenandoah Ridge	Augusta	1975/84	1994	272	95.2%
Westbury Creek	Augusta	1984	1997	120	97.5%
Fountain Lake	Brunswick	1983	1997	110	90.0%
Park Walk	College Park	1985	1997	124	94.4%
Whisperwood	Columbus	1980/86/88/98	1997	1,008	96.8%

Willow Creek	Columbus	1968/78	1997	285	93.7%
Terraces at Fieldstone	Conyers	1999	1998	316	96.2%
Whispering Pines	LaGrange	1982/84	1997	216	89.4%

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Property	Location	Year Completed	Year Management Commenced	Number of Units	Occupancy Rate(4)
Westbury Springs	Lilburn	1983	1997	150	90.0%
Austin Chase	Macon	1996	1997	256	94.9%
The Vistas	Macon	1985	1997	144	94.4%
Walden Run (2)	McDonough	1997	1998	240	97.5%
Georgetown Grove	Savannah	1997	1998	220	98.6%
Island Retreat	St. Simons Island	1978	1998	112	97.3%
Wildwood I	Thomasville	1980	1997	120	93.3%
Wildwood II	Thomasville	1984	1997	96	99.0%
Hidden Lake I	Union City	1985	1997	160	93.1%
Hidden Lake II	Union City	1987	1997	160	92.5%
Three Oaks I	Valdosta	1983	1997	120	95.0%
Three Oaks II	Valdosta	1984	1997	120	97.5%
Huntington Chase	Warner Robins	1997	2000	200	92.0%
Southland Station I	Warner Robins	1987	1997	160	90.6%
Southland Station II	Warner Robins	1990	1997	144	88.2%
Terraces at Towne Lake I	Woodstock	1998	1997	264	92.8%
Terraces at Towne Lake II	Woodstock	1999	1998	238	95.8%
Total Georgia				6,171	94.5%
Kentucky					
Fairways at Hartland	Bowling Green	1996	1997	240	98.8%
Paddock Club Florence	Florence	1994	1997	200	90.0%
Grand Reserve Lexington (3)	Lexington	2000	1999	370	94.1%
Lakepointe	Lexington	1986	1994	118	94.9%
Mansion, The	Lexington	1989	1994	184	98.4%
Village, The	Lexington	1987	1994	252	97.2%
Stonemill Village	Louisville	1985	1994	384	95.1%
Total Kentucky				1,748	95.4%
Mississippi					
Riverhills	Grenada	1972	1985	96	87.5%
Crosswinds	Jackson	1988/89	1996	360	99.2%
Pear Orchard	Jackson	1985	1994	389	96.7%
Reflection Pointe	Jackson	1986	1988	296	98.3%
Somerset	Jackson	1980	1995	144	97.2%
Woodridge	Jackson	1987	1988	192	96.9%
Lakeshore Landing (2)	Ridgeland	1974	1994	196	93.4%
Savannah Creek	Southaven	1989	1996	204	95.6%
Sutton Place	Southaven	1991	1996	253	95.3%
Total Mississippi				2,130	96.4%
North Carolina					
Hermitage at Beechtree	Cary	1988	1997	194	90.2%
Woodstream (2)	Greensboro	1983	1994	304	86.8%