

BROADRIDGE FINANCIAL SOLUTIONS, INC.

Form 10-Q

February 07, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2012

OR

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

For the transition period from _____ to _____

Commission File Number 001-33220

BROADRIDGE FINANCIAL SOLUTIONS, INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

33-1151291
(I.R.S. Employer
Identification No.)

1981 Marcus Avenue

Lake Success, NY
(Address of principal executive offices)

11042
(Zip Code)

Registrant's telephone number, including area code (516) 472-5400

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock, \$0.01 par value, as of January 31, 2013 was 121,855,102.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****Broadridge Financial Solutions, Inc.****Condensed Consolidated Statements of Earnings****(In millions, except per share amounts)****(Unaudited)**

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Revenues	\$ 493.2	\$ 479.8	\$ 989.0	\$ 956.2
Cost of revenues	387.6	382.6	777.6	765.4
Selling, general and administrative expenses	77.2	73.5	150.1	138.2
Impairment charge		9.7		9.7
Other expenses, net	3.7	3.4	8.0	6.1
Total expenses	468.5	469.2	935.7	919.4
Earnings from continuing operations before income taxes	24.7	10.6	53.3	36.8
Provision for income taxes	8.9	3.8	19.2	13.3
Net earnings from continuing operations	15.8	6.8	34.1	23.5
Loss from discontinued operations, net of tax benefit				
Net earnings	\$ 15.8	\$ 6.8	\$ 34.1	\$ 23.5
Basic earnings per share:				
Basic earnings per share from continuing operations	\$ 0.13	\$ 0.05	\$ 0.28	\$ 0.19
Basic loss per share from discontinued operations				
Basic earnings per share	\$ 0.13	\$ 0.05	\$ 0.28	\$ 0.19
Diluted earnings per share:				
Diluted earnings per share from continuing operations	\$ 0.13	\$ 0.05	\$ 0.27	\$ 0.19
Diluted loss per share from discontinued operations				
Diluted earnings per share	\$ 0.13	\$ 0.05	\$ 0.27	\$ 0.19
Weighted-average shares outstanding:				
Basic	122.0	123.7	123.0	123.7
Diluted	125.5	127.2	126.3	126.9
Dividends declared per common share	\$ 0.18	\$ 0.16	\$ 0.36	\$ 0.32

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**Broadridge Financial Solutions, Inc.****Condensed Consolidated Statements of Comprehensive Income****(In millions)****(Unaudited)**

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
	(\$ in millions)			
Net earnings	\$ 15.8	\$ 6.8	\$ 34.1	\$ 23.5
Other comprehensive income (loss), net:				
Foreign currency translation adjustments	0.8	(10.8)	5.9	(11.8)
Net unrealized gains (losses) on available-for-sale securities, net of taxes of (\$0.1) and \$0.3 for the three months ended December 31, 2012 and 2011, respectively; and (\$0.3) and \$2.4 for the six months ended December 31, 2012 and 2011, respectively	0.1	(0.8)	0.4	(4.2)
Reclassification adjustment for other-than-temporary impairment included in net income, net of taxes of \$(3.5) for the three and six months ended December 31, 2011, respectively		6.2		6.2
Pension and post-retirement liability adjustment, net of taxes of zero and \$0.4 for the three and six month periods ended December 31, 2012, respectively			(0.6)	
Total other comprehensive income (loss), net	0.9	(5.4)	5.7	(9.8)
Comprehensive income	\$ 16.7	\$ 1.4	\$ 39.8	\$ 13.7

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**Broadridge Financial Solutions, Inc.****Condensed Consolidated Balance Sheets****(In millions, except per share amounts)****(Unaudited)**

	December 31, 2012	June 30, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 259.1	\$ 320.5
Accounts receivable, net of allowance for doubtful accounts of \$5.1 and \$6.5, respectively	305.2	370.7
Other current assets	89.3	86.2
Total current assets	653.6	777.4
Property, plant and equipment, net	76.5	79.0
Goodwill	782.6	780.0
Intangible assets, net	126.8	143.3
Other non-current assets	216.7	207.9
Total assets	\$ 1,856.2	\$ 1,987.6
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 97.7	\$ 102.2
Accrued expenses and other current liabilities	198.3	260.6
Deferred revenues	48.4	47.5
Total current liabilities	344.4	410.3
Long-term debt	524.4	524.4
Deferred taxes	56.3	63.2
Deferred revenues	41.7	38.3
Other non-current liabilities	106.0	100.9
Total liabilities	1,072.8	1,137.1
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock: Authorized, 25.0 shares; issued and outstanding, none		
Common stock, \$0.01 par value: Authorized, 650.0 shares; issued, 153.8 and 152.9 shares, respectively; outstanding, 121.8 and 124.8 shares, respectively	1.5	1.5
Additional paid-in capital	769.1	739.4
Retained earnings	676.3	686.1
Treasury stock: at cost, 32.0 and 28.1 shares, respectively	(672.7)	(580.0)
Accumulated other comprehensive income	9.2	3.5
Total stockholders' equity	783.4	850.5
Total liabilities and stockholders' equity	\$ 1,856.2	\$ 1,987.6

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**Broadridge Financial Solutions, Inc.****Condensed Consolidated Statements of Cash Flows****(In millions)****(Unaudited)**

	Six Months Ended December 31,			
	2012		2011	
Cash Flows From Operating Activities				
Net earnings	\$	34.1	\$	23.5
Adjustments to reconcile Net earnings to Net cash flows provided by operating activities of continuing operations:				
Depreciation and amortization		26.0		23.7
Amortization of acquired intangibles		11.0		10.9
Amortization of other assets		11.3		8.8
Deferred income taxes		(8.5)		(14.9)
Stock-based compensation expense		12.9		13.8
Excess tax benefits from the issuance of stock-based compensation awards		(1.3)		(0.1)
Net income (loss)		(3,369)	1,123	(10,304) (5,734)
Noncontrolling interest		4,212	4,664	7,832 5,559
Dividends on preferred shares		4,669		7,790
Conversion of preferred units			10,456	10,456
Net loss attributable to common shareholders	\$	(12,250)	\$ (13,997)	\$ (25,926)\$ (21,749)
Weighted average shares outstanding basic and diluted		185,515,651	95,971,706	185,510,004 72,234,717
Net loss per share basic and diluted:				
Loss from continuing operations	\$	(0.07)	\$ (0.16)	\$ (0.14)\$ (0.31)
Income from discontinued operations			0.01	0.01
Net loss attributable to common shareholders per share basic and diluted	\$	(0.07)	\$ (0.15)	\$ (0.14)\$ (0.30)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**American Homes 4 Rent****Condensed Consolidated Statements of Comprehensive Income****(Amounts in thousands)****(Unaudited)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Net income (loss)	\$ (3,369)	\$ 1,123	\$ (10,304)	\$ (5,734)
Other comprehensive loss:				
Unrealized loss on interest rate cap agreement:				
Unrealized interest rate cap agreement loss arising during the period	(212)		(212)	
Reclassification adjustment for amortization of interest expense included in net income				
Unrealized loss on interest rate cap agreement	(212)		(212)	
Total other comprehensive loss	(212)		(212)	
Comprehensive loss	(3,581)	1,123	(10,516)	(5,734)
Comprehensive income attributable to noncontrolling interests	4,227	4,664	7,847	5,559
Dividends on preferred shares	4,669		7,790	
Conversion of preferred shares		10,456		10,456
Comprehensive loss attributable to common shareholders	\$ (12,477)	\$ (13,997)	\$ (26,153)	\$ (21,749)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**American Homes 4 Rent****Condensed Consolidated Statement of Equity**

(Amounts in thousands, except share information)

(Unaudited)

	Class A common shares		Class B common shares		Preferred shares		Additional	Accumulated	Accumulated	Shareholder	Noncontrolling	Total
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	paid-in capital	deficit	other comprehensive loss	equity	interest	equity
Balances at December 31, 2013	184,869,219	\$ 1,848	635,075	\$ 6	9,060,000	\$ 91	\$ 2,996,478	\$ (63,479)	\$	\$ 2,934,944	\$ 715,715	\$ 3,650,659
2,770 Property Contribution							2			2	110	112
Share-based compensation							1,144			1,144		1,144
Issuances of Preferred shares, net of offering costs of \$10,567					8,000,000	80	162,431			162,511		162,511
Issuance of common stock	28,750						431			431		431
Distributions to equity holders:												
Preferred shares								(7,790)		(7,790)		(7,790)
Noncontrolling interests											(11,805)	(11,805)
Common shares								(18,551)		(18,551)		(18,551)
Net income (loss)								(18,136)		(18,136)	7,832	(10,304)
Total other comprehensive loss									(212)	(212)		(212)
Balances at June 30, 2014	184,897,969	\$ 1,848	635,075	\$ 6	17,060,000	\$ 171	\$ 3,160,486	\$ (107,956)	(212)	\$ 3,054,343	\$ 711,852	\$ 3,766,195

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**American Homes 4 Rent****Condensed Consolidated Statements of Cash Flows**

(Amounts in thousands)

(Unaudited)

	For the Six Months Ended June 30,	
	2014	2013
Operating activities		
Net loss	\$ (10,304)	\$ (5,734)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	73,456	13,784
Noncash amortization of deferred financing costs	446	186
Noncash share-based compensation	1,144	453
Gain on remeasurement of equity method investment		(10,945)
Gain on disposition of discontinued operations		(904)
Provision for bad debt	2,385	
Remeasurement of Series E units	7,700	
Remeasurement of Preferred shares	598	
Equity in net income of unconsolidated ventures	(17)	
Other changes in operating assets and liabilities:		
Rent and other receivables	(2,029)	4,736
Restricted cash for resident security deposits	(10,281)	(13,572)
Prepaid expenses and other assets	6,028	(475)
Deferred leasing costs	(3,503)	(3,197)
Accounts payable and accrued expenses	7,884	9,954
Resident security deposit liability	10,281	13,102
Amounts payable to affiliates	4,882	(5,349)
Net cash provided by operating activities	88,670	2,039
Investing activities		
Cash paid for single-family properties	(597,717)	(1,293,745)
Escrow deposits for purchase of single-family properties	6,044	(18,227)
Change in restricted cash related to lender requirements	(10,201)	
Cash acquired in non-cash business combinations		33,099
Net proceeds received from sale of discontinued operations		8,844
Investment in unconsolidated joint ventures	(12,191)	
Distributions from unconsolidated joint venture		3,431
Investments in mortgage financing receivables	(17,465)	
Improvements to single-family properties	(91,427)	(236,849)
Net cash used in investing activities	(722,957)	(1,503,447)
Financing activities		
Implied contribution by Sponsor for historical operations		517
Net proceeds from issuance of Class A common shares		703,497
Net proceeds from issuance of Preferred shares	189,433	
Proceeds from exercise of stock options	431	
Proceeds from asset-backed securitization	480,970	
Proceeds from credit facility	837,909	670,000
Payments on credit facility	(731,909)	
Proceeds from bridge loan		115,000
Payments on bridge loan		(115,000)

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Extinguishment of RJ1 note payable		(7,600)
Distributions to noncontrolling interests	(11,805)	(5,858)
Distributions to common shareholders	(18,551)	
Distributions to preferred shareholders	(7,790)	
Deferred financing costs	(14,315)	(4,940)
Net cash provided by financing activities	724,373	1,355,616
Net increase (decrease) in cash and cash equivalents	90,086	(145,792)
Cash and cash equivalents, beginning of period	148,989	397,198
Cash and cash equivalents, end of period	\$ 239,075	\$ 251,406

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**American Homes 4 Rent****Condensed Consolidated Statements of Cash Flows (Continued)**

(Amounts in thousands)

(Unaudited)

	For the Six Months Ended June 30,	
	2014	2013
Supplemental cash flow information		
Cash payments for interest	\$ 8,473	\$ 448
Supplemental schedule of noncash investing and financing activities		
Receivables related to property acquisitions	\$	\$ 1,261
Accounts payable and accrued expenses related to property acquisitions	\$ (4,076)	\$ 20,201
Accounts payable and accrued expenses related to deferred financing costs	\$	\$ 3,333
Amounts payable to affiliates related to property acquisitions	\$ 647	\$ 2,278
Accrued distribution to noncontrolling interests	\$ 4,698	\$
Contribution of properties (see Note 10)		
Single-family properties, including related assets and liabilities	\$	\$ 30,510
Additional paid-in capital	\$	\$ (384,221)
Due from affiliates	\$	\$ (2,508)
Issuance of Series C convertible units to noncontrolling interest	\$	\$ 390,016
Issuance of Class B common shares	\$	\$ 7,959
Acquisitions (see Note 11)		
Single-family properties	\$	\$ 966,571
Cash and cash equivalents	\$	\$ 33,099
Other net assets and liabilities	\$	\$ (36,760)
Deferred costs and other intangibles	\$	\$ 133,195
Class A common shares	\$	\$ (436)
Additional paid-in capital	\$	\$ (703,856)
Issuance of Class A units to noncontrolling interest	\$	\$ (221,934)
Issuance of Series D units to noncontrolling interest	\$	\$ (65,188)
Contingently convertible Series E units liability	\$	\$ (64,881)
Noncontrolling interest in consolidated subsidiaries	\$	\$ (39,321)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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American Homes 4 Rent

Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Organization and operations

American Homes 4 Rent (the "Company," "we," "our" and "us") is a Maryland real estate investment trust ("REIT") formed on October 19, 2012. We are focused on acquiring, renovating, leasing and operating single-family homes as rental properties. As of June 30, 2014, the Company held 27,173 single-family properties in 22 states, including 36 properties held for sale.

From our formation through June 10, 2013, we were externally managed and advised by American Homes 4 Rent Advisor, LLC (the "Advisor") and the leasing, managing and advertising of our properties was overseen and directed by American Homes 4 Rent Management Holdings, LLC (the "Property Manager"), both of which were subsidiaries of American Homes 4 Rent, LLC (the "Sponsor"). On June 10, 2013, we acquired the Advisor and the Property Manager from the Sponsor in exchange for 4,375,000 Series D units and 4,375,000 Series E units in American Homes 4 Rent, L.P. (the "Operating Partnership") (the "Management Internalization"). Under the terms of the contribution agreement, all administrative, financial, property management, marketing and leasing personnel, including executive management, became fully dedicated to us (see Note 11).

Prior to the Management Internalization, the Sponsor exercised control over the Company through the contractual rights provided to the Advisor through an advisory management agreement. Accordingly, the contribution of certain properties by the Sponsor to the Company prior to the Management Internalization have been deemed to be transactions between entities under common control, and as such, the accounts relating to the properties contributed have been recorded by us as if they had been acquired by us on the dates such properties were acquired by the Sponsor (see Note 10). Accordingly, the accompanying condensed consolidated financial statements include the Sponsor's historical results of operations and carrying values of the properties that had been acquired by the Sponsor. The Sponsor commenced acquiring these properties on June 23, 2011, and accordingly, the statements of operations reflect activity prior to the Company's date of formation. Therefore, the accompanying condensed consolidated financial statements are not indicative of the Company's past or future results and do not reflect its financial position, results of operations, changes in equity, and cash flows had they been presented as if the Company had been operated independently during the periods presented.

Note 2. Significant accounting policies

Basis of presentation

The accompanying condensed consolidated financial statements are unaudited and include the accounts of the Company, the Operating Partnership and its consolidated subsidiaries. Intercompany accounts and transactions have been eliminated. The Company consolidates real estate partnerships and other entities that are not variable interest entities when it owns, directly or indirectly, a majority interest in the entity or is otherwise able to control the entity. Ownership interests in certain consolidated subsidiaries of the Company held by outside parties are included in noncontrolling interest in the accompanying condensed consolidated financial statements. The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and in conjunction with the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, the accompanying condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements

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American Homes 4 Rent

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Note 2. Significant accounting policies (Continued)

and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2013. In the opinion of management, all adjustments of a normal and recurring nature necessary for a fair presentation of the condensed consolidated financial statements for the interim periods have been made. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

There have been no changes to our significant accounting policies that have had a material impact on our condensed consolidated financial statements and related notes and therefore notes to the condensed consolidated financial statements which would substantially duplicate the disclosure contained in the audited consolidated financial statements have been omitted.

Derivatives

We currently use, and in the future may use, interest rate cap agreements for interest rate risk management purposes and in conjunction with certain LIBOR-based variable rate debt to satisfy lender requirements. We assess these derivatives at inception and on an on-going basis for the effectiveness of qualifying cash flow hedges. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings as interest expense. The ineffective portion of the change in fair value of our interest rate cap agreements is required to be recognized directly in earnings.

Recently issued and adopted accounting standards

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, *Presentation of Financial Statements, Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity*, which changes the criteria for reporting discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations such as a major line of business, major geographic area or a major equity method investment, should be presented as discontinued operations. In addition the new guidance will require expanded disclosures about discontinued operations that will provide more information about the assets, liabilities, income and expenses of discontinued operations. The guidance will be effective for all disposals of components (or classifications as held for sale) that occur within annual periods beginning on or after December 15, 2014 and is not expected to have a material impact on the Company's financial statements.

Table of Contents**American Homes 4 Rent****Notes to Unaudited Condensed Consolidated Financial Statements (Continued)****Note 3. Single-family properties**

Single-family properties, net, consists of the following as of June 30, 2014 and December 31, 2013 (dollars in thousands):

	June 30, 2014	
	Number of properties	Net book value
Leased single-family properties	23,364	\$ 3,879,445
Single-family properties being renovated	1,756	262,977
Single-family properties being prepared for re-lease	656	111,370
Vacant single-family properties available for lease	1,361	224,696
Single-family properties held for sale	36	5,306
Total	27,173	\$ 4,483,794

	December 31, 2013	
	Number of properties	Net book value
Leased single-family properties	17,328	\$ 2,914,947
Single-family properties being renovated	2,463	348,571
Single-family properties being prepared for re-lease	281	45,404
Vacant single-family properties available for lease	3,152	545,931
Single-family properties held for sale	44	6,569
Total	23,268	\$ 3,861,422

Single-family properties, net at June 30, 2014 and December 31, 2013 include \$92.3 million and \$120.6 million, respectively, related to properties for which the recorded grant deed has not been received. For these properties, the trustee or seller has warranted that all legal rights of ownership have been transferred to us on the date of the sale, but there is a delay for the deeds to be recorded.

Depreciation expense related to single-family properties was \$34.8 million and \$9.0 million for the three months ended June 30, 2014 and 2013, respectively. Depreciation expense related to single-family properties was \$65.8 million and \$11.9 million for the six months ended June 30, 2014 and 2013, respectively. Included in single-family properties, net at June 30, 2014 and December 31, 2013 are certain single-family properties contributed by the Sponsor (see Note 10).

Note 4. Rent and Other Receivables

Included in rent and other receivables, net is an allowance for doubtful accounts of \$0.2 million and \$1.2 million, as of June 30, 2014 and December 31, 2013, respectively. Also included in rent and other receivables, net, are receivables related to payments made on single-family properties for which sales have been rescinded or unwound due to legal issues beyond our control. These receivables totaled \$1.3 million as of

June 30, 2014 and December 31, 2013.

Table of Contents**American Homes 4 Rent****Notes to Unaudited Condensed Consolidated Financial Statements (Continued)****Note 5. Deferred costs and other intangibles**

Deferred costs and other intangibles, net, consists of the following as of June 30, 2014 and December 31, 2013 (in thousands):

	June 30, 2014	December 31, 2013
Deferred leasing costs	\$ 14,837	\$ 12,526
Deferred financing costs	27,111	12,147
Intangible assets:		
Value of in-place leases	5,547	6,085
Trademark	3,100	3,100
Database	2,100	2,100
	52,695	35,958
Less: accumulated amortization	(22,330)	(15,385)
Total	\$ 30,365	\$ 20,573

Amortization expense related to deferred leasing costs, the value of in-place leases, trademark and database was \$3.5 million and \$1.9 million for the three months ended June 30, 2014 and 2013, respectively, and \$7.7 million and \$1.9 million for the six months ended June 30, 2014 and 2013, respectively, which has been included in depreciation and amortization in the accompanying condensed consolidated statements of operations. Amortization of deferred financing costs was \$0.9 million and \$0.7 million for the three months ended June 30, 2014, and 2013, respectively, and \$1.5 million and \$0.9 million for the six months ended June 30, 2014 and 2013, respectively, which has been included in gross interest, prior to interest capitalization (see Note 6).

The following table sets forth the estimated annual amortization expense related to deferred costs and other intangibles, net as of June 30, 2014 for future periods (in thousands):

Year	Deferred Leasing Costs	Deferred Financing Costs	Value of In-place Leases	Trademark	Database
Remaining 2014	\$ 3,423	\$ 2,654	\$	\$ 330	\$ 150
2015	808	5,274		660	300
2016		5,289		660	300
2017		3,939		660	300
2018		3,469		91	300
Thereafter		1,326			432
Total	\$ 4,231	\$ 21,951	\$	\$ 2,401	\$ 1,782

Note 6. Debt*Asset-Backed Securitization*

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In May 2014, the Company completed a securitization transaction resulting in \$481.0 million in total gross proceeds, before issuance costs of \$14.9 million. The transaction involves the issuance and sale of single-family rental pass-through certificates that represent beneficial ownership interests in a loan secured by 3,852 homes sold to an affiliate from the Company's portfolio of single-family properties. The loan has an initial term of two years, with three, 12-month extension options, resulting in a fully extended maturity date of June 9, 2019 and requires that we maintain certain covenants, including, but not limited to, a minimum debt yield on the collateral pool of properties. As of June 30,

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American Homes 4 Rent

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Note 6. Debt (Continued)

2014, the Company was in compliance with all covenants under the loan agreement. The loan requires monthly payments of principal, based on 1.0% annual amortization of the initial loan balance, and interest, based on a duration-weighted blended interest rate of LIBOR plus 1.54%, subject to a LIBOR floor of 0.25%. Proceeds from this transaction were used to pay down the outstanding balance on the credit facility.

Additionally, as part of certain lender requirements in connection with the securitization transaction, we entered into an interest rate cap agreement for the initial two year term of the loan, with a LIBOR based strike rate equal to 3.85%. This interest rate cap agreement has been formally designated as a cash flow hedge at inception and will be regularly assessed for effectiveness on an on-going basis. During the three months ended June 30, 2014, our interest rate cap agreement was 100% effective as a cash flow hedge and, as a result, changes in fair value have been classified in accumulated other comprehensive loss. These amounts will subsequently be reclassified into earnings in the period which the hedged transaction affects earnings. Over the next 12 months, we estimate that \$0.05 million will be reclassified as an increase to interest expense. The fair value of our interest rate cap agreement is estimated to be \$0.03 million as of June 30, 2014 (see Note 15) and has been included in escrow deposits, prepaid expenses and other assets in the accompanying consolidated condensed balance sheets.

As the Company's asset-back securitization bears variable interest at LIBOR plus 1.54% and was recently entered into on May 21, 2014, management believes the carrying value of the asset-backed securitization as of June 30, 2014 reasonably approximates fair value, which has been estimated by discounting future cash flows at market rates (Level 2).

Credit facility

On March 7, 2013, we entered into a \$500 million senior secured revolving credit facility with a financial institution. On September 30, 2013, we amended our credit facility to, among other things, expand our borrowing capacity to \$800 million and extend the repayment period to September 30, 2018. The amount that may be borrowed under the credit facility will generally be based on 50% of the lower of cost or the fair value of our qualifying leased and un-leased properties and certain other measures based in part on the net income generated by our qualifying leased and un-leased properties, which is referred to as the "Borrowing Base." Borrowings under the credit facility are available through March 7, 2015, which may be extended for an additional year, subject to the satisfaction of certain financial covenant tests. Upon expiration of the credit facility period, any outstanding borrowings will convert to a term loan through September 30, 2018. All borrowings under the credit facility bear interest at 30 day LIBOR plus 2.75% until March 2017, and thereafter at 30 day LIBOR plus 3.125%.

The credit facility is secured by our Operating Partnership's membership interests in entities that own certain of our single-family properties and requires that we maintain financial covenants relating to the following matters: (i) minimum liquidity of cash, cash equivalents and borrowing capacity under any credit facilities in an aggregate amount of at least \$15.0 million, of which at least \$7.5 million must be in cash and cash equivalents; (ii) a maximum leverage ratio of 1.0 to 1.0; and (iii) tangible net worth (as defined) of not less than the sum of 85% of our tangible net worth as of September 30, 2013 plus 85% of the net proceeds of any additional equity capital raises completed on or after September 30, 2013. As of June 30, 2014, the Company was in compliance with all loan covenants and had \$481.0 million in total outstanding borrowings under the credit facility. Management believes the carrying value of the credit facility as of June 30, 2014 reasonably approximates fair value, which has been estimated by discounting future cash flows at market rates (Level 2).

Table of Contents**American Homes 4 Rent****Notes to Unaudited Condensed Consolidated Financial Statements (Continued)****Note 6. Debt (Continued)***Interest Expense*

The following table outlines our total gross interest, including unused commitment and other fees and amortization of deferred financing costs, and capitalized interest for the three and six months ended June 30, 2014 and 2013 (in thousands):

	For the Three Months Ended,		For the Six Months Ended,	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Gross interest cost	\$ 6,298	\$ 2,028	\$ 10,728	\$ 2,398
Capitalized interest	(2,410)	(2,028)	(5,338)	(2,028)
Interest expense	\$ 3,888	\$	\$ 5,390	\$ 370

Note 7. Accounts payable and accrued expenses

The following table summarizes accounts payable and accrued expenses as of June 30, 2014 and December 31, 2013 (in thousands):

	December 31,	
	June 30, 2014	2013
Accounts payable	\$ 1,402	\$ 901
Accrued property taxes	38,164	28,240
Other accrued liabilities	27,444	21,538
Accrued distribution payable		9,274
Accrued construction liabilities	12,574	16,917
Resident security deposits	37,902	26,527
Total	\$ 117,486	\$ 103,397

Note 8. Shareholders' equity*Issuance of 5.50% Series C Participating Preferred Shares*

On May 2, 2014, the Company issued 7,600,000 5.50% Series C participating preferred shares in an underwritten public offering and concurrent private placement, raising gross proceeds of \$190.0 million before offering costs of \$9.7 million.

Distributions

In May 2014, our board of trustees declared a quarterly distribution of \$0.05 per common share. Total quarterly distributions of approximately \$9.3 million were paid on June 30, 2014 to common stockholders of record on June 15, 2014 and included in distributions to common shareholders in the accompanying condensed consolidated statement of equity.

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In May 2014, our board of trustees declared a quarterly distribution of \$0.15113 per Series C Convertible Unit payable on July 10, 2014 to shareholders of record on June 30, 2014. Accordingly, a distribution payable to Series C Convertible Unit holders of \$4.7 million has been recorded within amounts payable to affiliates in the accompanying condensed consolidated balance sheet as of June 30,

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American Homes 4 Rent

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Note 8. Shareholders' equity (Continued)

2014 (see Note 9), and included in distributions to noncontrolling interests in the accompanying condensed consolidated statement of equity.

In May 2014, our board of trustees declared quarterly distributions of \$0.3125 per share, \$0.3125 per share and \$0.225347 per share on our 5.0% Series A participating preferred shares, 5.0% Series B participating preferred shares and 5.5% Series C participating preferred shares, respectively. Total quarterly distributions of approximately \$1.6 million, \$1.4 million and \$1.7 million on our 5.0% Series A participating preferred shares, 5.0% Series B participating preferred shares and 5.5% Series C participating preferred shares, respectively, which were paid on June 30, 2014 to shareholders of record on June 15, 2014, have been included in distributions to preferred shareholders in the accompanying condensed consolidated statement of equity.

Noncontrolling interest

Noncontrolling interest as reflected in the Company's condensed consolidated balance sheet primarily consists of the interest held by the Sponsor in units in the Company's Operating Partnership. As of June 30, 2014 and December 31, 2013, the Sponsor owned 13,787,292, or approximately 6.9%, of the total 199,320,336 Class A units in the Operating Partnership. Additionally, the Sponsor owned all 31,085,974 Series C convertible units and all 4,375,000 Series D convertible units in the Operating Partnership as of June 30, 2014, and December 31, 2013. Also included in noncontrolling interest are outside ownership interests in certain consolidated subsidiaries of the Company.

Noncontrolling interest as reflected in the Company's condensed consolidated statements of operations for the three and six months ended June 30, 2014 primarily consisted of \$4.7 million and \$9.2 million, respectively, of preferred income allocated to Series C convertible units, \$0.6 million and \$1.3 million, respectively, of net loss allocated to Class A units, and \$0.07 million net income and \$0.02 million net loss, respectively, of net loss allocated to noncontrolling interests in certain of the Company's consolidated subsidiaries.

Noncontrolling interest as reflected in the Company's condensed consolidated statements of operations for the three and six months ended June 30, 2013 primarily consisted of \$4.7 million and \$5.5 million, respectively, of preferred income allocated to Series C convertible units and \$0.1 million and \$0.2 million, respectively, of net income allocated to 3.5% convertible perpetual preferred units (prior to conversion of such units into Class A units on June 14, 2013).

2012 Equity Incentive Plan

During the six months ended June 30, 2014, the Company granted stock options for 1,220,000 Class A common shares and 92,000 restricted stock units to certain employees of the Company under the 2012 Equity Incentive Plan. The options and restricted stock units granted during the six months ended June 30, 2014 vest over four years and expire 10 years from the date of grant.

Table of Contents**American Homes 4 Rent****Notes to Unaudited Condensed Consolidated Financial Statements (Continued)****Note 8. Shareholders' equity (Continued)**

The following table summarizes stock option activity under the plan for the six months ended June 30, 2014 and 2013:

	For the Six Months Ended			
	June 30, 2014		June 30, 2013	
	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price
Outstanding at beginning of the period	1,190,000	\$ 15.48	700,000	\$ 15.00
Granted	1,220,000	16.74		
Exercised	(28,750)	15.00		
Forfeited	(216,250)	15.70	(30,000)	15.00
Outstanding at end of the period	2,165,000	\$ 16.17	670,000	\$ 15.00

Exercisable at end of the period	131,250	\$ 15.00		\$
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The following table summarizes the Black-Scholes Option Pricing Model inputs used for valuation of the stock options for Class A common shares issued during the six months ended June 30, 2014:

Weighted average fair value	\$ 4.89
Weighted average remaining life (years)	9.7
Expected term (years)	7.0
Dividend Yield	3%
Volatility	37.3%
Risk-free interest rate	2.2%

Total non-cash share-based compensation expense related to stock options and restricted stock units was \$0.6 million and \$1.1 million for the three and six months ended June 30, 2014, respectively, and \$0.3 million and \$0.5 million for the three and six months ended June 30, 2013, respectively. During the six months ended June 30, 2014, stock options for 216,250 Class A common shares and 2,000 restricted stock units were forfeited and stock options for 2,165,000 Class A common shares and 90,000 restricted stock units remained outstanding as of June 30, 2014.

Note 9. Related party transactions

As of June 30, 2014 and December 31, 2013, the Sponsor owned approximately 3.7% of our outstanding Class A common shares. On a fully-diluted basis, the Sponsor held (including consideration of 635,075 Class B common shares as of June 30, 2014 and December 31, 2013, 13,787,292 Class A common units as of June 30, 2014 and December 31, 2013, 31,085,974 Series C convertible units as of June 30, 2014 and December 31, 2013, 4,375,000 Series D units as of June 30, 2014 and December 31, 2013 and 4,375,000 Series E units as of June 30, 2014 and December 31, 2013) an approximate 23.9% and 24.6% interest at June 30, 2014 and December 31, 2013, respectively.

As of June 30, 2014, the Company had a net payable of approximately \$6.6 million due to the Sponsor, which has been reflected as amounts payable to affiliates in the accompanying condensed consolidated balance sheets. This amount primarily consists of payables to the Sponsor related to accrued and unpaid acquisition fees and declared and unpaid preferred distributions on the Series C convertible units held by the Sponsor (see Note 8).

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American Homes 4 Rent

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Note 9. Related party transactions (Continued)

As of December 31, 2013, the Company had a net receivable of \$4.5 million due from the Sponsor, which has been included in escrow deposits, prepaid expenses and other assets in the accompanying condensed consolidated balance sheets. This amount consists of receivables due from the Sponsor related to the estimated net monetary asset reconciliations associated with the Management Internalization and Alaska Joint Venture Acquisition (see Note 11) and other expense reimbursements, offset by amounts payable to the Sponsor related to accrued and unpaid acquisition fees and declared and unpaid preferred distributions on the Series C convertible units held by the Sponsor (see Note 8).

Advisory management agreement

In November 2012, the Company entered into an advisory management agreement with the Advisor under which the Advisor was responsible for designing and implementing our business strategy and administering our business activities and day-to-day operations, subject to the oversight by our board of trustees. For the three and six months ended June 30, 2013, related management fee expenses incurred to the Advisor prior to the Management Internalization were \$3.7 million and \$6.4 million, respectively (see Note 11).

Property Management Agreement

In November 2012, the Company entered into a property management agreement with the Property Manager under which the Property Manager generally oversaw and directed the leasing, management and advertising of the properties in our portfolio, including collecting rents and acting as liaison with the tenants. We paid the Property Manager a property management fee equal to 6% of collected rents and a leasing fee equal to one-half month of each lease's annual rent. For the three and six months ended June 30, 2013, property management fees incurred to the Property Manager prior to the Management Internalization were \$1.1 million and \$1.3 million, respectively, which have been included in property operating expenses in the accompanying condensed consolidated statement of operations (see Note 11).

Agreement on Investment Opportunities

In November 2012, the Company entered into an "Agreement on Investment Opportunities" with the Sponsor under which we pay an acquisition and renovation fee equal to 5% of all costs and expenses we incur in connection with the initial acquisition, repair and renovation of single-family properties (net of any broker fees received by the Property Manager) for its services in identifying, evaluating, acquiring and overseeing the renovation of the properties we purchase. In connection with the Management Internalization on June 10, 2013 (see Note 11), we entered into an Amended and Restated Agreement on Investment Opportunities. Under the amended and restated agreement, on December 10, 2014, the Sponsor will cease providing acquisition and renovation services for us and we will cease paying the acquisition and renovation fee. No termination or other fee will be due on December 10, 2014 in connection with the termination of the Sponsor providing such services. On September 10, 2014, we will have the right to offer employment, that would commence on December 10, 2014, to all of the Sponsor's acquisition and renovation personnel necessary for our operations. Additionally, the Sponsor is required to pay the Company a monthly fee of \$0.1 million through December 10, 2014 for maintenance and use of certain intellectual property transferred to us in the Management Internalization, which is included in other revenue in the accompanying condensed consolidated statements of operations (see Note 11).

Table of Contents**American Homes 4 Rent****Notes to Unaudited Condensed Consolidated Financial Statements (Continued)****Note 9. Related party transactions (Continued)**

During the three and six months ended June 30, 2014, we incurred \$9.2 million and \$26.8 million in aggregate acquisition and renovation fees to the Sponsor under the terms of this agreement, \$8.3 million and \$25.6 million of which has been capitalized related to asset acquisitions and included in the cost of the single-family properties, and \$0.9 million and \$1.2 million has been expensed related to property acquisitions with in-place leases, respectively. During the three and six months ended June 30, 2013, we incurred \$44.5 million and \$72.4 million in aggregate acquisition and renovation fees to the Sponsor under the terms of this agreement, \$43.2 million and \$70.1 million of which has been capitalized related to asset acquisitions, and included in the cost of the single-family properties, and \$1.3 million and \$2.3 million has been expensed related to property acquisitions with in-place leases, respectively. As of June 30, 2014, accrued and unpaid acquisition and renovation fees were \$1.9 million, which have been included in amounts payable to affiliates in the accompanying condensed consolidated balance sheets.

Employee Administration Agreement

In connection with the Management Internalization on June 10, 2013 (see Note 11), we entered into an employee administration agreement with Malibu Management, Inc. ("MMI"), an affiliate of the Sponsor, to obtain the exclusive services of personnel of the Advisor and the Property Manager, who were previously employees of MMI under the direction of the Sponsor. Under terms of the agreement, we obtained the exclusive service of the employees dedicated to us for all management and other personnel dedicated to our business and are able to direct MMI to implement employment decisions with respect to the employees dedicated to us. We are required to reimburse MMI for all compensation and benefits and costs associated with the employees dedicated to us. We do not pay any fee or any other form of compensation to MMI. Total compensation and benefit costs paid by MMI and passed through to us under the agreement during the three and six months ended June 30, 2014 were \$10.1 million and \$19.1 million, respectively. Total compensation and benefit costs paid by MMI and passed through to us under the agreement during the three and six months ended June 30, 2013 were \$1.2 million. As of June 30, 2014, accrued and unpaid reimbursable compensation and benefit costs due to MMI were \$0.7 million, which have been included in amounts payable to affiliates in the accompanying condensed consolidated balance sheet.

Allocated general and administrative expenses

Prior to February 28, 2013, the Company received an allocation of general and administrative expenses from the Sponsor that were either clearly applicable to or were reasonably allocated to the operations of the properties prior to contribution by the Sponsor (see Note 10). Allocated general administrative expenses prior to the date of contribution for the three and six months ended June 30, 2013, were zero and \$1.0 million, respectively, which have been included in general and administrative expense in the accompanying condensed consolidated statements of operations.

Note 10. Contributions by the Sponsor*2,770 Property Contribution*

On February 28, 2013, we entered into an agreement with the Sponsor providing for the contribution of 2,770 single-family properties for total consideration of \$491.7 million (the "2,770 Property Contribution"). The consideration to the Sponsor was 31,085,974 Series C convertible units in

Table of Contents**American Homes 4 Rent****Notes to Unaudited Condensed Consolidated Financial Statements (Continued)****Note 10. Contributions by the Sponsor (Continued)**

our Operating Partnership and 634,408 Class B common shares valued at \$15.50 per unit/share, which approximated fair value as of the date of the transaction. Because the 2,770 Property Contribution has been deemed to be a transaction between entities under common control, the shares issued and the property received have been recorded by us at the Sponsor's historical book value and reflected as if they had been acquired by us on the dates such properties were acquired by the Sponsor. Upon consummation of the transaction on February 28, 2013, the total \$386.5 million predecessor net book value of the property contribution was reclassified from additional paid-in capital to (i) noncontrolling interest in connection with the issuance of \$378.8 Series C units in our Operating Partnership and (ii) Class B common shares in connection with the issuance of \$7.7 million Class B common shares.

Note 11. Acquisitions and Dispositions*Management Internalization*

On June 10, 2013, the Company completed the Management Internalization for the purpose of internalizing its corporate and property operations management and acquired 100% of the membership interests in the Advisor and the Property Manager from the Sponsor in exchange for 4,375,000 Series D units and 4,375,000 Series E units in our Operating Partnership, which were valued at \$65.2 million and \$64.9 million, respectively, as of the date of issuance using a Monte Carlo Simulation model. Under the terms of the respective contribution agreement, among other things, all administrative, financial, property management, marketing and leasing personnel, including executive management, became fully dedicated to the Company.

The following table summarizes the estimated fair values of the assets acquired as part of the Management Internalization as of the date of acquisition (in thousands):

Buildings and improvements	\$ 4,214
Identified intangible assets:	
Trademark	3,100
Database	2,100
Goodwill	120,655

Fair value of acquired assets	\$ 130,069
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Under the terms of the Management Internalization contribution agreement, net monetary assets, as defined, of the Advisor and Property Manager as of June 10, 2013 were to be settled in cash between the Company and the Sponsor subsequent to the date of the transaction. Accordingly, estimated net monetary assets of \$7.0 million, including estimated cash and cash equivalents of \$9.0 million, were recorded as of the date of the Management Internalization and subsequently the amounts were reconciled and settled in cash.

Since the date of the Management Internalization, the Company has consolidated the Advisor and the Property Manager and the results of these operations are reflected in the accompanying condensed consolidated financial statements.

Table of Contents**American Homes 4 Rent****Notes to Unaudited Condensed Consolidated Financial Statements (Continued)****Note 11. Acquisitions and Dispositions (Continued)***Alaska Joint Venture Acquisition*

On June 11, 2013, the Company acquired 100% of the membership interests in American Homes 4 Rent I, LLC (the "Alaska Joint Venture") from Alaska Permanent Fund Corporation ("APFC") and the Sponsor for a purchase price of \$904.5 million (the "Alaska Joint Venture Acquisition"). The purchase price consisted of the issuance of 43,609,394 Class A common shares in the Company to APFC and 12,395,965 Class A units in the Operating Partnership to the Sponsor (see Note 8). As part of the Alaska Joint Venture Acquisition, the Company acquired a portfolio of 4,778 single-family properties, as well as the right to receive all net cash flows produced by the Alaska Joint Venture subsequent to April 30, 2013. Net cash flows produced by the Alaska Joint Venture subsequent to April 30, 2013 and prior to the Company's ownership on June 11, 2013 were approximately \$1.9 million, which have been included in the purchase price of the assets acquired as part of the Alaska Joint Venture Acquisition. The Company completed the Alaska Joint Venture Acquisition for the purpose of acquiring a portfolio of 4,778 single-family properties, which was 75% leased as of the date of acquisition.

The following table summarizes the estimated fair values of the assets acquired as part of the Alaska Joint Venture Acquisition as of the date of acquisition (in thousands):

Land	\$ 156,648
Building and improvements	740,396
Receivable for net cash flows prior to acquisition date	1,896
Value of in-place leases	5,547
Fair value of acquired assets	\$ 904,487

Pursuant to the Alaska Joint Venture Acquisition contribution agreement, net monetary assets, as defined, of the Alaska Joint Venture as of April 30, 2013 were used to fund all remaining initial repair and renovation costs of the 4,778 single-family properties, with shortfalls paid for by the Sponsor. Accordingly, estimated net monetary assets of the Alaska Joint Venture of \$13.0 million, including estimated cash and cash equivalents of \$23.0 million, were recorded as of the date of the Alaska Joint Venture Acquisition in the accompanying condensed consolidated balance sheet.

Since the date of the Alaska Joint Venture Acquisition, the Company has consolidated the Alaska Joint Venture and the results of its operations are reflected in the accompanying condensed consolidated financial statements.

RJ Joint Ventures Acquisition

On June 14, 2013, the Sponsor contributed its remaining ownership interest in RJ American Homes 4 Rent Investments, LLC ("RJ LLC") to the Company, 653,492 3.5% convertible perpetual preferred units held by the Sponsor were converted into 653,492 Class A units and the Company issued 705,167 additional Class A units to the Sponsor (collectively, the "2013 RJ Transaction"). The fair value of the 705,167 Class A units issued has been estimated to be \$11,283,000, which has been determined using the most recent trading price in the Company's Class A common shares, into which the Class A units are convertible into on a one-for-one basis. Additionally, our Operating Partnership made a \$7.6 million loan to RJ American Homes 4 Rent One, LLC ("RJ1"), the proceeds of which were used to extinguish the balance of an outstanding loan as of the date of the 2013 RJ Transaction.

Table of Contents**American Homes 4 Rent****Notes to Unaudited Condensed Consolidated Financial Statements (Continued)****Note 11. Acquisitions and Dispositions (Continued)**

The Company completed the 2013 RJ Transaction for the purpose of gaining 100% ownership of RJ LLC and therefore control over RJ1 and RJ American Homes 4 Rent Two, LLC ("RJ2"). As of the date of the 2013 RJ Transaction, the RJ1 and RJ2 portfolios collectively consisted of 377 single-family properties.

The following table summarizes the estimated fair values of the net assets of RJ LLC, RJ1 and RJ2 that the Company gained control over on June 14, 2013 and the associated 67% noncontrolling interest held by third party accredited investors in RJ1 and RJ2, respectively (in thousands):

Land	\$	10,340
Building and improvements		54,123
Value of in-place leases		539
Cash and cash equivalents		1,128
Other current assets and liabilities, net		(311)
Note payable		(7,600)
Noncontrolling interest		(39,321)

Fair value of acquired net assets \$ 18,898

Since the date of the 2013 RJ Transaction, the Company has consolidated RJ LLC, RJ1 and RJ2 and the related results of operations are reflected in the accompanying consolidated financial statements.

The following table presents the Company's supplemental consolidated pro forma total revenues and net income as if the Management Internalization, Alaska Joint Venture Acquisition, and 2013 RJ Transaction had occurred on January 1, 2013 (in thousands):

	For the Three Months Ended,		For the Six Months Ended,	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Pro forma total revenues (1)	\$ 94,304	\$ 28,631	\$ 171,582	\$ 42,955
Pro forma net loss (1)(2)	\$ (3,369)	\$ (20,877)	\$ (10,304)	\$ (26,293)

- (1) This unaudited pro forma supplemental information does not purport to be indicative of what the Company's operating results would have been had the Management Internalization, Alaska Joint Venture Acquisition, and 2013 RJ Transaction occurred on January 1, 2013.
- (2) Pro-forma net loss represents the combined pro forma net loss of the Advisor and Property Manager, among others, but does not reflect the elimination of historical advisory and property management fees that would not have been paid had the Management Internalization occurred on January 1, 2013.

Additionally, due to the inherent complexity of the accompanying consolidated financial statements as a result of the transactions completed between entities under common control, management believes that presentation of pro forma net loss attributable to common shareholders and on a per share basis is not meaningful and has therefore only presented pro forma total revenues and net loss as if the Management Internalization, Alaska Joint Venture Acquisition, and 2013 RJ Transaction had occurred on January 1, 2013 above.

Table of Contents**American Homes 4 Rent****Notes to Unaudited Condensed Consolidated Financial Statements (Continued)****Note 12. Earnings per share**

The following table reflects the computation of net loss per share on a basic and diluted basis for the three and six months ended June 30, 2014 and 2013 (in thousands, except share information):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Income / (loss) (numerator):				
Loss from continuing operations	\$ (3,369)	\$ 137	\$ (10,304)	\$ (6,742)
Income from discontinued operations		986		1,008
Noncontrolling interest	4,212	4,664	7,832	5,559
Dividends on preferred shares	4,669		7,790	
Conversion of preferred units		10,456		10,456
Net loss attributable to common shareholders	\$ (12,250)	\$ (13,997)	\$ (25,926)	\$ (21,749)
Weighted-average shares (denominator)	185,515,651	95,971,706	185,510,004	72,234,717
Net loss per share basic and diluted:				
Loss from continuing operations	\$ (0.07)	\$ (0.16)	\$ (0.14)	\$ (0.31)
Income from discontinued operations		0.01		0.01
Net loss per share basic and diluted	\$ (0.07)	\$ (0.15)	\$ (0.14)	\$ (0.30)

Total weighted average shares for the three and six months ended June 30, 2014 shown above excludes an aggregate of 72,938,266 shares or units in our Operating Partnership, Series A, B and C preferred shares, common shares issuable upon exercise of stock options, and restricted stock units because they were antidilutive. Total weighted average shares for the three and six months ended June 30, 2013 shown above excludes an aggregate of 35,775,468 and 54,293,266 of shares or units in our Operating Partnership, respectively, and common shares issuable upon exercise of the option pursuant to the subscription agreement with the Sponsor because they were antidilutive.

Due to the inherent complexity of the accompanying condensed consolidated financial statements as a result of the transactions completed between entities under common control (see Note 10), management does not consider the historical net loss per share computations to be meaningful.

Note 13. Commitments and contingencies

In connection with the renovation of single-family properties after they are purchased, the Company enters into contracts for the necessary improvements. As of June 30, 2014 and December 31, 2013, the Company had aggregate outstanding commitments of \$0.4 million and \$1.5 million, respectively, in connection with these contracts.

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As of June 30, 2014 and December 31, 2013, we had commitments to acquire 485 and 536 single-family properties, respectively, with an aggregate purchase price of \$70.5 million and \$75.5 million, respectively.

We are involved in various legal proceedings that are incidental to our business. We believe these matters will not have a materially adverse effect on our financial position.

American Homes 4 Rent

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Note 14. Noncash transactions

On February 28, 2013, the Sponsor contributed 2,770 single-family properties to the Company in exchange for 31,085,974 Series C convertible units in our Operating partnership and 634,408 Class B common shares (see Note 10).

Note 15. Fair Value

The carrying amount of rents and other receivables, restricted cash for resident security deposits, escrow deposits, prepaid expenses and other assets, accounts payable and accrued expenses and amounts payable to affiliates approximate fair value because of the short maturity of these amounts. The Company's interest rate cap agreement, contingently convertible Series E units liability and preferred shares derivative liability are the only financial instruments recorded at fair value on a recurring basis in the accompanying condensed consolidated financial statements.

Inputs to the model used to value the contingently convertible Series E units liability include a risk-free rate corresponding to the assumed timing of the conversion date and a volatility input based on the historical volatilities of selected peer group companies. The starting point for the simulation is the most recent trading price in the Company's Class A common shares, into which the Series E units are ultimately convertible. The timing of such conversion is based on the provisions of the contribution agreement and the Company's best estimate of the events that trigger such conversions.

Valuation of the preferred shares derivative liability considers scenarios in which the preferred shares would be redeemed or converted into Class A common shares by the Company and the subsequent payoffs under those scenarios. The valuation also considers certain variables such as the risk-free rate matching the assumed timing of either redemption or conversion, volatility of the underlying home price appreciation index, dividend payments, conversion rates, the assumed timing of either redemption or conversion and an assumed drift factor in home price appreciation across certain metropolitan service areas as outlined in the agreement.

The fair value of our interest rate cap agreement is determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the interest rate cap. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. To comply with the provisions of ASC 820, the Company incorporates credit valuation adjustments to appropriately reflect the respective counterparty's nonperformance risk in the fair value measurements.

Table of Contents**American Homes 4 Rent****Notes to Unaudited Condensed Consolidated Financial Statements (Continued)****Note 15. Fair Value (Continued)**

The following table sets forth the fair value of our interest rate cap agreement, the contingently convertible Series E units liability and preferred shares derivative liability as of June 30, 2014 (in thousands):

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	June 30, 2014 Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Interest rate cap agreement	\$ 33	\$	\$ 33	\$
Liabilities:				
Contingently convertible Series E units liability	\$ 74,638	\$	\$	\$ 74,638
Preferred shares derivative liability	\$ 55,670	\$	\$	\$ 55,670

The following table presents changes in the fair value of the contingently convertible series E units liability and preferred shares derivative liability, which are measured on a recurring basis, with changes in fair value recognized in remeasurement of Series E units and remeasurement of preferred shares, respectively, in the accompanying condensed consolidated statements of operations, for the six months ended June 30, 2014 (in thousands):

Description	January 1, 2014	Issuances	Remeasurement included in earnings	June 30, 2014
Liabilities:				
Contingently convertible Series E units liability	\$ 66,938	\$	\$ 7,700	\$ 74,638
Preferred shares derivative liability	\$ 28,150	\$ 26,922	\$ 598	\$ 55,670

Changes in inputs or assumptions used to value the contingently convertible Series E units liability and preferred shares derivative liability may have a material impact on the resulting valuation.

The following table sets forth the fair value of the contingently convertible series E units liability and preferred shares derivative liability as of December 31, 2013 (in thousands):

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	December 31, 2013 Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Contingently convertible Series E units liability	\$ 66,938	\$	\$	\$ 66,938
Preferred shares derivative liability	\$ 28,150	\$	\$	\$ 28,150

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American Homes 4 Rent

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Note 16. Subsequent events

Subsequent Acquisitions

From July 1, 2014 through July 31, 2014, we acquired 673 properties through our recurring acquisition channels, including foreclosure auctions and broker sales, with an aggregate purchase price of approximately \$96.7 million. In addition, we acquired 1,372 properties through the acquisition of Beazer Pre-Owned Rental Homes, Inc. ("Beazer Rental Homes") on July 1, 2014, as discussed below. We expect that our level of acquisition activity will fluctuate based on the number of suitable investments and on the level of funds available for investment.

Acquisition of Beazer Pre-Owned Rental Homes, Inc.

On July 1, 2014, we acquired Beazer Rental Homes in exchange for approximately 8.2 million Class A common shares, \$5.0 million of cash to be held in an indemnification escrow and extinguishment of certain liabilities of Beazer Rental Homes, including \$112.8 million outstanding under Beazer Rental Homes' credit facility. The acquisition of Beazer Rental Homes adds 1,372 properties located in the Arizona, California, Florida and Nevada to our portfolio.

Borrowings on Credit Facility

From July 1, 2014 through July 31, 2014, the Company borrowed an additional \$120.0 million under the credit facility and made payments on the credit facility totaling \$15.0 million, resulting in an outstanding balance of \$586.0 million on July 31, 2014.

Declaration of Dividends

On August 4, 2014, our board of trustees declared a quarterly dividend of \$0.05 per Class A common share payable on September 30, 2014 to shareholders of record on September 15, 2014. Additionally, our board of trustees also declared the quarterly dividends of \$0.3125 per share on the Company's 5.0% Series A Participating Preferred Shares payable on September 30, 2014 to shareholders of record on September 15, 2014, \$0.3125 per share on the Company's 5.0% Series B Participating Preferred Shares payable on September 30, 2014 to shareholders of record on September 15, 2014, and \$0.34375 per share on the company's 5.5% Series C Participating Preferred shares payable on September 30, 2014, to shareholders of record on September 15, 2014.

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

The following discussion of our financial condition and results of operations should be read together with the financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

Overview

We are a Maryland REIT focused on acquiring, renovating, leasing and operating single-family homes as rental properties. We commenced operations in November 2012 to continue the investment activities of American Homes 4 Rent, LLC (the "Sponsor"), which was founded by our chairman, B. Wayne Hughes, in 2011 to take advantage of the dislocation in the single-family home market.

As of June 30, 2014, we owned 27,173 single-family properties in selected sub-markets of metropolitan statistical areas, or MSAs, in 22 states (as compared to 18,326 single-family properties in 21 states as of June 30, 2013), and had an additional 485 properties in escrow that we expected to acquire, subject to customary closing conditions, for an aggregate purchase price of approximately \$70.5 million. As of June 30, 2014, 23,364, or 86%, of our total properties were leased (as compared to 10,245, or 56%, of our total properties as of June 30, 2013). As of June 30, 2014, our entire portfolio of single-family properties was internally managed through our proprietary property management platform.

Our Properties and Key Operating Metrics

The following table provides a summary of our single-family properties as of June 30, 2014:

Market	Properties (1)		Gross Book Value			Averages Per Property	
	Units	% of Total	\$ millions	% of Total	Avg. per Property	Square Footage	Property Age (years)
Dallas-Fort Worth, TX	2,493	9.2%	\$ 394.6	8.6%	\$ 158,265	2,148	10.7
Indianapolis, IN	2,364	8.7%	351.5	7.6%	148,706	1,916	11.9
Greater Chicago area, IL and IN	1,723	6.3%	282.1	6.1%	163,751	1,886	12.8
Atlanta, GA	1,655	6.1%	275.0	6.0%	166,142	2,142	13.5
Cincinnati, OH	1,546	5.7%	265.6	5.8%	171,779	1,847	13.5
Houston, TX	1,489	5.5%	257.6	5.6%	172,969	2,272	10.0
Charlotte, NC	1,390	5.1%	234.1	5.1%	168,443	1,977	11.1
Jacksonville, FL	1,153	4.2%	170.6	3.7%	147,998	1,922	10.3
Nashville, TN	1,145	4.2%	234.3	5.1%	204,653	2,203	9.9
Raleigh, NC	1,000	3.7%	177.8	3.9%	177,842	1,897	10.2
All Others (2)	11,215	41.3%	1,967.5	42.5%	175,428	1,891	11.4
Total / Average	27,173	100.0%	\$ 4,610.7	100.0%	\$ 169,679	1,969	11.5

(1) Includes 377 properties in which we hold an approximate one-third interest.

(2) Represents 31 markets in 19 states.

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The following table summarizes our leasing experience through June 30, 2014:

Market	Leased (1)	Number of Properties		30+ Days Occupancy % (4)	90+ Days Occupancy % (5)	Average Annual Scheduled Rent Per Property
		Available for Rent 30+ Days (2)	Available for Rent 90+ Days (3)			
Dallas-Fort Worth, TX	2,218	2,299	2,289	96.5%	96.9%	\$ 17,734
Indianapolis, IN	1,963	2,172	2,109	90.4%	93.1%	15,142
Atlanta, GA	1,428	1,513	1,507	94.4%	94.8%	15,955
Greater Chicago area, IL and IN	1,338	1,433	1,407	93.4%	95.1%	19,504
Houston, TX	1,201	1,263	1,249	95.1%	96.2%	18,718
Charlotte, NC	1,196	1,237	1,228	96.7%	97.4%	15,957
Cincinnati, OH	1,148	1,346	1,271	85.3%	90.3%	16,953
Nashville, TN	1,011	1,064	1,062	95.0%	95.2%	18,086
Jacksonville, FL	936	1,020	1,013	91.8%	92.4%	15,505
Raleigh, NC	868	926	918	93.7%	94.6%	16,039
All Other (6)	9,653	10,269	10,189	94.0%	94.7%	16,398
Total / Average	22,960	24,542	24,242	93.6%	94.7%	\$ 16,720

- (1) Includes leases on properties for which we have completed renovations and excludes leases with tenants existing at the date of acquisition.
- (2) Available for Rent 30+ Days represents the number of properties that have been leased after we have completed renovations or are available for rent (i.e., "rent-ready") for a period of greater than 30 days.
- (3) Available for Rent 90+ Days represents the number of properties that have been leased after we have completed renovations or are available for rent (i.e., "rent-ready") for a period of greater than 90 days.
- (4) Occupancy percentage is computed by dividing the number of leased properties by the number of properties available for rent 30+ days from the date of completing initial renovations (i.e., occupancy percentage is net of vacancy associated with properties in turn).
- (5) Occupancy percentage is computed by dividing the number of leased properties by the number of properties available for rent 90+ days from the date of completing initial renovations (i.e., occupancy percentage is net of vacancy associated with properties in turn).
- (6) Represents 31 markets in 19 states.

Factors That Affect Our Results of Operations and Financial Condition

Our results of operations and financial condition are affected by numerous factors, many of which are beyond our control. Key factors that impact our results of operations and financial condition include our ability to identify and acquire properties, our pace of property acquisitions, the time and cost required to gain access to the properties and then to renovate and lease a newly acquired property at acceptable rental rates, occupancy levels, rates of tenant turnover, the length of vacancy in properties between tenant leases, our expense ratios, our ability to raise capital and our capital structure.

Property Acquisitions

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Since our formation we have rapidly but systematically grown our portfolio of single-family homes and intend to continue to do so. Our ability to identify and acquire single-family homes that meet our investment criteria is impacted by home prices in our target markets, the inventory of properties available for sale through our acquisition channels, competition for our target assets and our available

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capital. We expect that our level of acquisition activity will fluctuate based on the number of suitable investments and the level of capital available to invest.

The Sponsor's acquisition and renovation platform, together with the breadth and depth of our executive team has provided processes and systems to accumulate and regularly evaluate relevant data on a real-time basis to track and manage key aspects of our business, such as acquisition costs, renovation costs and the amount of time required to convert an acquired single-family home to a rental property.

Property Operations

The acquisition of properties involves expenditures in addition to payment of the purchase price, including payments for acquisition fees, property inspections, closing costs, liens, title insurance, transfer taxes, recording fees, broker commissions, property taxes and homeowner association ("HOA") fees (when applicable). In addition, we typically incur costs between \$5,000 and \$25,000 to renovate a home to prepare it for rental. Renovation work varies, but may include paint, flooring, carpeting, cabinetry, appliances, plumbing hardware and other items required to prepare the home for rental. The time and cost involved in accessing our homes and preparing them for rental can significantly impact our financial performance. The time to renovate a newly acquired property can vary significantly among properties for several reasons, including the property's acquisition channel, the age and condition of the property and whether the property was vacant when acquired. Our operating results also are impacted by the amount of time it takes to market and lease a property, as well as the length of stay by our tenants. The period of time to market and lease a property can vary greatly and is impacted by local demand, our marketing techniques and the size of our available inventory. We actively monitor these measures and trends.

Revenue

Our revenue is derived primarily from rents collected under lease agreements with tenants for our single-family properties. These include short-term leases that we enter into directly with our tenants, which typically have a term of one year. Our rental rates and occupancy levels are affected by macroeconomic factors and local and property-level factors, including market conditions, seasonality and tenant defaults, and the amount of time it takes to renovate and re-lease properties when tenants vacate. We generally do not offer free rent or other concessions in connection with leasing our properties.

We expect that the overall occupancy of our portfolio will continue to increase as the proportion of recently acquired properties declines relative to the size of our entire portfolio. Nevertheless, in the near term, our ability to drive revenue growth will depend in large part on our ability to efficiently renovate and lease newly acquired properties, maintain occupancy in the rest of our portfolio and acquire additional properties, both leased and vacant.

Over the longer term and as our total portfolio occupancy stabilizes, our ability to maintain and grow revenues will become more dependent on our ability to retain tenants and increase rental rates. We believe that our platform will allow us to achieve strong tenant retention and lease renewal rates at our properties. Based on our experience with 3,470 and 5,156 leases that expired during the three and six months ended June 30, 2014, 72.0% and 71.8% of the tenants renewed their leases at an average increase in rental rate of 3.2% and 3.0%, respectively. To date, our leasing efforts have been primarily focused on increasing our overall portfolio occupancy and not increasing rental rates. We believe that there will be significant opportunity to optimize rental rates in the future as our total portfolio occupancy stabilizes.

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Expenses

We monitor the following categories of expenses that we believe most significantly affect our results of operations.

Property Operating Expenses

Once a property is available for lease, which we refer to as "rent-ready," we incur ongoing property-related expenses, primarily HOA fees (when applicable), property taxes, insurance, marketing expenses, and repairs and maintenance, which may not be subject to our control.

Property Management Expenses

As we now internally manage our entire portfolio of single-family properties through our proprietary property management platform, we incur costs such as salary expenses for property management personnel, lease expenses for property management offices and technology expenses for maintaining the property management platform. As part of developing our property management platform, we have made significant investments in our infrastructure, systems and technology. We believe that these investments will enable the costs of our property management platform to become more efficient over time and as our overall portfolio grows in size.

General and Administrative Expense

General and administrative expense primarily consists of payroll and personnel costs, trustees' and officers' insurance expenses, audit and tax fees, state taxes, trustee fees and other expenses associated with our corporate and administrative functions.

Note Regarding Our Historical Operations and Presentation of Our Financial Results

From our formation through June 10, 2013, we were externally managed and advised by American Homes 4 Rent Advisor, LLC (the "Advisor") and the leasing, managing and advertising of our properties was overseen and directed by American Homes 4 Rent Management Holdings, LLC (the "Property Manager"), both of which were subsidiaries of the Sponsor. On June 10, 2013, we entered into the Management Internalization and acquired the Advisor and the Property Manager from the Sponsor in exchange for 4,375,000 Series D units and 4,375,000 Series E units in American Homes 4 Rent, L.P. (the "Operating Partnership"). We now have an integrated operating platform that provides our property management, marketing, leasing, financial and administrative functions. Our acquisition and renovation functions will continue to be performed by the Sponsor until at least December 10, 2014. On September 10, 2014, we have the right to offer employment, which would commence on December 10, 2014, to all of the Sponsor's acquisition and renovation personnel necessary for our operations. No additional consideration will be paid to the Sponsor in connection with exercising our employment offer right. Until December 10, 2014 we will continue to pay the Sponsor a 5% acquisition and renovation fee and, separately, the Sponsor will pay us a monthly fee of \$0.1 million for maintenance and use of certain intellectual property transferred to us in the Management Internalization.

Prior to the Management Internalization, the Sponsor exercised control over the Company through the contractual rights provided to the Advisor through an advisory management agreement. Accordingly, our consolidated financial statements retroactively reflect two transactions between us and the Sponsor as transactions between entities under common control. In December 2012, the Sponsor contributed 367 properties to us with an agreed-upon value of \$49.4 million and made a cash investment of \$0.6 million, in exchange for 3,300,000 Class A common shares, 667 Class B common shares, and 32,667 Class A units of our Operating Partnership. In February 2013, the Sponsor contributed a portfolio of 2,770 single-family properties to us with an agreed-upon value of

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\$491.7 million, in exchange for 31,085,974 Series C units of our Operating Partnership and 634,408 of our Class B common shares. As noted in our consolidated financial statements, the accounts relating to the properties acquired in those transactions have been reflected retroactively at the Sponsor's net book value. The Sponsor commenced acquiring these properties on June 23, 2011, and, accordingly, the statements of operations reflect activity prior to our date of formation. Our consolidated financial statements are not indicative of our past or future results and do not reflect our financial position, results of operations, changes in equity and cash flows had they been presented as if we had been operated independently during the period presented. Accordingly, this discussion of our financial statements encompasses certain aspects of the historical operations of the Sponsor.

Results of Operations

Comparison of the Three Months Ended June 30, 2014, to the Three Months Ended June 30, 2013

Property Revenues

Our property revenues, which we define as rents and fees from single-family properties and tenant charge-backs, were \$93.9 million and \$17.8 million for the three months ended June 30, 2014 and 2013, respectively. This increase is primarily attributable to the overall growth of the size of our portfolio and increases in our total portfolio occupancy.

Our property revenues of \$93.9 million for the three months ended June 30, 2014 represent a \$16.9 million, or 21.9%, increase over property revenues for the three months ended March 31, 2014 of \$77.0 million. This sequential quarter growth is primarily driven by our total portfolio occupancy which increased from 81% at March 31, 2014 to 86% at June 30, 2014.

Property Operating Expenses

Property operating expenses, which primarily consist of direct property operating expenses and the costs associated with operating our property management platform, were \$43.1 million and \$11.3 million for the three months ended June 30, 2014 and 2013, respectively. The increases are primarily due to the overall growth in size of our portfolio and development of our property management platform.

Property operating expenses of \$43.1 million for the three months ended June 30, 2014 represent a \$4.8 million, or 12.5%, increase over the three months ended March 31, 2014 of \$38.3 million. This sequential quarter growth is primarily due to increases in our average number of leased and rent ready homes and homes being prepared for re-lease, from 23,193 during the three months ended March 31, 2014 to 25,381 during the three months ended June 30, 2014.

Table of Contents***Leased Property Operating Performance***

The following is a summary of our leased property operating performance (in thousands, except number of properties):

	For the Three Months Ended	
	June 30, 2014	June 30, 2013
Rents from single-family properties	\$ 88,871	\$ 17,020
Fees from single-family properties	1,889	690
Tenant charge-backs	3,138	47
Less: leased property operating expense	(36,790)	(6,859)
Net operating income (1)	\$ 57,108	\$ 10,898

Average number of leased properties	22,015	6,292
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(1) Net operating income, or NOI, is a supplemental non-GAAP financial measure. The Company defines NOI as rents and fees from single-family properties and tenant charge-backs, less property operating expenses for leased single-family properties. A reconciliation of NOI to net loss as determined in accordance with GAAP is located at the end of this Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our NOI margin, calculated as NOI divided by rents and other property-related revenues, was 61% and 62% for the three months ended June 30, 2014 and 2013, respectively, which we believe should improve as we reach scale in certain markets and further leverage the fixed costs of our internal property management platform.

General and Administrative Expense and Advisory Fees

General and administrative expense, which primarily consists of payroll and personnel costs, trustees' and officers' insurance expense, audit and tax fees, state taxes, trustee fees and other expenses associated with our corporate and administrative functions, was \$5.7 million and \$0.9 million for three months ended June 30, 2014 and 2013, respectively.

General and administrative expense for the three months ended June 30, 2014 of \$5.7 million represents a \$0.6 million, or 11.8%, increase over general and administrative expense for the three months ended March 31, 2014 of \$5.1 million. As a percentage of total revenues, general and administrative expense decreased from 6.6% for the three months ended March 31, 2014 to 6.0% for the three months ended June 30, 2014.

Prior to the Management Internalization on June 10, 2013, our corporate and administrative functions were provided by the Advisor under the terms of an advisory management agreement. Rather than directly incurring the costs of our corporate and administrative functions, we previously engaged the Advisor which incurred these costs and performed these functions, and paid it an advisory fee that was calculated as 1.75% per year of shareholders' equity (as defined in the advisory management agreement). Advisory fees incurred to the Advisor prior to the Management Internalization during the three months ended June 30, 2013 were \$3.6 million.

Noncash Share-Based Compensation Expense

Noncash share-based compensation expense was \$0.6 million and \$0.3 million for the three months ended June 30, 2014 and June 30, 2013, respectively, and primarily relates to options to purchase Class A common shares and restricted stock units issued to our trustees and employees.

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Acquisition Fees and Costs Expensed

Acquisition fees and costs expensed are incurred in connection with our recent business combinations and the acquisition of properties with existing leases (including the Sponsor's acquisition and renovation fee equal to 5% of the actual purchase price and renovation costs of a property). For properties that are leased at the time of acquisition, these costs are expensed, rather than capitalized as a component of the acquisition cost. For the three months ended June 30, 2014 and 2013, acquisition fees and costs expensed include \$0.9 million and \$1.3 million, respectively, of acquisition fees associated with single-family properties acquired with in-place leases and for the three months ended June 30, 2013, \$0.8 million of transaction costs incurred with pursuing unsuccessful single-family property acquisitions. Following the completion of the Management Internalization, we will continue to pay the Sponsor's acquisition and renovation fee until at least December 10, 2014. Additionally, after September 10, 2014, we have the right to offer employment, which would commence on December 10, 2014, to all of the Sponsor's acquisition and renovation personnel necessary for our operations. Our future acquisition fees and costs (including the 5% acquisition and renovation fee we pay the Sponsor) will vary based on the volume of our acquisitions and renovations going forward.

Depreciation and Amortization

Depreciation and amortization expense consists primarily of depreciation of buildings. Depreciation of our assets is calculated over their useful lives, which is calculated on a straight-line basis over 5 to 30 years. Our intangible assets are amortized on a straight-line basis over the asset's estimated economic useful life. Depreciation and amortization expense was \$38.3 million and \$10.9 million for the three months ended June 30, 2014 and 2013, respectively.

Comparison of the Six Months Ended June 30, 2014, to the Six Months Ended June 30, 2013

Property Revenues

Our property revenues, which we define as rents and fees from single-family properties and tenant charge-backs, were \$170.9 million and \$24.3 million for the six months ended June 30, 2014 and 2013, respectively. This increase is primarily attributable to the overall growth of the size of our portfolio and increases in our total portfolio occupancy.

Property Operating Expenses

Property operating expenses, which primarily consist of direct property operating expenses and the costs associated with operating our property management platform, were \$81.5 million and \$15.5 million for the six months ended June 30, 2014 and 2013, respectively. The increases are primarily due to the overall growth in size of our portfolio and development of our property management platform.

Additionally, during the six months ended June 30, 2014, we incurred approximately \$0.7 million of one-time termination fees and other costs related to finalizing the internalization of certain markets that were transitioned onto our property management platform in the fourth quarter of 2013. These costs have been included in vacant single-family property operating expenses and other in the accompanying condensed consolidated statements of operations.

Additionally, during first quarter of 2014, we incurred approximately \$1.2 million in freeze related damages as a result of extreme cold weather conditions in certain markets. As these damages are expected to be fully recovered through insurance reimbursement, we have reflected our related aggregate insurance deductible of \$0.4 million (representing total aggregate deductible based on three separate winter storms) within vacant single-family property operating expenses and other in the accompanying condensed consolidated statements of operations. Further, as a result of the extreme

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cold weather conditions in certain markets, we also incurred increased vacant property operating costs, associated with higher utility usage and cold weather maintenance during the first quarter.

Leased Property Operating Performance

The following is a summary of our leased property operating performance (in thousands, except number of properties):

	For the Six Months Ended	
	June 30, 2014	June 30, 2013
Rents from single-family properties	\$ 162,632	\$ 23,515
Fees from single-family properties	3,247	754
Tenant charge-backs	5,028	47
Less: leased property operating expense	(66,056)	(9,362)
Net operating income (1)	\$ 104,851	\$ 14,954

Average number of leased properties	20,453	4,582
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(1)

NOI is a supplemental non-GAAP financial measure. The Company defines NOI as rents and fees from single-family properties and tenant charge-backs, less property operating expenses for leased single-family properties. A reconciliation of NOI to net loss as determined in accordance with GAAP is located at the end of this Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

General and Administrative Expense and Advisory Fees

General and administrative expense, which primarily consists of payroll and personnel costs, trustees' and officers' insurance expense, audit and tax fees, state taxes, trustee fees and other expenses associated with our corporate and administrative functions, was \$10.8 million and \$2.4 million for six months ended June 30, 2014 and 2013, respectively.

Prior to the Management Internalization on June 10, 2013, our corporate and administrative functions were provided by the Advisor under the terms of an advisory management agreement. Rather than directly incurring the costs of our corporate and administrative functions, we previously engaged the Advisor which incurred these costs and performed these functions, and paid it an advisory fee that was calculated as 1.75% per year of shareholders' equity (as defined in the advisory management agreement). Advisory fees incurred to the Advisor prior to the Management Internalization during the six months ended June 30, 2013 were \$6.4 million.

Noncash Share-Based Compensation Expense

Noncash share-based compensation expense was \$1.1 million and \$0.5 million for the six months ended June 30, 2014 and June 30, 2013, respectively, and primarily relates to options to purchase Class A common shares and restricted stock units issued to our trustees and employees.

Acquisition Fees and Costs Expensed

Acquisition fees and costs expensed are incurred in connection with our recent business combinations and the acquisition of properties with existing leases (including the Sponsor's acquisition and renovation fee equal to 5% of the actual purchase price and renovation costs of a property). For properties that are leased at the time of acquisition, these costs are expensed, rather than capitalized as a component of the

acquisition cost. For the six months ended June 30, 2014 and 2013, acquisition fees

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and costs expensed include \$1.2 million and \$2.3 million, respectively, of acquisition fees associated with single-family properties acquired with in-place leases and \$0.2 million and \$1.2 million, respectively, of transaction costs incurred with pursuing unsuccessful single-family property acquisitions. Following the completion of the Management Internalization, we will continue to pay the Sponsor's acquisition and renovation fee until at least December 10, 2014. Additionally, after September 10, 2014, we have the right to offer employment, which would commence on December 10, 2014, to all of the Sponsor's acquisition and renovation personnel necessary for our operations. Our future acquisition fees and costs (including the 5% acquisition and renovation fee we pay the Sponsor) will vary based on the volume of our acquisitions and renovations going forward.

Depreciation and Amortization

Depreciation and amortization expense consists primarily of depreciation of buildings. Depreciation of our assets is calculated over their useful lives, which is calculated on a straight-line basis over 5 to 30 years. Our intangible assets are amortized on a straight-line basis over the asset's estimated economic useful life. Depreciation and amortization expense was \$73.5 million and \$13.8 million for the six months ended June 30, 2014 and 2013, respectively.

Cash Flows

Our cash flows from operating activities depends on numerous factors, including the occupancy level of our properties, the rental rates achieved on our leases, the collection of rent from our tenants and the level of property operating expenses, property management operating expenses and general and administrative expenses. Net cash provided by operating activities was \$88.7 million and \$2.0 million for the six months ended June 30, 2014 and 2013, respectively.

Our net cash used in investing activities primarily consists of the acquisition cost of properties and the costs of renovating our properties. Net cash used in investing activities was \$723.0 million and \$1.5 billion for the six months ended June 30, 2014 and 2013, respectively, and includes \$91.4 million and \$236.8 million of renovation costs to prepare the properties for rental, respectively. These costs typically include paint, flooring, appliances, blinds and landscaping.

Net cash provided by financing activities was \$724.4 million and \$1.4 billion for the six months ended June 30, 2014 and 2013, respectively. Our net cash provided by financing activities for the six months ended June 30, 2014 primarily consisted of \$106.0 million in net borrowings under the credit facility and \$481.0 million in proceeds from our securitization transaction in May 2014. Our net cash provided by financing activities for the six months ended June 30, 2013 primarily consisted of approximately \$703.5 million from the issuance of our Class A common shares sold in the March 2013 private placement and \$670.0 million in borrowings from our credit facility.

Critical Accounting Policies and Estimates

Our discussion and analysis of our historical financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could ultimately differ from those estimates. For a discussion of recently-issued and adopted accounting standards, see "Notes to Unaudited Condensed Consolidated Financial Statements, Note 2 Significant Accounting Policies."

Investment in Real Estate

Transactions in which single-family properties are purchased that are not subject to an existing lease are treated as asset acquisitions, and as such are recorded at their purchase price, including

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acquisition fees, which is allocated to land and building based upon their relative fair values at the date of acquisition. Single-family properties that are acquired either subject to an existing lease or as part of a portfolio level transaction are treated as a business combination under ASC 805, *Business Combinations*, and as such are recorded at fair value, allocated to land, building and the existing lease, if applicable, based upon their relative fair values at the date of acquisition, with acquisition fees and other costs expensed as incurred. Fair value is determined based on ASC 820, *Fair Value Measurements and Disclosures*, primarily based on unobservable data inputs. In making estimates of fair values for purposes of allocating the purchase price of individually acquired properties subject to an existing lease, the Company utilizes its own market knowledge and published market data. In this regard, the Company also utilizes information obtained from county tax assessment records to assist in the determination of the fair value of the land and building. The Company engages a third party valuation specialist to assist in the determination of fair value for purposes of allocating the purchase price of properties acquired as part of portfolio level transactions.

The value of acquired lease related intangibles is estimated based upon the costs we would have incurred to lease the property under similar terms. Such costs are capitalized and amortized over the remaining life of the lease. Acquired leases are generally short-term in nature (less than one year).

The nature of our business requires that in certain circumstances we acquire single-family properties subject to existing liens. Liens that we expect to be extinguished in cash are estimated and accrued on the date of acquisition and recorded as a cost of the property.

We incur costs to prepare our acquired properties to be rented. These costs, along with related holding costs, are capitalized to the cost of the property during the period an asset is undergoing activities to prepare it for its intended use. We capitalize interest cost as a cost of the project only during the period for which activities necessary to prepare an asset for its intended use are ongoing, provided that expenditures for the asset have been made and interest cost has been incurred. Upon completion of the renovation of our properties, all costs of operations, including repairs and maintenance, are expensed as incurred.

Single-family Properties Held For Sale and Discontinued Operations

Single-family properties are classified as held for sale when they meet the applicable GAAP criteria, including but not limited to, the availability of the home for immediate sale in its present condition, the existence of an active program to locate a buyer and the probable sale of the home within one year. Single-family properties classified as held for sale are reported at the lower of their carrying value or estimated fair value less costs to sell, and are presented separately in the consolidated balance sheet.

The results of operations of leased and operating single-family properties that have either been sold or classified as held for sale, if material, are reported in the consolidated statements of operations as discontinued operations for both current and prior periods presented through the date of applicable disposition. Gains on dispositions of single-family properties that have been in operations are included in income from discontinued operations, whereas gains on dispositions of single-family properties with no historical operating results are included in other revenues in the consolidated statements of operations.

Impairment of Long-Lived Assets

We evaluate our long-lived assets for impairment periodically or whenever events or circumstances indicate that their carrying amount may not be recoverable. Significant indicators of impairment may include, but are not limited to, declines in home values, rental rates and occupancy percentages and significant changes in the economy. If an impairment indicator exists, we compare the expected future undiscounted cash flows against its net carrying amount. If the sum of the estimated undiscounted cash

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flows is less than the net carrying amount, we would record an impairment loss for the difference between the estimated fair value of the individual property and the carrying amount of the property at that date. No material impairments have been recorded since the inception of the Company.

Leasing Costs

Direct and incremental costs that we incur to lease our properties are capitalized and amortized over the term of the leases, which generally have a term of one year. Prior to the Management Internalization, we paid the Property Manager a leasing fee equal to one-half of one month's rent for each lease.

Depreciation and Amortization

Depreciation is computed on a straight-line basis over the estimated useful lives of the buildings and improvements; buildings are depreciated over 30 years and improvements are depreciated over their estimated economic useful lives, generally five to fifteen years. We consider the value of in-place leases in the allocation of the purchase price, and amortize such amounts on a straight-line basis over the remaining terms of the leases. The unamortized portion of the value of in-place leases is included in deferred costs and other intangibles, net.

Intangible Assets

Intangible assets are amortized on a straight-line basis over the asset's estimated economic life and are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on discounted cash flows. The identified intangible assets acquired as part of the Management Internalization are being amortized over the following estimated economic lives:

	Amortizable Life
Trademark	4.7 years
Database	7 years

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses that may result from the inability of tenants to make required rent or other payments. This allowance is estimated based on, among other considerations, payment histories, overall delinquencies and available security deposits.

Revenue and Expense Recognition

We lease single-family properties that we own directly to tenants who occupy the properties under operating leases, generally, with a term of one year. Rental revenue, net of any concessions, is recognized on a straight-line basis over the term of the lease, which is not materially different than if it were recorded when due from tenants and recognized monthly as it is earned.

We accrue for property taxes and HOA assessments based on amounts billed, and, in some circumstances, estimates and historical trends when bills or assessments are not available. If these estimates are not correct, the timing and amount of expenses recorded could be incorrect.

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Accrued and Other Liabilities

Accrued and other liabilities consist primarily of trade payables, resident security deposits, construction liabilities, HOA fees and property tax accruals as of the end of the respective period presented. It also consists of contingent loss accruals, if any. Such losses are accrued when they are probable and estimable. When it is reasonably possible that a significant contingent loss has occurred, we disclose the nature of the potential loss and, if estimable, a range of exposure.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between two willing parties. The carrying amount of rent and other receivables, restricted cash for resident security deposits, escrow deposits, prepaid expenses and other assets, accounts payable and accrued expenses and amounts payable to affiliates approximate fair value because of the short maturity of these amounts. The Company's interest rate cap agreement, contingently convertible Series E units liability and preferred shares derivative liability are the only financial instruments recorded at fair value on a recurring basis within our consolidated financial statements.

Derivatives

We currently use, and in the future may use, interest rate cap agreements for interest rate risk management purposes and in conjunction with certain LIBOR-based variable rate debt to satisfy lender requirements. We assess these derivatives at inception and on an on-going basis for the effectiveness of qualifying cash flow hedges. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings as interest expense. The ineffective portion of the change in fair value of our interest rate cap agreements is required to be recognized directly in earnings.

Income Taxes

We have elected to be taxed as a REIT under Sections 856 to 860 of the Internal Revenue Code of 1986 (the "Code"), commencing with our taxable year ended December 31, 2012. We believe that we have operated, and continue to operate, in such a manner as to satisfy the requirements for qualification as a REIT. Accordingly, we will not be subject to federal income tax, provided that we qualify as a REIT and our distributions to our shareholders equal or exceed our REIT taxable income.

However, qualification and taxation as a REIT depends upon our ability to meet the various qualification tests imposed under the Code, including tests related to the percentage of income that we earn from specified sources and the percentage of our earnings that we distribute. Accordingly, no assurance can be given that we will be continue to be organized or be able to operate in a manner so as to remain qualified as a REIT. If we fail to qualify as a REIT in any taxable year, we will be subject to federal and state income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate tax rates, and we may be ineligible to qualify as a REIT for four subsequent tax years. Even if we qualify as a REIT, we may be subject to certain state or local income and capital taxes and U.S. federal income and excise taxes on our undistributed taxable income, if any. Our taxable REIT subsidiary will be subject to federal, state and local taxes on its income at regular corporate rates. The tax years from 2012 through 2013 remain open to examination by the taxing jurisdictions to which the Company is subject.

ASC 740-10 *Income Taxes* requires recognition of deferred tax assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the

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financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We recognize tax benefits of uncertain tax positions only if it is more likely than not that the tax position will be sustained, based solely on its technical merits, with the taxing authority having full authority of all relevant information. The measurement of a tax benefit for an uncertain tax position that meets the "more likely than not" threshold is based on a cumulative probability model under which the largest amount of tax benefit recognized is the amount with a greater than 50% likelihood of being realized upon ultimate settlement with the taxing authority having full knowledge of all the relevant information. As of June 30, 2014, there were no deferred tax assets and liabilities or unrecognized tax benefits recorded. We do not anticipate a significant change in unrecognized tax benefits within the next 12 months.

Liquidity and Capital Resources

Our liquidity and capital resources as of June 30, 2014 included cash and cash equivalents of \$239.1 million. Additionally, as of June 30, 2014, \$481.0 million was outstanding and \$319.0 million was available under our credit facility. From July 1, 2014 through July 31, 2014, the Company borrowed an additional \$120.0 million under the credit facility and made payments on the credit facility totaling \$15.0 million. On July 31, 2014, the loan had an outstanding balance of \$586.0 million.

Liquidity is a measure of our ability to meet potential cash requirements, maintain our assets, fund our operations, make distributions to our shareholders and meet other general requirements of our business. Our liquidity, to a certain extent, is subject to general economic, financial, competitive and other factors beyond our control. Our liquidity requirements consist primarily of funds necessary to pay for the acquisition, renovation and maintenance of our properties, HOA fees (as applicable), real estate taxes, non-recurring capital expenditures, interest and principal payments on our indebtedness, general and administrative expenses, payment of quarterly dividends on our preferred shares, and payment of distributions to our Class A common shareholders.

We will seek to satisfy our liquidity needs through cash provided by operations, long-term secured and unsecured borrowings, the issuance of debt and equity securities (including Operating Partnership units), asset securitizations, property dispositions and joint venture transactions. We have financed our operations and acquisitions to date through the issuance of equity securities, borrowings under our credit facility and asset securitizations. Additionally, the Company anticipates completing another asset securitization transaction during the second half of 2014. However, there can be no assurances that any such transaction will be completed. Going forward, we expect to meet our operating liquidity requirements generally through cash on hand and cash provided by operations. We believe our rental income net of operating expenses and recurring capital expenditures will generally provide cash flow sufficient to fund our operations and dividend distributions. However, a significant number of our properties are not fully stabilized. In addition, our real estate assets are illiquid in nature. A timely liquidation of assets might not be a viable source of short-term liquidity should a cash flow shortfall arise, and we may need to source liquidity from other financing alternatives.

To qualify as a REIT, we are required to distribute annually at least 90% of our REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and to pay tax at regular corporate rates to the extent that we annually distribute less than 100% of our net taxable income. We intend to pay quarterly dividends to our shareholders, which in the aggregate approximately equal our net taxable income in the relevant year.

Credit Facility

We have an \$800 million senior secured revolving credit facility with a group of financial institutions. The amount that may be borrowed under the credit facility is generally based on 50% of the lower of cost or the value of our qualifying leased and un-leased properties and certain other

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measures based in part on the net income generated by our qualifying leased and un-leased properties, which is referred to as the "Borrowing Base." Borrowings under the credit facility are available through March 7, 2015, which may be extended for an additional year, subject to the satisfaction of certain financial covenant tests. Upon expiration of the credit facility period, any outstanding borrowings will convert to a term loan through September 30, 2018. All borrowings under the credit facility bear interest at 30 day LIBOR plus 2.75% until March 2017, and thereafter at 30 day LIBOR plus 3.125%.

The credit facility is secured by our Operating Partnership's membership interests in entities that own our single-family properties and requires that we maintain financial covenants relating to the following matters: (i) minimum liquidity of cash, cash equivalents and borrowing capacity under any credit facilities in an aggregate amount of at least \$15,000,000, of which at least \$7,500,000 must be in cash and cash equivalents; (ii) a maximum leverage ratio of 1.0 to 1.0; and (iii) tangible net worth (as defined) of not less than the sum of 85% of our tangible net worth as of September 30, 2013 plus 85% of the net proceeds of any additional equity capital raises completed on or after September 30, 2013. As of June 30, 2014, the Company was in compliance with all covenants.

Asset-Backed Securitization

In May 2014, the Company completed a securitization transaction resulting in approximately \$481.0 million in total gross proceeds, before issuance costs of approximately \$14.9 million. The transaction involves the issuance and sale of single-family rental pass-through certificates that represent beneficial ownership interests in a loan secured by 3,852 homes sold to an affiliate from the Company's portfolio of single-family properties. The loan has an initial term of two years, with three, 12-month extension options, resulting in a fully extended maturity date of June 9, 2019 and requires that we maintain certain covenants, including, but not limited to, a minimum debt yield on the collateral pool of properties. As of June 30, 2014, the Company was in compliance with all covenants under the loan agreement. The loan requires monthly payments of principal, based on 1.0% annual amortization of the initial loan balance, and interest, based on a duration-weighted blended interest rate of LIBOR plus 1.54%, subject to a LIBOR floor of 0.25%. Proceeds from this transaction were used to pay down the outstanding balance on the credit facility.

Additionally, as part of certain lender requirements in connection with the securitization transaction, we entered into an interest rate cap agreement for the initial two year term of the loan, with a LIBOR based strike rate equal to 3.85%. This interest rate cap agreement has been formally designated as a cash flow hedge at inception and will be regularly assessed for effectiveness on an on-going basis. During the three months ended June 30, 2014, our interest rate cap agreement was 100% effective as a cash flow hedge and, as a result, changes in fair value have been classified in accumulated other comprehensive loss. These amounts will subsequently be reclassified into earnings in the period which the hedged transaction affects earnings. Over the next 12 months, we estimate that \$0.05 million will be reclassified as an increase to interest expense. The fair value of our interest rate cap agreement is estimated to be \$0.03 million as of June 30, 2014 (see Note 15) and has been included in escrow deposits, prepaid expenses and other assets in the accompanying consolidated condensed balance sheets.

Subsequent Events

Subsequent Acquisitions

From July 1, 2014 through July 31, 2014, we acquired 673 properties through our recurring acquisition channels, including foreclosure auctions and broker sales, with an aggregate purchase price of approximately \$96.7 million. In addition, we acquired 1,372 properties through the acquisition of Beazer Pre-Owned Rental Homes, Inc. ("Beazer Rental Homes") on July 1, 2014, as discussed below.

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We expect that our level of acquisition activity will fluctuate based on the number of suitable investments and on the level of funds available for investment.

Acquisition of Beazer Pre-Owned Rental Homes, Inc.

On July 1, 2014, we acquired Beazer Rental Homes in exchange for approximately 8.2 million Class A common shares, \$5.0 million of cash to be held in an indemnification escrow and extinguishment of certain liabilities of Beazer Rental Homes, including \$112.8 million outstanding under Beazer Rental Homes' credit facility. The acquisition of Beazer Rental Homes adds 1,372 properties located in the Arizona, California, Florida and Nevada to our portfolio.

Borrowings on Credit Facility

From July 1, 2014 through July 31, 2014, the Company borrowed an additional \$120.0 million under the credit facility and made payments on the credit facility totaling \$15.0 million, resulting in an outstanding balance of \$586.0 million on July 31, 2014.

Declaration of Dividends

On August 4, 2014, our board of trustees declared a quarterly dividend of \$0.05 per Class A common share payable on September 30, 2014 to shareholders of record on September 15, 2014. Additionally, our board of trustees also declared the quarterly dividends of \$0.3125 per share on the Company's 5.0% Series A Participating Preferred Shares payable on September 30, 2014 to shareholders of record on September 15, 2014, \$0.3125 per share on the Company's 5.0% Series B Participating Preferred Shares payable on September 30, 2014 to shareholders of record on September 15, 2014, and \$0.34375 per share on the company's 5.5% Series C Participating Preferred shares payable on September 30, 2014, to shareholders of record on September 15, 2014.

Off-Balance Sheet Arrangements

We have no obligations, assets or liabilities that would be considered off-balance sheet arrangements. We have not participated in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements.

Non-GAAP Measures

Net Operating Income

Net operating income, or NOI, is a supplemental non-GAAP financial measure. The Company defines NOI as rents and fees from single-family properties and tenant charge-backs, less property operating expenses for leased single-family properties. NOI excludes income from discontinued operations, remeasurement of preferred shares, remeasurement of Series E units, depreciation and amortization, acquisition fees and costs expensed, noncash share-based compensation expense, interest expense, advisory fees, general and administrative expense, property operating expenses for vacant single-family properties and other and other revenues.

The Company considers NOI to be a meaningful financial measure because we believe it is helpful to investors in understanding the operating performance of our leased single-family properties. It should be considered only as a supplement to net loss as a measure of our performance. NOI should not be used as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to pay dividends or make distributions. NOI also should not be used as a supplement to or substitute for net loss or net cash flows from operating activities (as

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computed in accordance with GAAP). Because other REITs may define NOI differently, NOI may not be comparable to NOI reported by other REITs.

The following is a reconciliation of NOI to net loss as determined in accordance with GAAP (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net (loss) income	\$ (3,369)	\$ 1,123	\$ (10,304)	\$ (5,734)
Income from discontinued operations		(986)		(1,008)
Gain on remeasurement of equity method investment		(10,945)		(10,945)
Remeasurement of Preferred Shares	141		598	
Remeasurement of Series E units	4,944		7,700	
Depreciation and amortization	38,325	10,879	73,456	13,784
Acquisition fees and costs expensed	919	2,099	1,371	3,489
Noncash share-based compensation expense	612	279	1,144	453
Interest expense	3,888		5,390	370
Advisory fees		3,610		6,352
General and administrative expense	5,703	811	10,777	2,436
Property operating expenses for vacant single-family properties and other	6,351	4,391	15,394	6,120
Other revenues	(406)	(363)	(675)	(363)
Net operating income	\$ 57,108	\$ 10,898	\$ 104,851	\$ 14,954

Funds from Operations and Core Funds from Operations

Funds from operations ("FFO") is a non-GAAP measure that we calculate in accordance with the White Paper on FFO approved by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), which defines FFO as net income or loss calculated in accordance with GAAP, excluding extraordinary items, as defined by GAAP, gains and losses from sales of depreciable real estate and impairment write-downs associated with depreciable real estate, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), and after adjustment for unconsolidated partnerships and joint ventures. Core funds from operations ("Core FFO") is a non-GAAP financial measure that we use as a supplemental measure of our performance. We compute Core FFO by adjusting FFO for (1) acquisition fees and costs expensed incurred with recent business combinations and the acquisition of properties with existing leases, (2) noncash share-based compensation expense and (3) noncash fair value adjustments associated with remeasuring our Series E units liability and preferred shares derivative liability to fair value.

We present FFO and FFO per FFO share (defined as weighted average common shares outstanding, with assumed conversion of all Operating Partnership units that are potentially convertible into common shares) because we consider FFO to be an important measure of the performance of real estate companies, as do many analysts in evaluating our Company. We believe that FFO is a helpful measure of a REIT's performance since FFO excludes depreciation, which is included in computing net income and assumes the value of real estate diminishes predictably over time. We believe that real estate values fluctuate due to market conditions and in response to inflation. We also believe that Core FFO and Core FFO per FFO share are helpful to investors as supplemental measures of the operating performance of our Company as they allow investors to compare our operating performance to prior reporting periods without the effect of certain items that, by nature, are not comparable from period to

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period. FFO and Core FFO are not a substitute for net cash flow provided by operating activities or net loss per share, as determined in accordance with GAAP, as a measure of our liquidity, operating performance or ability to pay dividends. FFO and Core FFO also are not necessarily indicative of cash available to fund future cash needs. Because other REITs may not compute FFO and Core FFO in the same manner, FFO and Core FFO may not be comparable among REITs.

The following is a reconciliation of net loss attributable to common shareholders, determined in accordance with GAAP, to FFO and Core FFO for the three and six months ended June 30, 2014 and 2013 (amounts in thousands, except share and per share information):

	For the Three Months Ended June 30, 2014	For the Six Months Ended June 30, 2014	
Net loss attributable to common shareholders	\$ (12,250)	\$ (25,926)	
Adjustments:			
Noncontrolling interests in the Operating Partnership	4,140	7,855	
Depreciation and amortization of real estate assets	36,793	70,620	
Funds from operations	\$ 28,683	\$ 52,549	

Adjustments:

Acquisition fees and costs expensed	919	1,371	
Noncash share-based compensation expense	612	1,144	
Remeasurement of Series E units	4,944	7,700	
Remeasurement of Preferred shares	141	598	

Core funds from operations	\$ 35,299	\$ 63,362	
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Weighted average number of FFO shares (1)	239,138,917	239,133,270	
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FFO per weighted average FFO share	\$ 0.12	\$ 0.22	
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Core FFO per weighted average FFO share	\$ 0.15	\$ 0.26	
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(1)

Includes quarterly weighted average common shares outstanding and assumes full conversion of all Operating Partnership units outstanding, including 13,787,292 Class A units, 31,085,974 Series C units, 4,375,000 Series D units and 4,375,000 Series E units.

Table of Contents**ITEM 3. Quantitative and Qualitative Disclosures about Market Risk****Interest Rate Risk**

The primary market risk to which we believe we are exposed is interest rate risk, which may result from many factors, including government monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control. We may incur additional variable rate debt in the future, including additional amounts that we may borrow under our credit facility. In addition, decreases in interest rates may lead to additional competition for the acquisition of single-family homes, which may lead to future acquisitions being more costly and resulting in lower yields on single-family homes targeted for acquisition. Significant increases in interest rates may also have an adverse impact on our earnings if we are unable to acquire single-family homes with rental rates high enough to offset the increase in interest rates on our borrowings.

As of June 30, 2014, the total outstanding balance of our variable-rate debt was comprised of borrowings on our credit facility and asset-backed securitization of \$481.0 million and \$481.0 million, respectively. All borrowings under our credit facility bear interest at 30 day LIBOR plus 2.75% until March 2017, and thereafter at 30 day LIBOR plus 3.125%, while borrowings under our asset-backed securitization bear interest at a duration-weighted blended interest rate of LIBOR plus 1.54%. Assuming no change in the outstanding balance of our existing variable-rate debt, the following table illustrates the effect of a 100 basis point increase/decrease in the LIBOR rate on our projected annual interest expense as of June 30, 2014 and December 31, 2013 (in thousands):

	June 30, 2014	December 31, 2013
Impact to future earnings due to variable rate debt, before the effect of capitalization:		
Rate increase of 1% (1)	\$ (9,620)	\$ (3,750)
Rate decrease of 1% (2)	\$ 770	\$ 638

- (1) Calculation of additional projected annual interest expense as a result of 100 basis point increase reflects potential impact of our interest rate cap agreement as of June 30, 2014.
- (2) Calculation of projected decrease in annual interest expense as a result of 100 basis point decrease is reflective of any LIBOR floors or minimum interest rates stated in the agreements of respective borrowings.

These analyses do not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, we would consider taking actions to further mitigate our exposure to the change. However, because of the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our capital structure.

ITEM 4. Controls and Procedures**Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports we file and submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in accordance with SEC guidelines and that such information is communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control

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objectives and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures in reaching that level of reasonable assurance.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, at a reasonable assurance level.

Internal Control Over Financial Reporting

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

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**PART II
OTHER INFORMATION**

Item 1. Legal Proceedings

The Company currently is not subject to any material litigation nor, to management's knowledge, is any material litigation currently threatened against the Company other than routine litigation and administrative proceedings arising in the ordinary course of business.

Item 1A. Risk Factors

There have been no material changes to the risk factors as disclosed in the section entitled "Risk Factors" of our annual report on Form 10-K for the year ended December 31, 2013, filed with the SEC on March 26, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

- (a) On May 2, 2014, concurrently with our public offering of 5.50% Series C participating preferred shares, the Company sold 200,000 5.50% Series C participating preferred shares at the public offering price of \$25.00 per share to the daughter of our Chairman of the Board of Trustees, B. Wayne Hughes, in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act.
- (b) Not required.
- (c) The Company did not repurchase any of its equity securities during the quarter ended June 30, 2014.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits required by Item 601 of Regulation S-K are filed herewith or incorporated herein by reference and are listed in the attached Exhibit Index which is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN HOMES 4 RENT

/s/ DIANA M. LAING

Diana M. Laing
Chief Financial Officer
(Principal executive officer, principal financial officer and duly authorized accounting officer)

Date: August 7, 2014

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Exhibit Index

Exhibit Number	Exhibit Document
2.1	Amended and Restated Contribution Agreement, dated December 28, 2012, by and among American Homes 4 Rent, American Homes 4 Rent, L.P., American Homes 4 Rent Properties One, LLC and American Homes 4 Rent, LLC (Incorporated by reference to Exhibit 2.1 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
2.2	First Amendment to Amended and Restated Contribution Agreement, dated January 30, 2013, by and among American Homes 4 Rent, American Homes 4 Rent, L.P., American Homes 4 Rent Properties One, LLC and American Homes 4 Rent, LLC (Incorporated by reference to Exhibit 2.2 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
2.3	Second Amendment to Amended and Restated Contribution Agreement, dated March 18, 2013, by and among American Homes 4 Rent, American Homes 4 Rent, L.P., American Homes 4 Rent Properties One, LLC and American Homes 4 Rent, LLC (Incorporated by reference to Exhibit 2.3 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
2.4	Contribution Agreement, dated February 25, 2013, by and among American Homes 4 Rent, LLC, American Homes 4 Rent, American Homes 4 Rent, L.P. and AH4R Properties Holdings, LLC (Incorporated by reference to Exhibit 2.4 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
2.5	Contribution Agreement, dated May 28, 2013, by and among American Homes 4 Rent, LLC, American Homes 4 Rent and American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 2.5 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
2.6	Contribution Agreement, dated June 11, 2013, by and among American Homes 4 Rent, American Homes 4 Rent, LLC, Alaska Permanent Fund Corporation, American Homes 4 Rent, L.P., American Homes 4 Rent I, LLC and American Homes 4 Rent TRS, LLC (Incorporated by reference to Exhibit 2.6 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
3.1	Articles of Amendment and Restatement of Declaration of Trust of American Homes 4 Rent (Incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
3.2	First Articles of Amendment to Articles of Amendment and Restatement of Declaration of Trust of American Homes 4 Rent (Incorporated by reference to Exhibit 3.2 to Amendment No. 2 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed July 19, 2013.)
3.3	Articles Supplementary for American Homes 4 Rent 5.000% Series A Participating Preferred Shares (Incorporated by reference to Exhibit 3.3 to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-191015) filed October 25, 2013.)
3.4	Articles Supplementary for American Homes 4 Rent 5.000% Series B Participating Preferred Shares (Incorporated by reference to Exhibit 3.4 to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-192592) filed December 27, 2013.)

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Exhibit Number	Exhibit Document
3.5	Articles Supplementary for American Homes 4 Rent 5.500% Series C Participating Preferred Shares (Incorporated by reference to Exhibit 3.5 to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-195575) filed May 1, 2014.)
3.6	Amended and Restated Bylaws of American Homes 4 Rent (Incorporated by reference to Exhibit 3.3 to Amendment No. 2 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed July 19, 2013.)
10.1	Share Purchase Agreement, dated March 31, 2014, by and among American Homes 4 Rent and Tamara Hughes Gustavson (Incorporated by reference to Exhibit 10.30 to the Company's Registration Statement on Form S-11 (Registration Number 333-194979) filed April 1, 2014.)
10.2	Seventh Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.8 to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-195575) Filed May 1, 2014.)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934. Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934. Filed herewith.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350. Filed herewith.
101.INS	XBRL Instance Document(1)
101.SCH	XBRL Taxonomy Extension Schema Document(1)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document(1)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document(1)
101.LAB	XBRL Taxonomy Label Linkbase Document(1)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document(1)

The schedules and exhibits to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish supplementally a copy of any such omitted schedules or exhibits to the SEC upon request.

- (1) Users of this data are advised that, pursuant to Rule 406T of Regulation S-T, this Interactive Data File is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under those sections.
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