

July 24, 2013

Dear Investors,

I wanted to update you on our company's progress since my last letter three months ago. In summary, the housing market is normalizing more rapidly than we had expected, and The American Home's ("TAH" or the "Company") plans are evolving accordingly.

### **We Rented Approximately 800 Homes in the First Half of 2013**

We now own or have under contract approximately 2475 homes in Atlanta, Charlotte, Nashville, Orlando, and Tampa. On June 30, nearly 1500 properties were leased or had leases pending with non-refundable deposits by prospective tenants. Most of the remaining homes were in redevelopment, in the pre-redevelopment utilities and inspection phase, or listed for rent. We rented approximately 800 homes year-to-date through June.

### **Substantial Progress in Financial Operations; Audit Complete**

We have largely completed financial management initiatives begun early this year. We can now generate timely financial statements and forecasts, and manage liquidity dynamically. In addition, with Ernst & Young, we completed 2012 financial audits for all TAH entities including the six property-owning partnerships and the property management company. If you would like copies of the audited 2012 financials, please contact Stuart Fox at [stuart@theamericanhome.com](mailto:stuart@theamericanhome.com).

### **Competition Bidding Up Home Prices; Our Growth Plans Have Changed**

In my April letter to you, I mentioned that home prices were rising due to supply/demand dynamics, but that opportunities to acquire homes at attractive prices still existed. Since April, prices have increased more rapidly than expected. This appreciation is unambiguously positive for our existing portfolio. However, our recent attempts to buy homes demonstrate that we cannot grow in meaningful volumes through traditional acquisition channels at attractive risk-adjusted returns, even with the funding cost benefits available through secured borrowing.

A critical element of our approach to our business is that we invest in a disciplined manner; i.e., only when risk-adjusted returns warrant such investments and the investments will create value. Accordingly, while we are currently testing some innovative short sale programs that we have developed, we no longer plan to continue to buy homes through traditional channels.

### **Plans to Raise Capital Have Changed**

Because we no longer expect to purchase homes through traditional channels, we will not proceed with the previously planned equity offering in the foreseeable future. Similarly, we have put on hold our plans to execute a large secured debt facility.

To meet near-term operating liquidity needs, we raised \$20 million of debt in late-April and May, and expect to close on another \$5 million of debt this week. Route 66 Ventures, LLC is the lender on all \$25 million of debt. The \$20 million of debt currently outstanding is senior unsecured debt maturing in 5 years; is convertible to equity at the lender's option through July 31, 2013, at a price of \$51 per share; is non-callable; and has an interest rate of 8.00%. (The Company's most recent equity issuance, in January 2013, was at \$50 per share.) The additional \$5 million of debt we plan to issue is also expected to be senior unsecured 5-year debt; but it will not be convertible to equity, and is expected to be callable at TAH's option. The interest rate is expected to be approximately 9.25%, with the 1.25% premium above the outstanding debt reflecting recent increases in market interest rates, TAH's call option, and the absence of a convertibility feature.

The proceeds of this debt have been used, and will continue to be used, largely to close on under-contract homes and to complete the renovation and lease-up of our portfolio.

### **Exploring Options to Maximize Value**

During the past three months we have increasingly focused on a broader set of alternative strategies to maximize the value of the Company's shares. This focus includes conducting a detailed evaluation of various strategies for monetizing value. At present, we have not reached any firm conclusions on the appropriate strategy. As always, our fundamental objective is to maximize the value of TAH's equity.

If you have any questions, you can reach out to Jim Rothberg, our CFO, at [jrothberg@theamericanhome.com](mailto:jrothberg@theamericanhome.com); Stuart Fox, Director of Finance, at [stuart@theamericanhome.com](mailto:stuart@theamericanhome.com); or me at [aaron@theamericanhome.com](mailto:aaron@theamericanhome.com).

Sincerely,

Aaron M. Edelheit  
Chief Executive Officer