

# Tiptree Inc. NasdaqCM:TIPT

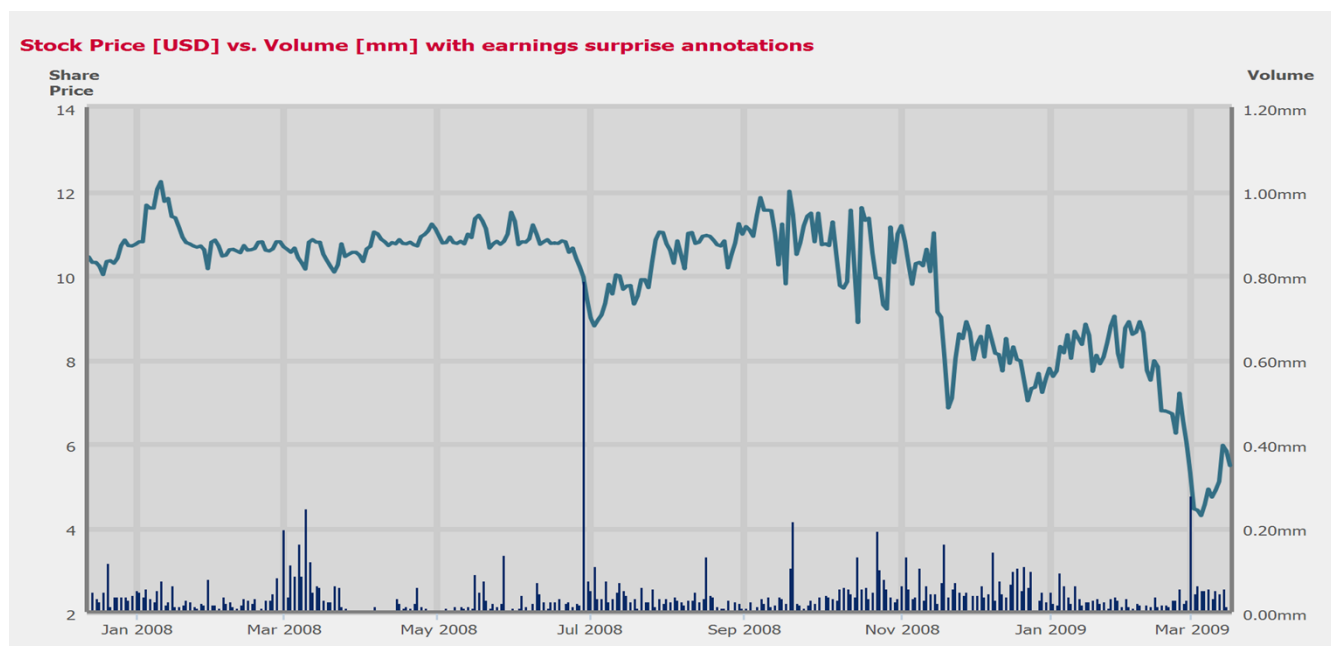
## FQ2 2011 Earnings Call Transcripts

Tuesday, August 09, 2011 3:00 PM GMT

### S&P Capital IQ Estimates

Currency: USD

Consensus as of Nov-17-2008 11:09 AM GMT



# Call Participants

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## EXECUTIVES

### **Salvatore V. Riso**

*Former Chief Executive Officer and  
President*

### **Scott Eckstein**

*Director of Account Services*

### **Steven M. Sherwyn**

*Former Chief Financial Officer,  
Principal Accounting Officer and  
Treasurer*

# Presentation

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## Operator

Good day, ladies and gentlemen. Thank you for standing by. Welcome to the Care Investment Trust Second Quarter 2011 Conference Call. [Operator Instructions] This conference is being recorded today, Tuesday, August 9, 2011. I would now like to turn the conference over to Scott Eckstein of Financial Relations.

## Scott Eckstein

*Director of Account Services*

Thank you, operator. I'd like to thank everyone for joining us today. This morning, before the market opened, we distributed the press release announcing the company's 2011 second quarter financial results. If you have not received the press release, please visit the Investor Relations section on the company's website at [www.carereit.com](http://www.carereit.com) to obtain a copy.

During today's conference call, management will provide an overview of the results. We'll then open the call to your questions. Before we begin, please be advised that this call may involve forward-looking statements as discussed in the press release dated August 9, 2011. Risks associated with these statements can be found in the company's latest SEC filings. Additionally, we wanted to remind participants that the information contained in this call is current only as of the date of this call, August 9, 2011, and the company assumes no obligation to update any statements, including forward-looking statements made during this call. Listeners to any replay should understand that the passage of time by itself will diminish the quality of the statement. Also during today's conference call, the company may discuss Funds from Operations or FFO, or Adjusted Funds from Operations or AFFO, both of which are non-GAAP financial measures as defined by SEC Regulation G. A reconciliation of these non-GAAP financial measure and the comparable GAAP financial measure and income can be found in the company's second quarter 10-Q, which is expected to be filed at the SEC tonight after the close of market and on the company's website at [www.carereit.com](http://www.carereit.com) under the Investor Relations tab.

At this point -- and I'd like to turn the call over to Torey Riso, Care Investment Trust President and CEO for his opening remarks. Torey, please go ahead.

## Salvatore V. Riso

*Former Chief Executive Officer and President*

Thank you, Scott. I would like to welcome those on the call this morning. I am Torey Riso, Chief Executive Officer of Care Investment Trust. I'm joined here in New York by my fellow executive committee members: Michael Barnes, our Chairman; and Geoffrey Kauffman, our Vice Chairman; as well as Steve Sherwyn, Care's Chief Financial Officer.

We're pleased to have this opportunity to speak with you about the accomplishments that have been achieved this quarter to review with you our financial results for the second quarter 2011; to describe for you Care's near-term priorities; and finally, to answer any questions you may have.

On our last earnings call, I described for you several positive changes that occurred -- that has occurred since Care closed its change-of-control transaction August 2010. I'm happy to report that during the second quarter of 2011, we continued that trend.

As previously announced early in the quarter, we settled the lawsuit related to our Cambridge transaction. Our joint venture partner closed the sale of 3 of the 4 properties comprising our SMC investments, which generated net proceeds to Care of approximately \$6.2 million.

The third thing, our board declared a quarterly dividend in the amount of \$0.135 per share for the second quarter. Also notable during the second quarter has been active dialogue with commercial and investment banks relating to debt and equity capital; and two, a number of owners, operators of senior housing facilities relating to possible acquisitions of their properties.

At this point, I'd like to ask Steve Sherwyn, our CFO, to walk you through our second quarter results.

**Steven M. Sherwyn**

*Former Chief Financial Officer, Principal Accounting Officer and Treasurer*

Thank you, Torey. Good morning, and thank you for joining us. Let's start with our second quarter results.

From a financial reporting perspective, 3 particular items stand out as we review our results for the second quarter of 2011.

First, the company reported approximately \$1,067,000 of GAAP income for the quarter as opposed to a loss of approximately \$1,113,000 for the first quarter. Second, this is the first quarter which we reported the results of our Cambridge investment as restructured in accordance with the Omnibus Agreement, which we entered into in April as discussed on our last earnings call. As we will describe in more detail momentarily, the change in the structure of our Cambridge investment is the primary factor in the company reporting income this quarter as opposed to last quarter's loss. And third, our joint venture partner, Senior Management Concepts, or SMC, completed the sale of 3 of the 4 SMC properties this quarter, generating approximately \$6.2 million in net proceeds to Care.

It should be noted that our investment in SMC had been marked at fair value in August of last year at the time of the Tiptree transaction. And accordingly, the properties that were sold were carried on our balance sheet very close to their ultimate sale price.

Moving to our Cambridge investment. Historically, we've included 85% of the Cambridge operating loss for a given quarter in our profit and loss and treated our cash distribution as a reduction to our carrying value of this asset. Starting with the second quarter of 2011, we no longer include the percentage of the Cambridge operating loss in our profits and loss, and we treat our preferred cash distribution as income.

In the first quarter this year, we included a loss from Cambridge slightly in excess of \$1 million. In the second quarter, we included \$1.2 million of cash payment in income. Effectively, this accounts for our approximately \$2.2 million change in profit and loss between our first and second quarters.

Turning to our other sources of revenue. Bickford. Rental revenue remained constant because of straight-lining timing of lease revenues. It should be noted that starting in July, cash flow from Bickford increased by approximately \$87,000 a month as a result of the 3% annual base rent increase and the payment of 3 years of deferred rent, which will be paid over the next 24 months.

SMC. As previously mentioned, SMC closed on the sale of 3 of the 4 properties, which we had an interest in during the first week of May. Going forward, income from SMC will be approximately \$26,000 a month. For the second quarter, income from SMC was approximately \$185,000.

Schwartzberg. Our remaining loan generated approximately \$200,000 of interest income for the quarter versus approximately \$245,000 in the prior quarter. The difference is attributable to amortization of principal and an agreement between the lenders and the borrowers to postpone the current payment of default interest. Going forward, we anticipate approximately \$120,000 of interest income per quarter or \$40,000 a month from this investment.

Expenses. The company continues to monitor its expenses and search for cost-saving opportunities. Particular areas of focus in this regard: professional fees and insurance costs. We continue to utilize outside professionals on a collective basis and are in the process of renewing our D&O insurance at a significant saving.

FFO and AFFO calculation. Going forward, the revised methodology for accounting for our Cambridge investment will reduce the difference between our GAAP earnings and our FFO and AFFO for the period. There will no longer be a need to adjust GAAP earnings for our pro rata share of Cambridge depreciation.

With respect to the second quarter, we had FFO of approximately \$2 million or \$0.19 a share; and AFFO of approximately \$1.4 million or \$0.14 a share, the major difference between FFO and AFFO being the straight-lining of lease revenue on the Bickford portfolio of approximately \$600,000 or \$0.06 a share.

Looking to the third quarter, the increase in rental cash flow from Bickford will more than offset the reduction in income, resulting from the sale of 3 of the 4 SMC properties. To the extent that we'd close on any acquisitions during the third quarter, such acquisitions will not have a meaningful impact on income for the third quarter. Torey?

**Salvatore V. Riso**

*Former Chief Executive Officer and President*

Thank you, Steve. As described at the onset of the call, we're happy to say that Care achieved many of the goals we've set out for the quarter, and our near-term priorities are as follows: continue to pursue acquisition opportunity; continue to explore opportunities for raising debt and equity capital; and as mentioned on the last call, increase our shareholder base and relist Care on national exchange at the appropriate time.

I remain, as does the rest of the team and the executive committee, very optimistic about Care's prospects and look forward to working with the team to accomplish our near-term goal.

With that, I'll ask Alicia, the operator, to open the lines for your questions.

## Question and Answer

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### Operator

[Operator Instructions] I am showing that there are no questions at this time. I will turn it back over to management.

### Salvatore V. Riso

*Former Chief Executive Officer and President*

Thank you, Alicia. Thanks again to all that have joined today's call and for the interest you've shown in Care. We look forward to sharing more positive news with you in the future. Thank you.

### Operator

Ladies and gentlemen, this concludes the Care Investment Trust Second Quarter 2011 Conference Call. If you'd like to listen to a replay of today's conference, please dial 1 (800) 406-7325 or (303) 590-3030 and enter in the access code of 4464071. We'd sincerely like to thank you for your participation, and you may now disconnect.

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