

# Tiptree Inc. NasdaqCM:TIPT

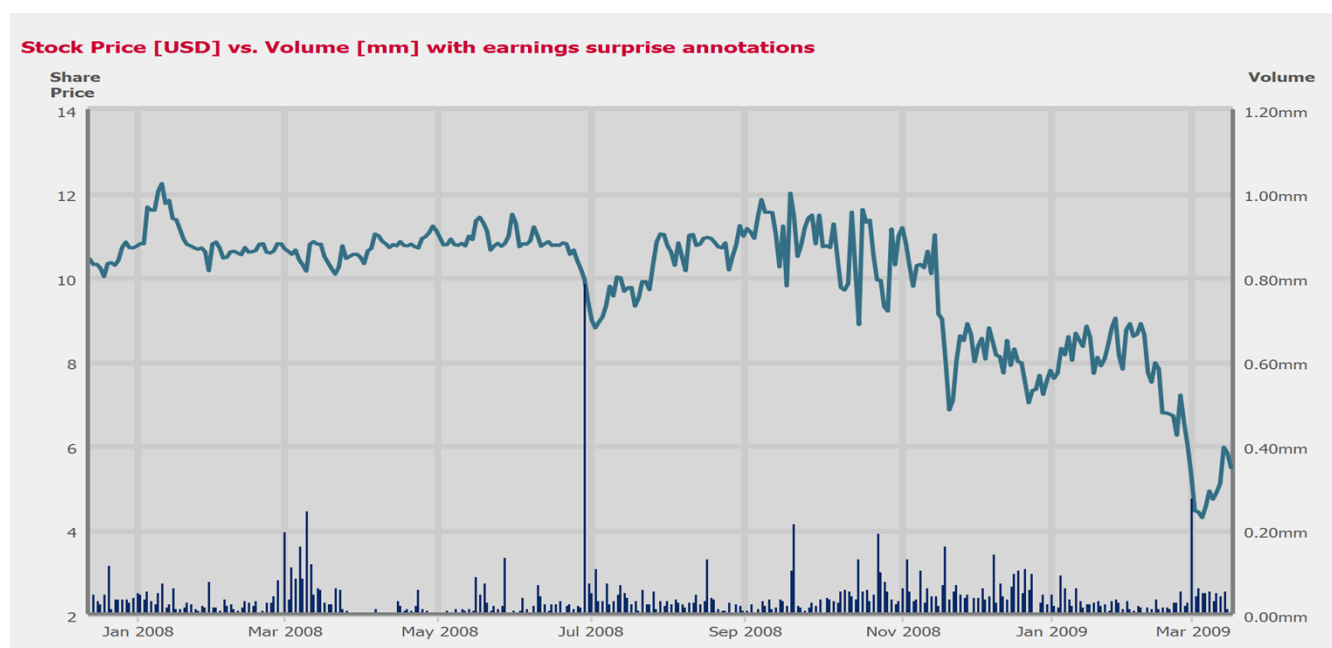
## FQ3 2011 Earnings Call Transcripts

Wednesday, November 09, 2011 4:00 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

Ladies and gentlemen, thank you for standing by. Welcome to the Care Investment Trust Third Quarter 2011 Conference Call. [Operator Instructions] This conference is being recorded today, Wednesday, November 9, 2011. I would now like to turn the conference over to Scott Eckstein. Please go ahead.

## 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 third 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 question. Before we begin, please be advised that this call may involve forward-looking statements as discussed in the press release dated November 9, 2011. Risks associated with these statements can be found in the company's latest SEC filings. Additionally, we want to remind participants that the information contained in this call is current only as of the date of this call, November 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 each non-GAAP financial measure, and the comparable GAAP financial measure and income can be found in the company's third quarter 10-Q, which is expected to be filed with the SEC tonight after the close of the market, and on the company's website at [www.carereit.com](http://www.carereit.com) under the Investor Relations tab.

At this point, 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'd like to welcome those on the call this morning. I'm Torey Riso, the Chief Executive Officer of Care Investment Trust. I'm joined here in New York by Michael Barnes, our Executive Chairman; and Geoffrey Kauffman, our Executive Vice Chairman; as well as Steve Sherwyn, Care's Chief Financial Officer. We're pleased to have this opportunity once again to speak with you about a few of Care's accomplishments during the third quarter of 2011 to review with you our financial results for the third quarter, which we released earlier this morning; and three, to answer any questions you may have.

I'm happy to report that during the third quarter of 2011, Care continued its positive forward momentum. On September 21, we closed a \$20.8 million transaction with Greenfield Senior Living, the high quality and experienced operator with properties in Virginia and Tennessee. The transaction involved the acquisition by Care, and simultaneous leaseback to Greenfield, of 3 private pay assisted living and memory care facilities in Virginia. This was an important transaction for Care, as it was our first acquisition since late 2008. We are particularly pleased with the transaction because it is a prime example of how we would like to build Care going forward: One relationship at a time with owners, operators, with whom we share common vision for growing our platform in the senior housing industry. Also notable during the third quarter has been continuing dialogue with commercial and investment banks, relating to debt and equity capital, and other owners and operators of senior housing facilities relating to possible acquisitions of their property. We're hopeful that we will have more to report on both fronts during our next investor call. At this point, I would like to ask Steve Sherwyn, our CFO, to walk you through our third quarter results. Steve?

## Steven M. Sherwyn

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

Thank you, Torey. From a financial reporting perspective, 3 particular items stand out as we review our results for the third quarter 2011. First, primarily as a result of the Greenfield acquisition, total assets increased almost 10% from the second quarter, increasing from approximately \$163.5 million to approximately \$178.6 million. Second, despite a reduction in GAAP income, the sale of 3 of the 4 SMC properties in May, and only realizing the benefit of the Greenfield acquisition for approximately 10 days, as the transaction did not close until the second half of September, Adjusted Funds From Operations or AFFO, remain constant on a per-share basis at \$0.14 per share. And the aggregate AFFO did decrease by approximately \$40,000 from approximately \$1.44 million to approximately \$1.4 million. Third, on the topic of GAAP earnings, the reduction in GAAP earnings can primarily be attributed to 2 items: First, approximately \$228,000 in transaction costs associated with the Greenfield transaction were spent for GAAP purposes, but not for AFFO purposes; second, there was approximately \$270,000 reduction in the available cash from operation associated with our Cambridge investment. Based on the revised structure of our Cambridge investment, we expect to recover this shortfall over time. Looking at our individual sources of revenue, let's start with our newest asset, Greenfield. As previously mentioned, the Greenfield transaction closed during the second half of September. For the third quarter, we recognized approximately \$50,000 of rental income from Greenfield. For the fourth quarter, we anticipate recognizing 3 to 4 months of rental income or approximately \$0.5 million. We also expect to complete the refinancing of our Bridge Loan used to acquire these properties. Our application is currently pending with Freddie Mac.

Turning to our other sources of revenue. Bickford, our 14-property portfolio located in the Midwest. Our rental revenue for GAAP purposes remain relatively constant because of the streamlining of lease revenues. Cash flow from rental properties increased by approximately \$90,000 per month. Such increase is attributable to the 3% annual base rent increase, and the payment of 3 years of deferred rent which will be amortized over 24 months. Both the rent increase and the amortization of the deferred rent became effective as of July 1, 2011. SMC, as previously mentioned, we have 1 remaining property from our original 4 properties. Going forward, income from SMC is expected to be approximately \$26,000 a month. For the third quarter, income from SMC was approximately \$78,000. Our remaining loan asset, in which we have a 1/3 interest in a larger credit facility, generated approximately \$146,000 in interest income for the quarter, versus approximately \$198,000 in the prior quarter. The difference is attributable to amortization of principal, and agreement between the lenders, the borrowers to postpone the current payment of default interest.

We did receive 2 partial principal payments of approximately \$500,000 each, one in September and one in October. This loan was originally scheduled to mature on February 1, 2011 and has been extended several times, most recently until October 28, 2011. The lenders and the borrowers in the credit facility are continuing to work on restructuring of the facility.

Moving on to our FFO and AFFO for the third quarter. We had FFO of approximately \$1.4 million or \$0.14 a share, and as previously mentioned, AFFO is approximately \$1.4 million or \$0.14 per share. While AFFO remain constant from the second quarter, FFO has declined by approximately \$0.5 million. This reduction in FFO was attributable to the reduction in GAAP earnings, which as previously discussed, pertains primarily to the acquisition cost associated with the Greenfield transaction and the reduction in available cash from operations from our Cambridge investment.

For the fourth quarter, we expect to continue to benefit from the increased rental cash flow from Bickford. We also have the benefit ownership of the Greenfield portfolio for the entire quarter. Finally, we expect to complete a refinancing of the KeyBanc Bridge Loan currently secured by the Greenfield portfolio. This term of financing is expected to be a 10-year fixed rate loan with a 30-year amortization schedule. Torey?

### **Salvatore V. Riso**

*Former Chief Executive Officer and President*

Thank you, Steve. I have described at the outset of this call, we're happy to say that Care has achieved some of the goals we set out to for the quarter. Care's priorities for the near term are as follows: To continue to pursue acquisition opportunities, and to continue to explore opportunities to raise debt and equity capital. I personally remain very optimistic about Care's prospects and look forward to working with

the other members of the Care team to accomplish our near-term goals. With that, I'll let the operator to open the lines for your question.

## Question and Answer

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### Operator

[Operator Instructions] And I'm not showing any questions at this time.

### Salvatore V. Riso

*Former Chief Executive Officer and President*

Thank you, operator. Thanks again to everyone who has joined the call today. We look forward to sharing more positive news in the future, and thank you again, for joining the call. Have a good morning.

### Operator

Thank you. Ladies and gentlemen, that does conclude our conference call for today. If you would like to listen to the replay of today's conference, you may do so by dialing (303) 590-3030 or at 1-800-406-7325 using the access code 4486169. Thank you for your participation. You may now disconnect.

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