

# Tiptree Inc. NasdaqCM:TIPT

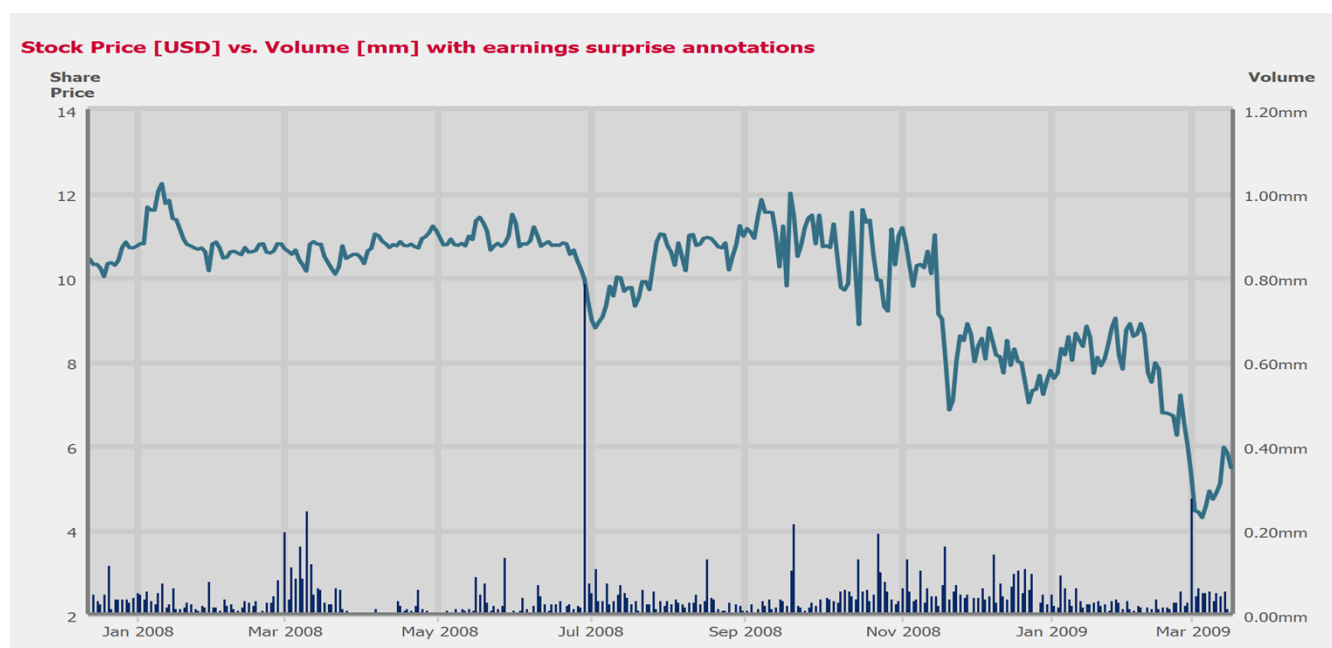
## FQ2 2012 Earnings Call Transcripts

Wednesday, August 22, 2012 2:00 PM GMT

### S&P Capital IQ Estimates

Currency: USD

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



# Call Participants

---

## EXECUTIVES

### **Joseph Brett Sacks**

*Former Principal Accounting Officer  
and Controller*

### **Salvatore V. Riso**

*Former Chief Executive Officer and  
President*

### **Unknown Executive**

# Presentation

---

## Operator

Ladies and gentlemen, thank you for standing by and welcome to the Care Investment Trust Inc. Second Quarter 2012 Conference Call. [Operator Instructions] Today's conference is being recorded, August 22, 2012. I would now like to turn the conference over to Han Huey [ph] from MWW Group. Please go ahead.

## Unknown Executive

Thank you, operator. I'd like to thank everyone for joining us today. Today, we distributed a press release announcing the company's second quarter 2012 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 22, 2012. Risks associated with these statements can be found in the company's latest SEC filing. Additionally, we want to remind participants that the information contained in this call is current only as of the date of this call, August 22, 2012, and the company assumes no obligation to update any statements, including forward-looking statements, made during this call. Listeners to any replay should understand the passage of time by itself will diminish the quality of these statements.

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. Both reconciliation of these non-GAAP financial measure and the comparable GAAP financial measure of net income can be found in the company's 10-Q, which was filed with the SEC after the close of market on August 10, 2012, 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 openings remarks. Torey, please go ahead.

## Salvatore V. Riso

*Former Chief Executive Officer and President*

Thank you, Han[ph]. I'd like to welcome those on the call this morning. I'm Torey Riso, the Chief Executive Officer of Care Investment Trust, and I'm joined here in New York by my fellow Executive Committee members, Michael Barnes, our Chairman; and Geoffrey Kauffman, our Vice Chairman. Also joining me this morning is Joseph Sacks, Care's Controller and current Principal Accounting Officer.

We are pleased to have the opportunity this morning to review with you our financial results for the second quarter of 2012, to describe for you, Care's near-term focus, and finally, to answer any questions that you may have.

Care worked extremely hard during Q2 on its previously described priorities, including the deployment of its investable cash. While we cannot say with certainty if or when any of the initiatives in which Care has been working, will be realized, the team is focused on meeting its goal of enhancing shareholder value during Q3 and beyond.

I'd like to mention one other notable event that occurred at the end of the second quarter, and that is the departure of our CFO and Treasurer, Steve Sherwyn. Steve had initially been part of the Care team as a consultant and as CFO following the consummation -- the consummation, excuse me, of the change of control transaction with Tiptree Financial Partners in August 2010. Steve resigned at the end of June 2012 to pursue another professional opportunity. I want to thank Steve for his service and wish him well in his future endeavors.

Until we identify a candidate and appoint a new CFO, the Executive Committee, in consultation with our Audit Committee and Board of Directors, has asked Joe Sacks, Care's Controller since April 2011, and now Principal Accounting Officer, to work closely with me and other members of the Care team to take on certain additional responsibilities formerly handled by the CFO. We and our advisers are confident that the financial and SEC-reporting processes, as well as the effectiveness of internal controls, remain sound during this transition, and this will continue to be one of our main priorities.

With that, I'd like to ask Joe to walk you through our second quarter results.

**Joseph Brett Sacks**

*Former Principal Accounting Officer and Controller*

Thank you, Torey. Before going through the results, I'd like to say that I welcome the opportunity to take on an expanded role during this transition period and will be working closely with the Audit Committee, Executive Committee, other Care team members, as well as our outside consultants and auditors to ensure that Care continues to prepare and provide consistent financial reporting.

And now, the Q2 results.

For the second quarter 2012, Care incurred a net loss of \$239,000 or \$0.03 loss per basic and diluted common share. Please note that we used the two-class method to compute EPS due to prior RSU brands being treated as participating securities.

For the 6 months ended June 30, 2012, we had income of \$55,000. I'll break this down further into its relevant pieces.

Revenue for the 3 months ended June 30, 2012 was consistent with that of Q1, 2012 and include approximately \$3.4 million of rental revenue and approximately \$400,000 of reimbursable income from our Bickford and Greenfield portfolios. Reimbursable income includes real estate taxes and certain other escrows that we collect on behalf of our Bickford and Greenfield tenants, and which are used to pay such expenses as they come due.

We earned interest income on our loan investment of approximately \$200,000 for the second quarter. Income from partially-owned entities, our Senior Management Concepts investment, was approximately \$100,000 for the second quarter. Notable expense items for the 3 months ended June 30, 2012 include approximately \$233,000 of acquisition-related transaction expenses, \$100,000 of accrued annual cash bonuses, which amount was reduced [ph] from prior quarters in order to account for the departure of our CFO. Year-to-date, Care has accrued \$300,000 in annual cash bonuses.

Care reported approximately \$120,000 as income tax benefits for state and local taxes, which primarily resulted from an overpayment for 2011 taxes and a refund received relating to 2008 taxes paid for which an amended return was filed during Q2 2012.

Finally, no Incentive Fee was paid to our advisor, TREIT, under the Service Agreement during Q2 2012.

Other income expenses for the 3 months ended June 30, 2012 include interest expense of approximately \$1.6 million for the 3 months ended June 30, 2012, which primarily related to the debt underlying the Bickford and Greenfield portfolio. Of note, during the quarter ended March 31, 2012, we became party to the short sale of a \$15.5 million of 2% U.S. Treasury Note due November 15, 2021, in anticipation of entering into a 10-year fixed rate mortgage secure by our Greenfield portfolio. During the 3-month period ended March 31, 2012, we recognized an unrealized gain on derivative instruments of approximately \$400,000 relating to the short position. During the 3-month period ended June 30, 2012, the short position was closed whereby the original unrealized gain was reversed and a net realized gain of \$86,000 was recognized.

AFFO and FFO definitions are contained within our recently filed 10-Q for the quarter ended June 30, 2012 and collectively represent non-GAAP financial measures.

Q2 FFO, AFFO are solid. For the second quarter, FFO was \$736,000 or \$0.07 per basic and diluted common share. AFFO for the same period was \$1.1 million or \$0.11 per basic and diluted common share. The

most notable differences with Q1 AFFO of \$0.07 compared with Q2 AFFO of \$0.11, which is an increase of \$0.04 per common share, include a \$420,000 unrealized gain of the short position in Q1 and a \$420,000 unrealized loss on the short position offset by the \$86,000 in realized gain on the short position in Q2. In addition, we added back \$233,000 of acquisition-related transaction cost in Q2.

For the 6 months ended June 30, 2012, FFO was \$2 million or \$0.20 per basic and diluted common share. AFFO for the same period was \$1.9 million or \$0.18 per basic and diluted common share.

As it relates to cash balances and other transactions, we ended the second quarter with approximately \$48 million in cash. In addition, Care made dividend payments corresponding to the period Q4 2011 and Q1 2012 during the Q2 2012 period in the amount of approximately \$2.8 million. I would also note that on August 9, Care's Board declared a dividend on \$0.135 to be paid on September 6 to shareholders of record, August 23.

As you may have seen in our prior filings, in April 2012, Care refinanced a bridge loan from KeyBank that was entered into in connection with the acquisition of the Greenfield portfolio with permanent financing through Keycorp Real Estate Capital Market for an aggregate amount of approximately \$15.7 million. The new financing has a fixed rate of 4.76%, amortizes over a 30-year period and matures on May 1, 2022. The permanent loan was sold to Freddie Mac under their CME program in June 2012. The remaining deferred loan fees for the bridge loan were written off was approximately \$50,000. We capitalized approximately \$500,000 in deferred loan fees for the new [indiscernible]. As noted in April 2012, we closed our U.S. Treasury Note to a position on locking the rate for the permanent Greenfield financing and realized a net gain of approximately \$100,000.

Torey, that's all I have.

**Salvatore V. Riso**

*Former Chief Executive Officer and President*

Thank you, Joe. To summarize, I remain optimistic about Care's prospects and look forward to working with the team to accomplish our near and longer-term goals.

With that, I'll ask the operator to open the lines for any questions. Operator?

## Question and Answer

---

### Operator

[Operator Instructions] I'm showing no questions in the queue. At this time, I'd like to turn the conference back to management.

### Salvatore V. Riso

*Former Chief Executive Officer and President*

Thank you, operator. With that, I'd like to thank everybody for joining the call this morning and we look forward to having additional good news for you in the future. Thank you. Bye-bye.

### Operator

Ladies and gentlemen, this concludes our conference for today. If you would like to listen to a replay of today's conference, you may do so by dialing 1 (800) 406-7325 or (303) 590-3030 and entering the access code of 4559881 followed by the pound sign. Thank you for your participation. You may now disconnect.

The information in the transcripts ("Content") are provided for internal business purposes and should not be used to assemble or create a database. The Content is based on collection and policies governing audio to text conversion for readable "Transcript" content and all accompanying derived products that is proprietary to Capital IQ and its Third Party Content Providers.

The provision of the Content is without any obligation on the part of Capital IQ, Inc. or its third party content providers to review such or any liability or responsibility arising out of your use thereof. Capital IQ does not guarantee or make any representation or warranty, either express or implied, as to the accuracy, validity, timeliness, completeness or continued availability of any Content and shall not be liable for any errors, delays, or actions taken in reliance on information. The Content is not intended to provide tax, legal, insurance or investment advice, and nothing in the Content should be construed as an offer to sell, a solicitation of an offer to buy, or a recommendation for any security by Capital IQ or any third party. In addition, the Content speaks only as of the date issued and is based on conference calls that may contain projections of other forward-looking statements. You should not rely on the Content as expressing Capital IQ's opinion or as representing current information. Capital IQ has not undertaken, and do not undertake any duty to update the Content or otherwise advise you of changes in the Content.

THE CONTENT IS PROVIDED "AS IS" AND "AS AVAILABLE" WITHOUT WARRANTY OF ANY KIND. USE OF THE CONTENT IS AT THE USERS OWN RISK. IN NO EVENT SHALL CAPITAL IQ BE LIABLE FOR ANY DECISION MADE OR ACTION OR INACTION TAKEN IN RELIANCE ON ANY CONTENT, INCLUDING THIRD-PARTY CONTENT. CAPITAL IQ FURTHER EXPLICITLY DISCLAIMS, ANY WARRANTY OF ANY KIND, WHETHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT. CAPITAL IQ, SUPPLIERS OF THIRD-PARTY CONTENT AND ANY OTHER THIRD PARTY WORKING WITH CAPITAL IQ SHALL NOT BE RESPONSIBLE OR LIABLE, DIRECTLY OR INDIRECTLY, FOR ANY DAMAGES OR LOSS (INCLUDING DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL AND ANY AND ALL OTHER FORMS OF DAMAGES OR LOSSES REGARDLESS OF THE FORM OF THE ACTION OR THE BASIS OF THE CLAIM) CAUSED OR ALLEGED TO BE CAUSED IN CONNECTION WITH YOUR USE OF THE CONTENT WHETHER OR NOT FORESEEABLE, EVEN IF CAPITAL IQ OR ANY OF THE SUPPLIERS OF THIRD-PARTY CONTENT OR OTHER THIRD PARTIES WORKING WITH CAPITAL IQ IN CONNECTION WITH THE CONTENT HAS BEEN ADVISED OF THE POSSIBILITY OR LIKELIHOOD OF SUCH DAMAGES.

© 2017 Capital IQ, Inc.