

# Tiptree Inc. NasdaqCM:TIPT

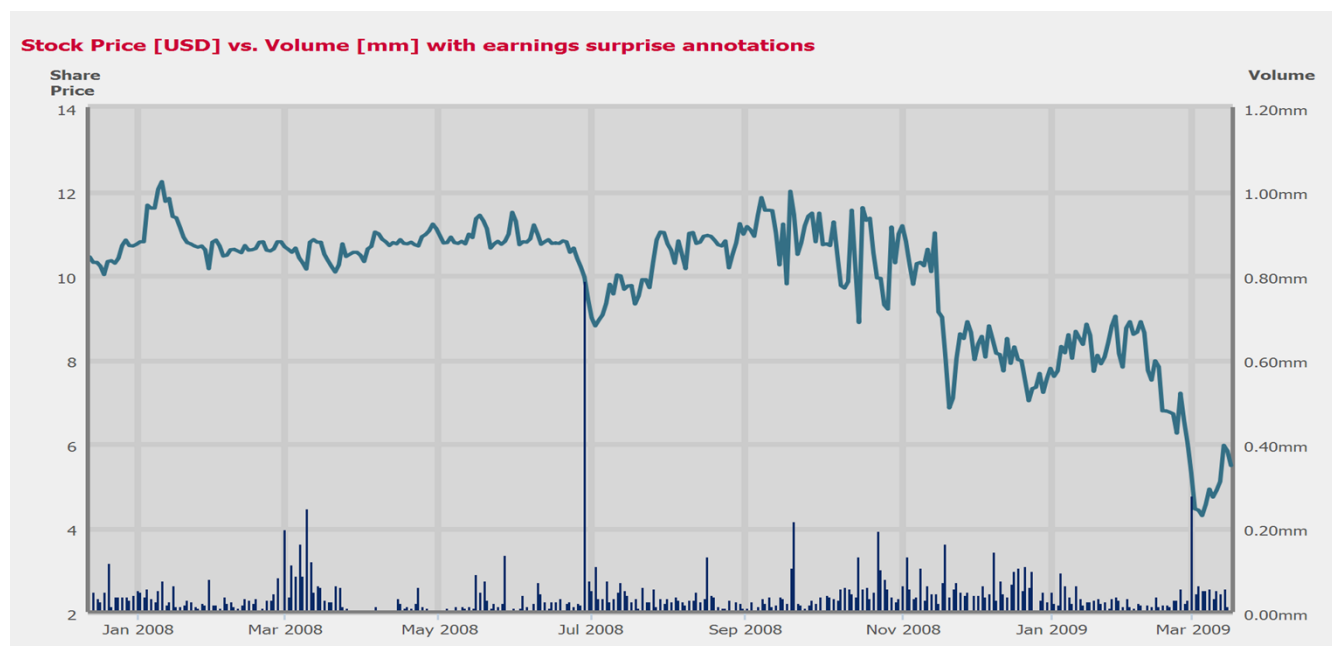
## FQ1 2012 Earnings Call Transcripts

Tuesday, May 22, 2012 2:00 PM GMT

### S&P Capital IQ Estimates

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# 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*

## ANALYSTS

**Unknown Analyst**

# Presentation

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## Operator

Good morning, ladies and gentlemen, thank you for standing by. Welcome to the Care Investment Trust Inc., First Quarter 2012 Conference Call. [Operator Instructions] This conference is being recorded today, Tuesday, May 22, 2012. And at this time, I'd like to turn the conference over to Scott Eckstein, Financial Relations Board. Please go ahead, sir.

## Scott Eckstein

*Director of Account Services*

Thank you, operator. I'd like to thank everyone for joining us today. On May 15, we distributed press release announcing the company's first 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 May 15, 2012. Risks associated with these statements can be found in the company's latest SEC filings. Additionally, we want to remind participants that information contained in this call is current only as of the date of this call, May 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 that 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. A reconciliation of each non-GAAP financial measure and a comparable GAAP financial measure and net income can be found in the company's 10-Q, which was filed with the SEC after the close of market on May 15, 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 opening remarks. Torey, please go ahead.

## Salvatore V. Riso

*Former Chief Executive Officer and President*

Thank you, Scott. I'd like to welcome everyone to first quarter earnings call of Care Investment Trust. I am Torey Riso, Chief Executive Officer of Care. I'm joined here in New York by Care's Chairman, Michael Barnes; Vice Chairman, Geoffrey Kauffman; and Chief Financial Officer, Steve Sherwyn. Because only a short amount of time has passed since the filing of our 10-K and our Q4 earnings call, we will focus primarily on financial results for Q1 2012, and any questions you may have when we open the line in a few minutes. During the first quarter of 2012, Care continues its conversations with owners and operators of senior housing facilities relating to possible property acquisitions involving triple net leases [indiscernible] compliant joint venture structures as well as potential debt and equity financing providers including private capital sources, commercial lenders and investment banks. While we aren't able to guarantee a favorable outcome to such conversations, we are working diligently to make progress on both fronts during the second and third quarters of 2012.

As we leave 2011 and look back upon the first quarter of 2012, we feel that in the maturation of the company, we've gone from a period of transition as described in our last earnings call to one of stabilization poised for future growth. The operating results for the first quarter of 2012 reflect this period of stabilization as we position ourselves for future growth through strategic acquisitions and alliances with operators who share both our vision with respect to senior housing as well as the growth of our company.

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

## Steven M. Sherwyn

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

Thank you, Torey. Good morning. Before discussing the actual results for the first quarter, I would like to point out one significant change in the presentation of our statement of operations. Starting in Q1, we have broken out as separate line items, reimbursable income and reimbursed property expenses. These 2 numbers represent property reimbursements, which we received from our tenants pursuant to our triple net leases on our wholly-owned real estate. For example, our tenants are responsible for real estate taxes on the underlying property.

On a monthly basis, we received funds from our tenants with respect to real estate taxes, which are then used to pay such taxes when they come due. By segregating these numbers, we feel that we are providing investors with a more transparent and accurate reflection of our operating results.

For the quarter, we had GAAP income of approximately \$294,000 or \$0.03 a share. One-time items which are included in this figure are unrealized gain of approximately \$420,000 on a derivative short position on the 10-year U.S. Treasury that we entered into an anticipation of entering into a 10-year mortgage with Freddie Mac secured by our Greenfield portfolio, and approximately \$250,000 increase in professional fees from the prior quarter representing a change in our methodology for accruing for certain audit fees and incremental legal fees incurred with respect to certain acquisition opportunities, which we are currently reviewing.

For comparison purposes, it is difficult to compare our GAAP results quarter-to-quarter or to the immediately preceding quarter as in Q1 of 2011, we had not yet restructured our investment in our medical office portfolio, and in Q4 of 2011, we sold our interest in our medical office portfolio and recorded a gain of approximately \$15 million.

Funds from operations or FFO for the first quarter were \$0.12 a share and adjusted funds from operations or AFFO for the quarter were \$0.07 a share. Again, due to the sale of our interest in our medical office portfolio in November of 2011, it is difficult to compare Q1 2012 to Q1 2011 and/or compare the recently completed quarter to the immediately preceding quarter. At quarter end, the company had approximately \$50 million of cash, which, while positioning the company for future acquisitions and growth will continue to have a negative impact on operating results until reinvested. Torey?

### **Salvatore V. Riso**

*Former Chief Executive Officer and President*

Thank you, Steve. As described in the onset of this call, we continue to pursue future acquisitions and debt and equity capital raising opportunities. I remain very optimistic about Care's prospects and look forward to working with the other members of the Care team to increase shareholder value. With that, I'll ask the operator to open the lines for your questions. Operator?

## Question and Answer

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### Operator

[Operator Instructions] And our first question is from the line of Eric Chaney, [ph] Partners.

### Unknown Analyst

I actually have 2 questions. First one, could you just provide a little more detail on the marketing general and administrative, it was a bit high in the quarter?

### Steven M. Sherwyn

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

Sorry, can you repeat the question?

### Unknown Analyst

Can you just provide a little bit color to the G&A being slightly higher?

### Steven M. Sherwyn

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

Well again, there were 2 changes in that number as I pointed out. First, historically, we had accrued audit fees over the prior years. So for instance, in 2010, we would have accrued expected audit fees monthly during 2010, even though most of the work was done in 2011. We changed that this year. So most of the audit fees with regard to 2011, when the work was done in the first quarter of 2012, that's when the expense showed up.

### Unknown Analyst

I remember you saying that, so those account for most of the difference is what you're saying.

### Steven M. Sherwyn

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

That's a significant percentage of it. The other amount pertains to various investment opportunities we're currently looking at. We've incurred professional fees with regard to reviewing of due diligence in certain documentation that since the transactions are not close, we've expensed those fees and costs.

### Unknown Analyst

So that leads my second question. You guys have spoken about potentially equity and debt financing for some of the deals. Can you give some color into the kinds of things you're looking at in terms of size, location, things that you think are interesting. I mean, are you seeing things to do, how is that experience then thus far?

### Salvatore V. Riso

*Former Chief Executive Officer and President*

Yes, this Torey. We've been actively pursuing conversations for some time. They are directed where we have identified our growth path so to speak, which is in the senior housing space. Geographically, they would be diverse from where we are today. And as we said in somewhat more generic and general terms with operators that have long-standing experience and reputation in the space, and so we're working on various different opportunities that some more sizable, some less sizable but we're trying to bring those to fruition as quickly as possible.

### Unknown Analyst

Right. I guess, okay, so it's potentially stated in a different way. I guess given the way that you guys are describing the opportunities set it will lead me to believe that some of the deals that you are looking are larger than the cash balance you have on hand. Would that be safe to say?

**Salvatore V. Riso**

*Former Chief Executive Officer and President*

Utilizing the cash balance we have on hand?

**Unknown Analyst**

Yes.

**Salvatore V. Riso**

*Former Chief Executive Officer and President*

Correct. Yes, job one is to utilize, to reinvest the cash balance that we currently have in the transactions we're looking at.

**Unknown Analyst**

Right. So do you think -- potentially, would you guys be open sort of a single deal that could take up the cash and then you can arrange financing for the rest of it, would you be open to that? Or are you hoping to do it in smaller deals?

**Salvatore V. Riso**

*Former Chief Executive Officer and President*

No, we're looking at -- as I just said a moment ago, there's actually different sizes of transactions. Some are -- one or more on the more sizable side, which would use up a chunk of that capital, and then others would be on the smaller side that would allow us to diversify into more than one transaction and more than one structure frame.

**Operator**

At this time, I'm showing no further questions. I'd like to turn the conference back over to Mr. Riso for any closing comments.

**Salvatore V. Riso**

*Former Chief Executive Officer and President*

Thank you, operator, and thanks again for all that have joined the call today. We look forward to sharing more positive news with you in the future and answering any of your additional questions as we have more to talk about in the next -- in the upcoming quarters. Thanks again for joining.

**Operator**

Thank you, sir. Ladies and gentlemen, if you'd like to listen to a replay of today's conference please dial 1(800)406-7325 or (303)590-3030 using the access code of 4539049 followed by the pound key. This does conclude the Care Investment Trust Inc. First Quarter 2012 Conference Call. Thank you very much for your participation. You may now disconnect.

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