Crystal River Capital, Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) And we'll go first to [Lee] Cooperman with Omega Advisors.

Leon G. Cooperman - Omega Advisors

Thank you, and good morning. I have two questions. The first one, if you can help on, and the second kind of express an opinion.

The value of a company's book or equity is in part a function of what the equity earns and admittedly other factors. I don't know what the best measure of your earnings are, but if I take the lower number that you reported - $0.72 - I multiply that by 4, it's a run rate of $2.88. If I arbitrarily say that a company today should be earning 15% on book for the book to be real, that would working backwards imply an asset value of the company of say $19 a share. If I start with the IPO price, which I think was $23 or $24 and the original private placement at $25, I take a 7% underwriting discount off of that, I take off of that approximately $50 million of realized losses since you've started the business as opposed to marked-to-market losses, that comes awfully close to $19 a share.

So my first question to you guys is how do you guys value or view the value of the equity as it would seem to me, based upon the seeming continued ability to pay this dividend that the current stock price would be totally disconnected to the economic value of the business. I assume you must have had a similar view when you announced your repurchase programs. Your stock is probably less than half of what it was it when you announced the buyback.

And that's question number one, okay, and let me just get the second question out and that is, I saw somewhere in Bloomberg - though I missed it in the release - that the manager has agreed to take his fee in stock and not cash, and my question to that is why? Is the manager looking to make a statement that he believes in us and is willing to take stock in lieu of cash, or are we doing it to conserve cash? Because in my opinion, I would rather pay the manager cash, take it out of the excess earnings of the company and not issue stock at prices that are probably less than half of the underlying value of the business.

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