TiptreeFinancial

April 8, 2015

To Our Fellow Investors:

We are pleased to provide this annual letter to our investors summarizing management's review of business operations for fiscal and calendar year 2014 as well as our strategic outlook for 2015. As of December 31, 2014, Tiptree Operating Company, LLC (the "Company"), of which the public shareholders of Tiptree Financial Inc. (NASDAQ: "TIPT")("Tiptree Financial") own approximately 77%, had a GAAP book value of $381.3 million. Net income was $4.6 million for 2014 compared to $40.7 million for 2013. Class A common stockholders had a net loss for 2014 of $1.7 million compared to net income of $10.4 million for 2013. GAAP book value per Class A common share was $8.94 at year-end 2014 compared to $9.38 at year-end 2013.

Highlights of Tiptree's Year

Although the Company's GAAP results for 2014 were disappointing, we were nonetheless pleased with our many accomplishments that contributed to our evolution as a public company:

- In December, we completed our largest acquisition to date by purchasing Fortegra Financial Corporation which focuses on credit insurance, warranty protection, auto warranty and roadside assistance and business process outsourcing services for insurers and commercial lenders. We believe Fortegra provides the Company a solid foundation of stable returns well into the future. The opportunity to partner with Fortegra's CEO Rick Kahlbaugh was one of the more significant factors in our acquisition consideration, and we anticipate that under his leadership Fortegra will prove to be a real gem.
- In October, we reached agreement to sell our private placement life insurance and annuity business Philadelphia Financial Group, Inc. to funds managed by The Blackstone Group L.P. for a total consideration of approximately $165 million. The sale, which is anticipated to result in a pre-tax gain of approximately $35.2 million at the Company (relative to our 2014 year-end carrying value), is expected to settle in the third quarter of 2015. Although we have greatly enjoyed our partnership with PFG's founder and CEO John Hillman these past five years, we wish him well in overseeing the next chapter of this unique business.
- Telos Asset Management completed two CLOs in 2014, adding more than $750 million to assets under management, bringing total Tiptree Asset Management AUM to just over $2 billion.
- Our healthcare real estate business, Care Investment Trust LLC, had an impressive year with realized pre-tax gains of approximately $7.9 million, primarily from the repayment of a $30 million legacy loan position which was held at a discounted value. In addition, Care made new senior housing-related investments of approximately $40 million in 2014, and $85 million in the first quarter of 2015.
- In November, we executed a purchase agreement for Reliance First Capital, LLC, a mortgage origination business which primarily focuses on creating conforming loans under U.S. agency guarantee guidelines. Completion of the transaction is expected in the third quarter of 2015.

- On June 30, 2014, Tiptree Financial's shares were added to the Russell 2000 index, creating additional demand from many index-linked funds and investors.
- In November, we completed the public registration of 21.2 million shares for resale by partners who exchanged private partnership units for Tiptree Financial common shares. These exchanges resulted in approximately 77% of the Company now being held publicly.
- In December, the Company, along with Michael Barnes, our Executive Chairman, initiated a share buying program to purchase up to an aggregate of $5 million of Tiptree Financial's shares. As of March 20, 2015, an aggregate of 133,347 shares have been purchased.
- Our board of directors elected to pay a dividend of $0.025 per share for the fourth quarter.

Overview of Business Strategy

Before we get to the specifics of operations and the performance of our individual businesses, we thought it might be helpful to provide an overview of Tiptree's business strategy, summarize its competitive advantages, and review the policies and principles which guide our operations:

- Tiptree is a diversified holding company that draws upon the extensive experience of its management in the areas of insurance, specialty finance, asset management and real estate to acquire and grow primarily controlling interests of operating businesses.
- We believe our business ownership mix of (i) specialty insurance, insurance services and warranty protection companies, (ii) operating companies which principally originate or own tangible assets, and (iii) asset management companies which earn fees from third-party investment vehicles, provides business synergies which should generate a higher overall return on shareholder capital.
- When making new acquisitions, we strive to identify businesses that: (i) have strong and experienced management, (ii) have the potential to generate attractive and stable returns on capital with limited downside, (iii) complement existing businesses or strategies through clearly identifiable synergies, and (iv) have sustainable and scalable business models.
- Tiptree's permanent capital base allows us to view our business through a long-term lens, providing competitive advantages relative to alternative capital sources with shorter-term objectives.
- We will retain a well-performing business for an indefinite period, but will consider selling a business when we believe material shareholder value creation will be achieved.
- When we acquire a business, we aim to partner with the management and employees by providing assistance when needed, but rely on their unique expertise to run the business day-to-day.
- We enhance the value of our businesses by utilizing our experience in capital markets, mergers and acquisitions, capital raising, credit markets, distressed investing, securitization, asset management, corporate governance and government regulatory issues.
- We also optimize the efficiencies of our business operations by strategically using the resources and talents of our more than 700 employees at our consolidated subsidiaries.
- We seek to adopt a prudent approach with regard to our capital structure, the diversification of financial risk and the avoidance of reputational risk.

- We evaluate our performance primarily by the comparison of our shareholder's long-term total return on capital (change in book value plus dividends paid), to alternative investment options and major market indices. As one point of comparison, Tiptree's total return using GAAP book value and dividends paid since inception through year-end 2014 has been 11.4% per annum vs. a total return of the S&P 500 of 6.6% per annum over the same period.[1]
- Our investors are our partners, and we attempt to provide as much information and transparency as we would expect to see when making an investment ourselves; we believe a well educated and informed investor makes the best partner.

Summary of Results for Tiptree's Primary Areas of Focus:

Insurance and insurance services:

Fortegra: As noted above, our acquisition of Fortegra Financial Corporation toward the end of the year was the largest single business acquisition in Tiptree's history. When conducting our due diligence we concluded that Fortegra had two key factors we value most in a company: quality management and quality earnings. Rick Kahlbaugh, Fortegra's CEO, has provided impressive leadership over the past five years and we are looking forward to partnering with him in the future. We believe this stable and growing business provides a solid foundation for the growth of Tiptree's overall platform.

PFG: Philadelphia Financial Group, Inc. ("PFG") is treated as a discontinued operation for GAAP reporting, but nonetheless posted positive after tax net income of $7.9 million for 2014, enjoying both modest organic growth and increased cash flow from its COLI/BOLI administration business. In October 2014, we agreed to sell PFG to funds managed by The Blackstone Group L.P. We have enjoyed working with CEO John Hillman, who has run PFG since its founding in 1996, and wish him much success in the future. Based on a total purchase price of $165 million, we estimate that the GAAP pretax gain over December 31, 2014 book value will be approximately $35.2 million for the Company. We estimate Tiptree Financial's incremental tax provision at the time of sale to be approximately $11.1 million. The incremental provision would bring total provisions for PFG related tax to approximately $26.5 million, which includes the deferred tax liability of $15.4 million already recorded as of December 31, 2014.

Specialty Finance:

Siena: In 2013, we purchased approximately 62% of Siena Lending Group, LLC ("Siena"), a commercial finance company providing credit to small and medium sized U.S. companies. This was a unique investment for us in 2013, as the business was effectively a start-up, something we generally shy away from. What attracted us to invest in Siena was the talented management and the idea of building a highly scalable asset-based corporate lending business. For 2014, CEO David Grende and his team did an excellent job of executing Siena's early stage business plan: pre-tax results went from a nine month loss of $1.7 million in 2013 to a gain of $119 thousand for 2014. We like the trend and anticipate seeing increased production and profitability in 2015.

---

[1] Total return is calculated based on the price paid by the original investors of Tiptree Financial Partners, L.P. on June 12, 2007 compared to Tiptree Financial GAAP book value as of December 31, 2014 plus total dividends as and when received by Tiptree investors (assuming no reinvestment). S&P total return assumes dividend reinvestment.

Luxury Mortgage: Tiptree completed the acquisition of 67.5% of Luxury Mortgage Corp. ("Luxury") in January 2014, which was just in time to experience one of the more challenging years in the residential mortgage industry. Luxury's operations include the origination, packaging and sale of agency, prime jumbo and super jumbo mortgage loans. As a result of a rise in rates in the second half of 2013, there were materially lower refinancings of mortgages in the first half of 2014. As rates fell in the second half of 2014, we saw this trend reverse and have begun 2015 with solid production. Although Luxury incurred a pre-tax loss of $2.4 million for 2014, it has not dampened our enthusiasm for the potential future growth of the residential mortgage industry. The U.S. mortgage market is one of the largest and most scalable debt markets in the world, and is just now recovering from the dramatic impairment of real estate prices and significant regulatory changes stemming from the credit crisis. Over the last seven years, the U.S. economy is much improved and we are bullish as it relates to employment and residential home prices. In addition, we anticipate seeing a significant increase of private-label mortgage securitizations in the coming years. As new regulations are more clearly understood and absorbed into the origination process, particularly as it relates to the Qualified Mortgage Rules and the origination of non-Qualified Mortgages, we believe the Company will be well positioned to meet homeowners' financing needs. Luxury has been in business since 1996, and Luxury's CEO David Adamo and President Rob Grosser, have demonstrated great discipline and skill by successfully maneuvering through the worst credit crisis in recent history. We believe Luxury can return to profitability in 2015.

Reliance: In November we agreed to acquire Reliance First Capital, LLC ("Reliance"), a mortgage originator that primarily focuses on creating conforming loans under U.S. agency guarantee guidelines. We expect to complete this acquisition in the third quarter of 2015. Reliance, under CEO Hugh Miller, was founded in 2009 as a *de novo* business. He and his team, who previously built and took public a mortgage origination business pre-crisis, have done a fantastic job of nurturing Reliance's early growth and we expect that they will continue to grow this business in 2015.

MFCA: Muni Funding Company of America, LLC ("MFCA") is a specialty finance company that provides credit to middle market tax-exempt borrowers primarily operating in the areas of healthcare, education and social services. MFCA's holdings of tax-exempt debt performed well in 2014, posting positive returns based on market value appreciation and income received. The low interest rate environment of these past few years has allowed many of MFCA's borrowers to refinance at historically low levels. This trend of refinancing continued in 2014, materially shrinking the Company's tax-exempt portfolio. MFCA CIO Chris Conley has turned his focus to redeploying capital toward new investments which we believe will offer attractive, tax-exempt returns. We also anticipate that the after-tax yields of this sector will be attractive to other investors and are exploring opportunities to create a third-party investment vehicle, thereby enhancing our returns with fee income.

Asset Management: Our wholly owned subsidiary, Tiptree Asset Management Company ("TAMCO") continued its positive growth trend in 2014, led by our corporate credit investment management business, Telos Asset Management, LLC ("Telos"), which added more than $750 million of new assets under management ("AUM"). Currently, Telos oversees more than $1.9 billion of AUM. As new regulations are expected to require that CLO managers hold some portion of the securitizations, we believe Tiptree would have a clear competitive advantage relative to those who do not have permanent capital to deploy. In addition, Telos CIO John McCormick, a veteran corporate credit portfolio manager, will be looking to diversify and grow his business through the creation of new CLOs and managed accounts in 2015.

Real Estate: Care Investment Trust LLC ("Care"), under the leadership of CEO Torey Riso, continued to execute its business plan in 2014 by buying new senior housing-related investments of approximately $40 million in 2014, and an additional $85 million in the first quarter of 2015. Care's strategy of partnering with best-in-class senior care providers has continued its success as Torey and his group further broadened Care's existing relationships with two of our operating partners (Greenfield Senior Living and Heritage Senior Living) and formed a new partnership relationship with Royal Senior Care. In addition to organic growth, the Care team also benefited from the repayment of a $30 million legacy loan position that resulted in a $7.9 million pre-tax realized gain. We are excited about Care's prospects of continuing its growth in 2015. The combination of demographics of an aging nation and current attractive property financing rates create the potential for stable and attractive returns. We also believe our real estate portfolio positions us well for any inflationary tail-winds that may arise.

Principal investments: For 2014, the bulk of our principal investments consisted of Telos CLO subordinated notes which were acquired as part of creating each CLO now under management. As of year-end 2014 the Company held approximately $94.3 million market value of CLO equity which produced pre-tax cash distributions of $15.7 million for 2014, which was partially offset by a mark-to-market decline of $7.9 million; this is compared to $15.3 million of pre-tax cash flow and a positive mark-to-market of $340 thousand in 2013. During 2014 we also funded new CLO loan warehouses which produced a gain of $4.1 million in 2014, slightly less than the $5.9 million we earned in 2013.

Separately, we established corporate credit spread protection trades that should provide value under certain "tail risk" scenarios and also maintained interest rate hedges which should provide value in a rising rate environment. Given the relative tight credit spread and low interest rate environment of 2014, these risk mitigation trades resulted in a loss of $3.1 million as compared to a gain of $172 thousand for 2013.

We also continued to hold our minority investments in Star Asia related entities which invest in Japanese commercial loans and real estate. These investments continued to perform well in 2014 with a gain of $3.4 million compared to a similar result of $3.3 million for 2013.

Economic Book Value and Income vs. GAAP

In the past we have regularly referred to "Economic" results alongside the required GAAP financial reporting. The history of this was rooted in management's desire to provide transparency of Tiptree's "intrinsic value", something that GAAP reporting often failed to accomplish.

A few noteworthy differences between our Economic and GAAP financials include:

- our TAMCO asset management subsidiary, which has no value reflected in our GAAP book value reporting despite producing annual pre-tax net income north of $6 million each of these past few years,

- aggregate depreciation and amortization of $11.9 million for 2014 (of which our real estate business had more than $7.2 million), and

- transaction costs incurred in the acquisition of Fortegra of $6.1 million that are deducted immediately for GAAP reporting, which for Economic purposes would likely be viewed as amortized over time.

As a result of some significant recent changes in GAAP reporting requirements, as well as our desire to provide financial information consistent with the practices of other public companies, we have decided it best to report GAAP financial results and no longer report Economic Net Income or Economic Book Value.

Dividend Policy

It is management's objective to grow Tiptree, as we believe this will better provide liquidity to investors, improve the price at which our public shares trade, and make our shares more valuable as a "currency" when structuring acquisitions. As a growing company, we have a continual need for capital to provide ongoing support to our subsidiaries and to make future acquisitions. When determining whether to pay a dividend, Tiptree's board considers many factors including estimated corporate tax obligations, Tiptree's near-term cash needs, pending acquisitions or capital commitments as well as the potential impact on shareholder value. For the first three quarters of 2014, the board decided to pay no dividend. For the fourth quarter of 2014, the board has approved a dividend of $0.025 per share. Each quarter, a similar consideration will be made.

2015 Outlook

For 2015 we anticipate the following:

- Closing the sale of PFG in the third quarter of 2015.
- Closing the acquisition of Reliance First Capital (agency mortgage originator) in a similar timeframe.
- Deploying capital in the residential non-performing loan market.
- Growing Fortegra's business through increased market share, bolt-on acquisitions and improving returns on Fortegra's investment portfolio.
- Expanding our asset management business through new CLOs and managed accounts.

We are excited about Tiptree's future and we believe the groundwork established this past year will be seen in the bottom line results of Tiptree for many years to come.

With best regards,

Michael Barnes
Executive Chairman

Geoffrey Kauffman	Jonathan Ilany
Co-CEO	Co-CEO