

Leder Holdings Issues Letter Discussing Next Steps for PICO Holdings after Shareholders Send Strong Message to Management

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BOCA RATON, Fla.--(BUSINESS WIRE)--The following is a Letter to Shareholders of PICO Holdings, Inc. (Nasdaq:PICO) issued today by Sean M. Leder, Chairman and CEO of Leder Holdings, LLC.

To Fellow Shareholders of PICO Holdings, Inc.:

On June 25, 2015, Leder Holdings issued a letter urging PICO Holdings shareholders to vote against the subsequently withdrawn proposal to reincorporate the Company in Delaware and in favor of the proposal to de-stagger the Board. (<http://www.businesswire.com/news/home/20150625005371/en/>) In that letter, we contrasted the Board's audacious request that shareholders sharply curtail their own governance rights with the destruction of shareholder value that has occurred under the watch of this same Board.

At the 2015 Annual Meeting of PICO Holdings, held on July 9, 2015, shareholders voted overwhelmingly — by a margin of 80% of the shares outstanding and almost 85% of the votes cast — to request a declassification of the Company's Board. Over 51% of the votes cast were voted against approval of the compensation of the Company's named executive officers. Shareholders did not have an opportunity to vote on a proposal to reincorporate the Company from California to Delaware — a move which, on the terms proposed by management, would have severely curtailed shareholder rights — because the proposal was pulled by the Company on the eve of the meeting under pressure from shareholders and the proxy advisory services.

These votes, and management's withdrawal of its reincorporation proposal, should be seen as a referendum on management's poor performance and an expression of clear shareholder dissatisfaction with the leadership of the current Board.

What Next?

We hope that shareholders have finally caught the ear of management, and that management understands that the status quo of continuing losses and erosion of shareholder value is unacceptable. These are steps that management must take now to reverse the years of sagging Company fortunes, return the Company to profitability and at long last build value for shareholders.

- ***Northstar Agri Industries — the Canola Seed Crushing Business***

On July 13, 2015, the Company issued a press release announcing the sale of Northstar Agri Industries and the Company's exit from the Canola business. The Company must see this sale to closure, but unfortunately it is a case of "too little too late." As of March 31, 2015, the Company invested approximately \$108 million in Northstar. According to the press release, after repayment of debt and other deductions, the Company stands to realize approximate net proceeds of \$30 million, **a loss of over 70%!**

In a Company issued press release dated March 16, 2015, CEO John Hart stated, "Having overseen the completion of Northstar's fully operational canola processing plant with an integrated refinery, **we believe we have created significant value at Northstar.**" (emphasis added) Where shareholders have reason to believe that management is not being

truthful, the share price is likely to suffer. This kind of disingenuous talk should stop.

- ***UCP — the Publicly-traded Homebuilding Subsidiary***

The Company conducted an IPO of UCP in 2013, but retained 57.2% of this business. Since that time, the share price of UCP has dropped from \$15 to the low \$7.00 range, a decline of over 50%.

In the March 16th press release, management all but conceded that UCP needs to be sold, otherwise the Company will not realize value from this business. As the controlling shareholder and to arrest further value erosion, PICO management must pro-actively pursue a sale of UCP and not rely exclusively on UCP management for execution.

- ***Vidler Water — Water Rights and Assets Operation***

Freed from the diversion of Northstar and UCP, the Company should focus its efforts and resources on its valuable water business, which management has suggested is likely “worth more than 2 times book value.” (Investor call March 16, 2015)

Currently, with negligible revenues, Vidler burns through \$5 to \$10 million a year. Management needs to articulate a clear, realistic program and timetable for building value in this operation.

- ***Corporate/Other***

The Company includes in this category a potpourri of investments. Management needs to articulate why these investments make sense for the Company or else monetize them.

- ***Share Repurchase Program***

For so long as the Company’s stock price is languishing at its current depressed levels, the best investment the Company can make is the repurchase of its shares. With the sale of Northstar and UCP, and the disposition of investments that do not fit within a logical strategic plan for the Company, the Company will have cash available to effect a prudent share repurchase program and support the water business.

- ***Corporate Governance***

At the recent Annual Meeting, shareholders overwhelmingly endorsed the declassification of the Company’s Board. The Board should promptly take steps to implement this proposal. At the same time, the Board should consider a reduction in its size from a seven to a five-member board, which can function more efficiently and at less cost.

If management fails to execute in restoring our Company to profitability, and creating value for shareholders, shareholders retain at their disposal the tools of corporate governance to make necessary changes. Leder Holdings intends to continue to monitor the performance of management and to publicly communicate with fellow shareholders on matters affecting the performance of our Company.

Leder Holdings is a holder of over 85,000 PICO Holdings shares, and we are continuing to build our position in the Company. Our interests are aligned directly with those of all other shareholders. Affiliates of Leder Holdings have substantial experience in real estate investment and management, and are pursuing investments in situations, like the Company, which they believe are undervalued or would benefit from greater management accountability or change.

Leder Holdings welcomes the opportunity to exchange ideas concerning important issues affecting our Company. We may be contacted by telephone (561) 289-1377; email smleder@lederholdings.com; or regular mail 4755 Technology Way, Suite 203, Boca Raton, FL 33431.

Sincerely,

Sean M. Leder
Chairman and CEO
Leder Holdings LLC

Contacts

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