



**Leder Holdings Issues Letter Urging PICO Holdings Shareholders to  
Vote against Proposal to Reincorporate in Delaware and for Proposal  
to De-Stagger the Board**



PICO Holdings vs. Indices (Photo: Business Wire)

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

To the Shareholders of PICO Holdings, Inc.:

On July 9, 2015, at the upcoming 2015 annual meeting of PICO Holdings, Inc., shareholders will be asked to vote on Proposal No. 4 to reincorporate the Company from California to Delaware. Ostensibly to protect PICO's NOLs, this proposal is a shocking power grab by a Board that has failed to deliver value and needs more—not less—accountability. Shareholders should not be fooled, and should **strongly oppose Proposal No. 4**.

Also on the ballot, is Proposal No. 5 by River Road Asset Management, one of PICO's largest shareholders and a sophisticated asset manager, to de-stagger the PICO Board and require that all PICO directors be elected annually. With its poor historical performance, the Board needs closer oversight by shareholders, and de-staggering the Board is one important step in this direction. Shareholders should **strongly support River Road's Proposal No. 5**.

Leder Holdings is a holder of over 57,000 outstanding PICO 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.

Introductory Point One: The Management and the Board Have Poorly Performed for Shareholders

It all starts and ends with poor performance. We would not be writing this letter if the management and Board were delivering even reasonably acceptable returns to shareholders. This has been far from the case. The Company's share price is more than 40% lower than it was 10 years ago, and down by over 67% from its high in August 2008. During the same period of time, both the S&P 500 and the Dow Jones U.S. Select Real Estate Securities Index, with dividends included, showed gains of 90% and 60% respectively.

It is not difficult to understand the Company's abysmal stock performance. The Company has lost money in each of the last six years. Cumulative losses have totaled \$187.5 million, and book value per share has declined from \$25.79 in 2009 to \$18.50 in 2014.

Of the Company's 7 directors, five have been serving at least since 2009, and have fully presided over the Company's disappointing performance in the last several years.

#### Introductory Point Two: Board Members Have Little Skin in the Game

When the Company does poorly, it is the shareholders that have paid good money for their stock positions that are the ones that suffer. Unless the directors have put a meaningful amount of their own money into share ownership, losses at the Company leave them unscathed.

Up until the past few weeks, none of the non-employee directors has thought to align himself with shareholders by actually buying stock in PICO. None of these directors has even thought to take his cash retainer and apply the money to stock purchases. With a potentially contentious vote on the horizon, these directors finally made a minimal investment. Still, of the small amount of equity that is owned, most is in the form of RSUs awarded to them by the Company.

With little to align the directors with shareholder interests economically, it is even more important that shareholders be very wary of ceding excessive control to the Board.

#### Why Shareholders Should Reject Proposal No. 4

With this as background, we can appreciate the audaciousness of the Board's request of shareholders to approve a move to Delaware on the terms prescribed by the Board, which at every turn deprives shareholders of their existing rights.

Ostensibly, the Board is advising the shareholders to move to Delaware in order to protect the Company's NOLs. In Delaware, the courts have expressly approved of so called NOL rights plans that effectively prohibit shareholders from acquiring more than 5% of a company's stock without board approval, thereby protecting against a tax ownership change that could jeopardize use of the NOLs. We can legitimately question whether this is the right strategy for our Company. Yes, it is important to protect NOLs. But it is even more important not to generate NOLs in the first place, and empowering five of seven directors who have overseen year after year of losses to determine how much stock the Company's shareholders can own strikes us as perverse.

There is much more than this in the fine print of Proposal No. 4, however. If protection of the Company's NOLs was all that the Board wanted to accomplish, it could have crafted Proposal No. 4 to maintain the status quo of shareholder rights in all other respects. Proposal No. 4 does just the opposite. In every possible way, the Delaware charter and bylaws would make things worse for shareholders. To fully appreciate this, you must read the side-by-side comparison of rights in the proxy statement. We summarize that comparison here:

Provision	PICO California	PICO Delaware
Percentage of shareholders required to call meetings	10%	25%
Cumulative Voting	Yes	No
Fixing the number of Directors	Under shareholder control	Under exclusive director control
Shareholder action by written consent	Yes	No
Filling vacancies on the board	Both the board and shareholders can fill vacancies	Only the board can fill vacancies
Restriction on transactions with large shareholders	No	Yes (not opting out from DGCL 203)
Removal of directors without cause	Yes (subject to certain voting requirements)	No, because the board will be staggered
Exclusive forum for shareholder suits	No	Yes
Shareholder vote to amend the bylaws	Majority	66 2/3%
Shareholder vote to amend the charter	Majority	66 2/3% for certain key provisions affecting shareholder rights

The audacity of the Board in asking shareholders to approve such an across-the-board cut-back of their own rights is breathtaking.

Where a Board has been performing as poorly as the PICO Board of the last several years, it would be a mistake to cede even greater control over the destiny of the Company to the directors. Shareholders should therefore act forcefully to reject the Board's power grab. A strong NO vote on Proposal No. 4 will let the Board know that shareholders cannot be toyed with like this. It will also send a much needed signal to the Board that shareholders are watching this Board carefully, and the status quo of losses and poor performance cannot continue.

**LEDER HOLDINGS URGES SHAREHOLDERS TO VOTE NO ON PROPOSAL NO. 4 TO REINCORPORATE THE COMPANY FROM CALIFORNIA TO DELAWARE**

Why Shareholders Should Approve Shareholder Proposal No. 5

With 8.9% of the outstanding shares, River Road Asset Management is the Company's second largest shareholder. As described in its letter to the Board of March 31, 2015, River Road is a value-oriented institutional equity manager with approximately \$7.8 billion in assets under management as of December 31, 2014. Unlike the directors, River Road has a substantial economic investment in the Company and its voice is worthy of respect.

River Road is asking shareholders to send an advisory message to the Board to eliminate the classification of directors and require that all directors be elected annually.

Coyly, the Board is taking no position on this proposal. It does not have to, as it is only advisory and even if it were approved the Board is under no compulsion to act. Nevertheless, we think it is important that shareholders send a strong message to the Board by approving Proposal No. 5. The message is that shareholders are insisting on more

accountability from this Board—annual election of directors for starters, and even more importantly, accountability for the highly unsatisfactory performance of the Company over the last several years.

**LEDER HOLDINGS URGES SHAREHOLDERS TO VOTE YES ON PROPOSAL NO. 5 TO ELECT DIRECTORS ANNUALLY**

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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](mailto:smleder@lederholdings.com); or regular mail 4755 Technology Way, Suite 203, Boca Raton, FL 33431. We look forward to continuing the dialog, and through more active shareholder involvement and oversight, a reversal of fortune for our Company.

## Contacts

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