

PICO HOLDINGS INC /NEW  
Form 10-Q  
May 10, 2007

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington DC 20549

**FORM 10-Q**

(Mark One)

**(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2007

OR

**( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from \_\_\_\_\_ to

Commission File Number: 0-18786

**PICO HOLDINGS, INC.**

(Exact name of Registrant as specified in its charter)

<p style="text-align: center;"><b>California</b></p> <p>(State or other jurisdiction of incorporation or organization)</p>		<p style="text-align: center;"><b>94-2723335</b></p> <p>(I.R.S. Employer Identification No.)</p>
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**875 Prospect Street, Suite 301  
La Jolla, California 92037  
(858) 456-6022**

(Address and telephone number of principal executive offices)

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the Registrant's Common Stock, \$0.001 par value, was 18,704,293 as of March 31, 2007, excluding 3,218,408 shares of common stock held by the registrant's subsidiaries.

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**PICO HOLDINGS, INC.**

**FORM 10-Q**  
**For the Three Months Ended March 31, 2007**

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**Part I: Financial Information****Item I: Condensed Consolidated Financial Statements**

**PICO HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

	March 31, 2007	December 31, 2006
<b>ASSETS</b>		
Investments	\$ 322,900,266	\$ 271,961,941
Cash and cash equivalents	182,745,681	136,621,578
Notes and other receivables, net	16,792,410	17,177,827
Reinsurance receivables	17,053,308	17,290,039
Real estate and water assets, net	119,171,157	102,538,859
Property and equipment, net	502,495	518,564
Other assets	4,107,278	2,934,131
Total assets	\$ 663,272,595	\$ 549,042,939
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Unpaid losses and loss adjustment expenses	\$ 40,341,259	\$ 41,083,301
Deferred compensation	54,006,494	49,776,043
Bank and other borrowings	12,753,003	12,720,558
Deferred income taxes, net	21,645,681	17,952,916
Other liabilities	20,618,217	22,282,822
Total liabilities	149,364,654	143,815,640
Commitments and Contingencies (Note 4)		
Common stock, \$.001 par value; authorized 100,000,000 shares,		
23,129,923 issued in 2007 and 20,306,923 issued in 2006	23,130	20,307
Additional paid-in capital	431,758,353	331,582,308
Accumulated other comprehensive income	69,213,273	60,950,679
Retained earnings	91,196,414	90,968,815
	592,191,170	483,522,109
Treasury stock, at cost (common shares: 4,425,630 in 2007 and 4,426,465 in 2006)	(78,283,229)	(78,294,810)
Total shareholders' equity	513,907,941	405,227,299
Total liabilities and shareholders' equity	\$ 663,272,595	\$ 549,042,939

*The accompanying notes are an integral part of the condensed consolidated financial statements.*



**PICO HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
<b>Revenues:</b>		
Net investment income	\$ 3,812,067	\$ 2,072,326
Net realized gain on investments	1,407,908	14,685,947
Sale of real estate and water assets	2,308,998	1,256,335
Rents, royalties and lease income	150,158	186,855
Other	135,577	45,176
Total revenues	7,814,708	18,246,639
<b>Costs and Expenses:</b>		
Operating and other costs	5,326,580	4,158,274
Cost of real estate and water assets sold	766,864	379,886
Depreciation and amortization	276,412	312,563
Interest expense		99,538
Total costs and expenses	6,369,856	4,950,261
Income before income taxes and minority interest	1,444,852	13,296,378
Provision for income taxes	923,908	4,549,314
Income before minority interest	520,944	8,747,064
Minority interest in loss of subsidiaries		12,459
Income from continuing operations	520,944	8,759,523
Loss from discontinued operations, net of tax		(1,541,322)
Net income	\$ 520,944	\$ 7,218,201
<b>Net income per common share - basic:</b>		
Income from continuing operations	\$ 0.03	\$ 0.66
Discontinued operations		(0.12)
Net income per common share	\$ 0.03	\$ 0.54
Weighted average shares outstanding	16,882,284	13,271,440
<b>Net income per common share - diluted:</b>		
Income from continuing operations	\$ 0.03	\$ 0.66
Discontinued operations		(0.12)
Net income per common share	\$ 0.03	\$ 0.54
Weighted average shares outstanding	17,071,198	13,271,440

*The accompanying notes are an integral part of the condensed consolidated financial statements.*





**PICO HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
<b>OPERATING ACTIVITIES:</b>		
Net cash used by operating activities - continuing operations	\$(6,683,702)	\$(14,331,744)
Net cash used by operating activities - discontinued operations		(1,545,782)
	(6,683,702)	(15,877,526)
<b>INVESTING ACTIVITIES:</b>		
Purchases of investments	(43,221,699)	(8,376,341)
Proceeds from sale of investments	2,702,089	17,705,434
Proceeds from maturity of investments	3,959,300	26,217,857
Purchases of property and equipment and costs capitalized to water infrastructure	(10,710,767)	(2,422,847)
Cash used in investing activities - discontinued operations		(587,927)
Net cash provided by (used in) investing activities	(47,271,077)	32,536,176
<b>FINANCING ACTIVITIES:</b>		
Proceeds from common stock offering, net	100,161,057	
Sale of treasury stock for deferred compensation plans	29,392	
Cash used in financing activities - discontinued operations		(498,272)
Net cash provided by (used in) financing activities	100,190,449	(498,272)
Effect of exchange rate changes on cash	(111,567)	(238,362)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>46,124,103</b>	<b>15,922,016</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>136,621,578</b>	<b>37,794,416</b>