PPL Corp
Form 4
March 06, 2014

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
HEYDT STUART

(Last) (First) (Middle)

TWO N. NINTH STREET

(Street)

ALLENTOWN, PA 18101

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PPL Corp [PPL]

3. Date of Earliest Transaction (Month/Day/Year)
03/05/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. D Se (I

Derivative Security					Disposed of (D) (Instr. 3, 4, and 5)					
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Unit (DDCP)	(1)	03/05/2014	A		338.542		(2)	(2)	Common Stock	338.542

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HEYDT STUART TWO N. NINTH STREET ALLENTOWN, PA 18101	X			

Signatures

/s/Frederick C. Paine, as Attorney-In-Fact for Stuart Heydt	03/06/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) No conversion or exercise price applies as, under the terms of the Directors Deferred Compensation Plan (DDCP), payout of the underlying securities will occur following a director's retirement.

(2) Payout of the underlying securities occurs as noted above in Note 1.

(3) Total includes stock units held in both the DDCP and Accrued Retirement Benefit Account. Total also includes the reinvestment of dividends in these plans.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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4.75% payments through 2017

$
89,500

$
46,000

Working Capital Debt:

6% payments through 2017
5,000

Swiss Debt:

3.7% payments through 2014
13,655

13,309

3.8% payments through 2014
3,277

3,194

Mortgage Debt:

4% to 4.5% payments through 2013
5,551

8,721

5% payments due from 2014 - 2016
425

5,276

6% to 6.5% payments through 2036
15,531

10,432

8% payments through 2013
464

893

10% payments through 2013

7,605

5,606

$
141,008

$
93,431

The Company's future minimum principal debt repayments for the years ending December 31 are as follows (in thousands):

Year	
2013	$21,878
2014	36,027
2015	5,979
2016	5,979
2017	70,633
Thereafter	512
Total	$141,008

The Company capitalized $4.4 million and $2.1 million of interest in 2012 and 2011, respectively, related to construction and real estate development costs.

9. COMMITMENTS AND CONTINGENCIES:

The Company leases some of its offices under non-cancelable operating leases that expire at various dates through 2014. Rent expense for the three years ended December 31, 2012, for office space was $832,000, $738,000, and $664,000, respectively.

85

Future minimum payments under all operating leases for the years ending December 31 are as follows (in thousands):

2013	$855
2014	760
2015	514
2016	349
2017	308
Thereafter	492
Total	$3,278

Neither PICO nor its subsidiaries are parties to any potentially material pending legal proceedings other than the following.

PICO Holdings, Inc:

On August 16, 2011 and August 26, 2011, Ronald Dennis and George Assad, respectively, each filed a shareholder derivative complaint, purportedly on behalf of the Company, against the Company's directors in the Superior Court of California, County of San Diego, (the "Derivative Actions"). The Derivative Actions allege a combination of claims for breach of fiduciary duty, gross mismanagement, contribution and indemnification, abuse of control, waste of corporate assets and unjust enrichment in connection with the May 13, 2011 shareholder advisory vote on the Company's 2010 executive compensation pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act and the 2010 executive compensation underlying the vote. The Complaints seek monetary damages, equitable relief in the form of disgorgement, attachment, impoundment or imposition of a constructive trust of over portions of the 2010 executive compensation, the implementation and administration of certain internal control procedures related to executive compensation, and costs and attorney's fees. The Dennis complaint seeks a declaration that the May 13, 2011 advisory vote rebutted the business judgment regarding the Company's Board of Directors' approval of the 2010 executive compensation. The Company removed each of the Derivative Actions to the United States District Court, Southern District of California and filed motions to dismiss each of the Derivative Actions. The plaintiff in each of the Derivative Actions filed a motion to remand the Derivative Actions to the Superior Court of California, County of San Diego. On January 6, 2012, the District Court granted in part the Company's motion to dismiss and granted in part plaintiffs' motions to remand, remanding certain claims to the Superior Court of the State of California. The plaintiffs appealed, and the Company cross-appealed, the federal district courts rulings. On March 29, 2012, the Superior Court of California stayed the Derivative Actions pending the appeal and cross-appeal in the Ninth Circuit Court of Appeals. Briefing on the appeal and cross-appeal is complete. The Ninth Circuit Court of Appeals has not set a date for a hearing on the appeal and cross-appeal. An estimate of the possible range or outcome of this litigation cannot be made. However, the Company does not believe this litigation will result in a material impact to the consolidated financial statements.

Fish Springs Ranch, LLC:

In September 2007, the Company reached a $7.3 million financial settlement with the Pyramid Lake Paiute Tribe of Indians relating to the exportation of water from the properties owned by Fish Springs Ranch, LLC. The settlement is pending ratification by the United States Congress, but we cannot be certain as to when the United States Congress will act on this matter. The Company has paid $3.7 million to the Tribe and accrued $3.6 million for the balance owed. No material developments occurred relating to this dispute or the settlement agreement during the year ended December 31, 2012.

The Company is subject to various other litigation matters that arise in the ordinary course of its business. Because litigation is inherently unpredictable and unfavorable resolutions could occur, assessing contingencies is highly subjective and requires judgments about future events. When evaluating contingencies, we may be unable to provide a meaningful estimate due to a number of factors, including the procedural status of the matter in question, the presence of complex or novel legal theories, and/or the ongoing discovery and development of information important to the matters. In addition, damage amounts claimed in litigation against us may be unsupported, exaggerated or unrelated to possible outcomes, and as such are not meaningful indicators of our potential liability. We regularly review contingencies to determine the adequacy of our accruals and related disclosures. The amount of ultimate loss may differ from these estimates, and it is possible that cash flows or results of operations could be materially affected in any particular period by the unfavorable resolution of one or more of these contingencies.

Whether any losses finally determined in any claim, action, investigation or proceeding could reasonably have a material effect on our business, financial condition, results of operations or cash flows will depend on a number of variables, including: the timing and amount of such losses; the structure and type of any remedies; the significance of the impact any such losses, damages or remedies may have on our consolidated financial statements; and the unique facts and circumstances of the particular matter that may give rise to additional factors.

10. SHAREHOLDERS' EQUITY:

Stock-based Compensation:

Long Term Incentive Plan

As described in Note 1, the 2005 Plan was adopted by the Board of Directors and approved by shareholders on December 8, 2005. The Plan provides for the grant or award of various equity incentives to PICO employees, non-employee directors, and consultants. A total of 2,654,000 shares of common stock are issuable under the Plan and it provides for the issuance of incentive stock options, non-statutory stock options, free-standing stock-settled stock appreciation rights ("SAR"), restricted stock awards ("RSA"), performance shares, performance units, restricted stock units ("RSU"), deferred compensation awards, and other stock-based awards.

The Company recorded total stock based compensation expense of $3.9 million, $4.5 million and $4.7 million during 2012, 2011 and 2010, respectively.

A summary of activity of RSU and RSA is as follows:

	RSU	RSA
Outstanding and unvested at January 1, 2012	594,000	5,046
Granted	13,716	
Vested	(140,000)	(5,046)
Outstanding and unvested at December 31, 2012	467,716	—
Unrecognized compensation cost, expected to be recognized over the next 2 years (in thousands)	$6,511	—

Restricted Stock Units (RSU):

RSU entitle the recipient, who must be continuously employed by the Company until the vesting date, unless employment contracts stipulate otherwise, the right to receive one share of the Company's common stock. RSU do not vote and are not entitled to receive dividends. Compensation expense for RSU is recognized ratably over the vesting period for each grant.

In June of 2012, as part of a duly adopted revised director annual compensation program, the Company issued 2,286 RSU, to each of the six non-employee directors of the Company for a total of 13,716 awards. The total fair value of the awards was $300,000 based on the Company's closing stock price on the grant date. Each award vests one year from the date of grant. The RSU were valued at the Company's closing stock price on the date of grant and the compensation expense is recognized over the vesting period of the award.

During 2012, 140,000 RSU vested which resulted in delivery of 94,176 newly issued shares of PICO common stock.

In October 2010, the Company awarded to various officers 454,000 RSU that are expected to vest in 2014. The total fair value of the awards was $13.9 million based on the Company's closing stock price on the grant date.

Restricted Stock Awards (RSA):

The Company had issued 700 RSA (or a proration of such amount based on the director's start date) to each non-employee director of the Company from 2008 to 2011. Each award vested one year from the date of grant and at December 31, 2012, all awards were vested.

87

Stock-Settled Stock Appreciation Right (SAR):

Upon exercise, a SAR entitles the recipient to receive a newly issued share of the Company's common stock equal to the in-the-money value of the award, less applicable federal, state and local withholding and income taxes. SAR do not vote and are not entitled to receive dividends. Compensation expense for SAR was recognized ratably over the vesting period for each grant.

There were no unvested SAR, and therefore no compensation expense recognized, during 2012 and 2011. Stock based compensation expense recognized for SAR for the year ended December 31, 2010 was $728,000. In addition, there were no SAR granted, or exercised during the three years ended December 31, 2012.

A summary of SAR activity is as follows:

	SAR	Weighted Average Exercise Price	Weighted Average Contractual Term Remaining
Outstanding at January 1, 2012	1,812,079	$36.16	4.5 years
Outstanding and exercisable at December 31, 2012	1,812,079	$36.16	3.5 years

At December 31, 2012, none of the outstanding SAR were in-the-money.

The fair value of each SAR awarded was estimated on the grant date using a Black-Scholes option pricing model that uses various assumptions and estimates to calculate a fair value as described below.

Expected volatility was based on the actual trading volatility of the Company's common stock. The Company uses historical experience to estimate expected forfeitures and estimated terms. The expected term of a SAR grant represents the period of time that the SAR is expected to be outstanding. The risk-free rate is the U.S. Treasury Bond yield that corresponds to the expected term of each SAR grant. Expected dividend yield is zero as the Company has not and does not foresee paying a dividend in the future. Forfeitures are estimated to be zero based on the strike price and expected holding period of the SAR.

Expected volatility	29% — 31%	
Expected term	7 years	
Risk-free rate	4.3% — 4.7%	
Expected dividend yield	—	%
Expected forfeiture rate	—	%

11.INCENTIVE COMPENSATION PLAN AND EMPLOYEE BENEFITS:

Incentive Compensation Plans:

Certain officers of PICO Holdings are eligible to receive an annual incentive compensation award based on the growth of the Company's book value per share during the year. To earn an award, the increase in book value per share must exceed a threshold of 80% of the annual total return of the S&P 500 for the previous five years. If the increase in book value per share exceeds this threshold, the incentive compensation award is 7.5% of the increase in book value per share, multiplied by the number of shares outstanding at the beginning of the year. The resulting award is paid in cash. No compensation was earned under this plan during the three years ended December 31, 2012.

Certain officers of Vidler are eligible to receive an annual incentive award based on the combined net income, after certain adjustments, of Vidler. No compensation was earned under this plan during the three years ended December 31, 2012.

Certain employees of UCP are eligible to receive an annual incentive compensation award based on UCP's return on equity for the year. For the year ended December 31, 2012, compensation of $223,000 was earned under this plan, however, no compensation was earned in 2011 or 2010.

88

Certain officers of Northstar are eligible to receive an annual incentive award based on the net income of Northstar, after certain adjustments. No compensation was earned under this plan during the three years ended December 31, 2012.

Employee Benefits:

The Company maintains a 401(k) defined contribution plan covering substantially all employees of the Company. Matching contributions are based on a percentage of employee compensation. In addition, the Company may make a discretionary profit sharing contribution at the end of the fiscal year within limits established by the Employee Retirement Income Securities Act. Total contribution expense to the plan for the years ended December 31, 2012, 2011, and 2010 was $770,000, $560,000, and $562,000, respectively.

12. RELATED-PARTY TRANSACTIONS:

On August 6, 2012, the Company entered into a severance agreement with each of Maxim C. W. Webb, Executive Vice President and Chief Financial Officer, and John T. Perri, Vice President and Chief Accounting Officer. Each agreement provides for the payment of two years base salary and a pro rata portion of the annual cash incentive payment, as well as reimbursement of up to one year of COBRA expenses, in the event of an involuntary termination of employment (other than for “cause”) or a resignation for “good reason.” Each agreement has a term of two years and will automatically renew for an additional two year term unless, at least 90 days before the expiration of the then current term, the compensation committee decides to terminate or amend the agreement.

In 2011, the Company entered into a three year employment agreement with Mr. John R. Hart, President and Chief Executive Officer effective from October 2011 to December 31, 2014 that provides for the following:

•An initial base salary of $2 million for 2011, and standard benefits package, subject to an annual cost of living adjustment, subject to Compensation Committee approval and certain termination benefits.

•An incentive award based on the growth of the Company’s book value per share during the fiscal year, above a threshold. The threshold above which an incentive award is earned is 80% of the S&P 500 total return for the five previous years. If the increase in book value per share exceeds this threshold, the incentive award is equal to 7.5% multiplied by the number of shares outstanding at the beginning (January 1) of the applicable year. The award earned for an applicable year is subject to proration if Hart’s employment is terminated other than for cause or if he resigns for good reason. For 2012, 2011 and 2010, the growth in book value per share did not exceed the threshold and no incentive award was earned.

On February 28, 2011, the Company entered into a consulting agreement with the Company’s non-executive chairman, Ronald Langley. The consulting services that Mr. Langley will provide to the Company include the identification and analysis of public equity investment opportunities and related advice. Pursuant to the agreement, the Company will compensate Mr. Langley for his services as they relate to individual investment opportunities only if the Company’s total return on such investment exceeds 20% compounded per annum; Mr. Langley will receive compensation based on the Company’s net realized gain from any such investments. Compensation of $155,000 was paid in 2011 to Mr. Langley under this agreement for investment returns that met the required threshold. No compensation was earned under this arrangement in 2012.

During 2012 and 2011, the Company loaned $565,000 to Northstar Agri Industries, LLC, the owner of the 12% interest in Northstar, which was used to finance certain of their operating expenses. Interest is charged at approximately 10% per annum. The maximum amount that may be borrowed is $750,000 and the balance payable is due on demand.

On December 31, 2010, the Company and Maxim C.W. Webb, Executive Vice President, Chief Financial Officer and Treasurer entered into an agreement to modify the terms of Mr. Webb's employment with the Company (the "Agreement"). Pursuant to the Agreement, Mr. Webb's prior employment agreement dated March 3, 2009 was surrendered and terminated. The Agreement provides for a base salary of $500,000 in 2011. The Agreement further provides for Mr. Webb to receive an annual incentive award as summarized in the disclosure regarding Incentive Compensation Plans above in Note 11.

89

The Company has agreements with its President and CEO, and certain other officers and non-employee directors, to defer compensation into Rabbi Trust accounts held in the name of the Company. The total value of the deferred compensation obligation for all participants at December 31, 2012 is $22.6 million and is included in the accompanying consolidated balance sheet. This total includes a fair value of $1.8 million of the Company's common stock with the balance in various publicly traded equities and bonds. Within these accounts at December 31, 2012, the following officers and non-employee directors are the beneficiaries of the following number of PICO common shares:

	December 31, 2012	December 31, 2011
Mr. John Hart	53,996	19,940
Mr. Maxim Webb	1,375	
Mr. Raymond Webb	30,000	
Mr. Carlos Campbell	2,644	2,644

The trustee for the accounts is U.S. Bank. The accounts are subject to the claims of outside creditors, and the cost of the shares of PICO common stock held in the accounts are reported as treasury stock in the consolidated financial statements.

On August 13, 2010, the Company invested $2.1 million in exchange for 273,229 shares of Series D Convertible Voting Preferred Stock of Synthonics, Inc. Kenneth J. Slepicka, a director of the Company, is currently the Chairman, Chief Executive Officer and acting Chief Financial Officer of Synthonics, Inc. The investment is held at cost and included in investments in the consolidated financial statements.

13. SEGMENT REPORTING:

PICO Holdings, Inc. is a diversified holding company. The goal of the Company is to build and operate businesses where significant value can be created from the development of unique assets, and to acquire businesses which have been identified as undervalued and where its participation can aid in the recognition of the business's fair value. The Company accounts for its segments consistent with the significant accounting policies described in Note 1. Currently, the major businesses that constitute operating and reportable segments are developing water resources and water storage operations through Vidler; developing real estate through UCP; operating a canola oil processing plant through Northstar, and the acquisition and financing of businesses.

Segment performance is measured by revenues and segment profit before income tax. In addition, assets identifiable with segments are disclosed as well as capital expenditures, and depreciation and amortization. The Company has operations and investments both in the U.S. and abroad. Information by geographic region is based upon the location of the subsidiary. Consequently, international revenues in the segment information by significant geographic region are revenues earned by the foreign subsidiary.

Water Resources and Water Storage Operations

Vidler is engaged in the following water resources and water storage activities:

- The development of water for end-users in the southwestern United States, namely water utilities, municipalities, developers, or industrial users. Typically, the source of water is from identifying and developing a new water supply, or a change in the use of an existing water supply from agricultural to municipal and industrial; and
- Operating water storage facilities for the purchase and recharge of water for resale in future periods, and distribution infrastructure to more efficiently use existing and new supplies of water.

Real Estate Operations

PICO is engaged in real estate development and home building operations primarily in California and Washington. Until the final sale in fourth quarter of 2011, the segment results included sales of real estate from Nevada Land and Resource Company, which sold real estate in Nevada. The final acres of real estate owned were sold for $31 million. The ongoing revenues in this segment will be primarily from sales in UCP, although the Company does have other real estate holdings that could be sold from time to time.

90

Agribusiness Operations

This segment is comprised of the operations of Northstar. Northstar's operates a canola seed processing plant near Hallock, Minnesota. The plant has a crushing capacity of 1,000 tons per day. Production and sales of canola oil and meal started during 2012. During 2011 and 2010, the segment reported a loss from expenses and no significant revenues as the plant was under construction.

Corporate

This segment consists of cash and fixed-income securities, a 27% equity interest in Spigit, deferred compensation assets and liabilities held in trust for the benefit of several officers and non-employee directors of the Company, and other parent company assets and liabilities.

Segment information by major operating segment follows (in thousands):

	Water Resources and Water Storage Operations	Real Estate Operations	Agribusiness Operations	Corporate	Discontinued Operations	Consolidated
2012						
Total revenues	$3,096	$59,066	$85,305	$2,614		$150,081
Depreciation and amortization	$1,325	$147	$3,471	$211		$5,154
Income (loss) from continuing operations before income taxes and equity in loss of unconsolidated affiliate	$(6,279)	$2,487	$(12,654)	$(13,132)		$(29,578)
Total assets	$210,189	$145,978	$165,961	$145,046		$667,174
Capital expenditure	$547	$505	$31,579	$287		$32,918
2011						
Total revenues	$1,349	$57,085	$9	$6,396		$64,839
Depreciation and amortization	$1,182	$36	$10	$217		$1,445
Income (loss) from continuing operations before income taxes and equity in loss of unconsolidated affiliate	$(22,231)	$3,550	$(5,424)	$(10,552)		$(34,657)
Equity in loss of unconsolidated affiliate				$(5,293)		$(5,293)
Total assets	$207,385	$131,788	$122,664	$149,180	$77,048	$688,065
Capital expenditure	$230	$99	$91,031	$508		$91,868
2010						
Total revenues	$3,066	$5,284		$13,196		$21,546
Depreciation and amortization	$1,168	$59		$124		$1,351
Loss from continuing operations before income taxes and equity in loss of unconsolidated affiliate	$(18,240)	$(3,340)		$(7,075)		$(28,655)
Equity in loss of unconsolidated affiliate				$(3,717)		$(3,717)
Total assets	$226,496	$146,897	$78,448	$136,781	$103,880	$692,502

Capital expenditure	$399	$113	$5,838	$522		$6,872

The company does not have segment results for significant geographic regions other than the United States.

91

14. DISCONTINUED OPERATIONS:

During 2012, the Company signed a stock purchase agreement for the sale of 100% of its wholly-owned insurance companies to White Mountains Solutions. The Company obtained approval for the sale from the California Department of Insurance and the Ohio Department, and the transaction closed in the fourth quarter of 2012. In conjunction with the sale, the Company received approval from the respective departments of insurance for pre-close dividends of $14.9 million from Citation Insurance and $25 million from Physicians Insurance Company which were paid prior to the close during 2012.

The final sales price, subject to certain post-closing adjustments, was approximately $15.5 million, resulting in a loss on sale of $6.9 million, before income taxes which has been recorded in the accompanying consolidated statement of operations for the year ended December 31, 2012. The income tax benefit for the loss on sale is approximately $5 million. However, consistent with the Company's overall conclusion that it is not more likely than not that the Company will recognize the deferred tax assets, a full valuation allowance was recorded on this benefit.

As a result of the transaction, the assets and liabilities of the insurance segment have been classified as discontinued operations in the accompanying consolidated financial statements as of the earliest period presented. Consequently, prior periods presented have been recast from amounts previously reported to reflect the insurance segment as discontinued operations.

The net income or loss in each period, significant assets and liabilities are as follows (in thousands):

	Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2011	Twelve Months Ended December 31, 2010
Net investment income	$572	$1,136	$1,764
Net realized gain on investments	4,059	19,113	8,791
Other income	123	65	72
	4,754	20,314	10,627
Operating and other costs	(977)	(1,341)	(1,810)
Income before income taxes	3,777	18,973	8,817
Provision for income taxes		6,674	3,035
Income from operations	3,777	12,299	5,782
Loss on write down of assets to fair value	(6,920)		
Net income (loss)	$(3,143)	$12,299	$5,782

	December 31, 2011
ASSETS	
Available-for-sale investments	$35,170
Cash and cash equivalents	25,998
Reinsurance receivables	15,475
Other assets	405
Total assets	77,048
LIABILITIES	
Unpaid losses and loss adjustment expenses	23,292
Other liabilities	4,532
Total liabilities	27,824
Net carrying value	$49,224

92

15. SUBSEQUENT EVENTS:

On February 26, 2013, Vidler and Lincoln County Water District (”Lincoln”) announced it had signed an option and purchase agreement to sell the water rights needed by Toquop Power Holdings, LLC, (“Toquop Power”) to operate its planned 1,100 megawatt power plant that will be built in southern Lincoln County, Nevada. The agreement grants Toquop Power the right to purchase from Lincoln/Vidler up to 7,240 acre-feet of water rights at $12,000 per acre foot. The option agreement extends through November 30, 2014 and when exercised, the sale transaction would close no later than December 31, 2014.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act) designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. These include controls and procedures designed to ensure that this information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management, with the participation of the Chief Executive and Chief Financial Officers, evaluated the effectiveness of the Company’s disclosure controls and procedures as of December 31, 2012. Based on this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2012 at the reasonable assurance level.

Management’s Annual Report on Internal Control over Financial Reporting. Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s internal control over financial reporting as of December 31, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on this evaluation, management, with the participation of the Chief Executive Officer and Chief Financial Officer, concluded that, as of December 31, 2012, the Company’s internal control over financial reporting was effective.

Deloitte & Touche LLP, the independent registered public accounting firm who audited the Company’s consolidated financial statements included in this Form 10-K, has issued a report on the Company’s internal control over financial reporting, which is included herein.

Changes in Internal Control over Financial Reporting.

We completed implementation of a new accounting system during the third quarter of 2012 at our agribusiness operations through Northstar. During each phase of the implementation, an appropriate level of employee training, testing of the system and monitoring of the financial results recorded in the system was conducted. This new accounting system represents a material change in internal control over financial reporting. Accordingly, our system of internal control over financial reporting has been updated.

There were no other changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended December 31, 2012, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
PICO Holdings, Inc.
La Jolla, California

We have audited the internal control over financial reporting of PICO Holdings, Inc., and subsidiaries (the “Company”) as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's annual report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2012, of the Company and our report dated March 1, 2013, expressed an unqualified opinion on those consolidated financial statements and financial statement schedules.

/s/ DELOITTE & TOUCHE LLP
San Diego, California
March 1, 2013

94

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item regarding directors will be set forth in the section headed “Election of Directors” in our definitive proxy statement with respect to our 2013 annual meeting of shareholders, to be filed on or before April 30, 2013 and is incorporated herein by reference. The information required by this item regarding the Company’s code of ethics will be set forth in the section headed “Code Of Ethics” in our definitive 2013 proxy statement and is incorporated herein by reference. Information regarding executive officers is set forth in Item 1 of Part 1 of this Report under the caption “Executive Officers.” Other information required by this item will be set forth in the sections headed “Corporate Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive 2013 proxy statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be set forth in the section headed “Executive Compensation” in our 2013 definitive proxy statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT, AND RELATED STOCKHOLDER MATTERS

The information required by this item will be set forth in the sections headed “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in our 2013 definitive proxy statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be set forth in the section headed “Certain Relationships and Related Transactions” and “Compensation Committee, Interlocks and Insider Participation” in our definitive 2013 proxy statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item will be set forth in the sections headed “Independent Registered Public Accounting Firm Fees” and “Audit Committee Pre-Approval Policy” in our definitive 2013 proxy statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) FINANCIAL SCHEDULES AND EXHIBITS.
1. Financial Statement Schedules.

Schedules are omitted as the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or notes thereto.

2. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of PICO. [1]
3.2	Amended and Restated By-laws of PICO. [2]
10.1†	PICO Holdings, Inc. 2005 Long-Term Incentive Plan. [3]
10.2†	Form of Restricted Stock Units Agreement. [4]
10.3†	Form of Notice of Grant of Restricted Stock Units. [4]
10.4†	Form of Restricted Stock Award Grant for Directors. [5]
10.5†	Trust for PICO Deferred Holdings, LLC Executive Deferred Compensation dated November 25, 2008 between PICO Deferred Holdings, LLC and U.S. Bank (as successor to Union Bank of California, N.A.) relating to a Deferred Compensation Plan originally established in December 31, 1997. [6]
10.6†	Trust for PICO Deferred Holdings, LLC Executive Deferred Compensation dated November 25, 2008 between PICO Deferred Holdings, LLC and U.S. Bank (as successor to Union Bank of California, N.A.) relating to a Deferred Compensation Plan originally established in December 7, 2004. [7]
10.7†	Trust for PICO Deferred Holdings, LLC Non-Employee Director Deferred Compensation dated November 25, 2008 between PICO Deferred Holdings, LLC and U.S. Bank (as successor to Union Bank of California, N.A.) relating to a Deferred Compensation Plan originally established in September 25, 2001. [8]
10.8†	PICO Deferred Holdings, LLC Deferred Compensation Plan. [9]
10.9†	Amendment to PICO Holdings, Inc. 2005 Long-Term Incentive Plan 2009 Restricted Stock Unit Award Agreement, dated as of April 2, 2009 by and between the Company and W. Raymond Webb. [10]
10.10†	Infrastructure Dedication Agreement between Fish Springs Ranch, LLC, and Washoe County, Nevada. [11]
10.11†	Agreement to Terminate Employment Agreement (which was dated March 3, 2009) with Maxim C. W. Webb dated December 31, 2010. [15]
10.12†	Form of certain amended and restated definitive agreements by and between PICO Northstar Management, LLC, a subsidiary of the Company, and Northstar Agri Industries, LLC. [13]
10.13†	Consulting Agreement by and between PICO Holdings, Inc. and Ronald Langley, dated February 28, 2011. [14]
10.14	Credit Agreement dated June 13, 2011, by and among PICO Northstar Hallock, LLC, PICO Northstar, LLC, ING Capital, LLC and other lenders. [15]
10.15†	Amended and Restated Employment Agreement dated October 13, 2011 by and between PICO Holdings, Inc. and John R. Hart. [16]
10.16	Stock Purchase Agreement by and among PICO Holdings, Inc., PICO Investment Corporation and White Mountains Solutions Holding Company, dated June 20, 2012. [17]

10.17	First Amendment to Stock Purchase Agreement, by and among PICO Holdings, Inc., PICO Investment Corporation and White Mountains Solutions Holding Company, dated July 13, 2012 (18)
10.18	Second Amendment to Stock Purchase Agreement, by and among PICO Holdings, Inc., PICO Investment Corporation and White Mountains Solutions Holding Company, dated September 10, 2012(19)
10.19	Limited Guarantee, by and among PICO Holdings, Inc., PICO Investment Corporation and Sirius Re Holdings, Inc. dated June 20, 2012. (17)
10.20†	Severance Agreement between PICO Holdings, Inc. and Maxim C.W. Webb. (18)

96

10.21†	Severance Agreement between PICO Holdings, Inc. and John T. Perri. (18)
21.1	Subsidiaries of PICO Holdings, Inc.
23.1	Consent of Independent Registered Public Accounting Firm - Deloitte & Touche LLP.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

†	Indicates compensatory plan, contract or arrangement in which directors or executive officers may participate.
(1)	Incorporated by reference to with the Quarterly Report on Form 10-Q filed with the SEC on November 7, 2007.
(2)	Incorporated by reference to Form 8-K filed with the SEC on May 19, 2009.
(3)	Incorporated by reference to Proxy Statement for Special Meeting of Shareholders on December 8, 2005, dated November 8, 2005, and filed with the SEC on November 8, 2005. (File No. 033-36383)
(4)	Incorporated by reference to Form 8-K filed with the SEC on March 9, 2009.
(5)	Incorporated by reference to the Quarterly Report on Form 10-Q filed with the SEC on November 6, 2009.
(6)	Incorporated by reference to the Annual Report on Form 10-K filed with the SEC on March 1, 2010.
(7)	Incorporated by reference to the Annual Report on Form 10-K filed with the SEC on March 1, 2010.
(8)	Incorporated by reference to the Annual Report on Form 10-K filed with the SEC on March 1, 2010.
(9)	Incorporated by reference to the Annual Report on Form 10-K filed with the SEC on March 1, 2010.
(10)	Incorporated by reference to Form 8-K filed with the SEC on April 7, 2009.
(11)	Incorporated by reference to the Quarterly Report on Form 10-Q filed with the SEC on November 7, 2007.
(12)	Incorporated by reference to Form 8-K filed with the SEC on January 6, 2011.
(13)	Incorporated by reference to Form 8-K filed with the SEC on December 30, 2010.
(14)	Incorporated by reference to Form 8-K filed with the SEC on March 4, 2011.
(15)	Incorporated by reference to the Quarterly Report on Form 10-Q filed with the SEC on August 9, 2011.
(16)	Incorporated by reference to Form 8-K filed with the SEC on October 20, 2011.
(17)	Incorporated by reference to Form 8-K filed with the SEC on June 22, 2012.
(18)	Incorporated by reference to the Quarterly Report on Form 10-Q filed with the SEC on August 9, 2012.
(19)	Incorporated by reference to the Quarterly Report on Form 10-Q filed with the SEC on November 9, 2012.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PICO Holdings, Inc.

Date: March 1, 2013

By: /s/ John R. Hart
John R. Hart
Chief Executive Officer
President and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on March 1, 2013 by the following persons in the capacities indicated.

/s/ Kristina M. Leslie Kristina M. Leslie	Chair of the Board
/s/ John R. Hart John R. Hart	Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ Maxim C. W. Webb Maxim C. W. Webb	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
/s/ John T. Perri John T. Perri	Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ Ronald Langley Ronald Langley	Director
/s/ Robert G. Deuster Robert G. Deuster	Director
/s/ Carlos C. Campbell Carlos C. Campbell	Director
/s/ Kenneth J. Slepicka Kenneth J. Slepicka	Director
/s/ Julie H. Sullivan, Ph.D. Julie H. Sullivan, Ph.D.	Director

98