Pico Holdings, Inc.

May 4, 2018
11:30 AM EDT

Max Webb: It is now 10 o'clock, and therefore I will now call the meeting to order.

Thank you for participating in our annual shareholder's meeting, being held today in person at the Peppermill resort here in Reno, and via webcast. After the formal part of our meeting, we will provide a presentation, and then management and the board of directors will be available to take your questions.

There are four items of business on the agenda for the annual meeting. The election of five nominee directors, named to serve for one year, until the annual meeting of shareholders in 2019, and until their respective successors have been duly elected and qualified, an advisory vote to approve the compensation of the company's main executive officers, to ratify the appointment of Deloitte & Touche, LLP, as our independent register public accounting firm for our fiscal year ending December 31, 2018, and to ratify the company's section 382 rights agreement, and also to transact such other business as may be properly be brought before the meeting, and the adjournment of the meeting.

I will act as chairman of the meeting. John Perry, secretary of the company, will act as recording secretary of the meeting. I would like to take this opportunity to introduce the directors and officers of the company who are present at this meeting. Greg Bylinksy, director, Eric Speron, director, Dorothy Timian Palmer, director and chief executive officer of Vidler Water Company, Nicole Weymouth, director, and John Perry, chief financial officer and secretary.

The board has appointed Jim Alden of American Election Services, LLC, to serve as the independent inspector of election for this meeting. Mr. Alden's function is to decide upon the qualification of voters, accept their votes, and when balloting and all matters is completed, to tally the final votes. Many shareholders have already submitted their proxies by Internet, telephone, or mail. All proxies will be voted as indicated.

Today's annual meeting of shareholders is being conducted in accordance with the United States Securities and Exchange Commission's notice and access rules, which allow companies to furnish proxy materials to shareholders over the Internet.

On March 23rd, 2018, we mailed to our shareholders a notice regarding the availability of proxy materials for the annual shareholders meeting, being held today. This notice contained instructions on how to access our proxy statement and our annual report to shareholders. The notice also contained instructions on how to vote online or by telephone, and include instructions on how to receive a paper copy of the proxy materials by mail.

I will now ask for the affidavit as to the notice of the meeting from the inspector of election.

Jim Alden: I, Jim Alden, confirm the presence of the affidavit showing that on March 23rd, 2018, each common stock shareholder of record as of March 9th, 2018, was mailed a notice regarding the availability of proxy materials for the annual shareholders meeting being held today. This notice contained instructions on how to access the company's proxy statement and annual report to shareholders. The notice also contained instructions on how to vote online or by telephone, and included instructions on how to receive a paper copy of the proxy materials by mail. In addition, there has been prepared a certified list of common stockholders of the company entitled to vote at this meeting, arranged in alphabetical order, showing the address of each and the number of shares of common stock in the name of each common stock shareholder. This list has been available and open to the examination of any common stock shareholder of the company for any purpose germane to this meeting during ordinary business hours from and after March 9th, 2018, at the offices of the company.

Max Webb: Thank you, Jim. The inspector of election has filed his signed oath of office. The list of common shareholders produced by Computer Share Trust Company, NA, will be kept open during this meeting and will be available for inspection by any common shareholder of the company.

I now call on the inspector of election, Mr. Alden, to firstly report on the number of shares common stock outstanding. Secondarily, state the number of shares of common stock which are represented at this meeting in person or by proxy, and thirdly, state whether a quorum is present.

Jim Alden: In accordance with the laws of the state of Delaware and the bylaws of the company, the holders of record of the majority of all shares of company stock, common stock, entitled to vote in person or by proxy at this meeting of the shareholders, shall constitute a quorum. All proxy cards have been examined and are on file. Of the 23,152,027 shares of company common stock outstanding, as of March 9th, 2018, the record date for this meeting, there are present here, in person, and by proxy, 20,661,247 shares or 89.24% of such shares of common stock. Each share of common stock is entitled to vote with respect to each matter to be enacted upon in this meeting.

Max Webb: Thank you, Jim. The report by the inspector of election indicates that a quorum is present and that we may proceed with the business of the meeting.

The proposals to be voted on, having been put forth and described in detail in the company's proxy statement. If you received a notice regarding the availability of proxy materials for the annual shareholders meeting being held today by mail, you did not receive a printed copy of the proxy materials unless you specifically requested a printed copy. The proxy materials describe three methods by which you could vote your shares -- by Internet, by telephone, or by mail. Mr. Alden, the inspector of election, has tabulated all proxies voted and has furnished a report to the recording secretary. If you have already sent in your proxy by Internet, telephone, or mail, and do not wish to change your vote, you do not need to do anything else at this time.

Are there any shareholders present who have not sent in a proxy or voted online or by telephone, or have sent in a proxy or voted online or by telephone, and desire to revoke it and vote in person with respect to any of the proposals? The time is now 10:06 am and the polls are now open.

The first item is to elect as directors the five nominees named to serve for one year, until the annual meeting of shareholders in 2019, and until their respective successors have been duly elected and qualified. The nominees are Gregory Bylinsky, Dorothy Timian Palmer, Eric Spiron, Max Webb, Nicole Weymouth. Under the company's bylaws, nominations are made in advance and must comply with the requirements described in the bylaws, or in accordance with regular 14A, under the United States Securities Exchange Act of 1934. Accordingly, with no other advance nominations having been submitted by the shareholders of the company, nominations for election of directors are now closed. The board of directors has recommended a vote for the election of each of the board's nominees to the board of directors. Mr. Alden, at this time, please present the preliminary votes for and against each director nominee.

Jim Alden: The preliminary vote count for each director nominee are as follows. Gregory E. Bylinsky, 16,595,912 votes for, 173,319 votes against, and 7,668 votes abstained. For Dorothy Timian Palmer, 13,748,212 votes for, 3,021,172 votes against, and 7,515 abstain. For Eric H. Speron, 16,580,810 votes for, 188,421 votes against, and 7,668 votes abstain. For Maxim C.W. Webb, 15,532,369 votes for, 1,220,262 votes against, and 24,268 votes abstain. For Nicole Weymouth, 15,638,553 votes for, 1,130,164 votes against, and 8,182 votes abstain.

Max Webb: Thank you. Are there any shareholders present who have not had an opportunity to vote with respect to this matter? The polls with respect to this matter are hereby declared closed. I ask the inspector of elections to obtain the results of the voting on this item and to report it to the meeting.

Jim Alden: Gregory E. Bylinsky as a nominee for director received an affirmative vote of the purity of shares of the company's common stock, represented at the meeting, and did not receive a greater number of withhold votes than votes cast for his election. Eric H. Speron, as a nominee for director, received an affirmative vote and a plurality of vote of shares of the company's common stock represented at the meeting, and did not receive a greater number of withhold votes than cast for his election. For Dorothy Timian Palmer, as a nominee for director, received an affirmative vote of the plurality of the shares of the company's common stock represented at the meeting, and did not receive a greater number of withhold votes than votes cast for her election. Maxim C.W. Webb, as a nominee for director, received an affirmative vote of a plurality of shares of the company's common stock represented at the meeting, and did not receive a greater number of withhold votes than the votes cast for his election. For Nicole Weymouth, a nominee for director, received an affirmative vote of the plurality of shares of the company's common stock represented at the meeting, and did not receive a greater number of withhold votes than votes cast for election.

Max Webb: Thank you, Jim. I declare Greg Bylinsky, Dorothy Timian Palmer, Eric Speron, Max Webb, and Nicole Weymouth as director nominees elected to hold office and that each nominee has received sufficient floor votes to comply with the company's majority vote policy, contained in its corporate governance guidelines.

The second item of business will be a vote to approve the compensation for the company's named executive officers, as disclosed in the proxy statement. Mr. Alden, at this time, please present the preliminary votes for and against proposal number two.

Jim Alden: The preliminary vote count for proposal number two is as follows: 15,738,885 votes for, 1,006,138 votes against, and 31,876 votes abstain.

Max Webb: Thank you. Are there any shareholders present who have not had an opportunity to vote with respect to this matter? The polls with respect to this matter are hereby declared closed. I ask the inspector elections to obtain the results of the voting on this item and to report it to the meeting.

Jim Alden: The vote on an advisory basis to approve the compatibility for the company's named executive officers, as disclosed in the proxy statement, was approved.

Max Webb: Thank you. I declare the vote on an advisory basis to approve the compensation for the company's named executive officers as disclosed in the proxy statement was approved by shareholders.

The third item of business will be to vote on an advisory basis to ratify the appointment of Deloitte & Touche, LLP, as our independent registered public accounting firm for our fiscal year ending December 31, 2018. Mr. Alden, at this time, please present preliminary votes for and against proposal number three.

Jim Alden: The preliminary vote count for proposal number three is as follows. 20,510,007 votes for, 144,308 votes against, and 6,932 votes abstained.

Max Webb: Thank you. Are there any shareholders present who have not had an opportunity to vote with respect to this matter? The polls with respect to this matter are hereby declared closed. I ask the inspector of elections to obtain the results of the voting on this item, and to report to the meeting.

Jim Alden: The vote on an advisory basis to ratify the appointment of Deloitte & Touche, LLP, as our independent registered public accounting firm for our fiscal year ending December 31st, 2018, was approved.

Max Webb: Thank you. I declare the vote on an advisory basis to ratify the appointment of Deloitte & Touche, LLP, as our independent registered public accounting firm for our fiscal year ending December 31, 2018, was approved by shareholders.

The fourth item of business will be to vote to ratify the company's Section 382 rights agreement. Mr. Alden, at this time, please present the preliminary votes for proposal number four.

Jim Alden: The preliminary vote count for proposal number four is as follows: 14,750,172 votes for; 1,309,212 against, and 752,515 votes abstained.

Max Webb: Thank you. Are there any shareholders present who have not had an opportunity to vote with respect to this matter? The polls with respect to this matter are hereby declared closed. I ask the inspector of elections to obtain the results of the voting on this item and to report to the meeting.

Jim Alden: The shareholders have voted to ratify the company's Section 382 was approved.

Max Webb: Thank you. I declare that, shareholders having voted to ratify the company's Section 382 rights agreement was approved.

The time is now 10:15 a.m. I declare the shareholders having voted to ratify that -- I apologize.

The time is 10:15 a.m., and the polls are now closed, and voting on all the matters for this meeting is now concluded. The inspector of election will furnish to me a written report of the final vote count with respect to the matters voted on today, which will be included in the minutes of the meeting, and will also be reported on a Form AK, to be filed with the Securities and Exchange Commission. On behalf of the company, thank you very much indeed for your participation in today's meeting, and we thank you for your continued support.

There being no further business before the meeting, this meeting is not concluded. We will now proceed with a presentation by management, and following the presentation by management, a question-and-answer session.

We're just going to take a short break whilst we (inaudible) webcast.

Hello again, everybody. Thank you, again, to our shareholders present today in Reno, and also to our shareholders attending by virtual meeting. On behalf of the board and the company's employees, we thank you for your support, and to let you know of our continued commitment to maximized shareholder value.

Dorothy and I will now give a presentation of our business plan, our assets, and an overview of the markets for our assets. However, before I begin the presentation, I refer you to our Safe Harbor statement contained within the presentation that was furnished in the Form AK filed earlier this morning. Please note, we also filed this morning our Form 10-Q for the quarter ended March 31, 2018.

With that, let me turn to our presentation, and then management and the board look forward to fielding any questions you might have.

Although we have terminated our strategic review process, which we announced in

March earlier this year, our business plan is unchanged. We seek to monetize our assets at the highest possible present value. We aim to return proceeds from monetizations to our shareholders, after reviewing our ongoing working capital requirements, and we continue to seek ways to reduce our costs.

Let me now briefly review the progress the company has made in the past 18 months or so. We have monetized several assets, including our entire stake in our former (inaudible) building subsidiary, UCP, Inc., and over 100,000 Long-Term Storage Credits in Arizona. We have returned capital to shareholders, both by means of a special dividend that was characterized as a tax-free return of capital, as well as open market repurchases of our shares.

We have reduced costs throughout this period, primarily through declines in executive compensation and head count, and we continue to seek ways to reduce costs further. We have also put in place a tax benefits preservation plan, ratified by our shareholders today, that allows us to protect, if necessary, our very significant tax asset, our federal net operating losses. Last, but not least, we have taken several steps to improve our corporate governance throughout this period, such as removing the staggered board structure we previously had in place, and having all directors elected annually.

I wish to thank all board members who served on the board during this time, and our employees, for all their efforts and perseverance in getting us to this current position. As a result of all this, we are now, in effect, a pure-play water resource development company. As can be seen from the chart on the slide, as of March 31, 2018, we have net assets that have a full value of approximately $199.5 million. Included in that total book value, we had $27.6 million of unrestricted cash, and we have $171.2 million as our carrying value of Vidler's real estate in water assets. Of that $171.2 million, almost 90 percent are represented by our water assets, located in Northern Nevada and Arizona. Clearly, these assets are our most significant assets and remain the focus of our monetization efforts.

Before Dorothy updates you on these assets, as well as all of our other but less significant assets, I would like to briefly go through some of the most recent, relevant economic data for Northern Nevada. As we have stated before, the demand for our Northern Nevada assets, Fish Springs Ranch water credits, and Carson/Lyon water credits, are highly dependent on the continued growth right here in the general Reno/Sparks/Carson City area.

So let's look at the data. As many of you might know, the Economic Development Agency of Western Nevada, EDAWN, which focuses on the economic development of the greater Reno/Sparks/Tahoe area, published a study in late 2014, the Economic Planning Indicators Committee, or EPIC report, to forecast how many jobs and residents will be potentially located in the study areas by 2020, based on current and anticipated growth trends. The study area comprised five counties in northwestern Nevada, Washoe County, Storey County, Carson City County, Douglas County, and Lyon County. According to EDAWN, the where and how growth will occur is largely based on expected changes in land use patterns and economic activity over time. As noted on EDAWN's website, EPIC used a well-accepted and widely used forecasting model to project the demographic, economic, and associated public revenue changes the study area is expected to see between 2015 and 2019.

For all three broad groups of data tracked by the EPIC report, population, unemployment, and households, we can see that there has been strong growth in all three categories since 2014. In percentage terms, in the 39 months to February of this year, population is up by 4.8 percent, employment is up by 13.3 percent, and households are up by 4.8 percent. All of us at the company recognize that the business community and leadership exemplified by EDAWN have done, and continue to do, an outstanding job of attracting great companies and investment to this region. We are very pleased to be a part of this community as it goes through these very exciting times, and to play our part as growth continues.

Of course, growth requires residential development and new homes to be built. As you can see from this slide, new residential units per new job illustrates very clearly the housing crunch that the Reno MSA is still experiencing. As we saw with the EPIC report, new RENO MSA employment since 2013 has been very robust, yet the average new housing units, single family and multi-family units, per new job is approximately one-quarter of the average new units per new job between 1992 and 2006. Unsurprisingly, this lack of supply of new residential units for demand created by population and employment growth manifests itself very clearly in increasing home prices.

Median new home sales prices have increased significantly over the past few years. For Washoe County, the 2017 median value for a new home is now over $400,000, an increase of 5.4 percent over the 2016 median sales price. Again, unsurprisingly, given the supply-and-demand dynamics, existing single family median home values in the greater Reno/Sparks area have also increased significantly, as can be seen by the data on this slide, with even greater percentage increases in median values being experienced than for new homes. Housing supply, which is measured by how fast inventory would last at the current pace of sales, minus new listings, is now down to a ridiculous low of 1.1 months in the Reno/Sparks market. Most realtors would suggest that for a balanced market, a six-month supply is desirable.

To continue the theme of rapidly increasing housing costs, this slide shows the greater Reno/Sparks apartment vacancy rate, which is now just 3.8 percent in the fourth quarter of 2017, and the average rent increases over the past few years. Such rapidly increasing housing costs and increasing lack of affordability of residential units is not healthy in the long term, and unsustainable. I think it is safe to say that all of the region's business leaders and elected officials recognize that housing affordability is a big issue. Clearly, a large part of the answers to address this concern is to create more supply of new residential units, and to bring new developments online in a timely manner.

This slide shows all the regional residential development potential that currently exists. Obviously, not all these potential projects will get approved or built, but it is clear that the need for new and affordable housing is immediate, and we believe some of this required new housing will be built in the areas that our water assets are located.

With that, let me now hand you over to Dorothy, who will go through in detail all of our water assets.

Dorothy Timian Palmer: Good morning. As Max said, I'm Dorothy Timian Palmer, and thanks, Max, and thank all of you, and I'm really excited to be here today. I love talking about Vidler's assets, and I'll answer all the questions you've got, and if I need to stick around longer, I'll do that, too.

All right, so I'm not as good as Max at staying on script. In fact, I don't really use one; I just kind of free-flowing with it all, kind of like the water. So, I'm just going to go through the assets and give you the background. And what I'm going to do is explain the majority of assets that Vidler has.

We're going to start in Northern Nevada, and we're going to start in an area called Dodge Flat. You can see Dodge Flat in the upper right-hand corner. It consists of 278 acres and 1,428 acre feet of water. The land is under a purchase agreement with NextEra Energy. They're going to do a solar facility on that ground. We anticipate closing February 1, 2019, for around $9 million. We're very excited about that project.

On the water side, we have -- NextEra, the land goes with 18 acre feet of water, so we have 14 ton acre feed left on Dodge Flat. That's under option to purchase agreement with Lake Mountain Mining. They are taking their -- let me go back to the land for a minute. NextEra has made all their option payments. We know that we feel very confident that they'll be closing, and on the water with Late Mountain Mining, they've been making all their option payments also, and we feel very confident about them. And we feel (inaudible) at about $8.5 million.

So now, we'll go on to Fisherman's Ranch. At the ranch, we have 7,076 acres, and at the ranch, there are a lot of business plans going on, actually. We've got a haying operation; we've got a grazing operation, and we've also signed another solar lease agreement with NextEra Energy. We believe that they'll be installing about 780 acres under solar. We feel that these operations with the grazing, the hay, and the solar will more than support the ranching operations, and we want to maintain that ranch out there, because we have 15,000 acre feet, and we have to keep that -- and like a wellhead protection area is what we call it, so that water is protected for future uses, and this will sustain the ranch and keep it operating.

I will talk about the municipal water on the next slides, but that's the water that is within -- will be used in the North Valley area, and it's 7,983 acre feet. We did sell some prior to the recession. That's what we have remaining on the first 8,000 acre feet that will come down off of the ranch at Fish Springs.

Agricultural water, we do have some water left on the ranch, and that's what we use to maintain the hay and the grazing operations. We have 1,218 acre feet of water, and that's both surface water and groundwater. A lot of people ask me right away, well, can you bring that into Reno? Most likely not. The state engineers ruled that 15,000 acre feet can come in -- I'm sorry, 13,000 acre feet can come into Reno, and that's what we're staying with right now. But those surface waters might be used for future business opportunities out at the ranch.

We also own the pipeline capacity that comes from the ranch into Reno, and we feel there's a 22,000 acre feet pipeline capacity. Of course, we're going to use some of that to import our water, and then, for future water projects, other individuals' future water projects, maybe, perhaps Vidler, they'll be able to use that pipeline for payment.

So now, we'll go to Carson/Lyon very quickly. There's a lot going on at Carson/Lyon. With the completion of USA Parkway, we have been in many public hearings and public community meetings within the past three months. The water's under very intense discussions with all the developers that are planning to develop that area. We have 1,779 acre feet, already municipal water. We have some municipal water under option, about 895 acre feet, and we have agricultural water that we will be converting to municipal in the future.

We own the 950 Ranch, and it has 950 acres -- why we call it the 950 Ranch -- and it's slated for development in the Lyon County area. And we also have the pipeline capacity between Carson City and Lyon County. If you can all recall, or perhaps you don't know, we constructed that pipeline, and we maintain the capacity, just like Fish Springs pipeline, so water can be moved along that pipeline. We can either use it for water that we want to move ourselves, or it's pipeline capacity that we can provide to others in the future. Then we have approximately 300 acre feet yet of Truckee River water that will be utilized in the Truckee Meadows service area.

So, let's talk about the North Valley. Now we're back to that water that's going to come into the North Valley area. We had some extraordinary things that happened that we did not anticipate for to this area of the world, so I went back and I pulled what we had provided all the shareholders in 2016, and what we had provided all the shareholders in 2017 in estimated takedowns. Some of those dates have been pushed further out. Reasons are not within our control. We had a very big winter event, water year 2016 to 2017. We had more water than anyplace in North America, in Northern Nevada. And with that, what exists out in the North Valley are terminal lakes. Unfortunately, they in the past had let some zoning practices go and not maintained a 100-year flood event area around the lakes, and allowed building to go in them, so we had some flooding, which made the community look hard at future development that was going to go in that area. They're in the middle of that process, but everything is still going to move forward. It just pushed everything back a bit. I mean, we went to hearings on some of these developments four times before boards made a decision, because of all the issues the North Valley was having.

But we're all through that as a community. They have a plan. And of course, with flooding that went into the lakes, that's where the effluent was disposed of after it was treated out there, so then we had some sewer issues they had to get through. Again, we got through it as a community. They are expanding this wastewater treatment plant out there. They have some ideas with effluent. We met with the public works director of Reno about a week ago in our office. He clearly understands the investment the shareholders have made in this water asset, and they're doing everything they can so we can keep moving development forward.

I'll just go through all these with you. The Stone Gate development is in the final process of all their approvals, and they did not foresee that it was going to take them two years to get through the approval process. They had estimated they'd be buying water in 2018.

Right now, it's perhaps more in late 2019, early 2020, due to the review process local governments put them through.

Train Town and White Lake Vistas, more likely, will come a little bit after Stone Gate, but they're in the same area as Stone Gate, so once infrastructure begins to be installed out to the development of Stone Gate, it makes it more possible for White Lakes, Vista, and Train Town to become developed.

Silver Hills is approved and could go forward and build 600 units, but the developer feels that that's a waste of land. He is trying to rezone his property and get it up to 2,300 units. That has pushed back that. If he would just go forward with 600, he could start tomorrow, but he feels that he wants to try to get 2,300 units on that property, so that takes a whole new approval process, with a new master plan. He's got to go through probably a year of hearings.

Silver Star Ranch and Evans Ranch will be in the future. They're still moving forward. They're working with the BLM. They're working on their land plans. Now, they have all their approval process, but the issue with them is infrastructure has to get out to them, and they're working on that process.

Stead Airport, (inaudible) properties is the master developer. He's moving forward with development on the airport.

So, these next (inaudible) properties got a bit wet with the flooding that occurred. They're moving forward with their development, but they had to put some additional infrastructure planning in their plans. They are building up what we call Lemon Valley Drive. They're building up that roadway to protect the homes that they want to build from additional flooding.

Arroyo Crossing is ready to go, but it was bought by a developer who got it through the permitting process, got it all set up, and now he has it for sale. So, once that gets a new buyer, they'll be in to see us.

(Inaudible) went to their first public planning commission. They were denied. They'll go forward now, to the board, to see if they can overturn the denial from the planning commission, or they'll go back and relook at their plan, but they plan on moving forward. And let me tell you, it's not -- usually, the way it goes most of the time, some of these developments will get denied at planning commission. They'll appeal it to the board or the city council, and they'll get a yes vote, and they'll continue.

We feel that North Valley Estates and Silver Dollar by (inaudible) will be some of the first ones in the door to start purchasing the water, and we hope to see it this year. We have some other smaller entities that will be coming through the door, and we believe it will be this year, also. We've been working diligently with the Truckee Meadows Water Authority to get all the paperwork in order. They will be the interface for us with the development. We want to make it easy for the developer, that he's not running over to the Vidler office and over to the Truckee Meadows Water Authority office. So they'll just go one place, Truckee Meadows Water Authority, who set the price at $35,000 an acre foot. That's in all the documents with Truckee Meadows, so they know that's the pricing. Developers know that's the pricing, and we're getting the program set up for it all to begin happening.

So now I'm going to go to Southern Nevada. So in Southern Nevada, we've been collecting a lot of data. We filed for water rights in valleys throughout Southern Nevada with our partner, Lincoln County. Lincoln County and Vidler Water Company are partners in Southern Nevada for growth that's going to occur in Lincoln County, and those valleys include Tule Desert, Clover Valley, Kane Springs, Dry Lake, Garden, Coal, and Pahroc basins, and I'm going to talk a little bit about what's going on in each of these areas.

So, in Tule Desert, we've been permitted 2,900 acre feet of water, and it's slated to go to what we call the Lincoln County Land Act, the (inaudible) in the bottom of the slide. Lincoln County Land Act is adjacent to Clark County, to the city of Mesquite, and it's a very popular retirement area. Development is moving up towards Lincoln County Land Act. We have been meeting with Virgin Valley Water District, who is the water purveyor in Mesquite. They very much would like to start leasing the water, prior to us having it taken down by developers, and we're working with Virgin Valley Water District and Lincoln County on how we're going to move forward.

In Kane Springs, the reason why we like to have the shareholder meeting here is because of who owns Coyote Springs, where the water's slated in Kane to go to Coyote Springs. It's owned by the Seeno family, who owns the Peppermill. They have a development in this part of the world, it's about an hour from Vegas, called Coyote Springs Project, and this is a huge development. The gold course has already been constructed. There's about 26,000 rounds of golf played on it annually. The water treatment plant has been constructed, as well as the wastewater treatment plant. It is about 30,000 acres in Lincoln County, and 10,000 acres in Clark County, and shares a county border. When it's completely built out, it will -- it's a huge number of, well, about 140,000 homes. The Seenos are hoping the first phase goes in 2019. They have a map that has 2,000 units, a city square, commercial operations, as well as operations for the area.

What will serve Coyote Springs are water that Vidler has in this part of the world, as well as water rights they have. They have about 4,000 acre feet in Coyote Springs, and then Vidler has the Kane water. So what has occurred up in Kane Springs, we got -- now, remember, Lincoln and Vidler are partners. We were allocated 1,000 acre feet; 500 went to Lincoln, 500 went to Vidler. Lincoln paid with water for all the operations and all the science, all the work we did to get that allocation. That was about 200 acre feet, so that's about 700 acre feet to Vidler, 300 acre feet to Lincoln. The Seenos family took down 200 from Vidler and Lincoln County Water, so Vidler still has 500 acre feet. It's under option with the Seenos and what they call themselves, Coyote Springs Investment, and we believe that they will move forward. They've been making all their option payments. We believe it will close by 2019, and that will be about $3.8 million coming in. We anticipate that will occur.

Now, what happens next in Coyote Springs is there's still 3,000 acre feet that we believe is an additional perennial yield out there, and Vidler holds the applications. So we're working with the Seenos. We've been going to the meeting with the state engineer, trying to move forward to try to get the rest of that water down into Coyote Springs, and that will be happening in the next couple of years. We'll be going after that additional 3,000 acre feet, which will be slated for the Coyote Springs investment.

So, if you've got 4,000 acre feet in Coyote, you've got 4,000 acre feet in Kane, you get 8,000 acre feet, that's like 24,000 units, so that's a lot of years of development in Coyote Springs. But they're going to need a lot of water into the future, and that's where the additional filings that Vidler and Lincoln have made.

So, we have Dry Lake Valley. In Dry Lake Valley, we have 1,009 acre feet. We also have a 600-acre piece of ground. That red dot right in that Yellow Hatch area is what we call the solar energy zone. It's 30,000 acres. It's been slated by the federal government for more solar development, and we've got property right in the middle of it. We've always thought that would be developed for solar. It also has a corridor of the Southern Nevada Water Authority pipeline will come right straight through that property. We're going to work with Lincoln and SNWA, hopefully to move that 1,009 acre feet into Coyote Springs into the future.

So then, we've got the applications that we have filings in Garden, Coal, and Pahroc. This is clearly future water for the development, but what we do on a quarterly basis is we collect data, we maintain a databank, and turn it over to what we call the Nevada State Engineer every year, so we can keep those applications in good standing. So we always over file, so we file for a lot of water. We feel there's about 5,000 acre feet in every basin that we could probably get awarded. So, again, that's pretty speculative on my part until we go to hearing. But again, we keep everything in good standing so we can move forward in the future.

Now I'm in Arizona, and you know we've got water credits in Arizona. We made a large sale at the beginning of 2017. We have credits. This is an accounting of what we still have and what we have under contract. We have about 13,650 acre feet under contract. We have about 40,000 in the Phoenix AMA and -- I'm sorry, 250,000 in the Harquahala INA, and about 40,000 in the total Phoenix AMA.

The 13,650 credits we have under contract, some are with Apache Sun, 1,150. They take water down every quarter. Their pricing will go from $306 to $375 per credit, every quarter they make an order of water. Roosevelt Water Conservation, in December, put under contract actually 15,000. They took down 2,500 at $350. The remaining 12,500 long-term storage credit pricing is from $367 to $423 per credit. So, the credit pricing is going up. It's very robust talks going on. We get contacted by many potential users for the credits. We're continued in conversations with the local governments that bought the first 100,000 credits. They would like to purchase more. We're in discussions with them. The reason all that's going on is because of the outlook of Lake Mead. What's been going on, they had a very poor winter this last winter. They only had 50 percent snow water equivalent, and then Lake Mead has the structural deficit of 1.2 million acre feet on an annual basis. So Lake Mead, no matter what happens, declines 1.2 million acre feet. It's over allocated, so it's in what we call the structural deficit. So, our credits become more valuable as time goes on because of that structural deficit.

Now, in New Mexico, some of our smaller assets, we have 1,214 acre feet in the lower Rio Grande. Almost 50 percent of that is leased up with local farmers. We feel that that has a very high potential upside because of the situation between Texas and New Mexico. Texas has claimed that New Mexico is over pumping and not delivering what they should under their compacts. And we've been very careful about the priority of groundwater we've bought, so we feel it will become something the farmers will want to go to, to be able to keep their agricultural operations going.

We have 99 acre feet in the middle of Rio Grande. That water is all banked with the City of Santa Fe. When a developer wants to develop in Santa Fe, he must contact the Santa Fe Water Bank, and we have credits for sale in Santa Fe. And then, Campbell Ranch, we just spent two weeks in district court going through a water right application court hearing process. Our application was for 350 acre feet. We were supported by the New Mexico State Engineer in the court proceedings. We feel very good about that. Campbell Ranch has a master plan in an area that's 45 minutes from Albuquerque, about an hour from Santa Fe. It's pretty much in the middle, at the base of Sandia Mountains along Highway 14. It's a beautiful area we believe will be successful, and this is for the Campbell Ranch master plan, which is about 4,000 units. And it's not enough water, obviously. He has other water supplies he'll be utilizing.

And then we have our ongoing operations in Colorado. We have 95 acre feet for sale that we sell on a daily basis. We have a program set up. When individuals go into Summit County Building Department and they need water, they come to Vidler, and actually, they buy water in tenths of an acre foot, so their purchases are like two-tenths, three-tenths. They're not large purchases. And then we have perpetual leases, 57 acre feet under perpetual leases in Summit County.

So, in Arizona, there is quite a pent up demand for our credits, and we are very careful about our pricing. We think they're very valuable, and due to what's going on with weather patterns and the structural deficit on Lake Mead, we believe we'll be very successful. And there aren't a lot of other significant resources in that part of the world. And then, Northern Nevada, we are the market in the North Valleys. We are the only water. (Inaudible) will be selling Fish Springs water. As Max explained, you saw the data, there is a large pent up demand in that part of the world, and we will be the water source for new residential and commercial entities that move into the North Valleys.

I believe that's it.

Max Webb: Thank you, Dorothy. First of all, I understand there's been issues with the audio in the webcast, for which I apologize. We'll ensure we transcribe the remarks and post them up on our website.

Let me now finish by recapping the return of capital to shareholders we have completed in the last 18 months. In aggregate, we have returned over $121 million of capital and repurchased at March 31, 2018, a total of approximately 490,000 shares. Of course, any further significant monetization proceeds, either later this year and/or in future periods, we would expect to return to shareholders through either a tender offer or open market repurchases, or a special dividend, or a combination of some or all of these methodologies. The board will determine the most efficient methodology for our shareholders, as facts and circumstances at the time of any receipt of proceeds dictate.

As I noted previously, we continue to seek ways to reduce net costs. In the first quarter of 2018, the board revised and amended the director compensation policy. With the newly elected board now in place, aggregate annual director compensation, i.e., in total for all three independent directors, will be $105,000 in cash, or if taken in the form of restricted stock units, $131,250. This compares to aggregate director compensation in 2017 of approximately $755,000.

We have incurred significant costs in the first quarter of 2018, as Dorothy noted, with respect to our legal appeal process in New Mexico, to be awarded 350 acre feet of water rights for our Campbell Ranch project. In contrast to our development assets in Nevada, Arizona, Colorado, and other rights in New Mexico, these water rights have not yet been awarded to us, and costs incurred are project costs for detailed legal hearings in New Mexico District Court, to determine our water rights application for 350 acre feet. We expect a ruling on the applications in the fourth quarter of this year.

We have an ongoing review of the cost base as assets are monetized, and we are always seeking ways to source recurring revenue streams, such as solar leases, grazing leases, and water rights leases on our non-core assets.

I would like to close by noting that we will be closing our existing La Jolla, California, office and transitioning and migrating the existing functions performed there, which primarily consists of the treasury, accounting, financial reporting, and corporate finance functions, to the existing Vidler office in Carson City. The transition is likely to take several months, and it goes without saying that our priority in the transition is to maintain the integrity and professionalism of these functions, to ensure we continue to meet our legal and regulatory obligations.

I would also like to announce that Vidler's Carson City office will become the new headquarters of Pico Holdings, Inc. We believe this is an entirely fitting location for the company as it is currently constituted.

Finally, the board is in the process of a detailed review of the overall group management function and structure. We anticipate any future changes as a result of this review will be announced in the course of the next few months.

Thank you all again, and with that, I would like to open the meeting to questions from our shareholders.

Chris?

Chris: My question is actually for Nicole. Since you're brand new, I think, and you have an important role on the board, could you share with us your view of your duty to shareholders, as you see it? And also, what is your view of the stated plan of the board that you just joined to monetize assets and return capital to shareholders?

Nicole Weymouth: Thank you for the chance to talk. I mean, I'm fully aware of the view and the plan to monetize the assets. I am bringing -- I have environmental expertise. I've worked 20-plus years in environmental consulting, so I'm bringing fresh eyes with that perspective, when looking at the water resources, and what the regulatory impact might be, and what the long-term impacts to the water resources might be. And so, I'm fully aware of my obligation is to the shareholders, and we'll be reviewing all the decisions that are going to be made with that in mind.

Andrew Shapiro: Andrew Shapiro from Lawndale Capital Management. Earlier in your presentation, before we got into the detail of the water, you commented about the company's improvement in corporate governance, and it has come a long way. But one of the items that struck me, especially when we heard the vote tallies on the election of the directors and our new directors, was with respect to our new directors and adding an additional insider to the board. I have the utmost respect and appreciation for all that Dorothy has done and will do, and her role in the company, and as such, I'm assuming that if she wasn't on the board of directors, she would be at 90 percent of all the board gatherings as it is, in a COO, CEO type of role.

I do want to express my governance concern, and I do believe the vote tally somewhat reflects other shareholders' concerns that in a necessarily small board, it is not the optimal in governance to have 40 percent of the board composed of insiders, being two of the five. And whether this change was done with respect to maybe impending changes that would potentially improve that matter or not -- I don't know what your plans are, Max, but I would like to have you guys consider for next year, perhaps, swapping and having a little bit more independence, and still have Dorothy intimately involved, but you know, other than executive session. So that was one thing in terms of your presentation.

If I could follow up with that, I don't really know if there's a question in there, but since the meeting went very quickly, I didn't get a chance to necessarily address the board to express those issues in the observation of the vote tally. I wanted to understand, with the termination of the value maximization project for which JMP was retained, typically, these are instruments where they get a retainer, and then obviously, a success fee. Also include a tail arrangement for which, as and if you monetize things going forward, that advisor may be entitled to or due a payment, which in some ways would be a redundancy if you were to retain a second or third advisor. How long is the tail arrangement that the company has committed to with respect to JMP?

Max Webb: Sure, well thank you, Andy. First of all, let me address your comments regarding the corporate governance. I mean, very legitimate; I understand exactly what you're saying. I think I would argue Pico Holdings, at this stage in its life cycle, is not a typical company, and we believe one size does not fit all. Glass Lewis obviously expressed their opinion with their recommendations regarding the 40 percent non-independent. ISS disagreed with that and recommended for all of the directors, despite that. we believe as a board, given where we are, that having Dorothy on the board, having a small board that has just under 10 percent shareholder representation with the reduction in costs that we have makes sense for the company as it's currently constituted.

With respect to your question for JMP, first of all, we did not have a retainer with JMP, and the tail period was a very standard 12 months.

Andrew Shapiro: Thank you. I have other questions, but --

Unidentified Participant: First, with the audio problems, so there will be a transcript of all this, just to clarify?

Max Webb: I would like to believe that we could do that. John, can you confirm that?

John Perry: We're recording back here, yes.

Max Webb: So the answer is yes, we would put up a transcription.

Unidentified Participant: Okay. Question for Max and Dorothy. On Dorothy's summary slide at the end, she had the word but capitalize and bolded regarding the monetization in Northern Nevada. Can you clarify, just for those who may be new to the Pico story and those who have been around for a long time, just what are your expectations, and what should we expect for asset sales this year, and also into next year? Thank you.

Max Webb: With respect to the Northern Nevada assets?

Unidentified Participant: Yes.

Max Webb: It is an incredibly tough question to answer because it is out with our control. It is totally dependent on the timing, each individual developer's own project and how they want to move forward. Dorothy gave a great example of Bob (inaudible)'s project, the Silver Hills, I think it is. We thought it was ready to go. He thought it was ready to go. Then he decided to change his mind with respect to the density on that project, so it went back through planning. So, we try to get intelligence, if you will, from all of those developers. We've found it to be very difficult. Even those developers themselves change their minds, or different things happen with their own projects, that it became very -- not difficult; it's impossible to predict. So, it's frustrating for us, but we really can't give any guidance. As Dorothy note, as and when those projects come down, they will have to go to TMWA to get their will serves, and TMWA will only be giving them Fish Springs water.

Patrick Wolf: Hi, Patrick Wolf. I was wondering if you could maybe elaborate a little bit on the answer of the last question. There's the fish springs assets, and then there's the Carson City and Lyon County. My understanding, but obviously I'm asking you to elaborate and clarify -- my understanding is that at least sort of at the aggregate level, the velocity of development and sales that we can expect in Carson City and Lyon County is pretty good, whereas it's the Fish Springs area that seems to be progressing more slowly than we would like. So, again, if you could just elaborate and clarify on that, that would be terrific.

Max Webb: Yeah, I don't think that's the case, and Dorothy, please chime in if you'd like to add anything. The nature of those assets are very similar. Again, with the North Valleys, again, (inaudible) will give their will serves with Fish Springs water to develop it as and when they are ready to come in. That's pretty similar to the Carson/Lyon water rights that we have -- slightly different. There's no Truckee Meadows Water Authority equivalent in that area there. The developer will come directly -- or has been coming directly to us to ascertain what water we have, would we make it available if they move forward with their project, things of that nature. Activity, as Dorothy mentioned, has really increased very rapidly in the last six months or so, primarily because of the completion of the extension of USA Parkway, and developers realize that the

Carson/Lyon (inaudible) corridor is a great place to put development in, as it could represent very affordable housing for a lot of employees at the Tahoe-Reno Industrial Center.

Dorothy, I don't know if you want to add anything.

Dorothy Timian Palmer: So, what I want you all to remember is that EDAWN numbers are tracking right where, if not a bit higher, where they thought they would be. We stay in contact with EDAWN. EDAWN, again, has told us in separate meetings that 6,000 new single family units need to be built every year in the area, and we're not even hitting that, so we're falling behind. And those 6,000 family units are going to be built in Lyon County, primarily in the North Valleys, because it's going to be affordable housing. So I feel that they're different assets, and where we have TMWA, where the developers will go with them with their maps, Lyon County, the developer has to actually get a will serve, get us to deed over the water and bring it in to them. So I think Lyon County's purchases are going to come down just a bit more chunkier than in the North Valleys. I'll use that term, because there's 8,000 acre feet, and it is going to start to come down. As I say, we've been working on the paperwork with TMWA. So, I feel confident.

Of course, my crystal ball I know is a little clouded the last couple years. But I could not predict what was going to happen with the water year in 2016, 2017. I think I need to write a book on the Fish Springs project when I get finished, because from start to finish, some of the things -- my attorney tells me I haven't suffered through pestilence yet, and so that's the next thing that's going to -- so, it's been quite the project. But I feel they're both great assets and they're going to come down, I wouldn't say one faster than the other. They're going to come down a little differently, but they're going to come down.

Andrew Shapiro: Andrew Shapiro again, for the recording. Do you have a 10b5 plan in place on the stock buyback, and if you do, does that preclude discretionary additional repurchases, or you can do that as well? Because you did a sizable amount of repurchasing in the last month or two, which is great, but I didn't know if that was a combination of 10b5, discretionary repurchase, or one solely.

Max Webb: It is a 10b1-5 plan.

Andrew Shapiro: It is?

Max Webb: Yes.

Andrew Shapiro: Okay. And you stated in the last earnings call you'd have a burn rate of around 6.2 million for the year 2018, and obviously, this first quarter's results just were announced, and it contained I think a higher quarterly rate than 6.2. What items in this quarter's results would you call out to be somewhat one-time and not part of the 6.2, or is that 6.2 annual number a different type of run rate than what you think we'll do?

Max Webb: No, the run rate will be more than 6.2 because of the increase in the one-off New Mexico costs. We will have certain costs going forward, but they will be nowhere near the costs we incurred in first quarter. Those were known to be incurred in first quarter, so it's not a quarterly run rate. You can't quite straight line it. We did incur some one-off costs, as well. John might have some more details of that in first quarter.

John Perry: Well, there were certain legal fees that were incurred. And to Max's point about the straight line effect, certain benefits, employee benefits, are paid and expenses in the first quarter, whereas that burn rate looks at it over the year, so some of that will smooth out. But again, the overage this quarter related to New Mexico, we don't expect to incur, other than the $170,000, and then the other things we've projected should be on pace.

I will also add, with moving the corporate office from La Jolla to Carson City, that was not contemplated when I originally put the burn rate together. There's going to be certain costs that we're going to incur to make that happen, the transition period we're going to incur costs. So at this point, projecting a burn rate is more difficult than ever, so --

Andrew Shapiro: How about if we generalize it a bit. We know that Campbell Ranch and New Mexico are one-timer, plus some additional this year. We also got some upfront that you're going to do with moving the office, and redundancies initially, and all that. But, all that being said, you're moving the office to even further cut costs. Would you be comfortable in saying that, we'll call it 2019, or the run rate exiting 2018, is going to be a run rate that's less than even that 6.2 as a result of this?

Max Webb: That's the objective. I would not like to, until we really work through all the numbers, to give what that run rate is, but absolutely, that is the objective.

Andrew Shapiro: We'll ask you in June or August about that.

Max Webb: I'm sure you will.

Andrew Shapiro: A technical question here for Dorothy. Is an option on water rights sufficient for a developer to qualify for a final map? They have to take down the water?

Dorothy Timian Palmer: So, if we were willing to sign over those water rights with only an option agreement, I suppose the developer could go in. But that means we have to sign a deed over, or an assignment over, and we're not going to do that.

Andrew Shapiro: That was my follow-up question if they said they could get it with an option, is that would this company do that.

Dorothy Timian Palmer: No, we have never done that.

Andrew Shapiro: No, okay. And then, how long in the process between a I guess preliminary or tentative map approval, which we're seeing a lot of now, and final map approval is generally the time horizon for these things?

Dorothy Timian Palmer: Well, if the tentative map was approved by the planning commission at the time they approved a zone change or a process, and if the engineers are on top of it that's working for the developer, it can go fairly quickly. But those of us who've been in this process, sometimes information that's turned into the local building department is lacking, and it gets turned back in to the engineer to fix it. So, it can go within a couple months; could take a year. It just depends who's working on the project for the developer. And I'll ask

Steve Hartman, did you want to add anything to that?

Steve Hartman: Well, there's also the option.

Dorothy Timian Palmer: He wants to give you a microphone.

Steve Hartman: This is Steve Hartman. There's also the option that developers have to construct the improvements for whatever the subdivision is, in lieu of posting a bond for those improvements. But if you don't construct the improvements, or you don't bond the improvements, you cannot record a final map. If you don't record the final map, you don't have the units to sell or pledge to a lender, if that's the process they're going through. So, I think generally, as Dorothy has indicated, we're not going to do a situation where there's an option and we haven't been paid for the water and we give them a deed. My brother's not developing, and I probably might do it with him, but nobody else.

Andrew Shapiro: Last thing: In the Carson/Lyon area, I think it was a while ago -- this was in the prior regime -- I think there was an option that was signed, or there was some reference pricing that was done. Was that an option which we collected cash on?

Dorothy Timian Palmer: So you're talking about 700 acre feet, the Schaller option?

Andrew Shapiro: I think so.

Dorothy Timian Palmer: So that project's ongoing. They paid an initial option fee, and we've been attending all those public hearings in the Stagecoach area to get that project approved, so that's still an ongoing agreement with Schaller Development.

Andrew Shapiro: Can you spell that?

Dorothy Timian Palmer: S-C-H-A-L-L-E-R.

Andrew Shapiro: Great, and in Carson/Lyon -- in Fish Springs, we're like the only source. That's the way we seem to be talking about is there's no one else left.

Max Webb: In the North Valleys.

Andrew Shapiro: In the North Valley, right.

Dorothy Timian Palmer: Well, there are some developers that had water prior that those are still being eaten up, but any new development, yeah, exactly. Yeah, (inaudible) clarify that.

Andrew Shapiro: Any new developments, we're the ones. In the Carson/Lyon area, do we have competition, or are we the only source, like North Valley?

Dorothy Timian Palmer: Well, some of the -- prior to the recession, there were quite a few final maps, or pending maps, and they all had water rights, and they're moving forward. There are some other individuals out there with some agricultural properties that own water, but they're still farming. There are some individuals that own a few acre feet and kind of watch what Vidler's doing. It's more or less like a retirement for some of these individuals that eventually sell, but they're not selling right now, but they watch our pricing. There is some competition, but there's so much demand. When USA Parkway came in, it opened up the markets of the Stagecoach, Silver Spring areas, which are going to require a pipeline and move water from Carson, Dayton, on to Silver Springs, and there is no water in that part of the world. So with that USA Parkway that came down, it just made a greater demand with lesser resource to support the demand.

Andrew Shapiro: Thank you.

Max Webb: Any other questions from anyone attending in person?

Mike Melby: Good morning, Mike Melby from Gate City Capital Management. Max, could you talk about the board's decision to utilize share repurchases, rather than a dividend or special dividend, in returning cash to shareholders in the first quarter? Thank you.

Max Webb: Yeah, thank you, Mike. We had a one-off opportunity to return capital to shareholders via the special dividend in 2017 as a tax -- characterized as a tax-free return of capital. That wouldn't necessarily be available in 2018, and it would take some time to determine that, closer to year-end, because it's also dependent on results within the year. And as a result, we felt we wanted to be opportune whilst we were -- after the announcement of the termination of the strategic process. That meant we could put in place a 10b1-5 plan, and we had left enough cash on the balance sheet to give us that optionality to do open market repurchases.

Are there any questions from the webcast, John?

John Perry: No.

Max Webb: There being none, no other further questions from anyone in person, then I will thank everybody and declare the annual meeting closed. Thank you for your support.