

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

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

August 2, 2018  
Date of Report (Date of earliest event reported)

PICO HOLDINGS, INC.



PICO Holdings

(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or other Jurisdiction of Incorporation or  
Organization)

33-36383  
(Commission File Number)

94-2723335  
(IRS Employer Identification No.)

3480 GS Richards Blvd, Suite 101, Carson City, NV 89703

(Address of principal executive offices) (Zip code)

Registrant's Telephone Number, Including Area Code: (858) 456-6022

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

## Section 2 Financial Information

### Item 2.02 Results of Operations and Financial Condition

PICO Holdings, Inc. issued a press release on August 8, 2018 announcing its financial results for the fiscal quarter ended June 30, 2018. The press release is attached as Exhibit 99.1 and is hereby incorporated by reference in its entirety. The information in this Current Report on Form 8-K and the exhibit attached hereto is being furnished (not filed) under Item 2.02 of Form 8-K.

### Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

#### *Chief Executive Officer and Executive Chairman*

On August 2, 2018, PICO Holdings, Inc. (the “*Company*”) appointed Dorothy Timian-Palmer as the Company’s President and Chief Executive Officer, effective immediately, replacing Maxim C.W. Webb, who has been appointed, effective immediately, to a newly created position of Executive Chairman.

Prior to her appointment as the Company’s President and Chief Executive Officer, Ms. Timian-Palmer, age 60, served as an officer of Vidler Water Company, Inc. (“*Vidler*”), the Company’s most significant operating subsidiary, serving as Vidler’s Chief Operating Officer from December 1997 until April 2006, when she was appointed as Vidler’s President, and serving as Vidler’s President and Chief Executive Officer following a promotion in October 2016. Prior to joining Vidler, Ms. Timian-Palmer held the position of Utilities Director for Carson City, Nevada, having started as its Water Engineer in 1988. Ms. Timian-Palmer holds a Bachelor of Science degree in Engineering, specializing in water resources, from the University of Arizona. She also holds State of Nevada licenses for both Professional Civil Engineering and Water Right Surveying.

In connection with the appointment of Ms. Timian-Palmer as the Company’s President and Chief Executive Officer and the appointment of Mr. Webb as the Company’s Executive Chairman, the Company entered into an Employment Agreement with Ms. Timian-Palmer (the “*Palmer Employment Agreement*”) and an Amended and Restated Employment Agreement with Mr. Webb (the “*Webb Employment Agreement*”, and together with the Palmer Employment Agreement, the “*Employment Agreements*”), each of which became effective on August 6, 2018. The Webb Employment Agreement supersedes the Employment Agreement entered into by and between Mr. Webb and the Company, dated January 1, 2017.

Pursuant to the terms of the Employment Agreements, Ms. Timian-Palmer will earn an annual base salary of \$389,000 and Mr. Webb will earn an annual base salary of \$210,800, and each of Ms. Timian-Palmer and Mr. Webb will be entitled to health insurance, welfare, retirement and other similar benefits that the Company generally provides to its other senior management employees; provided, that Mr. Webb will not be permitted to accrue amounts for paid vacation or personal time off during the term of the Webb Employment Agreement.

While Ms. Timian-Palmer and Mr. Webb will be employed on an at-will basis, the Employment Agreements provide that in the event that Ms. Timian-Palmer’s or Mr. Webb’s employment with the Company is terminated by the Company without cause or Ms. Timian-Palmer or Mr. Webb resigns for good reason, the Company will provide to such terminated individual, contingent upon a general release of claims against the Company, (i) with respect to Ms. Timian-Palmer, a lump-sum payment equal to Ms. Timian-Palmer’s then-current base salary for a period equal to 36 months, and with respect to Mr. Webb, a lump-sum payment equal to 24 months of Mr. Webb’s base salary as in effect immediately prior to his appointment as Executive Chairman, (ii) a bonus, if any, pursuant to the Amended Bonus Plan (as defined below), in an amount determined by the Compensation Committee pursuant to the terms of the Amended Bonus Plan and as described more fully below, (iii) payment of the cost of COBRA coverage for such individual and his or her dependents through the earlier of a period of one year or the date such individual becomes eligible for health coverage from another employer, and (iv) full acceleration of the vesting of all outstanding equity awards held by such individual.

The foregoing description of the Employment Agreements is qualified in its entirety by the terms set forth in the Employment Agreements attached hereto as Exhibit 99.2 and Exhibit 99.3.

### *Amended and Restated Executive Bonus Plan*

On August 2, 2018, the Company adopted an Amended and Restated Executive Bonus Plan (the “**Amended Bonus Plan**”) to provide for the payment of bonuses to Ms. Timian-Palmer and Mr. Webb (collectively, the “**Plan Participants**”). The Amended Bonus Plan, which has a term of five years from January 1, 2018 through December 31, 2022, amends, restates and supersedes the Company’s Executive Bonus Plan adopted on December 14, 2016 (the “**Prior Bonus Plan**”).

Pursuant to the terms of the Amended Bonus Plan, a pool of funds will be created for distribution on a yearly basis (the “**Bonus Pool**”). The first step in calculating the Bonus Pool is to calculate the total revenues and other income of the Company during the year (other than any revenues or other income attributed to the Company’s investments in Synthonics, Inc. and Mindjet Inc. and the Company’s deferred compensation plans (the “**Excluded Assets**”)) minus (a) the gross invested capital for each asset of the Company (other than an Excluded Asset) that was sold or otherwise disposed of during such year, defined as the book value of such asset as of the date of the sale (or other disposition) of such asset, as determined in accordance with U.S. generally accepted accounting principles and reflected in the Company’s financial records as of such date, plus any impairment or depreciation charges taken by the Company with respect to such asset on or prior to such date; (b) an amount equal to the aggregate of the gross invested capital for each relevant asset as determined pursuant to the immediately preceding clause (a), multiplied by the amount of years (including any partial year) elapsed between January 1, 2018 and the date of the sale or other disposal of such asset, multiplied by 5%; and (c) administrative expenses specified in the Amended Bonus Plan (such resulting amount, the “**Total Net Gain**”). For assets sold (or otherwise disposed of) entirely or partially for non-cash consideration by the Company, the calculation of Total Net Gain with respect to the non-cash consideration will instead be made in the year in which the non-cash consideration is ultimately sold (or otherwise disposed of) for cash by the Company.

The second step in calculating the Bonus Pool is to multiply the Total Net Gain by the “**Adjustment Factor**”, which is the greater of (i) a fraction, the numerator of which is the total amount of cash distributed (or committed to be distributed) to the Company’s shareholders with respect to all such assets sold (or otherwise disposed of) during the year, and the denominator of which is the total amount of cash received (after payment of all selling costs, including bankers’ fees and commissions) for which all such assets were sold (or otherwise disposed of) during the year, or (ii) such percentage (not to exceed 100%) as the Compensation Committee of the Board of Directors (the “**Compensation Committee**”) determines in its sole discretion to utilize as the Adjustment Factor. The amount that results from multiplying the Total Net Gain by the Adjustment Factor is the “**Adjusted Net Gain**.”

The final step in calculating the Bonus Pool is to multiply the Adjusted Net Gain by 8.75%, which results in the actual Bonus Pool. The Bonus Pool will be allocated 55% to Ms. Timian-Palmer and 45% to Mr. Webb. Each Plan Participant will be entitled to his or her allocated portion of the Bonus Pool for the year if he or she is employed by the Company on the last day of the year. Any bonus paid pursuant to the Amended Bonus Plan will be paid 50% in the form of cash and 50% in the form of a restricted stock unit (“**RSU**”) award, except that if a Plan Participant incurs a separation from service prior to the date that such RSU awards are scheduled to be granted, such bonus will be paid entirely in the form of cash. Such RSU awards shall be granted pursuant to the terms of the Company’s 2014 Equity Incentive Plan (the “**2014 EIP**”), will be fully vested on the date of grant, and the number of RSUs subject to such award will be equal to (x) the dollar value of 50% of the total amount of such bonus, divided by (y) the average of the daily volume weighted average prices (the “**VWAP**”) of the Company’s common stock for all of the trading days during the 30 calendar day period ending on (and including) the last trading day immediately prior to the grant date of such award, rounded down to the nearest whole share. The issuance of any shares pursuant to such RSU awards will occur on the earlier of (i) the third anniversary of the date of grant of such RSU award, (ii) a Plan Participant’s separation from service or (iii) a change of control.

In the event that any Plan Participant's employment with the Company is terminated in certain circumstances as provided in a written agreement between the Company and such Plan Participant, as applicable, such terminated individual will be entitled to payment of an amount under the Amended Bonus Plan for a portion of the year in which such termination occurs. In order to calculate such amount, the Compensation Committee will first determine the Total Net Gain for the portion of the year prior to such individual's termination (which Total Net Gain will be determined in the same manner as described above based on the actual revenues or other income of the Company (including sales or other dispositions of assets) during such partial year period; provided, however, that the amount of administrative expenses for such portion of the year will be prorated based on the Compensation Committee's estimate of the total amount of administrative expenses for such year) (such amount, the "**Pro Rata Net Gain**"). Second, the Pro Rata Net Gain is multiplied by an adjustment factor which is the greater of (i) a fraction, the numerator of which is the amount of cash distributed (or committed to be distributed) to the Company's shareholders in connection with the Company's sale (or other disposition) of assets during such portion of the year, and the denominator of which is the total amount of cash received for which all assets were sold (or otherwise disposed of) during such portion of the year, or (ii) such percentage (not to exceed 100%) as the Compensation Committee determines in its sole discretion to utilize as the Adjustment Factor. The resulting amount is multiplied by 8.75% to arrive at the "**Termination Bonus Pool**." In the event that any Plan Participant is entitled to payment of an amount under the Amended Bonus Plan for the portion of the year in which such individual's termination occurs, such amount will be paid in the form of cash and will be equal to a percentage of the Termination Bonus Pool corresponding to such individual's allocated percentage of the Bonus Pool.

The foregoing description of the Amended Bonus Plan is qualified in its entirety by the terms set forth in the Amended Bonus Plan attached hereto as Exhibit 99.4.

#### *Chief Financial Officer Transition Agreement*

On August 6, 2018, the Company entered into a Transition Agreement with John T. Perri, the Company's Chief Financial Officer (the "**Transition Agreement**"). The Transition Agreement provides that, until the earliest of (a) the date that the Company files its Annual Report on Form 10-K for the fiscal year ending December 31, 2018, (b) a date selected in the sole discretion of the Company, provided such date is not before December 31, 2018, and (c) the date Mr. Perri's employment with the Company is terminated by the Company without cause or Mr. Perri resigns for good reason (the period through such earliest date, the "**Transition Period**"), Mr. Perri shall report directly to the Chairman of the Board (and the Company's Chief Financial Officer, if and when the Company appoints a new Chief Financial Officer) and will, among other things, assist with the Company's transition to a new finance staff in Carson City, Nevada. During the Transition Period Mr. Perri shall continue to receive his current base salary and, provided Mr. Perri remains employed by the Company through the Transition Period, the Company shall pay Mr. Perri a one-time cash bonus upon completion of the Transition Period in the amount of \$250,000, payable in a lump-sum. In the event that the Transition Period ends on either of the dates referred to in (a) or (b) above, Mr. Perri will receive the same severance benefits under his employment agreement as if he had been terminated by the Company without cause or resigned for good reason. Furthermore, pursuant to the terms of the Transition Agreement, Mr. Perri will no longer participate in the Prior Bonus Plan, and shall immediately cease to be a participant thereunder.

The foregoing description of the Transition Agreement is qualified in its entirety by the terms set forth in the Transition Agreement attached hereto as Exhibit 99.5.

#### **Item 7.01 Regulation FD Disclosure**

The Company issued a press release on August 8, 2018 announcing the management changes described above in Item 5.02. A copy of the press release is attached hereto as exhibit 99.6. The information in exhibit 99.6 attached hereto is being furnished (not filed) under Item 7.01 of Form 8-K.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

| <b>Exhibit Number</b> | <b>Description</b>                                                                                                                               |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| 99.1                  | <a href="#"><u>Press Release of PICO Holdings, Inc. dated August 8, 2018 (financial results for the fiscal quarter ended June 30, 2018).</u></a> |
| 99.2                  | <a href="#"><u>Employment Agreement by and between PICO Holdings, Inc. and Dorothy Timian-Palmer, dated August 6, 2018.</u></a>                  |
| 99.3                  | <a href="#"><u>Amended and Restated Employment Agreement by and between PICO Holdings, Inc. and Maxim C.W. Webb, dated August 6, 2018.</u></a>   |
| 99.4                  | <a href="#"><u>PICO Holdings, Inc. Amended and Restated Executive Bonus Plan.</u></a>                                                            |
| 99.5                  | <a href="#"><u>Transition Agreement by and between PICO Holdings, Inc. and John T. Perri, dated August 6, 2018.</u></a>                          |
| 99.6                  | <a href="#"><u>Press Release of PICO Holdings, Inc. dated August 8, 2018.</u></a>                                                                |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 8, 2018

PICO HOLDINGS, INC.

By: /s/ John T. Perri

John T. Perri  
Chief Financial Officer



## ***NEWS RELEASE***

FOR IMMEDIATE RELEASE

### **PICO HOLDINGS, INC. ANNOUNCES RESULTS FOR THE SECOND QUARTER OF 2018**

**(Carson City, Nevada) - August 8, 2018 - PICO Holdings, Inc. (GLOBE NEWSWIRE)**

PICO Holdings, Inc. (NASDAQ:PICO) reported results for the second quarter ended June 30, 2018. Our reported shareholders' equity was \$196 million (\$8.90 per share) at June 30, 2018, compared to \$207.2 million (\$8.95 per share) at December 31, 2017.

#### **Second Quarter Segment Results of Operations**

For the second quarter of 2018, we reported net income of \$4.3 million (\$0.19 per share), compared to net income of \$1.6 million (\$0.07 per share) in the second quarter of 2017. Our second quarter results of operations were as follows (in thousands):

|                                                       | <b>Three Months Ended June 30,</b> |             |
|-------------------------------------------------------|------------------------------------|-------------|
|                                                       | <b>2018</b>                        | <b>2017</b> |
| Total revenue                                         | \$ 10,612                          | \$ 8,634    |
| Total cost and expenses                               | 6,281                              | 2,885       |
| Income from continuing operations before income taxes | 4,331                              | 5,749       |
| Provision for federal and state income taxes          | (72)                               | (2,946)     |
| Income from continuing operations                     | 4,259                              | 2,803       |
| Net income from discontinued operations, net of tax   | 43                                 | 177         |
| Net income                                            | 4,302                              | 2,980       |
| Net income attributable to noncontrolling interests   | —                                  | (1,405)     |
| Net income attributable to PICO Holdings, Inc.        | \$ 4,302                           | \$ 1,575    |

## First Six Month Segment Results of Operations

For the first six months of 2018, we reported net income of \$1.4 million (\$0.06 per share), compared to net income of \$6.2 million (\$0.27 per share) in the first six months of 2017. Our six months results of operations were as follows (in thousands):

|                                                            | Six Months Ended June 30, |           |
|------------------------------------------------------------|---------------------------|-----------|
|                                                            | 2018                      | 2017      |
| Total revenue                                              | \$ 10,956                 | \$ 34,827 |
| Total cost and expenses                                    | 9,487                     | 19,605    |
| Income from continuing operations before income taxes      | 1,469                     | 15,222    |
| Provision for federal and state income taxes               | (72)                      | (3,126)   |
| Income from continuing operations                          | 1,397                     | 12,096    |
| Net income (loss) from discontinued operations, net of tax | 43                        | (3,081)   |
| Net income                                                 | 1,440                     | 9,015     |
| Net income attributable to noncontrolling interests        | —                         | (2,796)   |
| Net income attributable to PICO Holdings, Inc.             | \$ 1,440                  | \$ 6,219  |

## Net Operating Loss Carryforwards

At December 31, 2017, we had approximately \$185.5 million of (pre-tax) federal net operating loss carryforwards, or NOLs, that could be utilized in certain circumstances to offset PICO's taxable income and reduce its federal income tax liability. Additional information with respect to these NOLs is contained in our Annual Report on Form 10-K for the year ended December 31, 2017 that we filed with the Securities and Exchange Commission.

## About PICO Holdings, Inc.

As of June 30, 2018, our major investment was Vidler Water Company, Inc., a water resource and water storage business with assets and operations primarily in the Southwestern U.S.

Currently, we believe the highest potential return to shareholders is from a return of capital to shareholders. As we monetize assets, rather than reinvest the proceeds, we intend to return the capital derived therefrom, less any working capital requirements, back to shareholders through a stock repurchase program or by other means such as special dividends taking into effect liquidity requirements, debt covenants and any other contractual and legal restrictions that may exist at the time.

## OTHER INFORMATION

At June 30, 2018, we had a market capitalization of \$256.5 million, and 22,020,168 shares outstanding.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this press release that are not historical, including statements regarding our business objectives, our ability to monetize our water resources, our ability to preserve and utilize NOLs to offset taxable income and reduce our federal income liability, and our ability to monetize assets and return capital to shareholders through stock repurchases or through other means, are forward-looking statements based on current expectations and assumptions that are subject to risks and uncertainties.

In addition, a number of other factors may cause results to differ materially from our expectations, such as: any slow down or downturn in the housing recovery or in the real estate markets in which Vidler operates; fluctuations in the prices of water and water rights; physical, governmental and legal restrictions on water and water rights; a downturn in some sectors of the stock market; general economic conditions; prolonged weakness in the overall U.S. and global economies; the performance of the businesses; the continued service and availability of key management personnel; and potential capital requirements and financing alternatives.

For further information regarding risks and uncertainties associated with our business, please refer to the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” sections of our SEC filings, including our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, copies of which may be obtained by contacting us at (858) 456-6022 or at <http://investors.picoholdings.com>.

We undertake no obligation to (and we expressly disclaim any obligation to) update our forward-looking statements, whether as a result of new information, subsequent events, or otherwise, in order to reflect any event or circumstance which may arise after the date of this press release, except as may otherwise be required by law. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release.

This news release was distributed by GlobeNewswire, [www.globenewswire.com](http://www.globenewswire.com).

CONTACT: Max Webb  
Executive Chairman  
(858) 652-4114

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**PICO HOLDINGS, INC.  
EMPLOYMENT AGREEMENT**

This Employment Agreement (the “**Agreement**”) is made and entered into by and between Dorothy Timian-Palmer (“**Executive**”) and PICO Holdings, Inc. (the “**Company**”), effective as of August 6, 2018 (the “**Effective Date**”).

RECITALS

WHEREAS, the Company and Executive wish to set forth in this Agreement the terms and conditions under which Executive will be employed by the Company on and after the Effective Date;

NOW, THEREFORE, the Company and Executive, in consideration of the mutual promises set forth herein, agree as follows:

ARTICLE 1

NATURE OF EMPLOYMENT

1.1 Effect of Agreement. This Agreement shall govern the terms of Executive’s employment with the Company on and after the Effective Date until it is terminated by either the Company or Executive pursuant to the terms set forth in Article 6.

1.2 At-Will Employment. Executive acknowledges and agrees that nothing in this Agreement shall be construed to imply that Executive’s employment with the Company is guaranteed for any period of time. Subject to the provisions of Article 6 hereof, Executive’s employment with the Company is at-will and either the Company or Executive may terminate the employment relationship at any time with or without cause and with or without notice.

ARTICLE 2

EMPLOYMENT DUTIES

2.1 Title/Responsibilities. Executive agrees to serve the Company in the positions of President and Chief Executive Officer. Executive shall have the powers and duties commensurate with such positions.

2.2 Full Time Attention. Executive shall devote her best efforts and her full business time and attention to the performance of the services customarily incident to the offices of President and Chief Executive Officer and to such other services as the Board of Directors of the Company (the “**Board**”) may reasonably request.

2.3 Other Activities. Except upon the prior written consent of the Board, Executive shall not during the period of employment engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place her in a competing position to that of the Company or any other corporation or entity that

directly or indirectly controls, is controlled by, or is under common control with the Company (an “**Affiliated Company**”), provided that passive ownership of less than one percent (1%) of the outstanding securities of any publicly traded company shall not be deemed a violation of this Section 2.3. Executive shall not serve on any private or public company board of directors in the absence of a resolution of the Company’s Board, provided that Executive shall not be prohibited from engaging in charitable or non-profit endeavors that do not materially interfere with the performance of her obligations under this Agreement.

### ARTICLE 3

#### COMPENSATION

3.1 Base Salary. Executive shall receive a base salary at an annual rate of \$389,000, payable in equal installments in accordance with the Company’s normal payroll practices. The Board, upon recommendation from the Compensation Committee of the Board (the “**Compensation Committee**”), in its sole discretion, may increase or decrease Executive’s base salary from time to time.

3.2 Incentive Bonus. Executive shall be eligible to participate in the PICO Holdings, Inc. Executive Bonus Plan (the “**Bonus Plan**”), as amended from time to time, in accordance with the terms and conditions of the Bonus Plan.

3.3 Withholdings. All compensation and benefits payable to Executive under this Agreement shall be subject to all federal, state, and local taxes and other withholdings and similar taxes and payments required by applicable law.

### ARTICLE 4

#### EXPENSE ALLOWANCES AND FRINGE BENEFITS

4.1 Benefits. During Executive’s employment hereunder, the Company shall provide Executive with the vacation, personal time off, health insurance, welfare, retirement and other similar benefits it generally provides to its other senior management employees, on terms no less favorable than those provided to any other employee. The amount and extent of any benefits to which Executive may be entitled shall be governed by the specific benefit plan or policy as it may be amended from time to time.

4.2 Business Expense Reimbursement. During the term of this Agreement, Executive shall be entitled to receive proper reimbursement for all reasonable out-of-pocket expenses incurred by her (in accordance with the policies and procedures established by the Company for its senior executive officers) in performing services hereunder. Executive agrees to furnish to the Company adequate records and other documentary evidence of such expense for which Executive seeks reimbursement at least on a quarterly basis. Such expenses shall be reimbursed and accounted for under the policies and procedures established by the Company, and such reimbursement shall be made promptly.

## ARTICLE 5

### CONFIDENTIALITY

5.1 Confidentiality. Executive hereby agrees to hold in strict confidence and not to disclose or make available to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, any Confidential Information (as defined below). Upon termination of Executive's employment with the Company, all Confidential Information in Executive's possession that is in written or other tangible form (together with all copies or duplicates thereof, including computer files) shall be returned to the Company and shall not be retained by Executive or furnished to any third party, in any form except as provided herein; *provided, however*, that Executive shall not be obligated to treat as confidential, or return to the Company copies of any Confidential Information that (i) was publicly known at the time of disclosure to Executive, (ii) becomes publicly known or available thereafter other than by any means in violation of this Agreement or any other duty owed to the Company by any person or entity, or (iii) is lawfully disclosed to Executive by a third party. For purposes of this Agreement, the term "**Confidential Information**" shall mean information disclosed to Executive or known by Executive as a consequence of or through her relationship with the Company, about the customers, employees, business methods, public relations methods, organization, procedures or finances, including, without limitation, information of or relating to customer lists, of the Company and its Affiliated Companies. In addition, Executive shall continue to be subject to the Proprietary Information and Invention Assignment Agreement entered into between Executive and Vidler Water Company, Inc. ("**Vidler**"), which will remain in effect in accordance with its terms.

5.2 Return of Property. All documents, records, apparatus, equipment and other physical property which is furnished to or obtained by Executive in the course of her employment with the Company shall be and remain the sole property of the Company. Executive agrees that, upon the termination of her employment, she shall return all such property (whether or not it pertains to Confidential Information).

5.3 No Use of Prior Confidential Information. Executive will not intentionally disclose to the Company or use on its behalf any confidential information belonging to any of her former employers or any other third party.

## ARTICLE 6

### TERMINATION

6.1 Involuntary Termination. In the event of Executive's Involuntary Termination, the Company shall pay to Executive on the date of such termination of employment (the "**Termination Date**"), to the extent not previously paid, Executive's base salary then in effect through the Termination Date and Executive's accrued but unused vacation and other paid time off. In addition, provided that Executive executes and delivers to the Company in connection with such termination of employment a Release of Claims (as defined in Section 7.8 of this Agreement) and the period for revocation, if any, of the Release of Claims has lapsed on or before the sixtieth (60th) day

following the Termination Date without the Release of Claims having been revoked, the Company shall provide Executive with the following, subject to Section 7.7 of this Agreement:

(a) Base Salary. Executive shall receive an amount (less applicable tax withholdings) equal to thirty-six (36) months of Executive's base salary as in effect on the Termination Date (without giving effect to any reduction in base salary amounting to Good Reason). Any such amount shall be paid in a lump sum in cash on the sixtieth (60th) day following the Termination Date.

(b) Bonus. Executive shall receive an amount, if any, under Section 8 of the Bonus Plan, as determined in accordance with such Section. Any such amount (less applicable tax withholdings) shall be paid in accordance with such Section.

(c) Equity Award Acceleration. All equity awards granted by the Company to Executive that are outstanding and unvested as of the Termination Date shall become fully and immediately vested, effective as of the Termination Date.

(d) Continued Healthcare. If Executive and Executive's eligible dependents then participating in the Company's group health insurance plans elect to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), the Company shall pay the premium for Executive and Executive's covered dependents on a monthly basis through the earlier of (i) the one (1) year anniversary of the Termination Date and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) (the "**COBRA Payment Period**"). After the Company ceases to pay premiums pursuant to the preceding sentence, Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance with the provisions of COBRA.

Notwithstanding the foregoing, if the Company determines, in its sole discretion, that the payment of the COBRA premiums would result in a violation of applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then in lieu of paying the COBRA premiums, the Company will pay Executive, for each month of the remainder of the COBRA Payment Period, a fully taxable cash payment equal to the COBRA premiums for such month, subject to applicable tax withholdings (such amount, the "**Special Severance Payment**"). Executive may, but is not obligated to, use any such Special Severance Payment toward the cost of COBRA premiums. Special Severance Payments (if any) will be made to Executive on a monthly basis as follows: (i) if the Company does not pay the COBRA premiums for any month during the sixty (60)-day period following the Termination Date, a Special Severance Payment will be made to Executive on the sixtieth (60th) day following the Termination Date and will be equal to the aggregate amount of the COBRA premiums for such months; and (ii) following such sixty (60)-day period, if the Company does not pay the COBRA premiums for any remaining month during the COBRA Payment Period, a Special Severance Payment will be made to Executive on the first day of such month and will be equal to the COBRA premiums for such month.

6.2 Exclusivity. The provisions of Section 6.1 of this Agreement are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive may otherwise be

entitled in the event of Executive's Involuntary Termination. In such circumstances, Executive shall be entitled to no benefits, compensation or other payments or rights upon termination of employment other than those benefits expressly set forth in Section 6.1 above. Notwithstanding the foregoing, to the extent not previously paid, Executive shall be entitled to receive any bonus payable to Executive under Section 7 of the Bonus Plan with respect to the Plan Year (as defined in the Bonus Plan) that ended immediately prior to the Plan Year in which Executive's Involuntary Termination occurs (which bonus, if any, shall be paid in accordance with Section 7 of the Bonus Plan).

6.3 Other Termination. In the event of Executive's termination of employment with the Company for any reason, other than due to an Involuntary Termination, (i) the Company shall pay to Executive on the date of such termination, in each case to the extent not previously paid, Executive's base salary then in effect through the date of such termination, Executive's accrued but unused vacation and other paid time off, and any bonus payable to Executive under Section 7 of the Bonus Plan with respect to the Plan Year (as defined in the Bonus Plan) that ended immediately prior to the Plan Year in which Executive's termination occurs (which bonus, if any, shall be paid in accordance with Section 7 of the Bonus Plan), and (ii) Executive shall not be entitled to any payments or benefits under Section 6.1 of this Agreement or any other severance payments or benefits.

6.4 Resignation from Boards. Executive acknowledges and agrees that in the event of Executive's termination of employment with the Company for any reason, Executive hereby automatically and irrevocably resigns from (i) the Board, and (ii) any other position that she may then have as an executive or member of the board of directors or board of managers of any company or entity other than the Company, to which she was appointed or elected or designated to be appointed or elected by the Company, effective as of the date of such termination.

6.5 Golden Parachute Payments. In the event that the severance payments and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) but for this Section 6.5, would be subject to the excise tax imposed by Section 4999 of the Code ("Excise Tax"), then Executive's severance payments and benefits under this Agreement shall be payable either

(a) in full, or

(b) as to such lesser amount which would result in no portion of such severance payments or benefits being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of severance payments and benefits under this Agreement, notwithstanding that all or some portion of such severance payments or benefits may be taxable under Section 4999 of the Code. Any reduction in the severance payments and benefits required by this Section 6.5 will be made in the following order: (i) reduction of cash payments; (ii) reduction of accelerated vesting of equity awards other than stock options; (iii) reduction of accelerated vesting of stock options; and (iv) reduction of other benefits paid or provided to Executive. In the event that acceleration of vesting of equity awards is to be reduced, such

acceleration of vesting will be cancelled in the reverse order of the date of grant of Executive's equity awards. If two or more equity awards are granted on the same date, the accelerated vesting of each equity award will be reduced on a pro-rata basis.

The professional firm engaged by the Company for general tax purposes as of the day prior to the date of the event that might reasonably be anticipated to result in severance payments and benefits that would otherwise be subject to the Excise Tax will perform the foregoing calculations. If the tax firm so engaged by the Company is serving as accountant or auditor for the acquiring company, the Company will appoint a nationally recognized tax firm to make the determinations required by this Section 6.5. The Company will bear all expenses with respect to the determinations by such firm required to be made by this Section 6.5. The Company and Executive shall furnish such tax firm such information and documents as the tax firm may reasonably request in order to make its required determination. The tax firm will provide its calculations, together with detailed supporting documentation, to the Company and Executive as soon as practicable following its engagement. Any good faith determinations of the tax firm made hereunder will be final, binding and conclusive upon the Company and Executive.

6.6 Definition of Terms. Capitalized terms not otherwise defined by this Agreement shall have the following meanings:

(a) "**Cause**" means the occurrence of any of the following:

(i) Executive's willful and continued failure to materially perform the duties and responsibilities of her position after there has been delivered to Executive a written demand for performance from the Board which describes the basis for the Board's belief that Executive has not substantially performed her duties and provides Executive with thirty (30) days to take corrective action, unless the Board determines in the exercise of its reasonable good faith discretion that such failure is of such nature or extent that effective corrective action is impossible or unlikely (in which case such failure will constitute "Cause" even though Executive is not provided with thirty (30) days to take corrective action);

(ii) any act of personal dishonesty taken by Executive in connection with her responsibilities as an employee of the Company and any Affiliated Company with the intention or reasonable expectation that such action may result in the substantial personal enrichment of Executive;

(iii) Executive's conviction of, or plea of nolo contendere to, a felony that the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business;

(iv) a breach of any fiduciary duty owed to the Company and any Affiliated Company by Executive that has a material detrimental effect on the Company's or Affiliated Companies' reputation or business;

(v) Executive being found liable in any United States Securities and Exchange Commission or other civil or criminal securities law action or entering any cease and

desist order with respect to such action (regardless of whether or not Executive admits or denies liability);

(vi) Executive (i) obstructing or impeding, (ii) endeavoring to influence, obstruct or impede, or (iii) failing to materially cooperate with, any investigation authorized by the Board or any governmental or self-regulatory entity (an “**Investigation**”); *provided, however*, that Executive’s failure to waive attorney-client privilege relating to communications with Executive’s own attorney in connection with an Investigation will not constitute “Cause”; or

(vii) Executive’s material breach of any contract or agreement between Executive and the Company (including this Agreement) or Executive’s intentional and material violation of any material policy of the Company.

(b) “**Disability**” means Executive’s absence, as a result of incapacity due to physical or mental illness, from Executive’s duties with the Company on a full-time basis for 90 or more consecutive days or a total of 180 or more days in any twelve-month period.

(c) “**Involuntary Termination**” means the occurrence of either (i) termination by the Company of Executive’s employment with the Company for any reason other than Cause or (ii) Executive’s Resignation for Good Reason; *provided, however*, that Involuntary Termination shall not include any termination of Executive’s employment which is (x) for Cause, (y) a result of Executive’s death or Disability, or (z) a result of Executive’s voluntary termination of employment which is not a Resignation for Good Reason.

(d) “**Resignation for Good Reason**” means the voluntary resignation by Executive from employment with the Company within a period of ninety (90) days after the initial occurrence, without Executive’s express written consent, of any of the following conditions (each, a “**Good Reason**”) which remains in effect for thirty (30) days after Executive’s delivery of written notice of the occurrence of such condition(s) to the Board within thirty (30) days following the initial occurrence of such condition(s):

(i) a material diminution in Executive’s authority, duties or responsibilities (for the avoidance of doubt, any change in authority, duties and responsibilities that occurs as a result of the monetization or disposition of assets by the Company shall not be considered such a diminution in authority, duties or responsibilities);

(ii) a material reduction in the health and welfare insurance, retirement or other benefits available to Executive as of the Effective Date (except for reductions in such benefits applicable to senior executive employees of the Company generally);

(iii) a material reduction in Executive’s base salary as of the Effective Date (except for any reduction in such base salary that is proportional to or commensurate with a decrease in the Company’s assets that occurs as a result of the monetization or disposition of assets by the Company);

(iv) the relocation of Executive's principal place of employment to a facility or location more than fifty (50) miles from Executive's principal place of employment as of the Effective Date; or

(v) the failure of the Company or any Successor to honor any material term of this Agreement.

## ARTICLE 7

### GENERAL PROVISIONS

#### 7.1 Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets (a "**Successor**") shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "**Company**" shall include any Successor which executes and delivers the assumption agreement described in this Section 7.1(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

#### 7.2 Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of Executive, mailed notices shall be addressed to Executive at Executive's home address that the Company has on file for Executive. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, attention: Board of Directors.

(b) Notice of Termination. Any termination by the Company for Cause or by Executive pursuant to a Resignation for Good Reason shall be communicated by a notice of termination to the other party hereto given in accordance with Section 7.2(a) of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date, consistent with the requirements of this Agreement. The failure by Executive to include in the notice any fact or circumstance that contributes to a showing of the existence of Good Reason shall not waive any

right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing her rights hereunder.

7.3 Non-Solicitation; Non-Disparagement. Executive shall not for a period of two (2) years following Executive's termination of employment with the Company for any reason, either on Executive's own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner or shareholder or otherwise on behalf of any other person, firm or corporation, directly or indirectly solicit or attempt to solicit away from the Company any of its officers or employees or offer employment to any person who is an officer or employee of the Company; *provided, however*, that a general advertisement to which an employee of the Company responds shall in no event be deemed to result in a breach of this Section 7.3. Executive also agrees not to harass or disparage the Company or its employees, clients, directors or agents.

7.4 Survival of Provisions. The provisions of Sections 5.1 and 7.3 of this Agreement shall survive the termination or expiration of Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in Section 5.1 or Section 7.3 of this Agreement is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

7.5 Dispute Resolution.

(a) To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, Executive's employment, or the termination of Executive's employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single neutral arbitrator, in Washoe County, Nevada, with the arbitrator selected and the proceedings conducted pursuant to the Nevada Arbitration Rules as set forth in Subpart B of the Nevada Rules Governing Alternative Dispute Resolution and Chapter 38 of the Nevada Revised Statutes. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.

The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Each party shall bear its own respective attorney fees and all other costs, unless provided by law and awarded by the arbitrator; *provided, however*, that the Company shall pay all arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

(b) Executive understands that this Agreement does not prohibit Executive from pursuing an administrative claim with a local, state or federal administrative body such as the Department of Fair Employment and Housing, the Equal Employment Opportunity Commission or the workers' compensation Committee. This Agreement, does, however, preclude Executive from pursuing court action regarding any such claim.

(c) Executive acknowledges and agrees that Executive is executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else. Executive further acknowledges and agrees that Executive has carefully read this Agreement and that Executive has asked any questions needed for Executive to understand the terms, consequences and binding effect of this Agreement and fully understands it, including that Executive is waiving Executive's right to a jury trial. Finally, Executive agrees that Executive has been provided an opportunity to seek the advice of an attorney of Executive's choice before signing this Agreement.

#### 7.6 Remedies.

(a) Injunctive Relief. The parties agree that the services to be rendered by Executive hereunder are of a unique nature and that in the event of any breach or threatened breach of any of the covenants contained herein, the damage or imminent damage to the value and the goodwill of the Company's business will be irreparable and extremely difficult to estimate, making any remedy at law or in damages inadequate. Accordingly, the parties agree that the Company shall be entitled to injunctive relief against Executive in the event of any breach or threatened breach of any such provisions by Executive, in addition to any other relief (including damage) available to the Company under this Agreement or under law.

(b) Exclusive. Both parties agree that the remedy specified in Section 7.6(a) above is not exclusive of any other remedy for the breach by Executive of the terms hereof.

7.7 Compliance with Section 409A of the Code. The parties intend that this Agreement (and all payments and other benefits provided under this Agreement) be exempt from the requirements of Section 409A of the Code and the regulations and rulings issued thereunder (collectively, "**Section 409A**"), to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the involuntary separation pay plan exception described in Treasury Regulation Section 1.409A-1(b)(9)(iii), or otherwise. To the extent Section 409A is applicable to such payments or benefits, the parties intend that this Agreement (and such payments and benefits) comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of this Agreement to the contrary, this Agreement shall be interpreted, operated and administered in a manner consistent with such intentions. Without limiting the generality of the foregoing, and notwithstanding any other provision of this Agreement to the contrary:

(a) No amount payable pursuant to this Agreement which constitutes a "deferral of compensation" within the meaning of Section 409A shall be paid unless and until Executive has incurred a "separation from service" within the meaning of Section 409A. Furthermore, to the extent that Executive is a "specified employee" within the meaning of Section 409A (determined using the identification methodology selected by the Company from time to time, or if none, the

default methodology) as of the date of Executive's separation from service, the Company shall, within ten (10) business days after the date of Executive's separation from service, notify Executive that the Company is applying this Section 7.7(a) to the payment otherwise due to be paid to Executive and shall acknowledge in writing its obligation to accumulate and hold such amount in trust until paid in accordance with this Section 7.7(a) and except as otherwise permitted by Section 409A, no amount that constitutes a deferral of compensation which is payable on account of Executive's separation from service shall be paid to Executive before the date which is the first day of the seventh month after the date of Executive's separation from service or, if earlier, the date of Executive's death following such separation from service (the "**Delayed Payment Date**"). All such amounts that would, but for this Section 7.7(a), become payable prior to the Delayed Payment Date will be accumulated, held in trust for the benefit of Executive (subject only to the claims of the general creditors of the Company), and paid on the Delayed Payment Date. If a tax liability is created, the Company will withhold and pay any tax owed and the net of tax amount will be held in trust.

(b) Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

(c) With regard to any provision in this Agreement that provides for reimbursement of expenses or in-kind benefits, except for any reimbursement or in-kind benefit provided pursuant to this Agreement that does not constitute a "deferral of compensation" within the meaning of Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any taxable year of Executive shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year of Executive, and (iii) any such reimbursement shall be made on or before the last day of Executive's taxable year following the taxable year in which the expense was incurred.

(d) The Company intends that income provided to Executive pursuant to this Agreement will not be subject to taxation under Section 409A. However, the Company does not guarantee any particular tax effect for income provided to Executive pursuant to this Agreement. In any event, except for the Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to Executive, the Company shall not be responsible for the payment of any applicable taxes on compensation paid or provided to Executive pursuant to this Agreement.

7.8 Release of Claims. Executive shall provide the Company with a signed general release of all claims against the Company and its Affiliated Companies in a form reasonably acceptable to the Company (a "**Release of Claims**"). Executive shall not be entitled to the payments and benefits under Sections 6.1(a), 6.1(b), 6.1(c) and 6.1(d) of this Agreement unless such Release of Claims is signed and delivered and no longer subject to revocation (if applicable) within the time specified in the Release of Claims, but in no event later than the sixtieth (60th) day following the Termination Date.

7.9 Unfunded Obligation. Any amounts payable to Executive pursuant to this Agreement are unfunded obligations. The Company shall not be required to segregate any monies from its

general funds, or to create any trusts (other than in accordance with Section 7.7(a) of this Agreement), or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any account shall not create or constitute a trust or fiduciary relationship between the Board or the Company and Executive, or otherwise create any vested or beneficial interest in Executive or Executive's creditors in any assets of the Company.

7.10 No Duty to Mitigate. Executive shall not be required to mitigate the amount of any payment or benefit contemplated by this Agreement by seeking employment with a new employer or otherwise, nor shall any such payment or benefit be reduced by any compensation or benefits that Executive may receive from employment by another employer other than as provided in Section 6.1(d) of this Agreement.

7.11 Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by a duly authorized representative of the Board. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

7.12 Whole Agreement. This Agreement, together with the other agreements specifically referred to herein, represents the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior arrangements and understandings regarding same, including, but not limited to, (a) the Severance Agreement that was made and entered into by and between Executive and Vidler, effective as of July 28, 2015 and (b) any cash incentive compensation or other cash bonus plan between Vidler and Executive; *provided* that Executive shall continue to participate in Vidler's Executive Change in Control Bonus Plan in accordance with its terms with respect to any CIC Transaction (as defined therein) the closing of which occurs prior to December 31, 2018.

7.13 Tax Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

7.14 Choice of Law; Venue. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Nevada without giving effect to any conflict of law principles. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties pursuant to this Agreement that is not subject to arbitration pursuant to Section 7.5 of this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Nevada and agree that such litigation shall be conducted only in the courts of Washoe County, Nevada, or the federal courts of the United States for the District of Nevada, and no other courts.

7.15 Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

7.16 Benefits Not Assignable. Except as otherwise provided herein or by law, no right or interest of Executive under this Agreement shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including, without limitation, by execution, levy, garnishment, attachment, pledge or in any other manner, and no attempted transfer or assignment thereof shall be effective. No right or interest of Executive under this Agreement shall be liable for, or subject to, any obligation or liability of Executive.

7.17 Further Assurances. From time to time, at the Company's request and without further consideration, Executive shall execute and deliver such additional documents and take all such further action as reasonably requested by the Company to be necessary or desirable to make effective, in the most expeditious manner possible, the terms of this Agreement and the Release of Claims, and to provide adequate assurance of Executive's due performance thereunder.

7.18 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

7.19 Acknowledgment. Executive acknowledges that Executive has had the opportunity to discuss this matter with and obtain advice from her private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, as of the day and year set forth below.

**PICO HOLDINGS, INC.**

By: /s/ Max Webb Date: 08/06/2018

Name: Max Webb

Title: Executive Chairman

**EXECUTIVE**

/s/ Dorothy A. Timian-Palmer Date: 08/06/2018

Name: Dorothy A. Timian-Palmer

**PICO HOLDINGS, INC.**  
**AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

This Amended and Restated Employment Agreement (the “**Agreement**”) is made and entered into by and between Maxim C.W. Webb (“**Executive**”) and PICO Holdings, Inc. (the “**Company**”), effective as of August 6, 2018 (the “**Effective Date**”), and amends, restates and supersedes the Employment Agreement entered into by and between Executive and the Company effective as of January 1, 2017 (the “**Prior Agreement**”).

RECITALS

WHEREAS, the Company and Executive wish to set forth in this Agreement the terms and conditions under which Executive will continue to be employed by the Company on and after the Effective Date;

NOW, THEREFORE, the Company and Executive, in consideration of the mutual promises set forth herein, agree as follows:

ARTICLE 1

NATURE OF EMPLOYMENT

1.1 Effect of Agreement. This Agreement shall govern the terms of Executive’s employment with the Company on and after the Effective Date until it is terminated by either the Company or Executive pursuant to the terms set forth in Article 6.

1.2 At-Will Employment. Executive acknowledges and agrees that nothing in this Agreement shall be construed to imply that Executive’s employment with the Company is guaranteed for any period of time. Subject to the provisions of Article 6 hereof, Executive’s employment with the Company is at-will and either the Company or Executive may terminate the employment relationship at any time with or without cause and with or without notice.

ARTICLE 2

EMPLOYMENT DUTIES

2.1 Title/Responsibilities. Executive agrees to continue to serve the Company in the position of Executive Chairman. Executive shall have the powers and duties commensurate with such position.

2.2 Full Time Attention. Executive shall devote his best efforts and the necessary business time and attention to the performance of the services customarily incident to the offices of Executive Chairman and to such other services as the Board of Directors of the Company (the “**Board**”) may reasonably request.

2.3 Other Activities. Except upon the prior written consent of the Board, Executive shall not during the period of employment engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place him in a competing position to that of the Company or any other corporation or entity that directly or indirectly controls, is controlled by, or is under common control with the Company (an “**Affiliated Company**”), provided that passive ownership of less than one percent (1%) of the outstanding securities of any publicly traded company shall not be deemed a violation of this Section 2.3.

ARTICLE 3

1.

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## COMPENSATION

3.1 Base Salary. Executive shall receive a base salary at an annual rate of \$210,800, payable in equal installments in accordance with the Company's normal payroll practices. The Board, upon recommendation from the Compensation Committee of the Board (the "**Compensation Committee**"), in its sole discretion, may increase or decrease Executive's base salary from time to time.

3.2 Incentive Bonus. Executive shall be eligible to participate in the PICO Holdings, Inc. Executive Bonus Plan (the "**Bonus Plan**"), as amended from time to time, in accordance with the terms and conditions of the Bonus Plan. Pursuant to Section 10(c) of the Bonus Plan, Executive hereby consents to the amendment and restatement of the Bonus Plan concurrently with the execution of this Agreement.

3.3 Withholdings. All compensation and benefits payable to Executive under this Agreement shall be subject to all federal, state, and local taxes and other withholdings and similar taxes and payments required by applicable law.

## ARTICLE 4

### EXPENSE ALLOWANCES AND FRINGE BENEFITS

4.1 Vacation. During the term of this Agreement, Executive shall not accrue paid vacation or personal time off under any current or future vacation or paid time off policy of the Company (collectively, the "**PTO Plans**"). Executive may take reasonable time off for vacation, consistent with the needs of the Company's business, and shall notify the Board of such vacation usage, consulting in advance with the Board as appropriate. Executive's accrued vacation and paid time off account balance of \$181,223.83 as of December 31, 2016 (the "**Balance**") shall not be affected by this Section 4.1, and such Balance shall be payable in full upon Executive's termination of employment with the Company for any reason.

4.2 Benefits. During Executive's employment hereunder, the Company shall provide Executive with the health insurance, welfare, retirement and other similar benefits it generally provides to its other senior management employees, on terms no less favorable than those provided to any other employee; *provided, however*, that Executive shall not be eligible to participate in any PTO Plans. The amount and extent of any benefits to which Executive may be entitled shall be governed by the specific benefit plan or policy as it may be amended from time to time.

4.3 Business Expense Reimbursement. During the term of this Agreement, Executive shall be entitled to receive proper reimbursement for all reasonable out-of-pocket expenses incurred by him (in accordance with the policies and procedures established by the Company for its senior executive officers) in performing services hereunder. Executive agrees to furnish to the Company adequate records and other documentary evidence of such expense for which Executive seeks reimbursement at least on a quarterly basis. Such expenses shall be reimbursed and accounted for under the policies and procedures established by the Company, and such reimbursement shall be made promptly.

## ARTICLE 5

### CONFIDENTIALITY

5.1 Confidentiality. Executive hereby agrees to hold in strict confidence and not to disclose or make available to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, any Confidential Information (as defined below). Upon termination of Executive's employment with the Company, all Confidential Information in Executive's possession that is in written or other tangible

form (together with all copies or duplicates thereof, including computer files) shall be returned to the Company and shall not be retained by Executive or furnished to any third party, in any form except as provided herein; *provided, however*, that Executive shall not be obligated to treat as confidential, or return to the Company copies of any Confidential Information that (i) was publicly known at the time of disclosure to Executive, (ii) becomes publicly known or available thereafter other than by any means in violation of this Agreement or any other duty owed to the Company by any person or entity, or (iii) is lawfully disclosed to Executive by a third party. For purposes of this Agreement, the term “**Confidential Information**” shall mean information disclosed to Executive or known by Executive as a consequence of or through his or her relationship with the Company, about the customers, employees, business methods, public relations methods, organization, procedures or finances, including, without limitation, information of or relating to customer lists, of the Company and its Affiliated Companies.

5.2 Return of Property. All documents, records, apparatus, equipment and other physical property which is furnished to or obtained by Executive in the course of his employment with the Company shall be and remain the sole property of the Company. Executive agrees that, upon the termination of his employment, he shall return all such property (whether or not it pertains to Confidential Information).

5.3 No Use of Prior Confidential Information. Executive will not intentionally disclose to the Company or use on its behalf any confidential information belonging to any of his former employers or any other third party.

## ARTICLE 6

### TERMINATION

6.1 Involuntary Termination. In the event of Executive’s Involuntary Termination, the Company shall pay to Executive on the date of such termination of employment (the “**Termination Date**”), to the extent not previously paid, Executive’s base salary then in effect through the Termination Date and Executive’s accrued but unused vacation and other paid time off. In addition, provided that Executive executes and delivers to the Company in connection with such termination of employment a Release of Claims (as defined in Section 7.8 of this Agreement) and the period for revocation, if any, of the Release of Claims has lapsed on or before the sixtieth (60th) day following the Termination Date without the Release of Claims having been revoked, the Company shall provide Executive with the following, subject to Section 7.7 of this Agreement:

(a) Base Salary. Executive shall receive an amount (less applicable tax withholdings) equal to twenty-four (24) months of Executive’s base salary as in effect immediately prior to the Effective Date (i.e., \$421,600 annually). Any such amount shall be paid in a lump sum in cash on the sixtieth (60th) day following the Termination Date.

(b) Bonus. Executive shall receive an amount, if any, under Section 8 of the Bonus Plan, as determined in accordance with such Section. Any such amount (less applicable tax withholdings) shall be paid in accordance with such Section.

(c) Equity Award Acceleration. All equity awards granted by the Company to Executive that are outstanding and unvested as of the Termination Date shall become fully and immediately vested, effective as of the Termination Date.

(d) Continued Healthcare. If Executive and Executive’s eligible dependents then participating in the Company’s group health insurance plans elect to receive continued healthcare coverage

pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“**COBRA**”), the Company shall pay the premium for Executive and Executive’s covered dependents on a monthly basis through the earlier of (i) the one (1) year anniversary of the Termination Date and (ii) the date Executive and Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s) (the “**COBRA Payment Period**”). After the Company ceases to pay premiums pursuant to the preceding sentence, Executive may, if eligible, elect to continue healthcare coverage at Executive’s expense in accordance with the provisions of COBRA.

Notwithstanding the foregoing, if the Company determines, in its sole discretion, that the payment of the COBRA premiums would result in a violation of applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then in lieu of paying the COBRA premiums, the Company will pay Executive, for each month of the remainder of the COBRA Payment Period, a fully taxable cash payment equal to the COBRA premiums for such month, subject to applicable tax withholdings (such amount, the “**Special Severance Payment**”). Executive may, but is not obligated to, use any such Special Severance Payment toward the cost of COBRA premiums. Special Severance Payments (if any) will be made to Executive on a monthly basis as follows: (i) if the Company does not pay the COBRA premiums for any month during the sixty (60)-day period following the Termination Date, a Special Severance Payment will be made to Executive on the sixtieth (60th) day following the Termination Date and will be equal to the aggregate amount of the COBRA premiums for such months; and (ii) following such sixty (60)-day period, if the Company does not pay the COBRA premiums for any remaining month during the COBRA Payment Period, a Special Severance Payment will be made to Executive on the first day of such month and will be equal to the COBRA premiums for such month.

6.2 Exclusivity. The provisions of Section 6.1 of this Agreement are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive may otherwise be entitled in the event of Executive’s Involuntary Termination. In such circumstances, Executive shall be entitled to no benefits, compensation or other payments or rights upon termination of employment other than those benefits expressly set forth in Section 6.1 above. Notwithstanding the foregoing, to the extent not previously paid, Executive shall be entitled to receive any bonus payable to Executive under Section 7 of the Bonus Plan with respect to the Plan Year (as defined in the Bonus Plan) that ended immediately prior to the Plan Year in which Executive’s Involuntary Termination occurs (which bonus, if any, shall be paid in accordance with Section 7 of the Bonus Plan).

6.3 Other Termination. In the event of Executive’s termination of employment with the Company for any reason, other than due to an Involuntary Termination, (i) the Company shall pay to Executive on the date of such termination, in each case to the extent not previously paid, Executive’s base salary then in effect through the date of such termination, Executive’s accrued but unused vacation and other paid time off, and any bonus payable to Executive under Section 7 of the Bonus Plan with respect to the Plan Year (as defined in the Bonus Plan) that ended immediately prior to the Plan Year in which Executive’s termination occurs (which bonus, if any, shall be paid in accordance with Section 7 of the Bonus Plan), and (ii) Executive shall not be entitled to any payments or benefits under Section 6.1 of this Agreement or any other severance payments or benefits.

6.4 Resignation from Boards. Executive acknowledges and agrees that in the event of Executive’s termination of employment with the Company for any reason, Executive hereby automatically and irrevocably resigns from (i) the Board, and (ii) any other position that he may then have as an executive or member of the board of directors or board of managers of any company or entity other than the Company, to which he was appointed or elected or designated to be appointed or elected by the Company, effective as of the date of such termination.

6.5 Golden Parachute Payments. In the event that the severance payments and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute “parachute payments” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “**Code**”) and (ii) but for this Section 6.5, would be subject to the excise tax imposed by Section 4999 of the Code (“**Excise Tax**”), then Executive’s severance payments and benefits under this Agreement shall be payable either

(a) in full, or

(b) as to such lesser amount which would result in no portion of such severance payments or benefits being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of severance payments and benefits under this Agreement, notwithstanding that all or some portion of such severance payments or benefits may be taxable under Section 4999 of the Code. Any reduction in the severance payments and benefits required by this Section 6.5 will be made in the following order: (i) reduction of cash payments; (ii) reduction of accelerated vesting of equity awards other than stock options; (iii) reduction of accelerated vesting of stock options; and (iv) reduction of other benefits paid or provided to Executive. In the event that acceleration of vesting of equity awards is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant of Executive’s equity awards. If two or more equity awards are granted on the same date, the accelerated vesting of each equity award will be reduced on a pro-rata basis.

The professional firm engaged by the Company for general tax purposes as of the day prior to the date of the event that might reasonably be anticipated to result in severance payments and benefits that would otherwise be subject to the Excise Tax will perform the foregoing calculations. If the tax firm so engaged by the Company is serving as accountant or auditor for the acquiring company, the Company will appoint a nationally recognized tax firm to make the determinations required by this Section 6.5. The Company will bear all expenses with respect to the determinations by such firm required to be made by this Section 6.5. The Company and Executive shall furnish such tax firm such information and documents as the tax firm may reasonably request in order to make its required determination. The tax firm will provide its calculations, together with detailed supporting documentation, to the Company and Executive as soon as practicable following its engagement. Any good faith determinations of the tax firm made hereunder will be final, binding and conclusive upon the Company and Executive.

6.6 Definition of Terms. Capitalized terms not otherwise defined by this Agreement shall have the following meanings:

(a) “**Cause**” means the occurrence of any of the following:

(i) Executive’s willful and continued failure to materially perform the duties and responsibilities of his position after there has been delivered to Executive a written demand for performance from the Board which describes the basis for the Board’s belief that Executive has not substantially performed his duties and provides Executive with thirty (30) days to take corrective action, unless the Board determines in the exercise of its reasonable good faith discretion that such failure is of such nature or extent that effective corrective action is impossible or unlikely (in which case such failure will constitute “Cause” even though Executive is not provided with thirty (30) days to take corrective action);

(ii) any act of personal dishonesty taken by Executive in connection with his responsibilities as an employee of the Company and any Affiliated Company with the intention or reasonable expectation that such action may result in the substantial personal enrichment of Executive;

(iii) Executive's conviction of, or plea of nolo contendere to, a felony that the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business;

(iv) a breach of any fiduciary duty owed to the Company and any Affiliated Company by Executive that has a material detrimental effect on the Company's or Affiliated Companies' reputation or business;

(v) Executive being found liable in any United States Securities and Exchange Commission or other civil or criminal securities law action or entering any cease and desist order with respect to such action (regardless of whether or not Executive admits or denies liability);

(vi) Executive (i) obstructing or impeding, (ii) endeavoring to influence, obstruct or impede, or (iii) failing to materially cooperate with, any investigation authorized by the Board or any governmental or self-regulatory entity (an "**Investigation**"); *provided, however*, that Executive's failure to waive attorney-client privilege relating to communications with Executive's own attorney in connection with an Investigation will not constitute "Cause"; or

(vii) Executive's material breach of any contract or agreement between Executive and the Company (including this Agreement) or Executive's intentional and material violation of any material policy of the Company.

(b) "**Disability**" means Executive's absence, as a result of incapacity due to physical or mental illness, from Executive's duties with the Company on a full-time basis for 90 or more consecutive days or a total of 180 or more days in any twelve-month period.

(c) "**Involuntary Termination**" means the occurrence of either (i) termination by the Company of Executive's employment with the Company for any reason other than Cause or (ii) Executive's Resignation for Good Reason; *provided, however*, that Involuntary Termination shall not include any termination of Executive's employment which is (x) for Cause, (y) a result of Executive's death or Disability, or (z) a result of Executive's voluntary termination of employment which is not a Resignation for Good Reason.

(d) "**Resignation for Good Reason**" means the voluntary resignation by Executive from employment with the Company within a period of ninety (90) days after the initial occurrence, without Executive's express written consent, of any of the following conditions (each, a "**Good Reason**") which remains in effect for thirty (30) days after Executive's delivery of written notice of the occurrence of such condition(s) to the Board within thirty (30) days following the initial occurrence of such condition(s):

(i) a material diminution in Executive's authority, duties or responsibilities (for the avoidance of doubt, any change in authority, duties and responsibilities that occurs as a result of the monetization or disposition of assets by the Company shall not be considered such a diminution in authority, duties or responsibilities);

(ii) a material reduction in the health and welfare insurance, retirement or other benefits available to Executive as of the Effective Date (except for reductions in such benefits applicable to senior executive employees of the Company generally);

(iii) a material reduction in Executive's base salary as of the Effective Date (except for any reduction in such base salary that is proportional to or commensurate with a decrease in the Company's assets that occurs as a result of the monetization or disposition of assets by the Company); or

- (iv) the failure of the Company or any Successor to honor any material term of this Agreement.

For clarity, the Company and Executive acknowledge and agree that the modifications to the terms of the Prior Agreement reflected in this Agreement do not constitute Good Reason.

## ARTICLE 7

### GENERAL PROVISIONS

#### 7.1 Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets (a "**Successor**") shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "**Company**" shall include any Successor which executes and delivers the assumption agreement described in this Section 7.1(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

#### 7.2 Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of Executive, mailed notices shall be addressed to Executive at Executive's home address that the Company has on file for Executive. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, attention: Board of Directors.

(b) Notice of Termination. Any termination by the Company for Cause or by Executive pursuant to a Resignation for Good Reason shall be communicated by a notice of termination to the other party hereto given in accordance with Section 7.2(a) of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date, consistent with the requirements of this Agreement. The failure by Executive to include in the notice any fact or circumstance that contributes to a showing of the existence of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his rights hereunder.

7.3 Non-Solicitation; Non-Disparagement. Executive shall not for a period of two (2) years following Executive's termination of employment with the Company for any reason, either on Executive's own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner or shareholder or otherwise on behalf of any other person, firm or corporation, directly or indirectly solicit or attempt to solicit away from the Company any of its officers or employees or offer employment to any person who is an officer or employee of the Company; *provided, however*, that a general advertisement to which an employee of the Company responds shall in no event be deemed to result in a breach of this

Section 7.3. Executive also agrees not to harass or disparage the Company or its employees, clients, directors or agents.

7.4 Survival of Provisions. The provisions of Sections 5.1 and 7.3 of this Agreement shall survive the termination or expiration of Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in Section 5.1 or Section 7.3 of this Agreement is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

7.5 Dispute Resolution.

(a) To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, Executive's employment, or the termination of Executive's employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single neutral arbitrator, in San Diego County, California, conducted by the American Arbitration Association ("AAA") under its rules for arbitration of employment disputes. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.

The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Each party shall bear its own respective attorney fees and all other costs, unless provided by law and awarded by the arbitrator; *provided, however*, that the Company shall pay all AAA arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

(b) Executive understands that this Agreement does not prohibit Executive from pursuing an administrative claim with a local, state or federal administrative body such as the Department of Fair Employment and Housing, the Equal Employment Opportunity Commission or the workers' compensation Committee. This Agreement, does, however, preclude Executive from pursuing court action regarding any such claim.

(c) Executive acknowledges and agrees that Executive is executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else. Executive further acknowledges and agrees that Executive has carefully read this Agreement and that Executive has asked any questions needed for Executive to understand the terms, consequences and binding effect of this Agreement and fully understands it, including that Executive is waiving Executive's right to a jury trial. Finally, Executive agrees that Executive has been provided an opportunity to seek the advice of an attorney of Executive's choice before signing this Agreement.

7.6 Remedies.

(a) Injunctive Relief. The parties agree that the services to be rendered by Executive hereunder are of a unique nature and that in the event of any breach or threatened breach of any of the covenants contained herein, the damage or imminent damage to the value and the goodwill of the Company's business will be irreparable and extremely difficult to estimate, making any remedy at law or in damages inadequate. Accordingly, the parties agree that the Company shall be entitled to injunctive relief against Executive in the event of any breach or threatened breach of any such provisions by Executive, in addition to any other relief (including damage) available to the Company under this Agreement or under law.

(b) Exclusive. Both parties agree that the remedy specified in Section 7.6(a) above is not exclusive of any other remedy for the breach by Executive of the terms hereof.

**7.7 Compliance with Section 409A of the Code.** The parties intend that this Agreement (and all payments and other benefits provided under this Agreement) be exempt from the requirements of Section 409A of the Code and the regulations and rulings issued thereunder (collectively, "**Section 409A**"), to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the involuntary separation pay plan exception described in Treasury Regulation Section 1.409A-1(b)(9)(iii), or otherwise. To the extent Section 409A is applicable to such payments or benefits, the parties intend that this Agreement (and such payments and benefits) comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of this Agreement to the contrary, this Agreement shall be interpreted, operated and administered in a manner consistent with such intentions. Without limiting the generality of the foregoing, and notwithstanding any other provision of this Agreement to the contrary:

(a) No amount payable pursuant to this Agreement which constitutes a "deferral of compensation" within the meaning of Section 409A shall be paid unless and until Executive has incurred a "separation from service" within the meaning of Section 409A. Furthermore, to the extent that Executive is a "specified employee" within the meaning of Section 409A (determined using the identification methodology selected by the Company from time to time, or if none, the default methodology) as of the date of Executive's separation from service, the Company shall, within ten (10) business days after the date of Executive's separation from service, notify Executive that the Company is applying this Section 7.7(a) to the payment otherwise due to be paid to Executive and shall acknowledge in writing its obligation to accumulate and hold such amount in trust until paid in accordance with this Section 7.7(a) and except as otherwise permitted by Section 409A, no amount that constitutes a deferral of compensation which is payable on account of Executive's separation from service shall be paid to Executive before the date which is the first day of the seventh month after the date of Executive's separation from service or, if earlier, the date of Executive's death following such separation from service (the "**Delayed Payment Date**"). All such amounts that would, but for this Section 7.7(a), become payable prior to the Delayed Payment Date will be accumulated, held in trust for the benefit of Executive (subject only to the claims of the general creditors of the Company), and paid on the Delayed Payment Date. If a tax liability is created, the Company will withhold and pay any tax owed and the net of tax amount will be held in trust.

(b) Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

(c) With regard to any provision in this Agreement that provides for reimbursement of expenses or in-kind benefits, except for any reimbursement or in-kind benefit provided pursuant to this Agreement that does not constitute a "deferral of compensation" within the meaning of Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any taxable year

of Executive shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year of Executive, and (iii) any such reimbursement shall be made on or before the last day of Executive's taxable year following the taxable year in which the expense was incurred.

(d) The Company intends that income provided to Executive pursuant to this Agreement will not be subject to taxation under Section 409A. However, the Company does not guarantee any particular tax effect for income provided to Executive pursuant to this Agreement. In any event, except for the Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to Executive, the Company shall not be responsible for the payment of any applicable taxes on compensation paid or provided to Executive pursuant to this Agreement.

7.8 Release of Claims. Executive shall provide the Company with a signed general release of all claims against the Company and its Affiliated Companies in a form reasonably acceptable to the Company (a "**Release of Claims**"). Executive shall not be entitled to the payments and benefits under Sections 6.1(a), 6.1(b), 6.1(c) and 6.1(d) of this Agreement unless such Release of Claims is signed and delivered and no longer subject to revocation (if applicable) within the time specified in the Release of Claims, but in no event later than the sixtieth (60th) day following the Termination Date.

7.9 Unfunded Obligation. Any amounts payable to Executive pursuant to this Agreement are unfunded obligations. The Company shall not be required to segregate any monies from its general funds, or to create any trusts (other than in accordance with Section 7.7(a) of this Agreement), or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any account shall not create or constitute a trust or fiduciary relationship between the Board or the Company and Executive, or otherwise create any vested or beneficial interest in Executive or Executive's creditors in any assets of the Company.

7.10 No Duty to Mitigate. Executive shall not be required to mitigate the amount of any payment or benefit contemplated by this Agreement by seeking employment with a new employer or otherwise, nor shall any such payment or benefit be reduced by any compensation or benefits that Executive may receive from employment by another employer other than as provided in Section 6.1(d) of this Agreement.

7.11 Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by a duly authorized representative of the Board. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

7.12 Whole Agreement. This Agreement, together with the other agreements specifically referred to herein, represents the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior arrangements and understandings regarding same, including, but not limited to, the Prior Agreement; *provided* that Executive shall continue to participate in the Company's Executive Change in Control Bonus Plan in accordance with its terms with respect to any CIC Transaction (as defined therein) the closing of which occurs prior to December 31, 2018.

7.13 Tax Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

7.14 Choice of Law; Venue. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without giving effect to any conflict of law principles. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties pursuant to this Agreement that is not subject to arbitration pursuant to Section 7.5 of this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of the County of San Diego, California, or the federal courts of the United States for the Southern District of California, and no other courts.

7.15 Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

7.16 Benefits Not Assignable. Except as otherwise provided herein or by law, no right or interest of Executive under this Agreement shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including, without limitation, by execution, levy, garnishment, attachment, pledge or in any other manner, and no attempted transfer or assignment thereof shall be effective. No right or interest of Executive under this Agreement shall be liable for, or subject to, any obligation or liability of Executive.

7.17 Further Assurances. From time to time, at the Company's request and without further consideration, Executive shall execute and deliver such additional documents and take all such further action as reasonably requested by the Company to be necessary or desirable to make effective, in the most expeditious manner possible, the terms of this Agreement and the Release of Claims, and to provide adequate assurance of Executive's due performance thereunder.

7.18 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

7.19 Acknowledgment. Executive acknowledges that Executive has had the opportunity to discuss this matter with and obtain advice from his private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, as of the day and year set forth below.

**PICO HOLDINGS, INC.**

By: /s/ John Perri Date: 08/06/2018  
Name: John Perri  
Title: CFO

**EXECUTIVE**

Max Webb Date: 08/06/2018  
Name: Max Webb

**PICO HOLDINGS, INC.**  
**AMENDED AND RESTATED EXECUTIVE BONUS PLAN**

**1. GENERAL**

The PICO Holdings, Inc. Amended and Restated Executive Bonus Plan (the “*Plan*”) is designed to provide for the payment of bonuses to Dorothy Timian-Palmer and Maxim C.W. Webb, who are each executive employees of PICO Holdings, Inc. (the “*Company*”). The Plan amends, restates and supersedes the Company’s Executive Bonus Plan adopted on December 14, 2016.

**2. ADMINISTRATION**

The Plan will be administered by the Compensation Committee of the Board of Directors of the Company (the “*Committee*”). The Committee will have the sole discretion and authority to administer and interpret the Plan, and the decisions of the Committee will in every case be final and binding on all persons having an interest in the Plan.

**3. ELIGIBILITY**

The following individuals will be eligible to participate in the Plan and each will be considered a “*Participant*” for purposes of the Plan: (i) Dorothy Timian-Palmer; and (ii) Maxim C.W. Webb.

**4. TERM AND PLAN YEAR**

The term of the Plan will be retroactively effective upon January 1, 2018 (the “*Plan Implementation Date*”) and will end on December 31, 2022 (the “*Term*”), unless earlier terminated pursuant to Section 10(c). The period over which performance will be measured under the Plan will be the 12-month period beginning on each January 1 and ending on each December 31 during the Term (each, a “*Plan Year*”).

**5. AMOUNT OF BONUS POOL**

The pool of funds available for the payment of bonuses under the Plan for each Plan Year (the “*Bonus Pool*”) will be determined by the Committee following the end of such Plan Year as follows:

(a) First, the Committee will determine the Total Net Gain for such Plan Year. For purposes of the Plan (except Section 8, as applicable), “*Total Net Gain*” means the total revenues and other income of the Company during such Plan Year *other than* any revenues or other income attributed to the Company’s investments in Synthonics, Inc. and Mindjet Inc. and the Company’s deferred compensation plans (collectively, the “*Excluded Assets*”), minus the following:

(i) the “*Gross Invested Capital*” of each asset of the Company (other than an Excluded Asset) that was sold or otherwise disposed of during such Plan Year (each, an “*Asset*”), determined as of the date of the sale (or other disposition) which, for purposes of the Plan, will mean (x) the book value of each such Asset as of such date, as determined in accordance with U.S.

generally accepted accounting principles (“*GAAP*”) and reflected in the Company’s financial records as of such date, plus (y) any impairment or depreciation charges taken by the Company with respect to such Asset on or prior to such date;

(ii) an amount equal to the aggregate of (x) the Gross Invested Capital for each relevant Asset as determined pursuant to the immediately preceding clause (1), multiplied by (y) the amount of years (including any partial year) elapsed between the Plan Implementation Date and the date of the sale or other disposal of such Asset, multiplied by (z) 5%; and

(iii) all Administrative Expenses for such Plan Year. For purposes of the Plan, “*Administrative Expenses*” means salaries and other cash compensation paid to the Company’s employees and other service providers for such Plan Year other than bonuses paid under the Plan; rent paid by the Company for such Plan Year; any taxes incurred by the Company for such Plan Year in connection with the sale (or other disposition) of the relevant Assets, after application of any applicable net operating loss carryforwards; any other selling costs paid by the Company for such Plan Year in connection with the sale (or other disposition) of the relevant Assets; and all other expenses (including, for the avoidance of doubt, any stock-based compensation or other expense incurred by the Company but excluding any such compensation or expense incurred for awards granted pursuant to the Plan) of the Company for such Plan Year, *other than* those attributed to the Excluded Assets.

(b) Second, the Committee will multiply the Total Net Gain by the Adjustment Factor, and for purposes of the Plan, such resulting amount will be the “*Adjusted Total Net Gain*”. For purposes of the Plan, the “*Adjustment Factor*” means (i) the total amount of cash distributed (or committed to be distributed) to the Company’s shareholders with respect to the sale (or other disposition) of all Assets sold (or otherwise disposed of) during such Plan Year, divided by the total amount of cash received (after payment of all selling costs, including bankers’ fees and commissions) for which all such Assets were sold (or otherwise disposed of) during such Plan Year, or (ii) such greater percentage (not to exceed 100%) as the Committee determines in its sole discretion to utilize as the Adjustment Factor.

(c) Third, the Committee will multiply the Adjusted Total Net Gain by 8.75%, and such resulting amount will be the Bonus Pool.

(d) With respect to Assets sold (or otherwise disposed of) entirely for non-cash consideration, the calculation of Total Net Gain shall instead be made in the Plan Year in which such non-cash consideration is ultimately sold (or otherwise disposed of) for cash, and such non-cash consideration shall be considered an Asset for purposes of such calculation.

(e) With respect to all Assets sold (or otherwise disposed of) partially for cash consideration and partially for non-cash consideration, except as provided in this Section 5(e), the calculation of Total Net Gain shall be made in the Plan Year of the initial sale (or other disposal). For purposes of such calculation, the Total Net Gain shall be apportioned between the portion of the Total Net Gain on disposal for cash consideration and the portion of the Total Net Gain on disposal for non-cash consideration based on the relative value (determined in accordance with GAAP) of the cash consideration and non-cash consideration for which the relevant Assets were

sold (or otherwise disposed of). The Total Net Gain attributable to the non-cash consideration shall be deferred to the Plan Year in which the non-cash consideration is sold (or otherwise disposed of) and may be increased or decreased in value by the difference, if any, between the value of the non-cash consideration received on the initial sale (or other disposition) of the relevant Asset and the final value of the non-cash consideration (determined in accordance with GAAP) when sold (or otherwise disposed of) in a subsequent Plan Year.

## 6. ALLOCATION OF BONUS POOL

The Bonus Pool will be allocated as follows: (i) 55% of the Bonus Pool will be allocated to Dorothy Timian-Palmer; and (ii) 45% of the Bonus Pool will be allocated to Maxim C.W. Webb.

## 7. PAYMENT OF BONUSES

(a) With respect to each Plan Year, a Participant will be entitled to payment of a bonus under the Plan equal to the amount allocated to such Participant in accordance with Section 6 and any such bonus will be paid in accordance with Section 7(b), provided that such Participant is employed by the Company on the last day of such Plan Year; *provided, however*, that if such Participant's employment with the Company is terminated prior to the last day of such Plan Year, the payment of a bonus under the Plan with respect to such Plan Year, if any, shall be made pursuant to and in accordance with Section 8.

(b) With respect to each Plan Year, any bonus paid pursuant to Section 7(a) will be paid as follows:

(i) 50% of the total amount of such bonus will be paid in the form of cash. Such cash payment will be made no later than March 15 of the calendar year following the end of such Plan Year.

(ii) 50% of the total amount of such bonus will be granted in the form of a restricted stock unit ("**RSU**") award under the Company's then-effective primary equity incentive plan (the "**EIP**"). Such award will be granted during the 90-day period following the end of such Plan Year. The number of RSUs subject to such award will be equal to (x) the dollar value of 50% of the total amount of such bonus, divided by (y) the average of the daily volume weighted average prices ("**VWAP**") of the Company's common stock for all of the trading days during the 30 calendar day period ending on (and including) the last trading day immediately prior to the grant date of such award, rounded down to the nearest whole share. Notwithstanding the foregoing, if a Participant incurs a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") prior to the date that such award is scheduled to be granted, such 50% of the total amount of such bonus will be paid in the form of cash (in lieu of the grant of such award) on the 60<sup>th</sup> day following such separation from service, subject to Section 9.

(c) The RSUs subject to any award granted under Section 7(b)(ii) will be fully vested on the date of grant. The issuance of any shares pursuant to such award will occur on the third anniversary of the date of grant (the "**Original Issuance Date**"), subject to the terms of the award agreement; *provided, however*, that:

(i) if a Participant incurs a “separation from service” within the meaning of Section 409A of the Code prior to the Original Issuance Date, such issuance will occur on the 60<sup>th</sup> day following such separation from service, subject to the terms of the award agreement and Section 9; and

(ii) if a Change in Control (as defined in the EIP) occurs prior to the Original Issuance Date, such issuance will occur on the date of such Change in Control, subject to the terms of the award agreement; *provided, however*, that if required for compliance with Section 409A of the Code, the Change in Control must also be a “change in the ownership of” the Company, a “change in the effective control of” the Company or a “change in the ownership of a substantial portion of the assets of” the Company, in each case within the meaning of Treasury Regulation Section 1.409A-3(i)(5).

(d) Each RSU subject to any award granted under Section 7(b)(ii) will be credited with any cash dividend, stock dividend or other distribution that is paid with respect to a share of the Company’s common stock. Any such dividend or other distribution will be credited to such RSU and will be issued on the same date and in the same form as such dividend or other distribution is paid to the Company’s shareholders.

## 8. TERMINATION OF EMPLOYMENT PRIOR TO END OF PLAN YEAR

(a) If so provided in a written agreement between the Company and a Participant, in the event such Participant’s employment with the Company is terminated prior to the last day of a Plan Year in certain circumstances, as specified in such written agreement, such Participant will be entitled to payment of a bonus under the Plan with respect to such Plan Year in accordance with the terms of such written agreement (including any terms regarding the payment date of such bonus) and this Section 8. In such case, the amount of such Participant’s bonus will be determined in accordance with Section 8(b) and will be paid in accordance with Section 8(c).

(b) If a Participant is entitled to payment of a bonus under the Plan pursuant to Section 8(a) and the terms of a written agreement between the Company and such Participant, the amount of such bonus will be determined by the Committee as soon as practicable following such Participant’s termination of employment as follows:

(i) First, with respect to the portion of the then-current Plan Year prior to such Participant’s termination of employment, the Committee will determine the applicable Total Net Gain in accordance with Section 5 based on the actual revenues or other income of the Company (including sales or other dispositions of Assets) during such partial year period; *provided, however*, that Administrative Expenses will be determined by the Committee based upon the Committee’s estimate of the total amount of Administrative Expenses for such Plan Year which shall then be pro-rated for the portion of the then-current Plan Year ending on such Participant’s termination of employment. In no event shall the total amount of such estimate exceed the average of Administrative Expenses for previous Plan Years, if applicable. For purposes of the Plan, such resulting amount will be the “***Total Net Gain for Termination Amount***”.

(ii) Second, the Committee will multiply the Total Net Gain for Termination Amount by the Adjustment Factor for Termination Amount, and for purposes of the Plan, such resulting amount will be the “*Adjusted Termination Amount*”. For purposes of the Plan, the “*Adjustment Factor for Termination Amount*” means (i) the total amount of cash distributed (or committed to be distributed) to the Company’s shareholders with respect to the sale (or other disposition) of all Assets sold (or otherwise disposed of) during the then-current Plan Year prior to such Participant’s termination of employment, divided by the total amount of cash received for which all such Assets were sold (or otherwise disposed of) during the then-current Plan Year prior to such Participant’s termination of employment or (ii) such greater percentage (not to exceed 100%) as the Committee determines in its sole discretion to utilize as the Adjustment Factor for Termination Amount.

(iii) Third, the Committee will multiply the Adjusted Termination Amount by 8.75%, and such resulting amount will be the “*Termination Bonus Pool*”.

(iv) Fourth, the amount of any such bonus payable to a Participant entitled to such bonus as provided in Section 8(a) will be equal to a percentage of the Termination Bonus Pool corresponding to such Participant’s percentage of the Bonus Pool pursuant to Section 6.

(c) If a Participant is entitled to payment of a bonus under the Plan pursuant to Section 8(a) and the terms of a written agreement between the Company and such Participant, the total amount of such bonus will be paid in the form of cash; *provided, however*, that:

(i) 50% of such cash payment will be made no later than March 15 of the calendar year following the end of such Plan Year; and

(ii) 50% of such cash payment will be made on the 60<sup>th</sup> day following such Participant’s “separation from service” within the meaning of Section 409A of the Code, subject to Section 9.

## 9. SECTION 409A

The Company intends that any bonuses provided under the Plan be exempt from or comply with the requirements of Section 409A of the Code and the regulations and rulings issued thereunder (collectively, “*Section 409A*”), and the Plan shall be so construed. Without limiting the generality of the foregoing and notwithstanding any other provision of the Plan to the contrary:

(a) If any amount under the Plan (i) constitutes a “deferral of compensation” within the meaning of Section 409A, (ii) is payable pursuant to a Participant’s “separation from service” within the meaning of Section 409A, and (iii) such Participant is a “specified employee” within the meaning of Section 409A (determined using the identification methodology selected by the Company from time to time, or if none, the default methodology) as of the date of such Participant’s separation from service, then except as otherwise permitted by Section 409A, such amount shall be paid to such Participant on the first day of the seventh month after the date of such Participant’s separation from service or, if earlier, the date of such Participant’s death following such separation from service.

(b) Each payment made under the Plan shall be treated as a separate payment.

(c) The Company does not guarantee any particular tax effect for income provided to any Participant pursuant to the Plan. In any event, except for the Company's responsibility to withhold applicable income and employment taxes from amounts paid or provided to any Participant under the Plan, the Company shall not be responsible for the payment of any applicable taxes on any such amounts.

## 10. MISCELLANEOUS

(a) **Withholding of Compensation.** The Company will deduct and withhold from any amounts payable to Participants under the Plan any amounts required to be deducted and withheld by the Company under the provisions of any applicable federal, state, local or foreign statute, law, regulation, ordinance or order.

(b) **Plan Funding.** The Plan will be unfunded. Nothing contained in the Plan will be deemed to require the Company to deposit, invest or set aside amounts for the payment of any bonuses under the Plan.

(c) **Amendment or Termination of the Plan.** The Plan may be amended or terminated at any time prior to the end of the Term by the Committee; *provided, however*, that any such amendment or termination will not materially impair or adversely affect a Participant's rights under the Plan without his written consent.

(d) **No Guarantee of Continued Service.** The Plan will not confer any rights upon a Participant to remain in service with the Company for any specific duration or interfere with or otherwise restrict in any way the rights of the Company to terminate a Participant's service with the Company for any reason, with or without cause or notice.

(e) **Binding Effect; No Assignment or Transfer.** The Plan shall inure to the benefit of and be binding upon the Company, its successors and assigns, and each Participant and his heirs, executors and administrators. None of the rights, benefits, obligations or duties under the Plan may be assigned or transferred by any Participant. Any purported assignment or transfer by any Participant will be void.

(f) **Validity.** In the event any provision of the Plan is held invalid, void or unenforceable, the same will not affect, in any respect whatsoever, the validity of any other provision of the Plan.

(g) **Governing Law.** The rights and obligations of any Participant under the Plan will be governed by and interpreted, construed and enforced in accordance with the laws of the State of Nevada without regard to its or any other jurisdiction's conflicts of laws principles.

## TRANSITION AGREEMENT

This **TRANSITION AGREEMENT** (the “*Agreement*”) is effective as of August 6, 2018 (the “*Effective Date*”) and is entered into by and between PICO Holdings, Inc., a Delaware corporation (the “*Company*”), and John T. Perri (“*Executive*”).

**WHEREAS**, Executive and the Company entered into that certain Employment Agreement effective as of January 1, 2017 (the “*Employment Agreement*”), which is attached hereto as **EXHIBIT A**; and

**WHEREAS**, Executive and the Company mutually desire to set forth the terms and conditions governing the agreed upon transition in Executive’s employment with the Company.

**NOW, THEREFORE**, for and in consideration of the mutual promises, covenants and obligations contained herein, Executive and the Company agree as follows:

### 1. **Bonus Plan Participation.**

(a) As of the Effective Date, Executive shall no longer be eligible to participate in the Company’s Executive Bonus Plan (the “*Executive Bonus Plan*”), and shall immediately cease to be a Participant (as defined in the Executive Bonus Plan) for all purposes under the Executive Bonus Plan. Consistent with, and in furtherance of, the foregoing, Executive and the Company hereby acknowledge and agree as follows:

- in no event shall Executive be entitled to a bonus under the Executive Bonus Plan for the 12-month period between January 1, 2018 and December 31, 2018, regardless of whether Executive is employed by the Company through such period;
  - Section 3.2 of the Employment Agreement is hereby deleted in its entirety and shall have no further force or effect;
  - Section 6.1(b) of the Employment Agreement is hereby deleted in its entirety and shall have no further force or effect;
  - the third sentence of Section 6.2 of the Employment Agreement is hereby deleted in its entirety and shall have no further force or effect; and
  - subsection (i) of Section 6.3 of the Employment Agreement shall be amended and restated as follows: “the Company shall pay to Executive on the date of such termination, in each case to the extent not previously paid, Executive’s base salary then in effect through the date of such termination and Executive’s accrued but unused vacation and other paid time off”.
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(b) For the avoidance of doubt, Executive shall remain eligible to participate in the Company's Executive Change in Control Bonus Plan (the "**CIC Bonus Plan**") following the Effective Date.

**2. Transition Duties.** During the Transition Period (as defined below) Executive shall report directly to the Chairman of the Company's Board of Directors (and the Company's Chief Financial Officer, if and when the Company appoints a new Chief Financial Officer) (collectively, the "**Direct Reports**"), and will perform the duties set forth hereto on **EXHIBIT B** (collectively, the "**Designated Duties**"), and/or such other duties as may be assigned to Executive by the Direct Reports from time to time following the Effective Date.

**3. Base Salary.** Executive shall continue to receive his current base salary throughout the Transition Period.

**4. Transition Period.** For purposes of this Agreement, the "**Transition Period**" shall mean the period beginning on the Effective Date and ending on the date that is the earliest of:

(a) the date that the Company files its Annual Report on Form 10-K for the fiscal year ending December 31, 2018;

(b) a date selected in the sole discretion of the Company, provided such date is not before December 31, 2018; and

(c) the date of Executive's Involuntary Termination (as defined in the Employment Agreement and as amended pursuant to this Agreement).

In the event that the Transition Period ends on either of the dates referred to in Sections 4(a) and 4(b) above, then Executive's Involuntary Termination shall be deemed to have occurred on such date.

**5. Good Reason.** Executive hereby acknowledges and agrees that neither (i) the change in Executive's authority, duties and responsibilities as contemplated by the Designated Duties (or such other duties as may be assigned to Executive by the Direct Reports from time to time following the Effective Date), nor (ii) Executive's performance of the Designated Duties and/or such other duties as may be assigned to Executive by the Direct Reports from time to time following the Effective Date, nor (iii) Executive no longer serving as the Company's Chief Financial Officer and/or the Company's appointment of a new Chief Financial Officer to replace Executive, shall constitute "Good Reason" as defined in Section 6.6(d) of the Employment Agreement.

**6. Transition Bonus.**

(a) Subject to Section 6(b), if Executive remains employed by the Company through the Transition Period, then the Company shall pay Executive a one-time cash bonus in the amount of \$250,000, payable in a lump-sum within three business days following the completion of the Transition Period, subject to withholding of applicable taxes (the "**Transition Bonus**").

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(b) Executive shall not be entitled to receive the Transition Bonus, and Section 6(a) above shall automatically terminate and be of no further force or effect, if during the Transition Period there occurs a CIC Transaction (as defined in the CIC Bonus Plan).

For the avoidance of doubt, under no circumstance shall Executive be entitled to receive the Transition Bonus and a bonus under the CIC Bonus Plan, subject to the terms and conditions thereof.

**7. Effect of Agreement.** Except as expressly modified by this Agreement, the Employment Agreement shall remain unmodified and in full force and effect. Consistent with, and in furtherance of, the foregoing, Executive and the Company hereby acknowledge and agree as follows:

- the provisions of Section 6.5 and Section 7.7 of the Employment Agreement shall be applied with respect to the payment of the Transition Bonus under this Agreement; and
- the provisions of Section 7.5 of the Employment Agreement shall be applied with respect to any disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement.

**8. Waiver.** No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by a duly authorized representative of the Company. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

**9. Choice of Law; Venue.** The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without giving effect to any conflict of law principles. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties pursuant to this Agreement that is not subject to arbitration pursuant to Section 7.5 of the Employment Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of the County of San Diego, California, or the federal courts of the United States for the Southern District of California, and no other courts.

**10. Severability.** The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

**11. Benefits Not Assignable.** Except as otherwise provided herein or by law, no right or interest of Executive under this Agreement shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including, without limitation, by execution, levy, garnishment, attachment, pledge or in any other manner, and no attempted transfer or

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assignment thereof shall be effective. No right or interest of Executive under this Agreement shall be liable for, or subject to, any obligation or liability of Executive.

**12. Further Assurances.** From time to time, at the Company's request and without further consideration, Executive shall execute and deliver such additional documents and take all such further action as reasonably requested by the Company to be necessary or desirable to make effective, in the most expeditious manner possible, the terms of this Agreement, and to provide adequate assurance of Executive's due performance thereunder.

**13. Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

**14. Acknowledgment.** Executive acknowledges that Executive has had the opportunity to discuss this matter with and obtain advice from his private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.

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**IN WITNESS WHEREOF**, each of the parties has executed this Agreement as of the Effective Date.

**PICO HOLDINGS, INC.**

By: /s/ Max Webb

Name: Max Webb

Title: Executive Chairman

**EXECUTIVE**

/s/ John T. Perri

John T. Perri

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**EXHIBIT A  
EMPLOYMENT AGREEMENT**

**PICO HOLDINGS, INC.  
EMPLOYMENT AGREEMENT**

This Employment Agreement (the “**Agreement**”) is made and entered into by and between John T. Perri (“**Executive**”) and PICO Holdings, Inc. (the “**Company**”), effective as of January 1, 2017 (the “**Effective Date**”).

RECITALS

WHEREAS, the Company and Executive wish to set forth in this Agreement the terms and conditions under which Executive will continue to be employed by the Company on and after the Effective Date;

NOW, THEREFORE, the Company and Executive, in consideration of the mutual promises set forth herein, agree as follows:

ARTICLE 1

NATURE OF EMPLOYMENT

1.1. Effect of Agreement. This Agreement shall govern the terms of Executive’s employment with the Company on and after the Effective Date until it is terminated by either the Company or Executive pursuant to the terms set forth in Article 6.

1.2. At-Will Employment. Executive acknowledges and agrees that nothing in this Agreement shall be construed to imply that Executive’s employment with the Company is guaranteed for any period of time. Subject to the provisions of Article 6 hereof, Executive’s employment with the Company is at-will and either the Company or Executive may terminate the employment relationship at any time with or without cause and with or without notice.

ARTICLE 2

EMPLOYMENT DUTIES

2.1 Title/Responsibilities. Executive agrees to continue to serve the Company in the positions of Chief Financial Officer and Secretary. Executive shall have the powers and duties commensurate with such positions.

2.2 Full Time Attention. Executive shall devote his best efforts and his full business time and attention to the performance of the services customarily incident to the offices of Chief Financial Officer and Secretary and to such other services as the President and Chief Executive Officer and/or Board of Directors of the Company (the “**Board**”) may reasonably request.

2.3 Other Activities. Except upon the prior written consent of the Board, Executive shall not during the period of employment engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place him in a competing position to that of the Company or any other corporation or entity that directly or indirectly controls, is controlled by, or is under common control with the Company (an “**Affiliated Company**”), provided that passive ownership of less than one percent (1%) of the outstanding securities of any publicly traded company shall not be deemed a violation of this Section 2.3. Executive shall not serve on any private or public company board of directors in the absence of a resolution of the Company’s Board, provided that Executive shall not be prohibited from engaging in charitable or non-profit endeavors that do not materially interfere with the performance of his obligations under this Agreement.

ARTICLE 3

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## COMPENSATION

3.1 Base Salary. Executive shall receive a base salary at an annual rate of \$440,000, payable in equal installments in accordance with the Company's normal payroll practices. The Board, upon recommendation from the Compensation Committee of the Board (the "**Compensation Committee**"), in its sole discretion, may increase or decrease Executive's base salary from time to time.

3.2 Incentive Bonus. Executive shall be eligible to participate in the PICO Holdings, Inc. Executive Bonus Plan (the "**Bonus Plan**"), as amended from time to time, in accordance with the terms and conditions of the Bonus Plan.

3.3 Withholdings. All compensation and benefits payable to Executive under this Agreement shall be subject to all federal, state, and local taxes and other withholdings and similar taxes and payments required by applicable law.

## ARTICLE 4

### EXPENSE ALLOWANCES AND FRINGE BENEFITS

4.1 Vacation. During the term of this Agreement, Executive shall not accrue paid vacation or personal time off under any current or future vacation or paid time off policy of the Company (collectively, the "**PTO Plans**"). Executive may take reasonable time off for vacation, consistent with the needs of the Company's business, and shall notify the Board of such vacation usage, consulting in advance with the Board as appropriate. Executive's accrued vacation and paid time off account balance of \$148,229.86 as of December 31, 2016 (the "**Balance**") shall not be affected by this Section 4.1, and such Balance shall be payable in full upon Executive's termination of employment with the Company for any reason.

4.2 Benefits. During Executive's employment hereunder, the Company shall provide Executive with the health insurance, welfare, retirement and other similar benefits it generally provides to its other senior management employees, on terms no less favorable than those provided to any other employee; *provided, however*, that Executive shall not be eligible to participate in any PTO Plans. The amount and extent of any benefits to which Executive may be entitled shall be governed by the specific benefit plan or policy as it may be amended from time to time.

4.3 Business Expense Reimbursement. During the term of this Agreement, Executive shall be entitled to receive proper reimbursement for all reasonable out-of-pocket expenses incurred by him (in accordance with the policies and procedures established by the Company for its senior executive officers) in performing services hereunder. Executive agrees to furnish to the Company adequate records and other documentary evidence of such expense for which Executive seeks reimbursement at least on a quarterly basis. Such expenses shall be reimbursed and accounted for under the policies and procedures established by the Company, and such reimbursement shall be made promptly.

## ARTICLE 5

### CONFIDENTIALITY

5.1 Confidentiality. Executive hereby agrees to hold in strict confidence and not to disclose or make available to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, any Confidential Information (as defined below). Upon termination of Executive's employment with the Company, all Confidential Information in Executive's possession that is in written or other tangible form (together with all copies or duplicates thereof, including computer files) shall be returned to the Company and shall not be retained by Executive or furnished to any third party, in any form except as provided herein; *provided, however*, that Executive shall not be obligated to treat as confidential, or return to the Company copies of any Confidential Information that (i) was publicly known at the time of disclosure to Executive, (ii) becomes publicly known or available thereafter other than by any

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means in violation of this Agreement or any other duty owed to the Company by any person or entity, or (iii) is lawfully disclosed to Executive by a third party. For purposes of this Agreement, the term “**Confidential Information**” shall mean information disclosed to Executive or known by Executive as a consequence of or through his or her relationship with the Company, about the customers, employees, business methods, public relations methods, organization, procedures or finances, including, without limitation, information of or relating to customer lists, of the Company and its Affiliated Companies.

5.2 Return of Property. All documents, records, apparatus, equipment and other physical property which is furnished to or obtained by Executive in the course of his employment with the Company shall be and remain the sole property of the Company. Executive agrees that, upon the termination of his employment, he shall return all such property (whether or not it pertains to Confidential Information).

5.3 No Use of Prior Confidential Information. Executive will not intentionally disclose to the Company or use on its behalf any confidential information belonging to any of his former employers or any other third party.

## ARTICLE 6

### TERMINATION

6.1. Involuntary Termination. In the event of Executive’s Involuntary Termination, the Company shall pay to Executive on the date of such termination of employment (the “**Termination Date**”), to the extent not previously paid, Executive’s base salary then in effect through the Termination Date and Executive’s accrued but unused vacation and other paid time off. In addition, provided that Executive executes and delivers to the Company in connection with such termination of employment a Release of Claims (as defined in Section 7.8 of this Agreement) and the period for revocation, if any, of the Release of Claims has lapsed on or before the sixtieth (60th) day following the Termination Date without the Release of Claims having been revoked, the Company shall provide Executive with the following, subject to Section 7.7 of this Agreement:

(a) Base Salary. Executive shall receive an amount (less applicable tax withholdings) equal to twenty-four (24) months of Executive’s base salary as in effect on the Termination Date (without giving effect to any reduction in base salary amounting to Good Reason). Any such amount shall be paid in a lump sum in cash on the sixtieth (60th) day following the Termination Date.

(b) Bonus. Executive shall receive an amount, if any, under Section 8 of the Bonus Plan, as determined in accordance with such Section. Any such amount (less applicable tax withholdings) shall be paid in accordance with such Section.

(c) Equity Award Acceleration. All equity awards granted by the Company to Executive that are outstanding and unvested as of the Termination Date shall become fully and immediately vested, effective as of the Termination Date.

(d) Continued Healthcare. If Executive and Executive’s eligible dependents then participating in the Company’s group health insurance plans elect to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“**COBRA**”), the Company shall pay the premium for Executive and Executive’s covered dependents on a monthly basis through the earlier of (i) the one (1) year anniversary of the Termination Date and (ii) the date Executive and Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s) (the “**COBRA Payment Period**”). After the Company ceases to pay premiums pursuant to the preceding sentence, Executive may, if eligible, elect to continue healthcare coverage at Executive’s expense in accordance with the provisions of COBRA.

(e) Notwithstanding the foregoing, if the Company determines, in its sole discretion, that the payment of the COBRA premiums would result in a violation of applicable law (including, without limitation, Section 2716 of the Public Health

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Service Act), then in lieu of paying the COBRA premiums, the Company will pay Executive, for each month of the remainder of the COBRA Payment Period, a fully taxable cash payment equal to the COBRA premiums for such month, subject to applicable tax withholdings (such amount, the “**Special Severance Payment**”). Executive may, but is not obligated to, use any such Special Severance Payment toward the cost of COBRA premiums. Special Severance Payments (if any) will be made to Executive on a monthly basis as follows: (i) if the Company does not pay the COBRA premiums for any month during the sixty (60)-day period following the Termination Date, a Special Severance Payment will be made to Executive on the sixtieth (60th) day following the Termination Date and will be equal to the aggregate amount of the COBRA premiums for such months; and (ii) following such sixty (60)-day period, if the Company does not pay the COBRA premiums for any remaining month during the COBRA Payment Period, a Special Severance Payment will be made to Executive on the first day of such month and will be equal to the COBRA premiums for such month.

6.2. Exclusivity. The provisions of Section 6.1 of this Agreement are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive may otherwise be entitled in the event of Executive’s Involuntary Termination. In such circumstances, Executive shall be entitled to no benefits, compensation or other payments or rights upon termination of employment other than those benefits expressly set forth in Section 6.1 above. Notwithstanding the foregoing, to the extent not previously paid, Executive shall be entitled to receive any bonus payable to Executive under Section 7 of the Bonus Plan with respect to the Plan Year (as defined in the Bonus Plan) that ended immediately prior to the Plan Year in which Executive’s Involuntary Termination occurs (which bonus, if any, shall be paid in accordance with Section 7 of the Bonus Plan).

6.3. Other Termination. In the event of Executive’s termination of employment with the Company for any reason, other than due to an Involuntary Termination, (i) the Company shall pay to Executive on the date of such termination, in each case to the extent not previously paid, Executive’s base salary then in effect through the date of such termination, Executive’s accrued but unused vacation and other paid time off, and any bonus payable to Executive under Section 7 of the Bonus Plan with respect to the Plan Year (as defined in the Bonus Plan) that ended immediately prior to the Plan Year in which Executive’s termination occurs (which bonus, if any, shall be paid in accordance with Section 7 of the Bonus Plan), and (ii) Executive shall not be entitled to any payments or benefits under Section 6.1 of this Agreement or any other severance payments or benefits.

6.4. Resignation from Boards. Executive acknowledges and agrees that in the event of Executive’s termination of employment with the Company for any reason, Executive hereby automatically and irrevocably resigns from any position that he may then have as an executive or member of the board of directors or board of managers of any company or entity other than the Company, to which he was appointed or elected or designated to be appointed or elected by the Company, effective as of the date of such termination.

6.5. Golden Parachute Payments. In the event that the severance payments and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute “parachute payments” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “**Code**”) and (ii) but for this Section 6.5, would be subject to the excise tax imposed by Section 4999 of the Code (“**Excise Tax**”), then Executive’s severance payments and benefits under this Agreement shall be payable either

a. in full, or

b. as to such lesser amount which would result in no portion of such severance payments or benefits being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of severance payments and benefits under this Agreement, notwithstanding that all or some portion of such severance payments or benefits may be taxable under Section 4999 of the Code. Any reduction in the severance payments and benefits required by this Section 6.5 will be made in the following order: (i) reduction of cash payments; (ii) reduction of accelerated vesting of equity awards other than stock options; (iii) reduction of accelerated vesting of stock options; and (iv) reduction of other benefits paid or provided to Executive. In the event that acceleration of vesting of equity awards is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date

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of grant of Executive's equity awards. If two or more equity awards are granted on the same date, the accelerated vesting of each equity award will be reduced on a pro-rata basis.

The professional firm engaged by the Company for general tax purposes as of the day prior to the date of the event that might reasonably be anticipated to result in severance payments and benefits that would otherwise be subject to the Excise Tax will perform the foregoing calculations. If the tax firm so engaged by the Company is serving as accountant or auditor for the acquiring company, the Company will appoint a nationally recognized tax firm to make the determinations required by this Section 6.5. The Company will bear all expenses with respect to the determinations by such firm required to be made by this Section 6.5. The Company and Executive shall furnish such tax firm such information and documents as the tax firm may reasonably request in order to make its required determination. The tax firm will provide its calculations, together with detailed supporting documentation, to the Company and Executive as soon as practicable following its engagement. Any good faith determinations of the tax firm made hereunder will be final, binding and conclusive upon the Company and Executive.

6.6. Definition of Terms. Capitalized terms not otherwise defined by this Agreement shall have the following meanings:

a. "Cause" means the occurrence of any of the following:

(i) Executive's willful and continued failure to materially perform the duties and responsibilities of his position after there has been delivered to Executive a written demand for performance from the Board which describes the basis for the Board's belief that Executive has not substantially performed his duties and provides Executive with thirty (30) days to take corrective action, unless the Board determines in the exercise of its reasonable good faith discretion that such failure is of such nature or extent that effective corrective action is impossible or unlikely (in which case such failure will constitute "Cause" even though Executive is not provided with thirty (30) days to take corrective action);

(ii) any act of personal dishonesty taken by Executive in connection with his responsibilities as an employee of the Company and any Affiliated Company with the intention or reasonable expectation that such action may result in the substantial personal enrichment of Executive;

(iii) Executive's conviction of, or plea of nolo contendere to, a felony that the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business;

(iv) a breach of any fiduciary duty owed to the Company and any Affiliated Company by Executive that has a material detrimental effect on the Company's or Affiliated Companies' reputation or business;

(v) Executive being found liable in any United States Securities and Exchange Commission or other civil or criminal securities law action or entering any cease and desist order with respect to such action (regardless of whether or not Executive admits or denies liability);

(vi) Executive (i) obstructing or impeding, (ii) endeavoring to influence, obstruct or impede, or (iii) failing to materially cooperate with, any investigation authorized by the Board or any governmental or self-regulatory entity (an "**Investigation**"); *provided, however,* that Executive's failure to waive attorney-client privilege relating to communications with Executive's own attorney in connection with an Investigation will not constitute "Cause"; or

(vii) Executive's material breach of any contract or agreement between Executive and the Company (including this Agreement) or Executive's intentional and material violation of any material policy of the Company.

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b. “**Disability**” means Executive’s absence, as a result of incapacity due to physical or mental illness, from Executive’s duties with the Company on a full-time basis for 90 or more consecutive days or a total of 180 or more days in any twelve-month period.

c. “**Involuntary Termination**” means the occurrence of either (i) termination by the Company of Executive’s employment with the Company for any reason other than Cause or (ii) Executive’s Resignation for Good Reason; *provided, however*, that Involuntary Termination shall not include any termination of Executive’s employment which is (x) for Cause, (y) a result of Executive’s death or Disability, or (z) a result of Executive’s voluntary termination of employment which is not a Resignation for Good Reason.

d. “**Resignation for Good Reason**” means the voluntary resignation by Executive from employment with the Company within a period of ninety (90) days after the initial occurrence, without Executive’s express written consent, of any of the following conditions (each, a “**Good Reason**”) which remains in effect for thirty (30) days after Executive’s delivery of written notice of the occurrence of such condition(s) to the Board within thirty (30) days following the initial occurrence of such condition(s):

i. a material diminution in Executive’s authority, duties or responsibilities (for the avoidance of doubt, any change in authority, duties and responsibilities that occurs as a result of the monetization or disposition of assets by the Company shall not be considered such a diminution in authority, duties or responsibilities);

ii. a material reduction in the health and welfare insurance, retirement or other benefits available to Executive as of the Effective Date (except for reductions in such benefits applicable to senior executive employees of the Company generally);

iii. a material reduction in Executive’s base salary as of the Effective Date (except for any reduction in such base salary that is proportional to or commensurate with a decrease in the Company’s assets that occurs as a result of the monetization or disposition of assets by the Company); or

iv. the failure of the Company or any Successor to honor any material term of this Agreement.

## ARTICLE 7

### GENERAL PROVISIONS

#### 7.1. Successors.

a. Company’s Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company’s business and/or assets (a “**Successor**”) shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term “**Company**” shall include any Successor which executes and delivers the assumption agreement described in this Section 7.1(a) or which becomes bound by the terms of this Agreement by operation of law.

b. Executive’s Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

#### 7.2 Notice.

c. General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of Executive, mailed notices shall be addressed to

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Executive at Executive's home address that the Company has on file for Executive. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, attention: Board of Directors.

d. Notice of Termination. Any termination by the Company for Cause or by Executive pursuant to a Resignation for Good Reason shall be communicated by a notice of termination to the other party hereto given in accordance with Section 7.2(a) of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date, consistent with the requirements of this Agreement. The failure by Executive to include in the notice any fact or circumstance that contributes to a showing of the existence of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his rights hereunder.

7.3. Non-Solicitation; Non-Disparagement. Executive shall not for a period of two (2) years following Executive's termination of employment with the Company for any reason, either on Executive's own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner or shareholder or otherwise on behalf of any other person, firm or corporation, directly or indirectly solicit or attempt to solicit away from the Company any of its officers or employees or offer employment to any person who is an officer or employee of the Company; *provided, however,* that a general advertisement to which an employee of the Company responds shall in no event be deemed to result in a breach of this Section 7.3. Executive also agrees not to harass or disparage the Company or its employees, clients, directors or agents.

7.4. Survival of Provisions. The provisions of Sections 5.1 and 7.3 of this Agreement shall survive the termination or expiration of Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in Section 5.1 or Section 7.3 of this Agreement is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

7.5. Dispute Resolution.

a. To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, Executive's employment, or the termination of Executive's employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single neutral arbitrator, in San Diego County, California, conducted by the American Arbitration Association ("AAA") under its rules for arbitration of employment disputes. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.

The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Each party shall bear its own respective attorney fees and all other costs, unless provided by law and awarded by the arbitrator; *provided, however,* that the Company shall pay all AAA arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

b. Executive understands that this Agreement does not prohibit Executive from pursuing an administrative claim with a local, state or federal administrative body such as the Department of Fair Employment and

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Housing, the Equal Employment Opportunity Commission or the workers' compensation Committee. This Agreement, does, however, preclude Executive from pursuing court action regarding any such claim.

c. Executive acknowledges and agrees that Executive is executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else. Executive further acknowledges and agrees that Executive has carefully read this Agreement and that Executive has asked any questions needed for Executive to understand the terms, consequences and binding effect of this Agreement and fully understands it, including that Executive is waiving Executive's right to a jury trial. Finally, Executive agrees that Executive has been provided an opportunity to seek the advice of an attorney of Executive's choice before signing this Agreement.

7.6. Remedies.

(a) Injunctive Relief. The parties agree that the services to be rendered by Executive hereunder are of a unique nature and that in the event of any breach or threatened breach of any of the covenants contained herein, the damage or imminent damage to the value and the goodwill of the Company's business will be irreparable and extremely difficult to estimate, making any remedy at law or in damages inadequate. Accordingly, the parties agree that the Company shall be entitled to injunctive relief against Executive in the event of any breach or threatened breach of any such provisions by Executive, in addition to any other relief (including damage) available to the Company under this Agreement or under law.

(b) Exclusive. Both parties agree that the remedy specified in Section 7.6(a) above is not exclusive of any other remedy for the breach by Executive of the terms hereof.

7.7. Compliance with Section 409A of the Code. The parties intend that this Agreement (and all payments and other benefits provided under this Agreement) be exempt from the requirements of Section 409A of the Code and the regulations and rulings issued thereunder (collectively, "**Section 409A**"), to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the involuntary separation pay plan exception described in Treasury Regulation Section 1.409A-1(b)(9)(iii), or otherwise. To the extent Section 409A is applicable to such payments or benefits, the parties intend that this Agreement (and such payments and benefits) comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of this Agreement to the contrary, this Agreement shall be interpreted, operated and administered in a manner consistent with such intentions. Without limiting the generality of the foregoing, and notwithstanding any other provision of this Agreement to the contrary:

a. No amount payable pursuant to this Agreement which constitutes a "deferral of compensation" within the meaning of Section 409A shall be paid unless and until Executive has incurred a "separation from service" within the meaning of Section 409A. Furthermore, to the extent that Executive is a "specified employee" within the meaning of Section 409A (determined using the identification methodology selected by the Company from time to time, or if none, the default methodology) as of the date of Executive's separation from service, the Company shall, within ten (10) business days after the date of Executive's separation from service, notify Executive that the Company is applying this Section 7.7(a) to the payment otherwise due to be paid to Executive and shall acknowledge in writing its obligation to accumulate and hold such amount in trust until paid in accordance with this Section 7.7(a) and except as otherwise permitted by Section 409A, no amount that constitutes a deferral of compensation which is payable on account of Executive's separation from service shall be paid to Executive before the date which is the first day of the seventh month after the date of Executive's separation from service or, if earlier, the date of Executive's death following such separation from service (the "**Delayed Payment Date**"). All such amounts that would, but for this Section 7.7(a), become payable prior to the Delayed Payment Date will be accumulated, held in trust for the benefit of Executive (subject only to the claims of the general creditors of the Company), and paid on the Delayed Payment Date. If a tax liability is created, the Company will withhold and pay any tax owed and the net of tax amount will be held in trust.

b. Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

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c. With regard to any provision in this Agreement that provides for reimbursement of expenses or in-kind benefits, except for any reimbursement or in-kind benefit provided pursuant to this Agreement that does not constitute a “deferral of compensation” within the meaning of Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any taxable year of Executive shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year of Executive, and (iii) any such reimbursement shall be made on or before the last day of Executive’s taxable year following the taxable year in which the expense was incurred.

d. The Company intends that income provided to Executive pursuant to this Agreement will not be subject to taxation under Section 409A. However, the Company does not guarantee any particular tax effect for income provided to Executive pursuant to this Agreement. In any event, except for the Company’s responsibility to withhold applicable income and employment taxes from compensation paid or provided to Executive, the Company shall not be responsible for the payment of any applicable taxes on compensation paid or provided to Executive pursuant to this Agreement.

7.8 Release of Claims. Executive shall provide the Company with a signed general release of all claims against the Company and its Affiliated Companies in a form reasonably acceptable to the Company (a “**Release of Claims**”). Executive shall not be entitled to the payments and benefits under Sections 6.1(a), 6.1(b), 6.1(c) and 6.1(d) of this Agreement unless such Release of Claims is signed and delivered and no longer subject to revocation (if applicable) within the time specified in the Release of Claims, but in no event later than the sixtieth (60th) day following the Termination Date.

7.9 Unfunded Obligation. Any amounts payable to Executive pursuant to this Agreement are unfunded obligations. The Company shall not be required to segregate any monies from its general funds, or to create any trusts (other than in accordance with Section 7.7(a) of this Agreement), or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any account shall not create or constitute a trust or fiduciary relationship between the Board or the Company and Executive, or otherwise create any vested or beneficial interest in Executive or Executive’s creditors in any assets of the Company.

7.10 No Duty to Mitigate. Executive shall not be required to mitigate the amount of any payment or benefit contemplated by this Agreement by seeking employment with a new employer or otherwise, nor shall any such payment or benefit be reduced by any compensation or benefits that Executive may receive from employment by another employer other than as provided in Section 6.1(d) of this Agreement.

7.11. Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by a duly authorized representative of the Board. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

7.12. Whole Agreement. This Agreement represents the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior arrangements and understandings regarding same, including, but not limited to, the Amended and Restated Severance Agreement that was made and entered into by and between Executive and the Company, effective as of March 11, 2016.

7.13. Tax Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

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7.14. Choice of Law; Venue. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without giving effect to any conflict of law principles. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties pursuant to this Agreement that is not subject to arbitration pursuant to Section 7.5 of this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of the County of San Diego, California, or the federal courts of the United States for the Southern District of California, and no other courts.

7.15. Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

7.16. Benefits Not Assignable. Except as otherwise provided herein or by law, no right or interest of Executive under this Agreement shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including, without limitation, by execution, levy, garnishment, attachment, pledge or in any other manner, and no attempted transfer or assignment thereof shall be effective. No right or interest of Executive under this Agreement shall be liable for, or subject to, any obligation or liability of Executive.

7.17. Further Assurances. From time to time, at the Company's request and without further consideration, Executive shall execute and deliver such additional documents and take all such further action as reasonably requested by the Company to be necessary or desirable to make effective, in the most expeditious manner possible, the terms of this Agreement and the Release of Claims, and to provide adequate assurance of Executive's due performance thereunder.

7.18. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

7.19. Acknowledgment. Executive acknowledges that Executive has had the opportunity to discuss this matter with and obtain advice from his private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, as of the day and year set forth below.

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**PICO HOLDINGS, INC.**

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Name:  
Title:

**EXECUTIVE**

\_\_\_\_\_ Date: \_\_\_\_\_  
Name:

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**EXHIBIT B**  
**DESIGNATED DUTIES**

- Actively assist the Company in recruiting a permanent or temporary Financial Controller to be located in the Carson City, NV office of Vidler Water Company, Inc. (“*Vidler*”).
- Actively assist the Company in recruiting financial accounting and reporting staff that will report to the new Financial Controller (positions to be located in Vidler’s Carson City, NV office).
- Assist in transitioning the new Financial Controller in all day to day oversight of: SEC financial reporting and filing, internal controls over financial reporting, preparation of internal management accounts and analyses, IT function, 401(k) reporting, treasury and payroll.
- Actively assist in closing the Company’s corporate offices located in La Jolla, CA.
- Actively assist in implementing and transitioning new accounting staff and function to Vidler’s Carson City, NV office.
- Overseeing all of the Company’s SEC and other regulatory requirements, as well as overseeing all interactions between the Company and its independent auditors.



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## ***NEWS RELEASE***

FOR IMMEDIATE RELEASE

### **PICO Holdings, Inc. Announces Management Reorganization**

CARSON CITY, NV, August 8, 2018 (GLOBE NEWSWIRE) -- PICO Holdings, Inc. (NASDAQ:PICO) announced, effective August 2, the Company's Board of Directors has appointed Dorothy Timian - Palmer as Chief Executive Officer of the Company to succeed Max Webb in that role. Mr. Webb will continue to serve the Company in the newly created position of Executive Chairman. The Company also announced that John Perri, the Company's Chief Financial Officer, will leave the Company once an orderly transition with new finance staff in Carson City, Nevada has occurred and the La Jolla, California office has been closed. This transition is expected to be fully completed no later than the first quarter of 2019.

In connection with the foregoing, the Company's Compensation Committee approved, and the Company entered into, an Employment Agreement with Ms. Timian - Palmer, an amended Employment Agreement with Mr. Webb, an amended Executive Bonus Plan for Ms. Timian - Palmer and Mr. Webb, and a Transition Agreement with Mr. Perri. Concurrently with this press release, the Company is filing a Current Report on Form 8-K with the Securities and Exchange Commission, which summarizes each of these documents and includes them as exhibits.

Eric Speron, the Company's lead director, commented:

"The Board is delighted to announce the appointment of Dorothy as the new CEO of the Company. The Company has achieved much in the last two years and its assets now consist almost entirely of Vidler Water Company. As such, the Board determined this was the right time to appoint Dorothy as CEO with her extensive experience and expertise in all water development matters and for her to continue on the path of maximizing the value of Vidler's unique and strategic portfolio of water assets. Shareholders who have met Dorothy are keenly aware of her unrivaled water development experience and her commitment to the Company.

"The board is also incredibly pleased Max was willing to stay as our Executive Chairman. The board believes Max has done a terrific job as CEO and we are extraordinarily pleased he was willing to stay on this role as well as oversee our finance and reporting functions once the transition to move those functions to Carson City is complete. Max has accomplished everything the board has asked of him and done it with exemplary stewardship, precision and care so we were excited to retain his talents as the company evolves by continuing to work with Dorothy and the Vidler team.

"We believe this reorganization of the management structure and the closure of the La Jolla office will result in significant reductions in executive compensation and overhead in future periods. Moreover, the Compensation Committee believes the amendments to the Executive Bonus Plan - in particular, the addition to the bonus formula of a time value of money charge against invested capital, and the increase to 50% of the portion of RSUs comprising any bonus payment - more closely align the bonus incentive available to Dorothy and Max with the best interests of shareholders. The scope of our executive bonus plan has narrowed to just Dorothy and Max in order to finance this modest capital charge yet retain competitive potential compensation levels for our leadership.

Once the transition is complete we will provide further guidance to the normalized annual cash burn rate savings before the one - off costs associated with the reorganization."

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Mr. Webb commented:

“I am very pleased to pass the CEO role over to Dorothy. We have been colleagues for over 20 years and I believe she is exactly the right person at this point in the Company’s evolution to be leading the execution of the Company’s business plan. Dorothy is very creative and clever in finding water solutions to the water scarcities that exist in the markets we serve - and she and the Vidler team have the deep and extensive local knowledge in those markets that is essential for maximizing the value of our water portfolio. I look forward to working with Dorothy and the Board as we continue to monetize assets and reduce our normalized annual cash burn rate.

“I wish to thank John Perri for the role he has played for many years at PICO. He has been a dedicated steward of the Company’s financial integrity over the years and has excelled as a professional financial executive. John is committed to ensuring the transition of the financial reporting and administration of the Company to the new Company headquarters in Carson City is executed in the most efficient and timely manner. Once the transition is complete, it is the Board’s intention that I will resume the role of Chief Financial Officer of the Company. On behalf of the Board and management we thank John for his loyal service to the Company and its shareholders and we all wish him well in his future endeavors.”

Ms. Timian - Palmer commented:

“I am honored to become CEO of PICO and to continue our efforts to maximize the value of our water assets for shareholders. I remain committed to working tirelessly and as efficiently as possible as we continue to endeavor to monetize the remainder of our water asset portfolio. The transition of the financial and administrative functions to our new headquarters in Carson City is timely and should result in a more efficient operation of the Company and produce significant normalized annual cash savings.

“I wish to thank Max for the job he has done as CEO these past couple of years and I am very pleased that in his role of Executive Chairman he will continue to provide me with his insights and financial expertise as I take on my new role. Max has shown leadership and commitment to shareholder value and I aim to emulate those actions.”

#### **About PICO Holdings, Inc.**

As of June 30, 2018, our major investment was Vidler Water Company, Inc., a water resource and water storage business with assets and operations primarily in the Southwestern U.S.

Currently, we believe the highest potential return to shareholders is from a return of capital to shareholders. As we monetize assets, rather than reinvest the proceeds, we intend to return the capital derived therefrom, less any working capital requirements, back to shareholders through a stock repurchase program or by other means such as special dividends taking into effect liquidity requirements, debt covenants and any other contractual and legal restrictions that may exist at the time.

#### **OTHER INFORMATION**

At June 30, 2018, PICO Holdings, Inc. had a market capitalization of \$256.5 million, and 22,020,168 shares outstanding.

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Statements in this press release that are not historical, including statements regarding the reorganization of our management structure, the closure of our La Jolla office, our ability to reduce our cash burn rate, and our ability to monetize assets and return capital to shareholders through stock repurchases or through other means, are forward-looking statements based on current expectations and assumptions that are subject to risks and uncertainties.

In addition, a number of other factors may cause results to differ materially from our expectations, such as: any slow down or downturn in the housing recovery or in the real estate markets in which Vidler operates; fluctuations in the prices of water and water rights; physical, governmental and legal restrictions on water and water rights; a downturn in some sectors of the stock market; general economic conditions; prolonged weakness in the overall U.S. and global economies; and the continued service and availability of key management personnel.

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For further information regarding risks and uncertainties associated with our business, please refer to the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” sections of our SEC filings, including our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, copies of which may be obtained by contacting us at (858) 456-6022 or at <http://investors.picoholdings.com>.

We undertake no obligation to (and we expressly disclaim any obligation to) update our forward-looking statements, whether as a result of new information, subsequent events, or otherwise, in order to reflect any event or circumstance which may arise after the date of this press release, except as may otherwise be required by law. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release.

This news release was distributed by GlobeNewswire, [www.globenewswire.com](http://www.globenewswire.com).

CONTACT: Max Webb

Executive Chairman

(858) 652-4114