

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K/A

Current report filing [amend]

Filing Date: **1996-12-30** | Period of Report: **1996-11-20**
SEC Accession No. **0000936392-96-001245**

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FILER

CITATION INSURANCE GROUP

CIK: **830122** | IRS No.: **942723335** | State of Incorpor.: **CA** | Fiscal Year End: **1231**
Type: **8-K/A** | Act: **34** | File No.: **000-18786** | Film No.: **96688346**
SIC: **6331** Fire, marine & casualty insurance

Mailing Address
*ONE ALMADEN BLVD
STE 300
SAN JOSE CA 95113-2213*

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*ONE ALMADEN BLVD STE 300
SAN JOSE CA 95113-2213
4082920222*

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) November 20, 1996
-----PICO HOLDINGS, INC.

(Exact name of registrant as specified in charter)

<TABLE>

<S>	<C>	<C>
California	0-18786	94-2723335
-----	-----	-----
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

</TABLE>

875 Prospect Street, Suite 301, La Jolla, California	92037
-----	-----
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (619) 456-2422

CITATION INSURANCE GROUP
One Almaden Boulevard, Suite 300
San Jose, California 95113

(Former name or former address, if changed since last report)

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PICO Holdings, Inc., formerly Citation Insurance Group ("PICO" or the "Registrant") amends Item 7, FINANCIAL STATEMENTS AND EXHIBITS, to read in full as follows:

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial statements of PICO.

The financial statements of PICO, one of its subsidiaries and an affiliate and the related Notes and Reports of Independent or Chartered Accountants listed below (collectively, the "PICO Financial Statements") are incorporated herein by reference to pages F-1 through F-72 of the Registrant's Registration Statement on Form S-4 (File No. 333-06671).

PICO
Report of Independent Accountants
Consolidated Balance Sheets as of December 31, 1995
and 1994
Consolidated Statements of Operations for the Years
Ended December 31, 1995, 1994 and 1993
Consolidated Statements of Changes in Shareholders'
Equity for the Years Ended December 31, 1995
and 1994

Consolidated Statements of Cash Flows for the Years
Ended December 31, 1995, 1994 and 1993
Notes to the Consolidated Financial Statements
Consolidated Balance Sheets as of June 30, 1996
(unaudited) and December 31, 1995
Consolidated Statements of Operations for the six
months ended June 30, 1996 and 1995
(unaudited)
Consolidated Statements of Cash Flows for the six
months ended June 30, 1996 and 1995
(unaudited)
Notes to the Consolidated Financial Statements

GLOBAL EQUITY CORPORATION (FORMERLY THE ONDAATJE
CORPORATION) Report of Chartered Accountants
Consolidated Statements of Financial Position for the
Years Ended March 31, 1995 and 1994
Consolidated Statements of Operations for the Years
Ended March 31, 1995, 1994 and 1993
Consolidated Statements of Deficit for the Years
Ended March 31, 1995, 1994 and 1993
Consolidated Statements of Changes in Financial
Position for the Years Ended March 31, 1995,
1994 and 1993
Notes to the Consolidated Financial Statements
Consolidated Balance Sheets as of September 30, 1995
and 1994
Consolidated Statements of Operations for the six
months ended September 30, 1995
and 1994 (unaudited)
Consolidated Statements of Changes in Financial
Position for the six months ended September
30, 1995 and 1994 (unaudited)
Notes to the Consolidated Financial Statements
(unaudited)

SEQUOIA INSURANCE COMPANY
Report of Independent Accountants
Balance Sheets as of December 31, 1994 and 1993
Statements of Operations for the Years Ended December
31, 1994, 1993 and 1992
Statements of Changes in Shareholder's Equity for the
Years Ended

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December 31, 1994, 1993 and 1992
Statements of Cash Flows for the Years Ended December
31, 1994, 1993 and 1992
Notes to Financial Statements
Balance Sheets as of June 30, 1995 (unaudited) and
December 31, 1994
Statements of Operations for the six months ended
June 30, 1995 and 1994 (unaudited)
Statements of Changes in Shareholder's Equity for the
six months ended June 30, 1994 and 1995
(unaudited)
Statements of Cash Flows for the six months ended
June 30, 1995 and 1994 (unaudited)
Notes to interim Financial Statements

The Registrant includes in this filing financial statements of
PICO for the nine month period ended and as of September 30,
1996.

(b) Pro forma financial information.

Pro forma financial information for the year ended December
31, 1995, the six months ended June 30, 1996 and as of June
30, 1996, are incorporated herein by reference to pages 54-59
of the Registrant's Registration Statement on Form S-4 (File
No. 333-06671).

The Registrant includes in this filing the pro forma financial information for the nine month period ended and as of September 30, 1996.

(c) Exhibits.

<TABLE> <CAPTION> Exhibit No. ----- <S>	<C> Description -----
2.2	Agreement and Plan of Reorganization dated as of May 1, 1996 among the Registrant, Citation Holdings, Inc. and PICO and amendment thereto dated August 14, 1996, incorporated herein by reference to exhibit filed with Amendment No. 2 to Registration Statement on Form S-4 (File No. 333-06671).
2.3*	Second Amendment to Agreement and Plan of Reorganization dated November 12, 1996.
3.1*	Amended and Restated Articles of Incorporation of the Registrant.
4.1	Rights Agreement dated July 22, 1991 between Citation and Security Pacific National Bank ("Rights Agreement"), incorporated herein by reference to exhibit filed with Form 8-A on July 22, 1991.
4.2*	First Amendment to Rights Agreement dated April 30, 1996.
4.3*	Second Amendment to Rights Agreement dated November 20, 1996.
16.1*	Letter regarding change in Certifying Accountant from Deloitte & Touche, LLP, independent auditors.
23.1*	Consent of Coopers & Lybrand L.L.P.
23.2*	Consent of KPMG Peat Marwick Thorne, Chartered Accountants.
99.1	PICO Financial Statements, incorporated herein by reference to pages F-1 through F-72 of Registrant's Registration Statement on Form S-4 (File No. 333-06671).

</TABLE>

3

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<TABLE> <S>	<C>
99.2	Unaudited financial statements of PICO for the nine month period ended as of September 30, 1996 and 1995.
99.3	Unaudited pro forma combined financial statements for the nine month period ended and as of September 30, 1996.

</TABLE>

* Filed with Registrant's Form 8-K on December 4, 1996.

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SIGNATURES

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.

PICO HOLDINGS, INC.

<TABLE>

<S> <C>

Date: December 30, 1996

By: /s/ Gary W. Burchfield

</TABLE>

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EXHIBIT INDEX

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99.3	Unaudited pro forma combined financial statements for the nine month period ended and as of September 30, 1996.

</TABLE>

* Filed with Registrant's Form 8-K on December 4, 1996.

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PHYSICIANS INSURANCE COMPANY OF OHIO AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>

<CAPTION>

	September 30, 1996	December 31, 1995
	-----	-----
	(Unaudited)	
ASSETS	<C>	<C>
<S>		
Investments:		
Available for sale:		
Fixed maturities, at fair value (amortized cost \$94,784,167 and \$81,326,490)	\$ 93,810,473	81,573,579
Equity securities, at fair value (cost \$64,561,467 and \$63,945,369)	105,167,535	99,857,295
Investment in affiliate, at equity	28,086,983	32,974,930
Short-term investments, at cost	11,168,338	9,162,925
Real estate	1,623,201	3,038,750
	-----	-----
Total investments	239,856,530	226,607,479
Cash and cash equivalents	19,481,509	43,987,805
Premiums and other receivables, net	7,530,332	10,927,156
Reinsurance receivables	91,929,975	100,719,416
Prepaid deposits and reinsurance premiums	2,848,107	16,623,918
Accrued investment income	1,622,529	1,716,672
Property and equipment, net	5,422,442	5,538,348
Deferred policy acquisition costs	5,123,414	2,894,644
Other assets	5,212,208	6,439,127
Assets held in separate accounts	6,116,068	6,361,040
	-----	-----
Total assets	\$ 385,143,114	\$ 421,815,605
	=====	=====
LIABILITIES		
Policy liabilities and accruals:		
Unpaid losses and loss adjustment expenses, net of discount	\$ 213,293,973	\$ 229,796,606
Future policy benefits and claims payable	12,321,044	15,576,716
Annuity and other policyholders' funds	31,711,044	31,976,176
Unearned premiums	21,261,524	30,858,612
Reinsurance balance payable	5,280,268	8,376,110
Deferred gain on retroactive reinsurance	3,270,070	3,500,544
Other liabilities	6,261,076	11,749,700
Deferred tax liability	6,378,610	4,174,461
Liabilities related to separate accounts	6,116,068	6,361,040
	-----	-----
Total liabilities	305,893,677	342,369,965
	-----	-----
Minority Interest	(176,842)	96,295
	-----	-----
SHAREHOLDERS' EQUITY		
Preferred stock, \$1 par value, authorized 1,000,000 shares; none issued Common stock:		
Class A, \$1 par value; authorized 8,000,000; issued 5,476,395 shares	5,476,395	5,476,395
Additional paid-in capital	12,007,240	11,933,320
Net unrealized appreciation on investments	26,658,979	23,827,817
Cumulative foreign currency translation adjustment	35,910	(14,792)
Equity changes of investee company	(588,814)	(979,066)
Retained earnings	42,461,621	39,906,703
	-----	-----
Total shareholders' equity	86,051,331	80,150,377
Less treasury stock, at cost (Class A shares 590,198 in 1996 272,498 shares in 1995)	6,625,052	(801,032)
	-----	-----
Total shareholders' equity	79,426,279	79,349,345
	-----	-----
Total liabilities and shareholders equity	\$ 385,143,114	\$ 421,815,605
	=====	=====

</TABLE>

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

CONSOLIDATED STATEMENTS OF OPERATIONS

for the nine months ended September 30, 1996 and 1995

<TABLE>

<CAPTION>

	Three Months Ended September		Nine Months Ended September 30,	
	1996	1995	1996	1995
	(Unaudited)		(Unaudited)	
<S>	<C>	<C>	<C>	<C>
Revenues:				
Premium income	\$ 8,357,061	\$ 5,330,979	\$ 22,850,617	\$ 15,100,278
Investment income, net	2,714,268	3,026,858	7,767,565	10,163,108
Realized gains on investments	2,251,067	4,074,484	3,096,198	4,773,383
Land sales	1,496,123	1,330,501		
Commission income	74,344	38,834	406,588	92,143
Other income	320,359	6,157,988	912,435	6,512,664
Total revenues	13,717,099	18,629,143	36,529,526	37,972,077
Expenses:				
Loss and loss adjustment expenses	6,445,518	5,275,201	15,542,124	15,404,893
Benefits and claims	462,237	68,473	701,592	409,231
Interest credited to policyholders	573,572	613,135	1,737,346	1,819,218
Policy acquisition costs	38,292	125,905	74,742	
Land sales	1,438	(31,260)	1,406,741	1,335,406
Insurance underwriting and other expenses	5,073,637	3,333,675	14,598,064	7,975,399
Total expenses	12,594,694	9,259,224	34,111,772	27,018,889
Equity in earnings of affiliate	577,104		923,537	27,018,889
Income before income taxes	1,699,509	9,369,919	3,341,291	10,953,188
Provision (benefit) for federal income taxes	344,516	(5,507,417)	786,340	(5,468,698)
Net income	\$ 1,354,993	\$ 14,877,336	\$ 2,554,951	\$ 16,421,886
Net income per common share and common equivalent share	\$ 0.27	\$ 2.87	\$ 0.49	\$ 3.20
Weighted average shares outstanding	5,074,348	5,132,468	5,265,012	5,190,821

</TABLE>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the nine months ended September 30, 1996 and 1995

<TABLE>

<CAPTION>

	1996	1995
	(Unaudited)	(Unaudited)
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,554,951	\$ 16,421,886
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred taxes	745,672	(6,451,515)
Depreciation and amortization	2,677,166	1,748,782
Realized gains on investments and property and equipment	(3,184,701)	(4,773,388)
Equity in income of affiliate	(632,893)	
Changes in assets and liabilities, net of effects from acquisitions of		

businesses:		
Premiums and other receivables	3,396,824	(5,041,067)
Reinsurance recoverable and payable	19,469,410	(69,183,722)
Accrued investment income	94,143	2,380,716
Deferred policy acquisition costs	(4,109,648)	(1,602,628)
Unpaid losses and loss adjustment expenses	(16,502,633)	47,799,001
Claims payable	(1,577,789)	(120,144)
Unearned premiums	(9,597,088)	10,430,777
Other	(3,273,052)	(1,000,348)
	-----	-----
Net cash (used in) operating activities	(9,939,638)	(9,391,650)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES: Proceeds from the sale of investments:		
Available for sale:		
Fixed maturities	6,787,590	111,921,092
Equity securities	38,823,287	7,216,031
Proceeds from maturity of investments:		
Available for sale:		
Fixed maturities	9,345,393	14,418,792
Purchases of investments:		
Available for sale:		
Fixed maturities	(30,061,188)	(10,687,098)
Equity securities	(35,357,920)	(57,331,124)
Net (purchases) sales of short-term investments	(2,005,413)	1,641,505
Net sales of real estate	1,457,389	1,193,311
Proceeds from sale of property and equipment	42,709	63,082
Purchases of property and equipment	(222,903)	(1,073,859)
	-----	-----
Net cash (used in) provided by investing activities	(11,191,056)	67,361,732
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bank and other borrowings	(77,129)	
Net decrease in future policy benefits	(3,255,672)	(120,614)
Net decrease in annuity and other policyholders' funds	(265,132)	792,434
Issuance of treasury stock	94,500	350,000
	-----	-----
Net cash (used in) provided by financing activities	(3,426,304)	944,691
	-----	-----
Effect of exchange rate changes on cash	50,702	
	-----	-----
Net (decrease) increase in cash and cash equivalents	(24,506,296)	58,914,773
	-----	-----
Cash and cash equivalents at beginning of year	43,987,805	21,058,769
	-----	-----
Cash and cash equivalents at end of period	\$ 19,481,509	\$ 79,973,542
	=====	=====

</TABLE>

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

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PHYSICIANS INSURANCE COMPANY OF OHIO AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The interim financial statements include all adjustments (all of which are normal and recurring, in nature) which, in the opinion of management, are necessary in order to make the financial statements not misleading. For further information, refer to the consolidated financial statements and footnotes included in the Company's Form S-4 Registration Statement effective October 3, 1996. Certain reclassifications have been made to conform to the current presentation.

2. Subsequent Events

On May 9, 1996, Physicians Insurance Company of Ohio ("PICO"), Guinness Peat Group plc ("GPG"), and the Ondaatje Corporation ("TOC") (TOC subsequently changed its name to Global Equity Corporation) entered into an agreement whereby GPG agreed to sell 850,000 Class A Shares of PICO common stock to TOC in two blocks, subject to regulatory approval at an average price of approximately US \$18.00 per share. GPG agreed to sell

the shares to TOC at a discount to market due to their status as restricted stock and in consideration of the quantity of shares to be purchased. On May 13, and June 4, 1996 TOC purchased the shares. Prior to these transactions, GPG owned approximately 40% of PICO common stock. Following these transactions, GPG and TOC own approximately 23% and 16% of PICO, respectively. The shares of PICO owned by TOC have been accounted for as treasury shares in the PICO consolidated financial statements.

3. Pending Business Transaction

On March 4, 1996 the Company and The Citation Insurance Group ("CIG") announced that they had signed a letter of intent for a stock-for-stock merger, pursuant to which the Company will become a wholly owned subsidiary of CIG. As a result of the combination, the shareholders of the Company will own 80 percent of the combined company. The definitive agreement to merge the two companies was signed on May 3, 1996. On November 7, 1996, the shareholders of the Company and CIG voted for the approval of the merger. The closing date of the transaction was November 20, 1996. Upon consummation of the merger, CIG's name was changed to "PICO Holdings, Inc."

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma combined condensed balance sheet as of September 30, 1996 combines the historical consolidated balance sheets of Citation and PICO as if the pending Merger had been effective on September 30, 1996, after giving effect to the purchase accounting adjustments described in the accompanying notes. The unaudited pro forma combined condensed statements of operations present the combined results of operations of Citation and PICO for the nine months ended September 30, 1996, as if the acquisition had been effective on January 1, 1996, after giving effect to the purchase accounting adjustments described in the accompanying notes.

Pursuant to the Merger Agreement between Citation and PICO, PICO acquired Citation in a reverse merger whereby each holder of a share of PICO Stock received a number of shares of Citation Common Stock equal to the Exchange Ratio. The Exchange Ratio was equal to the PICO Share Value divided by \$5.03, and the PICO Share Value was the average of the closing price of one share of PICO Stock on the Nasdaq National Market for the 20 consecutive trading days ending with the trading day immediately prior to the Determination Date of November 17, 1996. The unaudited pro forma combined financial statements are prepared based on the PICO average trading price at the minimum level of \$25.20.

The unaudited pro forma combined condensed financial statements and accompanying notes reflect the application of the purchase method of accounting. Under this method of accounting, the purchase price will be allocated to Citation's assets acquired and liabilities assumed based on their estimated fair values at the time of the acquisition. As described in the accompanying notes, preliminary estimates of the fair values of assets and liabilities have been combined with the recorded values of the assets and liabilities of PICO.

Changes to the adjustments included in the unaudited pro forma combined condensed financial statements are expected to be made as evaluations of assets and liabilities are completed and as additional information becomes available. Accordingly, the final combined amounts will differ from those set forth in the accompanying unaudited pro forma combined condensed financial statements. The unaudited pro forma combined condensed financial statements are intended for informational purposes only and are not necessarily indicative of the future financial position or future results of operations of the combined company or of the financial position or the results of operations of the combined company that would have actually occurred had the acquisition been in effect as of the date or for the periods presented.

These unaudited pro forma combined condensed financial statements and the accompanying notes should be read in conjunction with the consolidated financial statements, including the accompanying notes, of Citation and PICO incorporated by reference in this Form 8-K.

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PRO FORMA COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 1996
(in thousands)

	PHYSICIANS INSURANCE COMPANY OF OHIO AND SUBSIDIARIES CONSOLIDATED (AS REPORTED)	CITATION INSURANCE GROUP (AS REPORTED)	PRO FORMA ADJUSTMENTS FOR MERGER WITH CITATION INSURANCE GROUP (1)	PRO FORMA
<S>	<C>	<C>	<C>	<C>
ASSETS				
Cash, cash equivalents, and other invested assets	\$30,650	\$480		\$31,130
Marketable securities	227,065	120,215		347,280
Land held for development	1,623			1,623
Total Investments	259,338	120,695		380,033
Premiums due and other receivables	7,530	8,837		16,367
Reinsurance receivables	91,930	11,882		103,812
Prepaid deposits and reinsurance premiums	2,848	2,814		5,662
Accrued investment income	1,623	2,159		3,782
Property and equipment, net	5,423	818	(\$818) (d)	5,423
Deferred policy acquisition costs	5,123	2,487		7,610
Assets held in separate accounts	6,116			6,116

Other	5,212	8,650	618 (e)	14,480
TOTAL ASSETS	\$385,143	\$158,342	(\$200)	\$543,285
LIABILITIES				
Unpaid losses and loss adjustment expense, net of discount	\$213,294	\$100,294		\$313,588
Future policy benefits and claims payable	44,812			44,812
Unearned premiums	21,262	19,498		40,760
Reinsurance balances payable	5,280	1,721		7,001
Accrued expenses and other liabilities	5,480	1,566	\$2,203 (g) 1,000 (f) 979 (b)	11,228
Deferred tax liability	6,379			6,379
Deferred gain on retroactive reinsurance	3,270			3,270
Liabilities related to separate accounts	6,116			6,116
TOTAL LIABILITIES	305,893	123,079	4,182	433,154
Minority interest	(177)			(177)
SHAREHOLDERS' EQUITY				
Common stock and additional paid in capital	17,483	45,902	(13,021) (h)	50,364
Net unrealized appreciation on investments	26,659	638	(638) (h)	26,659
Cumulative foreign currency translation adjustment	36			36
Retained earnings (deficit)	42,462	(9,277)	9,277 (h)	42,462
Equity changes of investee company	(589)			(589)
Less common stock in treasury	(6,625)	(2,000)		(8,625)
Total Shareholders' Equity	79,426	35,263	(4,382)	110,307
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$385,142	\$158,342	(\$200)	\$543,284

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THIS PRO FORMA FINANCIAL INFORMATION

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PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996
(in thousands, except share and per share data)
MINIMUM PICO SHARE PRICE OF \$25.20

<TABLE>
<CAPTION>

	PHYSICIANS INSURANCE COMPANY OF OHIO AND SUBSIDIARIES CONSOLIDATED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 (AS REPORTED)	CITATION INSURANCE GROUP FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 (AS REPORTED)	PRO FORMA ADJUSTMENTS FOR PURCHASE OF CITATION INSURANCE GROUP (1)	PRO FORMA
OPERATING DATA:	<C>	<C>	<C>	<C>
Premium income	\$ 22,851	\$ 38,002		\$ 60,853
Net investment income	10,864	6,683		17,547
Land Sales and other	2,815	110	\$165 j	3,090
Total revenues	36,530	44,795	165	81,490
Net losses and lost adjustment expenses	15,542	32,810	48,352	
Insurance underwriting and other expenses	14,597	14,159	(286) i	28,470
Land Sales and other	3,973	651	4,624	
Total expenses	34,112	47,620	(286)	81,446
Equity in earnings of affiliate	923			923
Income (loss) from continuing operations before income taxes	3,341	(2,825)	451	967
Income taxes	786	5,390	97 l	6,273
Income (loss) from continuing operations	\$ 2,555	(\$ 8,215)	\$ 354	(\$ 5,306)

Per common share:			
Income (loss) from continuing operations	\$	0.49	(\$ 0.16)
Weighted average shares outstanding		5,265	32,466 k

</TABLE>

The accompanying notes are an integral part of this pro forma financial information

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NOTES TO THE PRO FORMA COMBINED FINANCIAL STATEMENTS

(1) The Merger will be accounted for under the purchase method of accounting as a reverse merger since the PICO shareholders will control 80% of the newly issued shares of the newly combined corporation. The final allocation of the purchase price has not yet been determined, and accordingly, the amounts shown below may differ from the amounts ultimately determined. The allocation of the purchase price is determined as follows (in thousands):

Purchase Price

<TABLE>		<C>
<S>	Value of Citation shares to be exchanged (a)	\$30,654
	Acquisition costs (b)	979
	Value of Citation options assumed (c)	227

		31,860
	Allocation of Purchase Price	
	Historic Citation Shareholders' Equity	35,263
	Adjust assets and liabilities:	
	Property and equipment (d)	(818)
	Deferred income taxes (e)	618
	Integration liability (f)	(1,000)
	Negative goodwill (g)	(2,203)

		31,860

</TABLE>

- (a) Represents the currently issued and outstanding shares of Citation Common Stock as of September 30, 1996 valued at \$5.03, the implied share price of Citation Common Stock.
- (b) Represents management's estimate of PICO's expenses and fees related to the Merger, including expenses and fees for legal counsel, investment advisors, printing and distribution, and accountants.
- (c) Represents an adjustment to reflect the fair value of Citation stock options.
- (d) Represents an adjustment to writeoff property and equipment due to negative goodwill.
- (e) Represents an adjustment to deferred income taxes related to the write-off of property and equipment and integration liability.
- (f) Represents management's estimate of integration costs as a result of the Merger.
- (g) Represents negative goodwill related to the excess of Citation's fair value of net assets in excess of the purchase price.
- (h) Represents the elimination of Citation retained earnings and unrealized appreciation of investments and the adjustment of equity accounts for the combined corporation.

Citation's pro forma adjustments to its results of operations for the nine months ended September 30, 1996 for the acquisition are as follows:

- (i) Represents adjustment related to the add-back of depreciation expense related to the nine months ended September 30, 1996.

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NOTES TO PRO FORMA COMBINED FINANCIAL STATEMENTS (CONTINUED)

- (j) Represents adjustment related to the straight line amortization of negative goodwill over a 10-year period.
- (k) For the nine months ended September 30, 1996, reflects Citation's weighted average shares of 6,088,251 plus PICO's historic weighted average shares at the exchange rate of 5.03.

(1) Represents the tax effect of (other than negative goodwill) pro forma adjustments at an effective tax rate of 34%.