

PICO HOLDINGS INC /NEW

Form 8-K

November 08, 2006

**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

Date of Report (Date of earliest event reported)

November 7, 2006

PICO HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction
of incorporation)

10-18786

(Commission
File Number)

94-2723335

(IRS Employer
Identification No.)

875 Prospect Street, Suite 301, La Jolla, California

(Address of principal executive offices)

92037

(Zip Code)

Registrant's telephone number, including area code

(858) 456-6022

(Former name or former address, 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 (see General Instruction A.2. below):

- 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))
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Section 1 Registrant's Business Operations

Item 1.02 Termination of a Material Definitive Agreement

By letter dated November 7, 2006, Exegy Incorporated (Exegy) informed PICO Holdings, Inc. (PICO) that it was terminating the Contribution Agreement among Exegy, HyperFeed Technologies, Inc. (HyperFeed) and PICO dated August 25, 2006, pursuant to Section 10.1(b)(i) of the Contribution Agreement. Under the terms of the Contribution Agreement, PICO would have contributed to Exegy all shares of the common stock of HyperFeed owned by it and received by it upon conversion of outstanding amounts owed under a Convertible Note dated March 30, 2006 (representing approximately 20.7 million shares, or 93% of HyperFeed's total outstanding shares). As a result of the contribution, HyperFeed would have become a controlled subsidiary of Exegy. Exegy had further agreed that, upon completion of the contribution, as owner of more than 90% of the outstanding common stock of HyperFeed, it would approve a short-form merger of HyperFeed with and into Exegy pursuant to Section 253 of the Delaware General Corporation Law. Exegy would be the surviving corporation following the short-form merger. In addition, PICO and stockholders of Exegy would have contributed a combined \$10 million in cash to Exegy. Each of PICO and the stockholders of Exegy would have contributed \$3 million in cash at the closing of the contribution and would have contributed an additional \$2 million in cash in connection with the short-form merger. Under the terms of the Contribution Agreement, in exchange for its contribution of cash and equity to Exegy, PICO would have received approximately 15.4 million shares of Series A-3 Preferred Stock of Exegy representing 50% of the equity of Exegy. At this time, PICO disputes Exegy's right to terminate the Contribution Agreement and plans to vigorously defend its rights thereunder through all available legal means. PICO and HyperFeed were relying on the transactions contemplated by the Contribution Agreement and the short-form merger to finance HyperFeed's future capital needs. PICO currently believes that, as a result of Exegy's actions to terminate the Contribution Agreement and the short-form merger, existing and anticipated capital resources, including cash and cash equivalents, accounts receivable, assets related to discontinued operations, and financing from PICO, which is currently HyperFeed's only source of financing, will not be sufficient to fund HyperFeed's operations on a going concern basis. The summary of the terms of the Contribution Agreement were also set forth in PICO's Current Report on Form 8-K that was filed with the Commission on August 29, 2006 and in HyperFeed's Schedule 13E-3 and 14C filed with the Commission on October 12, 2006. The summary of the terms of the Contribution Agreement in the preceding paragraph, in the August 29, 2006 Current Report on Form 8-K and in the Schedule 13E-3 and 14C filings is not complete and is qualified in its entirety by reference to the full text of the Contribution Agreement attached as Exhibit 10.11 to the August 29, 2006 8-K.

Section 9 Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

- (a) Not applicable
- (b) Not applicable
- (c) Not applicable
- (d) Not applicable

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.

Date November 8, 2006

By: /s/ Maxim C. W. Webb

Maxim C. W. Webb
Chief Financial Officer

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