PICO HOLDINGS INC /NEW
Form 10-Q
May 12, 2014

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

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FORM 10-Q

SQUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2014
OR
£TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 033-36383
PICO HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

California	94-2723335
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

7979 Ivanhoe Avenue, Suite 300 La Jolla, California 92037
(Address of principal executive offices, including Zip Code)

(858) 456-6022
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes S No £
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes S No £
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	£	Accelerated filer	S
Non-accelerated filer (Do not check if a smaller reporting company)	£	Smaller reporting company	£

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes £ No S
On May 9, 2014, the registrant had 22,747,365 shares of common stock, $0.001 par value per share outstanding.

PICO HOLDINGS, INC.

FORM 10-Q
For the Three Months Ended March 31, 2014

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Part I: Financial Information

Item I: Condensed Consolidated Financial Statements (Unaudited)

PICO HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
(In thousands, except par value)

	March 31, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	$92,408	$138,039
Investments ($50,000 and $50,060 measured at fair value at March 31, 2014, and December 31, 2013, respectively)	77,696	78,657
Real estate and tangible water assets, net of $10,239 and $10,019 of accumulated depreciation at March 31, 2014, and December 31, 2013, respectively	289,529	254,208
Property, plant and equipment, net of $18,988 and $16,631 of accumulated depreciation at March 31, 2014, and December 31, 2013, respectively	123,439	123,444
Intangible water assets	124,904	124,880
Other assets	43,714	43,324
Total assets	$751,690	$762,552
LIABILITIES AND SHAREHOLDERS' EQUITY		
Debt	$135,536	$136,767
Accounts payable, accrued expenses and other liabilities	40,969	36,780
Deferred compensation	24,559	24,160
Total liabilities	201,064	197,707
Commitments and contingencies		
Common stock, $0.001 par value; authorized 100,000 shares, 25,821 issued and 22,747 outstanding at March 31, 2014, and December 31, 2013	26	26
Additional paid-in capital	547,579	546,307
Retained deficit	(30,330)	(17,083)
Accumulated other comprehensive income	759	232
Treasury stock, at cost (common shares: 3,073 in 2014 and 2013)	(56,593)	(56,593)
Total PICO Holdings, Inc. shareholders' equity	461,441	472,889
Noncontrolling interest in subsidiaries	89,185	91,956
Total shareholders' equity	550,626	564,845
Total liabilities and shareholders' equity	$751,690	$762,552

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

PICO HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME OR LOSS - UNAUDITED
(In thousands, except per share data)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
REVENUES AND OTHER INCOME:		
Sale of real estate and water assets	$25,646	$11,807
Sale of canola oil and meal	34,859	39,556
Sale of software		3,650
Other income	771	1,795
Total revenues and other income	61,276	56,808
COST OF SALES:		
Cost of real estate and water assets sold	21,055	8,052
Cost of canola oil and meal sold	34,174	44,662
Cost of software sold		1,301
Total cost of sales	55,229	54,015
EXPENSES:		
Operating and other costs	16,854	18,117
Impairment loss on real estate and water assets	2,865	
Interest	1,477	1,698
Depreciation and amortization	542	537
Total costs and expenses	76,967	74,367
Loss from continuing operations before income taxes and equity in loss of unconsolidated affiliates	(15,691)	(17,559)
Benefit for federal, foreign, and state income taxes	(265)	(784)
Equity in loss of unconsolidated affiliate	(479)	
Net loss	(15,905)	(16,775)
Loss attributable to noncontrolling interests	2,658	1,800
Net loss attributable to PICO Holdings, Inc.	$(13,247)	$(14,975)

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

PICO HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME OR LOSS - UNAUDITED, CONTINUED
(In thousands, except per share data)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Other Comprehensive Loss:		
Net loss	$(15,905)	$(16,775)
Other comprehensive income, net of tax:		
Unrealized gain on securities, net of deferred income tax and reclassification adjustments	487	752
Foreign currency translation	40	236
Total other comprehensive income, net of tax	527	988
Comprehensive loss	(15,378)	(15,787)
Comprehensive loss attributable to noncontrolling interests	2,658	1,800
Comprehensive loss attributable to PICO Holdings, Inc.	$(12,720)	$(13,987)
Net loss per common share – basic and diluted:		
Net loss per common share	$(0.58)	$(0.66)
Weighted average shares outstanding	22,747	22,734

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

PICO HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY - UNAUDITED
THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(In thousands)

	Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Income	Shares of Treasury Stock	Treasury Stock, at Cost	Noncontrolling Interest	Total
Beginning balance, January 1, 2014	25,821	$ 26	$546,307	$(17,083)	$ 232	3,073	$(56,593)	$ 91,956	$564,845
Stock-based compensation expense			1,385					587	1,972
Withholding taxes paid on vested restricted stock units at UCP, Inc.			(113)					(700)	(813)
Net loss				(13,247)				(2,658)	(15,905)
Unrealized appreciation on investments, net of deferred income tax of $262 and reclassification adjustments of $20					487				487
Foreign currency translation					40				40
Ending balance, March 31, 2014	25,821	$ 26	$547,579	$(30,330)	$ 759	3,073	$(56,593)	$ 89,185	$550,626

	Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Shares of Treasury Stock	Treasury Stock, at Cost	Noncontrolling Interest	Total
Beginning balance, January 1, 2013	25,807	$26	$526,591	$5,215	$ (2,014)	3,073	$(56,593)	$ 5,271	$478,496
Stock-based compensation expense			946						946
Changes in ownership of noncontrolling interest								248	248
Net loss				(14,975)				(1,800)	(16,775)
Unrealized appreciation on investments, net of					752				752

deferred income tax of $405 and reclassification adjustments of $141									
Foreign currency translation					236				236
Ending balance, March 31, 2013	25,807	$26	$527,537	$(9,760)	$ (1,026)	3,073	$(56,593)	$ 3,719	$463,903

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

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PICO HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
(In thousands)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
OPERATING ACTIVITIES:		
Net cash used in operating activities	$(41,382)	$(46,865)
INVESTING ACTIVITIES:		
Purchases of investments	(2,880)	(5,526)
Proceeds from sale of investments	4,326	6,810
Purchases of property and equipment	(2,374)	(432)
Cash acquired in connection with purchase of Spigit, net of cash paid		174
Increase in restricted cash	275	2,327
Decrease in margin deposits	(1,271)	(457)
Other investing activities, net	12	
Net cash provided by (used in) investing activities	(1,912)	2,896
FINANCING ACTIVITIES:		
Repayment of debt	(19,554)	(3,832)
Payment of withholding taxes on exercise of RSU	(814)	
Proceeds from debt	18,182	9,513
Net cash provided by (used in) financing activities	(2,186)	5,681
Effect of exchange rate changes on cash	(151)	541
Decrease in cash and cash equivalents	(45,631)	(37,747)
Cash and cash equivalents beginning of the period	138,039	100,115
Cash and cash equivalents end of the period	$92,408	$62,368
SUPPLEMENTAL CASH FLOW INFORMATION:		
Refunds of federal, foreign, and state income taxes	$(2,108)	$(33)
Interest paid, net of amounts capitalized	$1,521	$2,717
Non-cash investing and financing activities:		
Mortgage incurred to purchase real estate		$4,691
Increase in assets from business combination		$21,533
Increase in liabilities from business combination		$20,377
Conversion of note receivable to common stock in Spigit		$820
Accrued offering costs		$923

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

PICO HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of PICO Holdings, Inc. and subsidiaries (collectively, the “Company” or “PICO”) have been prepared in accordance with the interim reporting requirements of Form 10-Q, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America (“U.S. GAAP”) for complete consolidated financial statements.

In the opinion of management, all adjustments and reclassifications considered necessary for a fair and comparable presentation of the financial statements presented have been included and are of a normal recurring nature. Operating results presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

These condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC.

The preparation of condensed consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses for each reporting period. The significant estimates made in the preparation of the Company’s condensed consolidated financial statements relate to the assessment of other-than-temporary impairments, the application of the equity method of accounting, goodwill and intangibles, real estate and water assets, deferred income taxes, stock-based compensation, fair value of derivatives, and contingent liabilities. While management believes that the carrying value of such assets and liabilities are appropriate as of March 31, 2014, and December 31, 2013, it is reasonably possible that actual results could differ from the estimates upon which the carrying values were based.

Real Estate and Tangible Water Assets:

Real estate and tangible water assets include the cost of certain tangible water assets, water storage credits and related storage facilities, real estate, including raw land and real estate being developed, and any real estate improvements. The Company capitalizes pre-acquisition costs, the purchase price of real estate, development costs and other allocated costs, including interest, during development and home construction. Pre-acquisition costs, including non-refundable land deposits, are expensed to cost of sales when the Company determines continuation of the related project is not probable.

Additional costs to develop or otherwise prepare real estate and water assets for their intended use are capitalized. These costs typically include direct home construction costs, legal fees, engineering, consulting, direct cost of well drilling or related construction and any interest cost capitalized on qualifying assets during the development period. The Company expenses all maintenance and repair costs on real estate and water assets. The types of costs capitalized are consistent across periods presented. Tangible water assets consist of various water interests currently in development or awaiting permitting. Water storage typically includes the cost of the real estate and direct construction costs to build the site. Amortization of real estate improvements is computed using the straight-line method over the estimated useful lives of the improvements ranging from five to 15 years.

All real estate and tangible water assets are classified as held and used until management commits to a plan to sell the asset, the asset can be sold in its present condition, the asset is being actively marketed for sale, and it is probable that the asset will be sold within the next 12 months. At March 31, 2014, and December 31, 2013, the Company had real estate of $23.1 million and $8.6 million, respectively, classified as held for sale.

The costs assigned to the various components of real estate and tangible water assets were as follows (in thousands):

	March 31, 2014	December 31, 2013
Real estate	$243,819	$208,506
Tangible water assets	45,710	45,702
	$289,529	$254,208

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Intangible Water Assets:

Intangible water assets includes the costs of indefinite-lived intangible assets and is comprised of water rights and the exclusive right to use two water transportation pipelines. The Company capitalizes development and entitlement costs and other allocated costs, including interest, during the development period of the assets and transfers the costs to intangible water assets when water rights are permitted. Water rights consist of various water interests acquired or developed independently or in conjunction with the acquisition of real estate. When the Company purchases intangible water assets that are attached to real estate, an allocation of the total purchase price, including any direct costs of the acquisition, is made at the date of acquisition based on the estimated relative fair values of the water rights and the real estate. Intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset may be impaired, by comparing the fair value of the assets to their carrying amounts.

The fair value of the intangible assets is calculated using discounted cash flow models that incorporate a wide range of assumptions including current asset pricing, price escalation, discount rates, absorption rates, timing of sales, and costs. These models are sensitive to minor changes in any of the input variables.

Inventory:

The Company classifies its canola seed as raw material inventory and canola oil and meal as finished goods inventory, which are included in other assets in the consolidated balance sheets. At March 31, 2014 the Company had $5.3 million of raw materials and $7.1 million of finished goods.

Noncontrolling Interests:

The Company reports the share of the results of operations that are attributable to other owners of its consolidated subsidiaries that are less than wholly-owned as noncontrolling interest in the accompanying condensed consolidated financial statements. In the condensed consolidated statement of operations and comprehensive income or loss, the income or loss attributable to the noncontrolling interest is reported separately and the accumulated income or loss attributable to the noncontrolling interest, along with any changes in ownership of the subsidiary, is reported within shareholders' equity.

At March 31, 2014, noncontrolling interest reported in the condensed consolidated financial statements includes the owners of 42.52% of UCP, Inc ("UCP"). The noncontrolling interest related to UCP increased from 42.25% during the quarter ended March 31, 2014, due to the issuance of UCP Class A common stock related to vesting of restricted stock units ("RSU") awarded in 2013. The Company's consolidated noncontrolling interest also includes the results of operations allocated to the owners of the 12% interest in PICO Northstar, LLC ("Northstar").

Stock-Based Compensation:

Stock-based compensation expense is measured at the grant date based on the fair values of the awards and is recognized as expense over the period in which the share-based compensation vests (generally one to four years) using the straight-line method.

At March 31, 2014, PICO had one stock-based payment arrangement outstanding. UCP also issues stock-based compensation under its own long term incentive plan that provides for equity-based awards, which upon vesting results in newly issued shares of UCP Class A common stock.

The PICO Holdings, Inc. 2005 Long Term Incentive Plan (the “Plan”) provides for the grant or award of various equity incentives to PICO employees, non-employee directors, and consultants. A total of 2,654,000 shares of common stock are issuable under the Plan and it provides for the issuance of incentive stock options, non-statutory stock options, free-standing stock-settled stock appreciation rights (“SAR”), restricted stock awards (“RSA”), performance shares, performance units, RSU, deferred compensation awards, and other stock-based awards. The Plan allows for broker assisted cashless exercises and net-settlement of income taxes and employee withholding taxes. Upon exercise of a SAR and RSU, the employee will receive newly issued shares of PICO Holdings common stock with a fair value equal to the in-the-money value of the award, less applicable federal, state and local withholding and income taxes (however, the holder of an RSU can elect to pay withholding taxes in cash).

The Company recorded stock based compensation expense of $2 million and $946,000 during the three months ended March 31, 2014, and 2013, respectively. Of the $2 million in stock based compensation recorded in the first quarter of 2014, $1 million related to RSU for UCP common stock granted to the officers of UCP, of which $587,000 was allocated to noncontrolling interest. There was no stock based compensation expense related to UCP in the three months ended March 31, 2013.

Restricted Stock Units (RSU):

A summary of activity of the RSU is as follows:

	RSU	Weighted-Average Grant Date Fair Value Per Share
Outstanding at January 1, 2014	469,435	$30.43
Granted		
Vested		
Outstanding at March 31, 2014	469,435	$30.43
Unrecognized compensation cost (in thousands)	$2,090	

Stock-Settled Stock Appreciation Rights (SAR):

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

There were no unvested SAR, and therefore no compensation expense was recognized during the three months ended March 31, 2014, and 2013. In addition, there were no SAR granted or exercised during the three months ended March 31, 2014, or 2013.

A summary of SAR activity is as follows:

	SAR	Weighted Average Exercise Price	Weighted Average Contractual Term in Years
Outstanding at January 1, 2014	1,616,625	$36.45	2.5 years
Outstanding and exercisable at March 31, 2014	1,616,625	$36.45	2.2 years

At March 31, 2014, none of the outstanding SAR were in-the-money.

Accumulated Other Comprehensive Income:

The components of accumulated other comprehensive income are as follows (in thousands):

	March 31, 2014	December 31, 2013
Net unrealized appreciation on available-for-sale investments	$7,353	$6,866
Foreign currency translation	(6,594)	(6,634)
Accumulated other comprehensive income	$759	$232

The unrealized appreciation on available-for-sale investments is net of a deferred income tax liability of $3.9 million at March 31, 2014, and $3.7 million at December 31, 2013. The foreign currency translation is net of a deferred income tax asset of $3.4 million at March 31, 2014, and $3.4 million at December 31, 2013.

The following table reports amounts that were reclassified from accumulated other comprehensive income or loss and included in earnings (in thousands):

	Three Months Ended March 31,	
	2014	2013
Beginning balance - January 1	$232	$(2,014)
Unrealized gain on marketable securities, net of tax	474	660
Amount reclassified and recognized in net loss, net of tax[(1)]	13	92
Accumulated foreign currency translation, net of tax	40	236
Net change in other comprehensive income, net of tax	527	988
Accumulated other comprehensive income (loss)	$759	$(1,026)

[(1)]Amounts reclassified from unrealized gain on marketable securities are included in other income in the condensed consolidated statement of operations and comprehensive income or loss.

Deferred Compensation:

At March 31, 2014, and December 31, 2013, the Company had $24.6 million and $24.2 million, respectively, recorded as deferred compensation payable to various members of management and certain non-employee members of the board of directors of the Company.

The deferred compensation liability increased by $399,000 during the three months ended March 31, 2014, primarily due to an increase in the fair value of the deferred compensation plan assets of $599,000, offset by payments to plan participants. Included in operating and other costs in the accompanying condensed consolidated statements of operations and comprehensive income or loss for the three months ended March 31, 2014, and 2013, is compensation expense of $599,000 and $618,000, respectively.

Revenue Recognition:

Sale of Real Estate and Water Assets

Revenue recognition on the sale of real estate and water assets conforms with accounting literature related to the sale of real estate, and is recognized in full when there is a legally binding sale contract, the profit is determinable (the collectability of the sales price is reasonably assured, or any amount that will not be collectible can be estimated), the earnings process is virtually complete (the Company is not obligated to perform significant activities after the sale to earn the profit, meaning the Company has transferred all risks and rewards to the buyer), and the buyer’s initial and continuing investment is adequate to demonstrate a commitment to pay for the property. If these conditions are not met, the Company records the cash received as deferred revenue until the conditions to recognize full profit are met.

Sale of Finished Homes

Revenue from sales of finished homes is included in the sale of real estate and water assets in the accompanying condensed consolidated statement of operations and comprehensive income or loss and is recognized when the sale closes and title passes to the new homeowner, the new homeowners initial and continuing investment is adequate to demonstrate a commitment to pay for the home, the new homeowners receivable is not subject to future subordination and the Company does not have a substantial continuing involvement with the new home.

Sale of Canola Oil and Meal

Sales of canola oil and meal are recognized when persuasive evidence of an arrangement exists, products are shipped, the price is fixed or determinable, the customer takes ownership and assumes risk of loss, and when collection is reasonably assured. Sales terms provide for passage of title at the time and point of shipping. Northstar has an agreement with Purina Animal Nutrition, LLC ("Purina"), which commits Purina to guarantee the sale of 100% of the canola oil and canola meal output from the Company's canola seed crushing plant at market based prices for five years ending December 31, 2017, at which time the contract automatically renews for successive one year periods unless canceled by either party.

Cost of Canola Oil and Meal Sold:

Subsequent to the issuance of the Company's condensed consolidated financial statements for the three months ended March 31, 2013, the Company discovered that $4.1 million of labor and certain overhead costs related to the purchasing and production of the inventory, including deprecation of plant and equipment and energy costs, which should have been presented within cost of canola oil and meal sold, were inappropriately presented as $2.1 million within operating and other costs, and $2 million as depreciation and amortization for the three months ended March 31, 2013. For the three months ended March 31, 2014, the expenses have been properly presented as costs of canola oil and meal sold in the condensed consolidated statements of operation and comprehensive income or loss for the current period, and the three months ended March 31, 2013 presentation has been corrected. These errors did not affect consolidated shareholders' equity, net income or loss on the condensed consolidated statements of operations and comprehensive income or loss, or consolidated cash flows and are not considered to be material to the Company's previously issued condensed consolidated financial statements.

Accounting for Income Taxes:

The Company's provision for income tax expense includes federal, foreign and state income taxes currently payable and those deferred because of temporary differences between the income tax and financial reporting bases of the assets and liabilities. The liability method of accounting for income taxes also requires the Company to reflect the effect of a tax rate change on accumulated deferred income taxes in income in the period in which the change is enacted.

In assessing the realization of deferred income taxes, management considers whether it is more likely than not that any deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the period in which temporary differences become deductible. If it is more likely than not that some or all of the deferred income tax assets will not be realized, a valuation allowance is recorded.

The Company recognizes any uncertain income tax positions on income tax returns at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized unless it has a greater than 50% likelihood of being sustained. The Company recognizes any interest and penalties related to uncertain tax positions in income tax expense.

The Company reported an income tax benefit of $265,000 and $784,000 for the three months ended March 31, 2014, and 2013, respectively. The effective income tax rate for continuing operations was 2% and 4% for the three months ended March 31, 2014, and 2013, respectively. For the three months ended March 31, 2014, and 2013, the effective rate differs from the statutory rate of 35% primarily due to recording a full valuation allowance on the net deferred tax assets.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued accounting guidance related to reporting of discontinued operations. The guidance changes the requirements for reporting a disposal of a component of an entity or a group of components and requires the disposed component or components to be reported in discontinued operations only if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The guidance also requires an entity to provide certain disclosures about a disposal of an individually significant component of such entity that does not qualify for discontinued operations presentation in the financial statements. This guidance is effective for fiscal years beginning after December 15, 2014, with early adoption permitted. The Company is currently evaluating the effect this guidance will have on the condensed consolidated financial statements.

2. Net Income or Loss Per Share

Basic earnings or loss per share is computed by dividing net earnings by the weighted average number of shares outstanding during the period. Diluted earnings or loss per share is computed similarly to basic earnings or loss per share except the weighted average shares outstanding are increased to include additional shares from the assumed exercise of any common stock equivalents using the treasury method, if dilutive. The Company’s stock-settled SAR and RSU are considered common stock equivalents for this purpose. The number of additional shares related to these common stock equivalents is calculated using the treasury stock method.

For the three months ended March 31, 2014, and 2013, the Company’s stock-settled SAR and RSU were excluded from the diluted per share calculation because their effect on the loss per share from continuing operations was anti-dilutive.

3. Investments

The following tables report the cost and carrying value of available-for-sale investments at March 31, 2014 and December 31, 2013 (in thousands):

March 31, 2014	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying