

On behalf of the management group of PICO Holdings, Inc., (PICO.NASDAQ) this public comment is to record our support to the proposed recommendations by the SEC Advisory Committee on Smaller Public Companies regarding the Sarbanes Oxley Act Section 404.

Our support is driven by two factors:

- The high direct and indirect cost to our shareholders for complying with Section 404 with little evidence that there is a meaningful associated benefit for our shareholders; and
- Our concern that the heavy cost of compliance to nascent public companies will make them and our capital markets less competitive in the global marketplace.

Cost to PICO Shareholders

PICO is, by definition, a small – cap company. Generally, we have found the provisions of the Sarbanes Oxley Act to be well thought – out and beneficial for the capital markets. The exception is Section 404 of the Act. In our experience, the high cost of compliance with this section of the Act is not matched by any discernible benefit to our shareholders. We have had no feedback at all from shareholders who believe there has been a benefit by having an external audit conducted on internal control over financial reporting. Indeed, we have had informal feedback from certain of our shareholders who are concerned about the costs of Section 404 compliance and do not see any real benefit in having another audit conducted beyond the financial statement audit. This concern is exacerbated as, despite the huge amount of testing by the external auditor over internal control over financial reporting, there is no change in the methodology of the financial statement audit – which continues to be substantive in nature - and certainly does not appear to give rise to any decrease in financial statement audit fees and efficiency. We as management see little benefit in the audit of internal control of financial reporting as, at this time, we see the audit effort on internal control more geared to ensuring narrow regulatory compliance as opposed to the exercise of reasonable judgement.

We recognize that management has a responsibility to establish and maintain adequate internal control over our financial reporting. We also recognize it is our responsibility to continually evaluate the effectiveness of our internal controls. However, we believe our shareholders, and smaller company shareholders in general, will be better served by removing (1) the cost of having management's assessment of the effectiveness of those controls audited by external auditors and (2) the cost of having the external auditor audit the internal control over financial reporting.

Less Competitive Capital Markets

It is clear that in the past year or so, due to the burden of the Section 404 compliance, companies are retreating from US capital markets. We believe that this is not in the best interests of the US market economy as a whole. Worse still, the costs, and culture, of over - burdensome compliance may present great challenges to small and micro cap companies from being innovative and competitive in their markets. These companies are the future growth of the US economy and we should ensure that these nascent companies are placed in the best possible environment to flourish.