PICO HOLDINGS INC /NEW
Form 10-Q
November 09, 2015
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

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 ý 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 ý 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 x	Non-accelerated filer ¨	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 ý

On November 2, 2015, the registrant had 23,017,041 shares of common stock, $0.001 par value per share outstanding.

PICO Holdings, Inc.

Form 10-Q
For the Nine Months Ended September 30, 2015

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Part I: Financial Information

Item 1: Condensed Consolidated Financial Statements (Unaudited)

PICO Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets - Unaudited
(In thousands, except par value)

	September 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$40,154	$62,677
Investments ($22,949 and $28,370 measured at fair value at September 30, 2015 and December 31, 2014, respectively)	26,431	55,671
Real estate and tangible water assets, net	447,180	386,350
Property, plant and equipment, net of $5,487 and $4,742 of accumulated depreciation at September 30, 2015, and December 31, 2014, respectively	4,715	4,224
Intangible assets, net	126,835	126,612
Other assets	16,483	16,356
Assets held-for-sale	14,028	152,554
Total assets	$675,826	$804,444
Liabilities and shareholders' equity		
Debt	$170,150	$135,451
Accounts payable and accrued expenses	35,991	24,591
Deferred compensation	25,461	24,584
Other liabilities	11,804	13,685
Liabilities held-for-sale	1,058	94,588
Total liabilities	244,464	292,899
Commitments and contingencies		
Common stock, $0.001 par value; authorized 100,000 shares, 23,095 issued and 23,017 outstanding at September 30, 2015, and 23,083 issued and 23,005 outstanding at December 31, 2014	23	23
Additional paid-in capital	493,830	491,662
Accumulated deficit	(150,195)	(69,508)
Accumulated other comprehensive income	4,927	4,717
Treasury stock, at cost (common shares: 78 at September 30, 2015 and December 31, 2014)	(1,413)	(1,413)
Total PICO Holdings, Inc. shareholders' equity	347,172	425,481
Noncontrolling interest in subsidiaries	84,190	86,064
Total equity	431,362	511,545
Total liabilities and equity	$675,826	$804,444

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues and other income:				
Sale of real estate and water assets	$77,044	$56,742	$175,718	$146,168
Impairment on investments			(20,696)	
Other income	1,047	2,416	3,501	6,963
Total revenues and other income	78,091	59,158	158,523	153,131
Cost of sales:				
Cost of real estate and water assets sold	60,626	46,604	142,566	119,260
Expenses:				
Operating and other costs	14,986	16,649	47,034	47,320
Impairment loss on intangible and long-lived assets	727		2,090	2,865
Depreciation and amortization	653	894	1,649	2,126
Total cost of sales and expenses	76,992	64,147	193,339	171,571
Income (loss) from continuing operations before income taxes and equity in loss of unconsolidated affiliates	1,099	(4,989)	(34,816)	(18,440)
Provision (benefit) for federal, foreign, and state income taxes	22	(179)	(2,949)	(535)
Equity in loss of unconsolidated affiliate	(1,942)	(410)	(3,422)	(1,569)
Loss from continuing operations	(865)	(5,220)	(35,289)	(19,474)
Loss from discontinued agribusiness operations, net of tax	(10,225)	(5,221)	(29,520)	(4,962)
Loss on sale of discontinued agribusiness operations, net of tax	(1,348)		(18,251)	
Net loss from discontinued agribusiness operations, net of tax	(11,573)	(5,221)	(47,771)	(4,962)
Net loss	(12,438)	(10,441)	(83,060)	(24,436)
Net (income) loss attributable to noncontrolling interests	(1,654)	504	2,373	3,091
Net loss attributable to PICO Holdings, Inc.	$(14,092)	$(9,937)	$(80,687)	$(21,345)

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Other comprehensive income (loss):				
Net loss	$(12,438)	$(10,441)	$(83,060)	$(24,436)
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on securities, net of deferred income tax and reclassification adjustments	12	(767)	295	(337)
Foreign currency translation	(48)	247	(85)	245
Total other comprehensive income (loss), net of tax	(36)	(520)	210	(92)
Comprehensive loss	(12,474)	(10,961)	(82,850)	(24,528)
Comprehensive (income) loss attributable to noncontrolling interests	(1,654)	504	2,373	3,091
Comprehensive loss attributable to PICO Holdings, Inc.	$(14,128)	$(10,457)	$(80,477)	$(21,437)
Net loss per common share – basic and diluted:				
Loss from continuing operations	$(0.11)	$(0.24)	$(1.51)	$(0.75)
Loss from discontinued agribusiness operations	(0.50)	(0.20)	(2.00)	(0.19)
Net loss per common share – basic and diluted	$(0.61)	$(0.44)	$(3.51)	$(0.94)
Weighted average shares outstanding	23,017	22,770	23,010	22,757

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

PICO Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Shareholders’ Equity - Unaudited
Nine Months Ended September 30, 2015 and 2014
(In thousands)

	Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Shares of Treasury Stock	Treasury Stock, at Cost	Noncontrolling Interest	Total
Beginning balance, January 1, 2015	23,083	$ 23	$491,662	$ (69,508)	$ 4,717	78	$(1,413)	$ 86,064	$511,545
Stock-based compensation expense			2,379					674	3,053
Exercise of restricted stock units	12								
Withholding taxes paid on vested restricted stock units at UCP, Inc.			(211)					(159)	(370)
Distribution to noncontrolling interest								(16)	(16)
Net loss				(80,687)				(2,373)	(83,060)
Unrealized loss on investments, net of deferred income tax of $159 and reclassification adjustments of $581					295				295
Foreign currency translation					(85)				(85)
Ending balance, September 30, 2015	23,095	$ 23	$493,830	$ (150,195)	$ 4,927	78	$(1,413)	$ 84,190	$431,362

	Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Accumulated 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			4,273					1,540	5,813
Sale of treasury stock						(10)	223		223
	15								

Exercise of restricted stock units									
Withholding taxes paid on vested restricted stock units at UCP, Inc.			(800)					(817)	(1,617)
Net loss				(21,345)				(3,091)	(24,436)
Unrealized gain on investments, net of deferred income tax of $186 and reclassification adjustments of $1,813					(337)				(337)
Foreign currency translation					245				245
Ending balance, September 30, 2014	25,836	$ 26	$ 549,780	$ (38,428)	$ 140	3,063	$ (56,370)	$ 89,588	$ 544,736

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)

	Nine Months Ended September 30,	
	2015	2014
Operating activities:		
Cash used in operating activities - continuing operations	$(58,060)	$(80,271)
Cash used in operating activities - discontinued agribusiness operations	(17,462)	(2,228)
Net cash used in operating activities	(75,522)	(82,499)
Investing activities:		
Purchases of investments	(1,782)	(9,995)
Proceeds from sale of investments	7,055	21,954
Proceeds from maturity of investments	1,343	
Purchases of property, plant and equipment	(1,999)	(3,806)
Cash used in the acquisition of consolidated subsidiaries		(14,006)
Other investing activities, net	79	(209)
Cash provided by (used in) investing activities - continuing operations	4,696	(6,062)
Cash provided by (used in) investing activities - discontinued agribusiness operations	100,098	(4,919)
Net cash provided by (used in) investing activities	104,794	(10,981)
Financing activities:		
Repayment of debt	(174,533)	(75,218)
Payment of withholding taxes on exercise of restricted stock units	(370)	(1,619)
Debt issuance costs	(698)	
Proceeds from debt	125,294	86,583
Proceeds from the sale of treasury stock		223
Distribution to noncontrolling interests	(16)	
Cash provided by (used in) financing activities	(50,323)	9,969
Effect of exchange rate changes on cash		1,621
Decrease in cash and cash equivalents	(21,051)	(81,890)
Cash and cash equivalents, beginning of the period	62,978	138,039
Cash and cash equivalents, end of the period	41,927	56,149
Less cash and cash equivalents of discontinued agribusiness operations at the end of the period	1,773	482
Cash and cash equivalents of continuing operations, end of the period	$40,154	$55,667
Supplemental cash flow information:		
Refunds of federal, foreign, and state income taxes	$(72)	$(1,991)
Interest paid, net of amounts capitalized (primarily in discontinued agribusiness operations)	$3,295	$3,604
Non-cash investing and financing activities:		
Unpaid liability incurred for development costs	$1,332	
Issuance of common stock for vested restricted stock units	$680	$4,349
Fair value of assets acquired in Citizens acquisition		$20,259
Cash paid for acquisition of consolidated subsidiaries		$(14,006)

Contingent consideration and liabilities assumed in Citizens acquisition	$6,253

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

PICO Holdings, Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Footnote Index

1. Basis of Presentation and Summary of Significant Accounting Policies

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, 2015.

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, 2014 filed with the SEC.

Use of Estimates in Preparation of Financial Statements:

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, and contingent liabilities. While management believes that the carrying value of such assets and liabilities are appropriate, it is reasonably possible that actual results could differ from the estimates upon which the carrying values were based.

Discontinued Agribusiness Operations:

On July 13, 2015, the Company entered into an agreement with CHS Inc. (“CHS”), pursuant to which the Company sold substantially all of the assets used in its agribusiness segment. The sale closed on July 31, 2015. As a result of the transaction, the assets and liabilities of the Company’s agribusiness segment qualified as held-for-sale and have been classified as discontinued agribusiness operations in the accompanying condensed consolidated financial statements as of the earliest period presented. Consequently, prior periods presented have been recast from amounts previously reported to reflect the agribusiness segment as discontinued agribusiness operations. The Company recorded a loss on sale of discontinued agribusiness operations of $18.3 million during the nine months ended September 30, 2015. See Note 11 “Discontinued Agribusiness Operations” for additional information.

2. Real Estate and Tangible Water Assets

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

	September 30, 2015	December 31, 2014
Real estate and improvements held and used, net of accumulated depreciation of $11,558 and $10,899 at September 30, 2015 and December 31, 2014, respectively	$9,914	$10,574
Residential real estate and home construction inventories	384,748	322,938
Other real estate inventories completed or under development	10,000	10,308
Tangible water assets	42,518	42,530
Total real estate and tangible water assets	$447,180	$386,350

Amortization of real estate improvements was approximately $219,000 for each of the three months ended September 30, 2015 and 2014, and was approximately $659,000 for each of the nine months ended September 30, 2015 and 2014.

Impairment Losses for the Nine Months Ended September 30, 2015:

There were no material impairment losses recognized on real estate and tangible water assets during the nine months ended September 30, 2015.

Impairment Losses for the Year Ended December 31, 2014:

During 2014, certain water rights applications were denied by the New Mexico State Engineer and as a result, the Company recorded an impairment loss of $3.5 million by writing down the project's capitalized costs to zero.

During 2014, the Company decided to sell a property "as-is" as opposed to performing development activities as originally planned and has therefore written down the carrying value of the asset to the estimated fair value. The Company has reduced the carrying value of the real estate balance to $1.4 million by recording an impairment loss of $2.9 million.

3. Intangible Assets

The Company owns the following intangible assets, which primarily represent indefinite-lived intangible water assets within its water resource and water storage operations segment (in thousands):

	September 30, 2015	December 31, 2014
Pipeline rights and water credits at Fish Springs Ranch	$83,897	$83,897
Pipeline rights and water rights at Carson-Lyon	24,831	24,804
Other, net of accumulated amortization	18,107	17,911
Total intangible assets	$126,835	$126,612

Impairment Losses for the Nine Months Ended September 30, 2015:

There were no impairment losses recognized on intangible assets during the nine months ended September 30, 2015.

Impairment Losses for the Year Ended December 31, 2014:

As a result of the Company's annual review of indefinite-lived intangible assets, using a discounted cash flow model, it was determined that the estimated fair values of other intangible assets of approximately $3.3 million were below the carrying value of $5.6 million, resulting in an impairment loss of $2.3 million. This was the first such impairment recorded on these assets.

4. Investments

The cost and carrying value of available-for-sale investments were as follows (in thousands):

September 30, 2015	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Debt securities: corporate bonds	$4,608	$42	$(95)	$4,555
Marketable equity securities	10,545	7,988	(139)	18,394
Total available-for-sale investments	$15,153	$8,030	$(234)	$22,949

December 31, 2014	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Debt securities: corporate bonds	$8,909	$198	$(65)	$9,042
Marketable equity securities	14,780	7,335	(125)	21,990
Total available-for-sale investments	$23,689	$7,533	$(190)	$31,032

There were no investments that had a material unrealized loss position as of September 30, 2015 or December 31, 2014.

The amortized cost and carrying value of investments in debt securities, by contractual maturity, are shown below. Actual maturity dates may differ from contractual maturity dates because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (in thousands):

	September 30, 2015		December 31, 2014	
	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value
Due in one year or less	$162	$161	$3,786	$3,958
Due after one year through five years	2,689	2,617	3,310	3,255
Due after five years	1,757	1,777	1,813	1,829
Total	$4,608	$4,555	$8,909	$9,042

Debt Securities

The Company owns corporate bonds and other debt securities, which are purchased based on the maturity and yield-to-maturity of the bond and an analysis of the fundamental characteristics of the issuer. At September 30, 2015, and December 31, 2014, there were unrealized losses on certain bonds in the portfolio. The Company does not consider those bonds to be other-than-temporarily impaired because the Company expects to hold, and will not be required to sell, these particular bonds, and it expects to recover the entire amortized cost basis at maturity. There were no impairment losses recorded on debt securities during the three and nine months ended September 30, 2015 and 2014.

Marketable Equity Securities

The Company’s investment in marketable equity securities was $18.4 million at September 30, 2015, and principally consisted of common stock of publicly traded small-capitalization companies in the U.S. and select foreign markets. At September 30, 2015, the Company reviewed its equity securities in an unrealized loss position and concluded certain of such securities were not other-than-temporarily impaired as the declines were not of sufficient duration and severity, and publicly-available financial information, collectively, did not indicate impairment. The primary cause of the loss on those securities was normal market volatility. No material impairment losses were recorded during the three and nine months ended September 30, 2015 and 2014.

Other Investments

The Company owned the following investments that are not classified as available-for-sale (in thousands):

	September 30, 2015			December 31, 2014		
	Carrying Value	Voting Interest		Carrying Value	Voting Interest	
Investment in Synthonics	$2,170	18.3	%	$2,170	19.6	%
Investment in Mindjet:						
Investment in common stock	$—	19.3	%	$6,611	15.0	%
Investment in preferred stock	1,312	—	%	15,858	13.4	%
	$1,312	19.3	%	$22,469	28.4	%
Total	$3,482			$24,639		

Investment in Synthonics:

Synthonics, Inc. (“Synthonics”) is a private company co-founded by a member of the Company’s board of directors. The Company’s investment consists of preferred shares as discussed in Note 9 “Related-Party Transactions.”

Investment in Mindjet:

During the three months ended September 30, 2015, Mindjet, Inc. (“Mindjet”) raised additional capital from existing shareholders. The Company elected not to participate in the offering and as a result, the Company’s existing investment in preferred stock was converted to common stock at five shares of preferred stock for one share of common stock, and the Company’s investment in convertible debt was converted into nonvoting preferred stock resulting in a decline in the Company’s voting ownership to 19.3%. In addition, the Company lost its right to a board seat. Given the current voting interest and loss of board representation, the Company determined it no longer had significant influence over the operating and financial policies of Mindjet and therefore discontinued the equity method of accounting during the third quarter of 2015. The remaining investment was held at cost at September 30, 2015. At September 30, 2015 the Company’s total carrying value in Mindjet was $2.2 million, comprised of $1.3 million in preferred stock and a note receivable of $851,000 that is expected to be converted into additional preferred stock during the fourth quarter of 2015.

The Company had previously accounted for the investment in common stock using the equity method of accounting, which resulted in recording a loss of $1.9 million and $3.4 million in the condensed consolidated statement of operations and comprehensive income or loss for the three and nine months ended September 30, 2015, respectively, and a loss of $410,000 and $1.6 million for the three and nine months ended September 30, 2014, respectively. The Company’s share of the losses reported by Mindjet during the third quarter of 2015 were allocated to the carrying value of the common stock investment until it reached zero, and then to the preferred stock and convertible debt.

During the nine months ended September 30, 2015, the Company recorded a $20.7 million impairment loss on the investment in Mindjet common and preferred shares as the estimated fair value was less than the carrying value due to significantly increased, and continuing operating losses and resulting liquidity issues, actual financial results significantly less than projections, and decreased market conditions that have adversely affected the value of Mindjet. Such loss was recorded in impairment on investments in the condensed consolidated statement of operations and comprehensive income or loss. The fair value of the investment in Mindjet was based on an analysis of the financial and operational aspects of the company, including consideration of business enterprise value-to-revenue ratios for comparable public companies to current revenue metrics for the company. Determination of the business enterprise value based on the foregoing was then considered in an analysis of the distribution of equity value to the various classes of debt and equity issued by Mindjet in order to reflect differences in value due to differing liquidation preferences, dividend and voting rights. The fair value approach relied primarily on Level 3 unobservable inputs, whereby expected future cash flows were determined using revenue multiples that included assumptions regarding an entity's assumptions about risk and uncertainties. The estimates were based upon assumptions believed to be reasonable, but which by their nature are uncertain and unpredictable.

It is reasonably possible that the Company's ownership percentage in Mindjet will continue to decline as other shareholders fund the ongoing operations with additional equity capital and upon conversion of notes in the fourth quarter of 2015. The Company does not anticipate investing any additional capital into Mindjet.

The carrying value of the Company's investment in Mindjet is subject to impairment testing at each reporting period, or more frequently if facts and circumstances indicate the investment may be impaired. It is reasonably possible that circumstances may continue to deteriorate which could require the Company to record additional impairment losses on the remaining investment balances.

During the fourth quarter of 2014, the Company recorded a $1.1 million impairment loss on the preferred shares as the estimated fair value of such shares was less than the carrying value. The fair value was determined using a 50/50 weighting of the guideline public company method (market approach) and a discounted cash flow method (income approach).

During 2014, the Company was notified by Mindjet that it was asserting a breach in the representations and warranties made by Spigit, Inc. ("Spigit") in the September 10, 2013 merger agreement. As part of the notification, Mindjet made a claim against the Mindjet shares held by the former Spigit shareholders, including the Company. A partial settlement was reached by the parties in November 2014 and the Company expects final resolution in 2015. The partial settlement was not material to the Company and was paid in shares of Mindjet. The maximum damages to the Company for the remaining claim is estimated between zero and $1.2 million and any settlement would be paid by the Company in shares of Mindjet. The Company is unable to provide a more meaningful estimate due to the ongoing development of information important to resolving the matter. Consequently, the Company has not accrued any liability related to the claim.

5. Disclosures About Fair Value

Recurring Fair Value Measurements

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The following tables set forth the Company's assets and liabilities that were measured at fair value, on a recurring basis, by level within the fair value hierarchy. During the year ended December 31, 2014, $5.6 million in equity securities were transferred from Level 1 to Level 2 as a result of low trading volume and a wide bid/ask spread. There were no significant transfers from Level 2 to Level 1 during the year ended December 31, 2014. There were no significant transfers between Level 1 and Level 2 during the nine months ended September 30, 2015. The Company's policy is to recognize transfers between levels at the end of the reporting period.

At September 30, 2015 (in thousands):

	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)