

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

In re THE PMI GROUP, INC. SECURITIES) Master File No. 3:08-cv-01405-SI
LITIGATION)
) CLASS ACTION
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This Document Relates To:)
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ALL ACTIONS.)
)

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF THE PMI GROUP, INC. ("PMI") FROM NOVEMBER 2, 2006 TO MARCH 3, 2008, INCLUSIVE

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. PLEASE NOTE THAT IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM AND RELEASE FORM ("PROOF OF CLAIM") POSTMARKED ON OR BEFORE DECEMBER 21, 2010.

IF YOU DO NOT WISH TO BE INCLUDED IN THE CLASS AND YOU DO NOT WISH TO PARTICIPATE IN THE PROPOSED SETTLEMENT DESCRIBED IN THIS NOTICE, YOU MAY REQUEST TO BE EXCLUDED. TO DO SO, YOU MUST SUBMIT A WRITTEN REQUEST FOR EXCLUSION THAT MUST BE POSTMARKED ON OR BEFORE NOVEMBER 5, 2010.

This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Northern District of California (the "Court"). The purpose of this Notice is to inform you of the pendency and proposed settlement of this class action litigation and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the settlement. This Notice is not intended to be, and should not be construed as, an expression of any opinion by the Court with respect to the truth of the allegations in the Litigation or the merits of the claims or defenses asserted. This Notice describes the rights you may have in connection with the settlement and what steps you may take in relation to the settlement and this class action litigation.

The proposed settlement creates a fund in the amount of \$31,250,000 in cash and will include interest that accrues on the fund prior to distribution. Your ability to recover from the Settlement Fund will depend on a number of variables, including the number of shares of PMI common stock you purchased or acquired during the period from November 2, 2006 through and including March 3, 2008, and the timing of your purchases and any sales. Lead Counsel estimate that if claims representing 100% of the number of securities entitled to participate in a distribution from the Net Settlement Fund are made, the average distribution per share will be approximately \$0.21 before deduction of Court-approved fees and expenses. Typically, claims for less than 100% of eligible securities are submitted to the Claims Administrator and, thus, average distributions are higher than that estimated above. Lead Plaintiff and the Defendants do not agree on the average amount of damages per share that would be recoverable if the Lead Plaintiff was to have prevailed on each claim alleged. The issues on which the parties disagree include: (1) the amount by which PMI common stock was allegedly artificially inflated (if at all) during the Class Period; (2) the effect of various market forces influencing the trading price of PMI common stock at various times during the Class Period; (3) the extent to which external factors, such as general market and industry conditions, influenced the trading price of PMI common stock at various times during the Class Period; (4) the extent to which the various matters that Lead Plaintiff alleged were materially false or misleading influenced (if at all) the trading price of PMI common stock at various times during the Class Period; (5) the extent to which the various allegedly adverse material facts that Lead Plaintiff alleged were omitted influenced (if at all) the trading price of PMI common stock at various times during the Class Period; and (6) whether the statements made or facts allegedly omitted were material, false, misleading, or otherwise actionable under the securities laws.

The Lead Plaintiff believes that the proposed settlement is a good recovery and is in the best interests of the Class. Because of the risks associated with continuing to litigate and proceeding to trial, there was a danger that the Class would not have prevailed on any of its claims, in which case the Class would receive nothing. The amount of damages recoverable by the Class was and is challenged by the Defendants. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Litigation gone to trial, Defendants would have asserted that all or most of the losses of Class Members were caused by non-actionable market, industry, or general economic factors. The Defendants would also assert that throughout the Class Period the uncertainties and risks associated with the purchase of PMI common stock were fully and adequately disclosed.

Lead Counsel have not received any payment for their services in conducting this Litigation on behalf of the Lead Plaintiff and the Members of the Class, nor have they been reimbursed for all of their expenses. If the settlement is approved

by the Court, counsel for the plaintiffs will apply to the Court for attorneys' fees of 24.5% of the Settlement Fund plus expenses not to exceed \$300,000 to be paid from the Settlement Fund. If the amount requested is approved by the Court, the average cost per share will be \$0.05. In addition, Lead Plaintiff may seek reimbursement of its expenses incurred in prosecuting the Litigation on behalf of the Class in an amount not to exceed \$2,500.

For further information regarding this settlement you may contact a representative of Lead Counsel: Rick Nelson, c/o Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 W. Broadway, Suite 1900, San Diego, CA 92101, Telephone: 800/449-4900.

I. NOTICE OF HEARING ON PROPOSED SETTLEMENT

A final approval hearing will be held on December 16, 2010, at 9:00 a.m., before the Honorable Susan Illston, United States District Judge, at the United States District Court for the Northern District of California, Phillip Burton United States Courthouse, 450 Golden Gate Avenue, San Francisco, CA 94102 (the "Final Approval Hearing"). The purpose of the Final Approval Hearing will be to determine: (1) whether the settlement consisting of \$31,250,000 in cash should be approved as fair, reasonable, and adequate to the Class; (2) whether the proposed plan to distribute the settlement proceeds (the "Plan of Allocation") is fair, reasonable, and adequate; and (3) whether the application by Lead Counsel for an award of attorneys' fees and expenses and reimbursement of the expenses of the Lead Plaintiff should be approved. The Court may adjourn or continue the Final Approval Hearing without further notice to the Class.

II. DEFINITIONS USED IN THIS NOTICE

1. "Authorized Claimant" means any Class Member whose claim for recovery has been allowed pursuant to the terms of the Stipulation.

2. "Claims Administrator" means the firm of Gilardi & Co. LLC.

3. "Class" means all Persons (other than those Persons who timely and validly request exclusion from the Class) who purchased or otherwise acquired the common stock of The PMI Group, Inc. during the period from November 2, 2006 to March 3, 2008, inclusive, excluding the Defendants herein, members of the immediate family of the Defendants, the directors, officers, subsidiaries and affiliates of The PMI Group, Inc., any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest, and the legal representatives, affiliates, heirs, successors-in-interest or assigns of any such excluded party.

4. "Class Member" or "Member of the Class" mean a Person who falls within the definition of the Class as set forth above.

5. "Class Period" means the period commencing on November 2, 2006 through and including March 3, 2008.

6. "Defendants" means The PMI Group, Inc., L. Stephen Smith, Bradley M. Shuster, David H. Katkov, and Donald P. Lofe, Jr.

7. "Effective Date," or the date upon which this settlement becomes "effective," means three (3) business days after the date by which all of the events and conditions specified in paragraph 7.1 of the Stipulation have been met and have occurred.

8. "Final" means when the last of the following with respect to the Judgment approving the Stipulation, substantially in the form of Exhibit B attached to the Stipulation shall occur: (i) the expiration of the time to file a motion to alter or amend the Judgment under Federal Rule of Civil Procedure 59(e) without any such motion having been filed; (ii) the time in which to appeal the Judgment has passed without any appeal having been taken; and (iii) if a motion to alter or amend is filed or if an appeal is taken, immediately after the determination of that motion or appeal so that it is no longer subject to any further judicial review or appeal whatsoever, whether by reason of affirmance by a court of last resort, lapse of time, voluntary dismissal of the appeal or otherwise in such a manner as to permit the consummation of the settlement substantially in accordance with the terms and conditions of the Stipulation. For purposes of this paragraph, an "appeal" shall include any petition for a writ of certiorari or other writ that may be filed in connection with approval or disapproval of this settlement, but shall not include any appeal which concerns only the issue of attorneys' fees and expenses, the Plan of Allocation of the Settlement Fund, as hereinafter defined, or the procedures for determining Authorized Claimants' recognized claims.

9. "Individual Defendants" means L. Stephen Smith, Bradley M. Shuster, David H. Katkov, and Donald P. Lofe, Jr.

10. "Judgment" means the Final Judgment and Order of Dismissal With Prejudice to be rendered by the Court.

11. "Lead Counsel" means: Robbins Geller Rudman & Dowd LLP, Keith F. Park, Daniel S. Drosman, 655 W. Broadway, Suite 1900, San Diego, CA 92101; and Robbins Geller Rudman & Dowd LLP, Daniel J. Pfefferbaum, Phillip G. Freemon, Post-Montgomery Center, One Montgomery Street, Suite 1800, San Francisco, CA 94104.

12. "Lead Plaintiff" means Locals 302 and 612 of the International Union of Operating Engineers-Employers Construction Industry Retirement Trust.

13. "Litigation" means the consolidated actions under case number 3:08-cv-01405-SI.

14. "Net Settlement Fund" means the Settlement Fund less any attorneys' fees, costs, and expenses, and any award to Lead Plaintiff approved by the Court and less notice and administration costs, Taxes and Tax Expenses, and other Court-approved deductions.

15. "Person" means an individual, corporation, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assignees.

16. "Plaintiffs" means the Lead Plaintiff and the Class.

17. "Plan of Allocation" means a plan or formula of allocation of the Settlement Fund whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of expenses of notice and administration of the settlement, Taxes and Tax Expenses, and such attorneys' fees, costs, expenses, and interest, as well as Lead Plaintiff's expenses, if any, as may be awarded by the Court. Any Plan of Allocation is not part of the Stipulation and neither Defendants nor their Related Parties shall have any responsibility or liability with respect thereto.

18. "PMI" means The PMI Group, Inc.

19. "Related Parties" means each of a Defendant's past or present directors, officers, employees, partners, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, related or affiliated entities, any entity in which a Defendant has a controlling interest, any members of any Individual Defendant's immediate family, or any trust of which any Individual Defendant is the settlor or which is for the benefit of any Individual Defendant's family.

20. "Released Claims" shall collectively mean any and all claims arising from the purchase or other acquisition of PMI common stock during the Class Period and the acts, facts, statements or omissions that were or could have been alleged in the Litigation. "Released Claims" includes "Unknown Claims" as defined below. Released Claims does not include any of the claims asserted in *The Port Authority of Allegheny County Retirement and Disability Allowance Plan for Employees Represented by Local 85 of the Amalgamated Transit Union v. Smith, et al.*, No. CV 08-2046, filed in the United States District Court for the Northern District of California, or *Torres, Derivatively on Behalf of The PMI Group, Inc. v. Smith, et al.*, filed in Superior Court of the State of California, County of Contra Costa, Case No. MSC-08-01068, or any ERISA claims.

21. "Released Persons" means each and all of the Defendants and their Related Parties.

22. "Settlement Amount" means Thirty-One Million Two Hundred Fifty Thousand Dollars (\$31,250,000) in cash to be paid by wire transfer to the Escrow Agent pursuant to paragraph 2.1 of the Stipulation.

23. "Settlement Fund" means the Settlement Amount plus all interest and accretions thereto and which may be reduced by payments or deductions as provided in the Stipulation or by Court order.

24. "Settling Parties" means, collectively, the Defendants and the Plaintiffs.

25. "Unknown Claims" means any Released Claims which Lead Plaintiff or Class Members do not know or suspect to exist in his, her, or its favor at the time of the release of the Released Persons which, if known by him, her, or it, might have affected his, her, or its settlement with and release of the Released Persons, or might have affected his, her, or its decision not to object to this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Lead Plaintiff shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights, and benefits of California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Lead Plaintiff shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. The Lead Plaintiff and Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but the Lead Plaintiff shall expressly settle and release and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the

subsequent discovery or existence of such different or additional facts. The Lead Plaintiff acknowledges, and the Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

III. THE LITIGATION

The initial complaint in this case was filed as *Weinrib v. The PMI Group, Inc., et al.*, No. CV-08-01405-SI in the Northern District of California on March 12, 2008. A substantially identical class action case, *Holt v. The PMI Group, Inc., et al.*, No. C-08-01806-SC, was filed in the Northern District of California on April 3, 2008. These cases were consolidated by a Court Order dated April 17, 2008, and were subsequently captioned as *In re The PMI Group, Inc. Securities Litigation* under the case number C-08-01405-SI. Following the appointment of Locals 302 and 612 of the International Union of Operating Engineers-Employers Construction Industry Retirement Trust as Lead Plaintiff on June 20, 2008, Lead Plaintiff filed the Consolidated Complaint for Violation of the Federal Securities Laws ("CC"). The CC alleged that the defendants violated §§10(b) and 20(a) of the Securities Exchange Act of 1934. Defendants moved to dismiss the CC on October 14, 2008. On July 1, 2009, the Court granted in part and denied in part defendants' motion to dismiss the CC. Lead Plaintiff filed the First Amended Complaint for Violation of the Federal Securities Laws ("FAC") on July 24, 2009. Defendants moved to dismiss the FAC on September 2, 2009. On November 2, 2009, Judge Illston denied defendants' motion to dismiss the FAC.

On May 6, 2010, Lead Plaintiff filed a motion for class certification. Defendants did not oppose the motion for class certification. The parties attended a mediation session with the Honorable Layn R. Phillips, a former United States District Judge for the Western District of Oklahoma, in San Francisco on June 10, 2010; each side submitted comprehensive mediation statements setting forth the strengths and weaknesses of their case. The first mediation session, lasting approximately eight hours, did not result in a settlement, however the mediator continued to engage the parties in ongoing settlement discussions. On July 13, 2010, after more than eight hours of further mediation, the parties reached an agreement-in-principle and signed a memorandum of understanding. Pursuant to Judge Illston's Pretrial Preparation Order of February 23, 2010, the close of non-expert discovery in this case was set for January 28, 2011. Trial is set for October 3, 2011. Additional pre-trial dates are set forth in a scheduling order issued by Judge Illston.

IV. CLAIMS OF THE LEAD PLAINTIFF AND BENEFITS OF SETTLEMENT

The Lead Plaintiff believes that the claims asserted in the Litigation have merit and that the evidence developed to date supports the claims. However, the Lead Plaintiff and its counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against Defendants through trial and through appeals. The Lead Plaintiff and its counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Litigation, as well as the difficulties and delays inherent in such litigation. The Lead Plaintiff and its counsel also are mindful of the inherent problems of proof under and possible defenses to the securities law violations asserted in the Litigation. The Lead Plaintiff and its counsel believe that the settlement set forth in the Stipulation confers substantial benefits upon the Class. Based on their evaluation, the Lead Plaintiff and its counsel have determined that the settlement set forth in the Stipulation is in the best interests of the Lead Plaintiff and the Class.

V. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

Defendants have denied and continue to deny each and all of the claims alleged by the Lead Plaintiff in the Litigation. Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Litigation. Defendants also have denied and continue to deny, *inter alia*, the allegations that the Lead Plaintiff or the Class have suffered damage, that the price of PMI common stock was artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, or that the Lead Plaintiff or the Class were harmed by the conduct alleged in the FAC and the Defendants believe that the evidence developed to date supports their position that they acted properly at all times and that the Litigation is without merit.

Nonetheless, Defendants have concluded that further conduct of the Litigation would be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like the Litigation. Defendants have, therefore, determined that it is desirable and beneficial to them that the Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation.

VI. TERMS OF THE PROPOSED SETTLEMENT

Defendants have paid or caused to be paid into an escrow account, pursuant to the terms of the Stipulation of Settlement dated as of August 30, 2010 (the "Stipulation"), cash in the amount of \$31,250,000 which has been earning and will continue to earn interest for the benefit of the Class. In exchange for such payment, the Released Claims will be released, discharged, and dismissed with prejudice as against each of the Released Persons.

A portion of the settlement proceeds will be used for certain administrative expenses, including costs of printing and mailing this Notice, the cost of publishing a newspaper notice, payment of any taxes assessed against the Settlement Fund and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Settlement Fund may be awarded by the Court to counsel for plaintiffs as attorneys' fees and expenses. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Allocation described below to Class Members who submit valid and timely Proofs of Claim.

VII. THE RIGHTS OF CLASS MEMBERS

If you are a Class Member, you may receive the benefit of and you will be bound by the terms of the proposed settlement described in §VI of this Notice, upon approval of it by the Court.

If you are a Class Member, you have the following options:

1. You may file a Proof of Claim as described below. If you choose this option, you will remain a Class Member, you will share in the proceeds of the proposed settlement if your claim is timely and valid and if the proposed settlement is finally approved by the Court, and you will be bound by the Judgment and release described below.

2. If you do not wish to be included in the Class and you do not wish to participate in the proposed settlement described in this Notice, you may request to be excluded. To do so, you must submit a written request for exclusion that must be postmarked on or before November 5, 2010. You must set forth: (a) your name, address, and telephone number; (b) the number of shares of PMI common stock purchased or acquired and the number of shares sold during the Class Period and the dates and prices of such purchase(s), acquisition(s), and/or sale(s); and (c) that you wish to be excluded from the Class. The exclusion request should be addressed as follows:

PMI Securities Litigation
EXCLUSION REQUEST
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 990
Corte Madera, CA 94976-0990

NO REQUEST FOR EXCLUSION WILL BE CONSIDERED VALID UNLESS ALL OF THE INFORMATION DESCRIBED ABOVE IS INCLUDED IN ANY SUCH REQUEST.

If you timely and validly request exclusion from the Class, (a) you will be excluded from the Class, (b) you will not share in the proceeds of the settlement described herein, (c) you will not be bound by any judgment entered in the Litigation, and (d) you will not be precluded, by reason of your decision to request exclusion from the Class, from otherwise prosecuting an individual claim, if timely, against Defendants based on the matters complained of in the Litigation.

3. If you do not request in writing to be excluded from the Class, as set forth in paragraph 2 above, you will be bound by any and all determinations or judgments in the Litigation in connection with the settlement entered into or approved by the Court, whether favorable or unfavorable to the Class, and you shall be deemed to have, and by operation of the Judgment shall have fully released all of the Released Claims against the Released Persons, whether or not you submit a valid Proof of Claim.

4. You may object to the settlement, the Plan of Allocation, and/or the application of Lead Counsel or Lead Plaintiff for an award of attorneys' fees and expenses in the manner set forth below. The filing of a Proof of Claim by a Class Member does not preclude a Class Member from objecting to the settlement. However, if your objection is rejected you will be bound by the settlement and the Judgment just as if you had not objected.

5. You may do nothing at all. If you choose this option, you will not share in the proceeds of the settlement, but you will be bound by any judgment entered by the Court, and you shall be deemed to have, and by operation of the Judgment shall have fully released all of the Released Claims against the Released Persons.

If you are a Class Member, you may, but are not required to, enter an appearance through counsel of your own choosing at your own expense. If you do not do so, you will be represented by Lead Counsel: Robbins Geller Rudman & Dowd LLP, Keith F. Park, Daniel S. Drosman, 655 W. Broadway, Suite 1900, San Diego, CA 92101 and Robbins Geller Rudman & Dowd LLP, Daniel J. Pfefferbaum, Phillip G. Freemon, Post-Montgomery Center, One Montgomery Street, Suite 1800, San Francisco, CA 94104.

VIII. PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Class Members who submit valid, timely Proofs of Claim ("Authorized Claimants") under the Plan of Allocation described below. The Plan of Allocation provides that you will be eligible to participate in the distribution of the Net Settlement Fund only if you have a net loss on all transactions in PMI common stock during the Class Period.

For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Lead Counsel have consulted with their damage experts and the Plan of Allocation reflects an assessment of the damages that they believe could have been recovered had Lead Plaintiff prevailed at trial.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's claim, as defined below. If, however (and as is more likely), the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

A claim will be calculated as follows:

1. For shares of PMI common stock that were purchased or acquired from November 2, 2006 through July 30, 2007, and
 - (a) sold prior to July 31, 2007, the claim per share is \$0;
 - (b) sold from July 31, 2007 through October 17, 2007, the claim is \$2.44 per share;
 - (c) sold from October 18, 2007 through October 29, 2007, the claim is \$5.40 per share;
 - (d) sold from October 30, 2007 through March 3, 2008, the claim is \$7.03 per share;
 - (e) retained at the end of March 3, 2008, the claim is \$7.24 per share.
2. For shares of PMI common stock that were purchased or acquired from July 31, 2007 through October 17, 2007, and
 - (a) sold prior to October 18, 2007, the claim per share is \$0;
 - (b) sold from October 18, 2007 through October 29, 2007, the claim is \$2.96 per share;
 - (c) sold from October 30, 2007 through March 3, 2008, the claim is \$4.59 per share;
 - (d) retained at the end of March 3, 2008, the claim is \$4.80 per share.
3. For shares of PMI common stock that were purchased or acquired from October 18, 2007 through October 29, 2007, and
 - (a) sold prior to October 30, 2007, the claim per share is \$0;
 - (b) sold from October 30, 2007 through March 3, 2008, the claim is \$1.63 per share;
 - (c) retained at the end of March 3, 2008, the claim is \$1.84 per share.
4. For shares of PMI common stock that were purchased or acquired from October 30, 2007 through March 3, 2008, and
 - (a) sold prior to March 3, 2008, the claim per share is \$0;
 - (b) retained at the end of March 3, 2008, the claim is \$0.21 per share.

The date of purchase, acquisition or sale is the "contract" or "trade" date as distinguished from the "settlement" date.

For Class Members who held shares at the beginning of the Class Period or made multiple purchases, acquisitions, or sales during the Class Period, the First-In, First-Out ("FIFO") method will be applied to such holdings, purchases, and sales for purposes of calculating a claim. Under the FIFO method, sales of securities during the Class Period will be matched, in chronological order, first against securities of the same type held at the beginning of the Class Period. The remaining sales of securities during the Class Period will then be matched, in chronological order, against securities purchased or acquired during the Class Period.

A Class Member will be eligible to receive a distribution from the Net Settlement Fund only if a Class Member had a net loss, after all profits from transactions in PMI common stock during the Class Period are subtracted from all losses. However, the proceeds from sales of securities which have been matched against securities held at the beginning of the Class Period will not be used in the calculation of such net loss. No distributions will be made to Class Members who would otherwise receive less than \$10.00.

The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Class Member on equitable grounds.

Payment pursuant to the Plan of Allocation set forth above shall be conclusive against all Authorized Claimants. No Person shall have any claim of any kind against the Defendants or their Related Parties with respect to the investment or distribution of the Settlement Fund. No Person shall have any claim against Lead Plaintiff, Lead Counsel, or any claims administrator or other person designated by Lead Counsel based on distributions made substantially in accordance with the Stipulation and the settlement contained therein, the Plan of Allocation, or further orders of the Court. All Class Members who fail to complete and file a valid and timely Proof of Claim shall be barred from participating in distributions from the Net

Settlement Fund (unless otherwise ordered by the Court), but otherwise shall be bound by all of the terms of the Stipulation, including the terms of any judgment entered and the releases given.

IX. PARTICIPATION IN THE SETTLEMENT

TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM THAT ACCOMPANIES THIS NOTICE. The Proof of Claim must be postmarked on or before December 21, 2010, and delivered to the Claims Administrator at the address below. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Judgment.

X. DISMISSAL AND RELEASES

If the proposed settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice ("Judgment"). The Judgment will dismiss the Released Claims with prejudice as to all Defendants. The Judgment will provide that all Class Members shall be deemed to have released and forever discharged all Released Claims against all Released Persons and that the Released Persons shall be deemed to have released and discharged all Class Members and counsel to the Lead Plaintiff from all claims arising out of the prosecution and settlement of the Litigation or the Released Claims.

XI. APPLICATION FOR FEES AND EXPENSES

At the Final Approval Hearing, counsel for plaintiffs will request the Court to award attorneys' fees of 24.5% of the Settlement Fund, plus expenses, not to exceed \$300,000, which were incurred in connection with the Litigation, plus interest thereon. In addition, the Lead Plaintiff will seek reimbursement of its expenses incurred in representing the Class in the Litigation, not to exceed \$2,500. Such sums as may be approved by the Court will be paid from the Settlement Fund. Class Members are not personally liable for any such fees or expenses.

To date, Lead Counsel have not received any payment for their services in conducting this Litigation on behalf of the Lead Plaintiff and Members of the Class, nor have counsel been fully paid their substantial expenses. The fee requested by Lead Counsel will compensate counsel for their efforts in achieving the Settlement Fund for the benefit of the Class, and for their risk in undertaking this representation on a wholly contingent basis. The fee requested is well within (if not below) the range of fees awarded to plaintiffs' counsel under similar circumstances in other litigation of this type.

XII. CONDITIONS FOR SETTLEMENT

The settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) entry of the Judgment by the Court, as provided for in the Stipulation; and (2) expiration of the time to appeal from or alter or amend the Judgment. If, for any reason, any one of the conditions described in the Stipulation is not met, the Stipulation might be terminated and, if terminated, will become null and void, and the parties to the Stipulation will be restored to their respective positions as of July 12, 2010.

XIII. THE RIGHT TO BE HEARD AT THE HEARING

Any Class Member who timely and validly files a written objection to any aspect of the settlement, the Plan of Allocation, or the application for attorneys' fees and expenses, may appear and be heard at the Final Approval Hearing. Any such Person must submit a written notice of objection, received on or before November 5, 2010, to each of the following:

CLERK OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
PHILLIP BURTON UNITED STATES COURTHOUSE
450 Golden Gate Avenue, Room 16-1111
San Francisco, CA 94102

Lead Counsel for Plaintiffs:

ROBBINS GELLER RUDMAN
& DOWD LLP
KEITH F. PARK
655 W. Broadway, Suite 1900
San Diego, CA 92101

Counsel for Defendants:

O'MELVENY & MYERS LLP
MEREDITH N. LANDY
2765 Sand Hill Road
Menlo Park, CA 94025

The notice of objection must demonstrate the objecting Person's membership in the Class, including the number of shares of PMI common stock purchased or acquired and sold during the Class Period and contain a statement of the reasons for objection. Only Members of the Class who have submitted written notices of objection in this manner will be entitled to be heard at the Final Approval Hearing, unless the Court orders otherwise.

XIV. SPECIAL NOTICE TO NOMINEES

If you hold any PMI common stock purchased or acquired during the Class Period as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim by First-Class-Mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

PMI Securities Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 990
Corte Madera, CA 94976-0990

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and Proof of Claim and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim, upon submission of appropriate documentation to the Claims Administrator.

XV. EXAMINATION OF PAPERS

This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may review the Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, United States Courthouse, Northern District of California, Phillip Burton United States Courthouse, 450 Golden Gate Avenue, Room 16-1111, San Francisco, CA 94102 or at www.gilardi.com.

If you have any questions about the settlement of the Litigation, you may contact Lead Counsel by writing:

ROBBINS GELLER RUDMAN
& DOWD LLP
KEITH F. PARK
655 W. Broadway, Suite 1900
San Diego, CA 92101

PLEASE DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.

DATED: September 7, 2010

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA