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11 Lead Counsel for Plaintiffs

12 UNITED STATES DISTRICT COURT  
13  
14 NORTHERN DISTRICT OF CALIFORNIA

15 In re THE PMI GROUP, INC. SECURITIES )	Master File No. 3:08-cv-01405-SI
LITIGATION )	
_____ )	<u>CLASS ACTION</u>
This Document Relates To: )	STIPULATION OF SETTLEMENT
ALL ACTIONS. )	
_____ )	

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1 This Stipulation of Settlement dated as of August 30, 2010 (the “Stipulation”), is made and  
2 entered into by and among: (i) the Lead Plaintiff Locals 302 and 612 of the International Union of  
3 Operating Engineers-Employers Construction Industry Retirement Trust (on behalf of itself and each  
4 of the Class Members), by and through its counsel of record in the Litigation; and (ii) Defendants  
5 The PMI Group, Inc., L. Stephen Smith, Bradley M. Shuster, David H. Katkov and Donald P. Lofe,  
6 Jr., by and through their counsel of record in the Litigation. The Stipulation is intended to fully,  
7 finally, and forever resolve, discharge, and settle the Released Claims (as defined herein), subject to  
8 the approval of the Court and the terms and conditions set forth in this Stipulation.

9 **I. THE LITIGATION**

10 The initial complaint in this case was filed as *Weinrib v. The PMI Group, Inc., et al.*, No.  
11 CV-08-01405-SI in the Northern District of California on March 12, 2008. A substantially identical  
12 class action case, *Holt v. The PMI Group, Inc., et al.*, No. C-08-01806-SC, was filed in the Northern  
13 District of California on April 3, 2008. These cases were consolidated by a Court Order dated April  
14 17, 2008, and were subsequently captioned as *In re The PMI Group, Inc. Securities Litigation* under  
15 the case number C-08-01405-SI. See Docket Nos. 7-8. Following the appointment of Locals 302  
16 and 612 of the International Union of Operating Engineers-Employers Construction Industry  
17 Retirement Trust as Lead Plaintiff on June 20, 2008, Lead Plaintiff filed the Consolidated Complaint  
18 for Violation of the Federal Securities Laws (“CC”). The CC alleged that the defendants violated  
19 §§10(b) and 20(a) of the Securities Exchange Act of 1934. Defendants moved to dismiss the CC on  
20 October 14, 2008. On July 1, 2009, the Court granted in part and denied in part defendants’ motion  
21 to dismiss the CC. Lead Plaintiff filed the First Amended Complaint for Violation of the Federal  
22 Securities Laws (“FAC”) on July 24, 2009. Defendants moved to dismiss the FAC on September 2,  
23 2009. On November 2, 2009, Judge Illston denied defendants’ motion to dismiss the FAC.

24 On May 6, 2010, Lead Plaintiff filed a motion for class certification. Defendants did not  
25 oppose the motion for class certification. The parties attended a mediation session with the  
26 Honorable Layn R. Phillips, a former United States District Judge for the Western District of  
27 Oklahoma, in San Francisco on June 10, 2010. Prior to the mediation, each side submitted  
28 comprehensive mediation statements setting forth the strengths and weaknesses of their case. The

1 first mediation session, lasting approximately eight hours, did not result in a settlement, however the  
2 mediator continued to engage the parties in ongoing settlement discussions. On July 13, 2010, after  
3 more than eight hours of further mediation, the parties reached an agreement in principle and signed  
4 a memorandum of understanding. Pursuant to Judge Illston's Pretrial Preparation Order of February  
5 23, 2010, the close of non-expert discovery in this case was set for January 28, 2011. Trial is set for  
6 October 3, 2011. Additional pre-trial dates are set forth in a scheduling order issued by Judge  
7 Illston.

## 8 **II. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

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

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

## 24 **III. CLAIMS OF THE LEAD PLAINTIFF AND BENEFITS OF SETTLEMENT**

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

10 **IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT**

11 NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the  
12 Lead Plaintiff (for itself and the Class Members) and the Defendants, by and through their respective  
13 counsel or attorneys of record, that, subject to the approval of the Court, the Litigation and the  
14 Released Claims shall be finally and fully compromised, settled, and released, and the Litigation  
15 shall be dismissed with prejudice, as to all Settling Parties, upon and subject to the terms and  
16 conditions of the Stipulation, as follows.

17 **1. Definitions**

18 As used in the Stipulation the following terms have the meanings specified below:

19 1.1 “Authorized Claimant” means any Class Member whose claim for recovery has been  
20 allowed pursuant to the terms of the Stipulation.

21 1.2 “Claims Administrator” means the firm of Gilardi & Co. LLC.

22 1.3 “Class” means all Persons (other than those Persons who timely and validly request  
23 exclusion from the Class) who purchased or otherwise acquired the common stock of The PMI  
24 Group, Inc. during the period from November 2, 2006 to March 3, 2008, inclusive, excluding the  
25 Defendants herein, members of the immediate family of the Defendants, the directors, officers,  
26 subsidiaries and affiliates of The PMI Group, Inc., any person, firm, trust, corporation, officer,  
27 director or other individual or entity in which any Defendant has a controlling interest, and the legal  
28 representatives, affiliates, heirs, successors-in-interest or assigns of any such excluded party.

1           1.4     “Class Member” or “Member of the Class” mean a Person who falls within the  
2 definition of the Class as set forth in ¶1.3 above.

3           1.5     “Class Period” means the period commencing on November 2, 2006 through and  
4 including March 3, 2008.

5           1.6     “Defendants” means The PMI Group, Inc., L. Stephen Smith, Bradley M. Shuster,  
6 David H. Katkov and Donald P. Lofe, Jr.

7           1.7     “Effective Date,” or the date upon which this settlement becomes “effective,” means  
8 three (3) business days after the date by which all of the events and conditions specified in ¶7.1 of  
9 the Stipulation have been met and have occurred.

10          1.8     “Escrow Agent” means the law firm of Robbins Geller Rudman & Dowd LLP or its  
11 successor(s).

12          1.9     “Final” means when the last of the following with respect to the Judgment approving  
13 the Stipulation, substantially in the form of Exhibit B attached hereto, shall occur: (i) the expiration  
14 of the time to file a motion to alter or amend the Judgment under Federal Rule of Civil Procedure  
15 59(e) without any such motion having been filed; (ii) the time in which to appeal the Judgment has  
16 passed without any appeal having been taken; and (iii) if a motion to alter or amend is filed or if an  
17 appeal is taken, immediately after the determination of that motion or appeal so that it is no longer  
18 subject to any further judicial review or appeal whatsoever, whether by reason of affirmance by a  
19 court of last resort, lapse of time, voluntary dismissal of the appeal or otherwise in such a manner as  
20 to permit the consummation of the settlement substantially in accordance with the terms and  
21 conditions of this Stipulation. For purposes of this paragraph, an “appeal” shall include any petition  
22 for a writ of certiorari or other writ that may be filed in connection with approval or disapproval of  
23 this settlement, but shall not include any appeal which concerns only the issue of attorneys’ fees and  
24 expenses, the Plan of Allocation of the Settlement Fund, as hereinafter defined, or the procedures for  
25 determining Authorized Claimants’ recognized claims.

26          1.10    “Individual Defendants” means L. Stephen Smith, Bradley M. Shuster, David H.  
27 Katkov and Donald P. Lofe, Jr.

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1           1.11   “Judgment” means the Final Judgment and Order of Dismissal with Prejudice to be  
2 rendered by the Court, substantially in the form attached hereto as Exhibit B.

3           1.12   “Lead Counsel” means: Robbins Geller Rudman & Dowd LLP, Keith F. Park, Daniel  
4 S. Drosman, 655 W. Broadway, Suite 1900, San Diego, CA 92101; and Robbins Geller Rudman &  
5 Dowd LLP, Daniel J. Pfefferbaum, Phillip G. Freemon, Post-Montgomery Center, One Montgomery  
6 Street, Suite 1800, San Francisco, CA 94104.

7           1.13   “Lead Plaintiff” means Locals 302 and 612 of the International Union of Operating  
8 Engineers-Employers Construction Industry Retirement Trust.

9           1.14   “Litigation” means the consolidated actions under case number 3:08-cv-01405-SI.

10          1.15   “Net Settlement Fund” means the Settlement Fund less any attorneys’ fees, costs, and  
11 expenses, and any award to Lead Plaintiff, provided for herein or approved by the Court and less  
12 notice and administration costs, Taxes and Tax Expenses, and other Court-approved deductions.

13          1.16   “Person” means an individual, corporation, partnership, limited partnership,  
14 association, joint stock company, estate, legal representative, trust, unincorporated association,  
15 government or any political subdivision or agency thereof, and any business or legal entity and their  
16 spouses, heirs, predecessors, successors, representatives, or assignees.

17          1.17   “Plaintiffs” means the Lead Plaintiff and the Class.

18          1.18   “Plan of Allocation” means a plan or formula of allocation of the Settlement Fund  
19 whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of expenses  
20 of notice and administration of the settlement, Taxes and Tax Expenses, and such attorneys’ fees,  
21 costs, expenses, and interest, as well as Lead Plaintiff’s expenses, if any, as may be awarded by the  
22 Court. Any Plan of Allocation is not part of the Stipulation and neither Defendants nor their Related  
23 Parties shall have any responsibility or liability with respect thereto.

24          1.19   “PMI” means The PMI Group, Inc.

25          1.20   “Related Parties” means each of a Defendant’s past or present directors, officers,  
26 employees, partners, insurers, co-insurers, reinsurers, controlling shareholders, attorneys,  
27 accountants or auditors, personal or legal representatives, predecessors, successors, parents,  
28 subsidiaries, divisions, joint ventures, assigns, spouses, heirs, related or affiliated entities, any entity

1 in which a Defendant has a controlling interest, any members of any Individual Defendant's  
2 immediate family, or any trust of which any Individual Defendant is the settlor or which is for the  
3 benefit of any Individual Defendant's family.

4 1.21 "Released Claims" shall collectively mean any and all claims arising from the  
5 purchase or other acquisition of PMI common stock during the Class Period and the acts, facts,  
6 statements or omissions that were or could have been alleged in the Litigation. "Released Claims"  
7 includes "Unknown Claims" as defined in ¶1.26 hereof. Released Claims does not include any of  
8 the claims asserted in *The Port Authority of Allegheny County Retirement and Disability Allowance*  
9 *Plan for Employees Represented by Local 85 of the Amalgamated Transit Union v. Smith, et al.*, No.  
10 CV 08-2046, filed in the United States District Court for the Northern District of California, or  
11 *Torres, Derivatively on Behalf of The PMI Group, Inc. v. Smith, et al.*, filed in the Superior Court of  
12 the State of California, County of Contra Costa, Case No. MSC-08-01068, or any ERISA claims.

13 1.22 "Released Persons" means each and all of the Defendants and their Related Parties.

14 1.23 "Settlement Amount" means Thirty-One Million Two Hundred Fifty Thousand  
15 Dollars (\$31,250,000) in cash to be paid by wire transfer to the Escrow Agent pursuant to ¶2.1 of  
16 this Stipulation.

17 1.24 "Settlement Fund" means the Settlement Amount plus all interest and accretions  
18 thereto and which may be reduced by payments or deductions as provided herein or by Court order.

19 1.25 "Settling Parties" means, collectively, the Defendants and the Plaintiffs.

20 1.26 "Unknown Claims" means any Released Claims which Lead Plaintiff or Class  
21 Members do not know or suspect to exist in his, her, or its favor at the time of the release of the  
22 Released Persons which, if known by him, her, or it, might have affected his, her, or its settlement  
23 with and release of the Released Persons, or might have affected his, her, or its decision not to object  
24 to this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and  
25 agree that, upon the Effective Date, the Lead Plaintiff shall expressly waive and each of the Class  
26 Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived  
27 the provisions, rights, and benefits of California Civil Code §1542, which provides:

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

5                   The Lead Plaintiff shall expressly waive and each of the Class Members shall be deemed to have,  
6                   and by operation of the Judgment shall have, expressly waived any and all provisions, rights, and  
7                   benefits conferred by any law of any state or territory of the United States, or principle of common  
8                   law, which is similar, comparable or equivalent to California Civil Code §1542. The Lead Plaintiff  
9                   and Class Members may hereafter discover facts in addition to or different from those which he, she  
10                  or it now knows or believes to be true with respect to the subject matter of the Released Claims, but  
11                  the Lead Plaintiff shall expressly settle and release and each Class Member, upon the Effective Date,  
12                  shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever  
13                  settled and released any and all Released Claims, known or unknown, suspected or unsuspected,  
14                  contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore  
15                  have existed, upon any theory of law or equity now existing or coming into existence in the future,  
16                  including, but not limited to, conduct which is negligent, intentional, with or without malice, or a  
17                  breach of any duty, law or rule, without regard to the subsequent discovery or existence of such  
18                  different or additional facts. The Lead Plaintiff acknowledges, and the Class Members shall be  
19                  deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was  
20                  separately bargained for and a key element of the settlement of which this release is a part.

21                  **2.        The Settlement**

22                        **a.        The Settlement Fund**

23                        2.1        Defendants or their counsel shall cause their Insurers to transfer the principal amount  
24                        of \$31,250,000 in cash to the Escrow Agent within twenty (20) business days after preliminary  
25                        approval of the settlement by the Court, provided that if Lead Counsel have not provided all required  
26                        funding information and a tax identification number before the Court grants preliminary approval,  
27                        the twenty (20) days shall not begin to run until Lead Counsel provides the required funding  
28                        information and tax identification number. If the entire Settlement Amount is not timely transferred  
                          to the Escrow Agent, Lead Counsel may terminate the settlement only if (i) Lead Counsel has

1 notified Defendants' counsel in writing of Lead Counsel's intention to terminate the settlement and  
2 (ii) the entire Settlement Amount is not transferred to the Escrow Agent within ten (10) days after  
3 Lead Counsel has provided such written notice.

4 **b. The Escrow Agent**

5 2.2 The Escrow Agent shall invest the Settlement Amount deposited pursuant to ¶2.1  
6 hereof in short term United States Agency or Treasury Securities or other instruments backed by the  
7 Full Faith & Credit of the United States Government or an Agency thereof, or fully insured by the  
8 United States Government or an Agency thereof and shall reinvest the proceeds of these instruments  
9 as they mature in similar instruments at their then-current market rates. All risks related to the  
10 investment of the Settlement Fund in accordance with the investment guidelines set forth in this  
11 paragraph shall be borne by the Settlement Fund.

12 2.3 The Escrow Agent shall not disburse the Settlement Fund except as provided in the  
13 Stipulation, by an order of the Court, or with the written agreement of counsel for Defendants.

14 2.4 Subject to further order(s) and/or directions as may be made by the Court, or as  
15 provided in the Stipulation, the Escrow Agent is authorized to execute such transactions as are  
16 consistent with the terms of the Stipulation.

17 2.5 All funds held by the Escrow Agent shall be deemed and considered to be in custodia  
18 legis of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such  
19 funds shall be distributed pursuant to the Stipulation and/or further order(s) of the Court.

20 2.6 Without further order of the Court, the Settlement Fund may be used by Lead Counsel  
21 to pay reasonable costs and expenses actually incurred in connection with providing notice to the  
22 Class, locating Class Members, soliciting claims, assisting with the filing of claims, administering  
23 and distributing the Settlement Fund to Authorized Claimants, processing Proof of Claim and  
24 Release forms, and paying escrow fees and costs, if any.

25 **c. Taxes**

26 2.7 (a) The Settling Parties and the Escrow Agent agree to treat the Settlement Fund  
27 as being at all times a "qualified settlement fund" within the meaning of Treas. Reg. §1.468B-1. In  
28 addition, the Escrow Agent shall timely make such elections as necessary or advisable to carry out

1 the provisions of this ¶2.7, including the “relation-back election” (as defined in Treas. Reg. §1.468B-  
2 1) back to the earliest permitted date. Such elections shall be made in compliance with the  
3 procedures and requirements contained in such regulations. It shall be the responsibility of the  
4 Escrow Agent to timely and properly prepare and deliver the necessary documentation for signature  
5 by all necessary parties, and thereafter to cause the appropriate filing to occur.

6 (b) For the purpose of §1.468B of the Internal Revenue Code of 1986, as  
7 amended, and the regulations promulgated thereunder, the “administrator” shall be the Escrow  
8 Agent. The Escrow Agent shall timely and properly file all informational and other tax returns  
9 necessary or advisable with respect to the Settlement Fund (including, without limitation, the returns  
10 described in Treas. Reg. §1.468B-2(k)). Such returns (as well as the election described in ¶2.7(a)  
11 hereof) shall be consistent with this ¶2.7 and in all events shall reflect that all Taxes (including any  
12 estimated Taxes, interest or penalties) on the income earned by the Settlement Fund shall be paid out  
13 of the Settlement Fund as provided in ¶2.7(c) hereof.

14 (c) All (a) Taxes (including any estimated Taxes, interest or penalties)  
15 arising with respect to the income earned by the Settlement Fund, including any Taxes or tax  
16 detriments that may be imposed upon the Defendants or their counsel with respect to any income  
17 earned by the Settlement Fund for any period during which the Settlement Fund does not qualify as a  
18 “qualified settlement fund” for federal or state income tax purposes (“Taxes”), and (b) expenses and  
19 costs incurred in connection with the operation and implementation of this ¶2.7 (including, without  
20 limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs and  
21 expenses relating to filing (or failing to file) the returns described in this ¶2.7) (“Tax Expenses”),  
22 shall be paid out of the Settlement Fund; in all events the Defendants and their counsel shall have no  
23 liability or responsibility for the Taxes or the Tax Expenses. The Escrow Agent, through the  
24 Settlement Fund, shall indemnify and hold each of the Defendants and their counsel harmless for  
25 Taxes and Tax Expenses (including, without limitation, Taxes payable by reason of any such  
26 indemnification). Further, Taxes and Tax Expenses shall be treated as, and considered to be, a cost  
27 of administration of the Settlement Fund and shall be timely paid by the Escrow Agent out of the  
28 Settlement Fund without prior order from the Court and the Escrow Agent shall be authorized

1 (notwithstanding anything herein to the contrary) to withhold from distribution to Authorized  
2 Claimants any funds necessary to pay such amounts including the establishment of adequate reserves  
3 for any Taxes and Tax Expenses (as well as any amounts that may be required to be withheld under  
4 Treas. Reg. §1.468B-2(l)(2)); neither the Defendants nor their counsel are responsible nor shall they  
5 have any liability for any Taxes or Tax Expenses. The parties hereto agree to cooperate with the  
6 Escrow Agent, each other, and their tax attorneys and accountants to the extent reasonably necessary  
7 to carry out the provisions of this ¶2.7.

8 **d. Termination of Settlement**

9 2.8 In the event that the Stipulation is not approved or the Stipulation is terminated,  
10 canceled, or fails to become effective for any reason, the Settlement Fund (including accrued  
11 interest) less expenses paid, incurred or due and owing in connection with the settlement provided  
12 for herein, shall be refunded pursuant to written instructions from counsel to the Defendants (in  
13 accordance with ¶7.4 herein).

14 **3. Preliminary Approval Order and Settlement Hearing**

15 3.1 Promptly after execution of the Stipulation, the Settling Parties shall submit the  
16 Stipulation together with its Exhibits to the Court and shall apply for entry of an order (the  
17 “Preliminary Approval Order”), substantially in the form of Exhibit A attached hereto, requesting,  
18 inter alia, the preliminary approval of the settlement set forth in the Stipulation, and approval for the  
19 mailing of a settlement notice (the “Notice”) and publication of a summary notice, substantially in  
20 the forms of Exhibits A-1 and A-3 attached hereto. The Notice shall include the general terms of the  
21 settlement set forth in the Stipulation, the proposed Plan of Allocation, the general terms of the Fee  
22 and Expense Application, as defined in ¶6.1 hereof, and the date of the Settlement Hearing as  
23 defined below.

24 3.2 Lead Counsel shall request that after notice is given, the Court hold a hearing (the  
25 “Settlement Hearing”) and approve the settlement of the Litigation as set forth herein. At or after the  
26 Settlement Hearing, Lead Counsel also will request that the Court approve the proposed Plan of  
27 Allocation and the Fee and Expense Application and the Lead Plaintiff’s request for reimbursement  
28 of expenses, if any.

1           **4.       Releases**

2           4.1       Upon the Effective Date, as defined in ¶1.7 hereof, the Lead Plaintiff and each of the  
3 Class Members shall be deemed to have, and by operation of the Judgment shall have, fully, finally,  
4 and forever released, relinquished, and discharged all Released Claims against the Released Persons,  
5 whether or not such Class Member executes and delivers the Proof of Claim and Release or shares in  
6 the Settlement Fund.

7           4.2       The Proof of Claim and Release to be executed by Class Members shall release all  
8 Released Claims against the Released Persons and shall be substantially in the form contained in  
9 Exhibit A-2 attached hereto.

10          4.3       Upon the Effective Date, all Class Members and anyone claiming through or on  
11 behalf of any of them, will be forever barred and enjoined from commencing, instituting, prosecuting  
12 or continuing to prosecute any action or other proceeding in any court of law or equity, arbitration  
13 tribunal, or administrative forum, asserting the Released Claims against any of the Released Persons.

14          4.4       Upon the Effective Date, as defined in ¶1.7 hereof, each of the Released Persons shall  
15 be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released,  
16 relinquished, and discharged the Lead Plaintiff, each and all of the Class Members, and Lead  
17 Counsel from all claims (including Unknown Claims) arising out of, relating to, or in connection  
18 with the institution, prosecution, assertion, settlement or resolution of the Litigation or the Released  
19 Claims.

20           **5.       Administration and Calculation of Claims, Final Awards and**  
21           **Supervision and Distribution of the Settlement Fund**

22          5.1       The Claims Administrator, subject to such supervision and direction of the Court as  
23 may be necessary or as circumstances may require, shall administer and calculate the claims  
24 submitted by Class Members and shall oversee distribution of the Net Settlement Fund to Authorized  
25 Claimants.

26          5.2       The Settlement Fund shall be applied as follows:

27               (a)       to pay all the costs and expenses reasonably and actually incurred in  
28 connection with providing notice, locating Class Members, soliciting Class claims, assisting with the

1 filing of claims, administering and distributing the Settlement Fund to Authorized Claimants,  
2 processing Proof of Claim and Release forms, and paying escrow fees and costs, if any;

3 (b) to pay the Taxes and Tax Expenses described in ¶2.7 hereof;

4 (c) after entry of the Judgment, to pay counsel to the plaintiffs attorneys' fees and  
5 expenses (the "Fee and Expense Award"), and to reimburse the Lead Plaintiff for its expenses, if and  
6 to the extent allowed by the Court; and

7 (d) after the Effective Date, to distribute the balance of the Settlement Fund (the  
8 "Net Settlement Fund") to Authorized Claimants as allowed by the Stipulation, the Plan of  
9 Allocation, or the Court.

10 5.3 After the Effective Date, and in accordance with the terms of the Stipulation, the Plan  
11 of Allocation, or such further approval and further order(s) of the Court as may be necessary or as  
12 circumstances may require, the Net Settlement Fund shall be distributed to Authorized Claimants,  
13 subject to and in accordance with the following.

14 5.4 Within ninety (90) days after the mailing of the Notice or such other time as may be  
15 set by the Court, each Person claiming to be an Authorized Claimant shall be required to submit to  
16 the Claims Administrator a completed Proof of Claim and Release, substantially in the form of  
17 Exhibit A-2 attached hereto, signed under penalty of perjury and supported by such documents as are  
18 specified in the Proof of Claim and Release.

19 5.5 Except as otherwise ordered by the Court, all Class Members who fail to timely  
20 submit a valid Proof of Claim and Release within such period, or such other period as may be  
21 ordered by the Court, or otherwise allowed, shall be forever barred from receiving any payments  
22 pursuant to the Stipulation and the settlement set forth herein, but will in all other respects be subject  
23 to and bound by the provisions of the Stipulation, the releases contained herein, and the Judgment.  
24 Notwithstanding the foregoing, Lead Counsel shall have the discretion to accept late-submitted  
25 claims for processing by the Claims Administrator so long as the distribution of the Settlement Fund  
26 is not materially delayed thereby.

27 5.6 The Net Settlement Fund shall be distributed to the Authorized Claimants  
28 substantially in accordance with the Plan of Allocation set forth in the Notice and approved by the

1 Court. If there is any balance remaining in the Net Settlement Fund after six (6) months from the  
2 initial date of distribution of the Net Settlement Fund (whether by reason of tax refunds, uncashed  
3 checks or otherwise), Lead Counsel shall, if feasible, reallocate such balance among Authorized  
4 Claimants in an equitable and economic fashion. Thereafter, any balance which still remains in the  
5 Net Settlement Fund shall be donated to an appropriate non-profit organization.

6           5.7     The Defendants and their Related Parties shall have no responsibility for, interest in,  
7 or liability whatsoever with respect to the distribution of the Net Settlement Fund, the Plan of  
8 Allocation, the determination, administration, or calculation of claims, the payment or withholding  
9 of Taxes, or any losses incurred in connection therewith. No Person shall have any claim of any  
10 kind against the Defendants or their Related Parties with respect to the matters set forth in ¶¶5.1-5.9  
11 hereof; and the Class Members, the Lead Plaintiff, and Lead Counsel release the Defendants and  
12 their Related Parties from any and all liability and claims arising from or with respect to the  
13 investment or distribution of the Settlement Fund.

14           5.8     No Person shall have any claim against the Lead Plaintiff, Lead Counsel or the  
15 Claims Administrator, or any other Person designated by Lead Counsel based on distributions made  
16 substantially in accordance with the Stipulation and the settlement contained herein, the Plan of  
17 Allocation, or further order(s) of the Court.

18           5.9     It is understood and agreed by the Settling Parties that any proposed Plan of  
19 Allocation of the Net Settlement Fund including, but not limited to, any adjustments to an  
20 Authorized Claimant's claim set forth therein, is not a part of the Stipulation and is to be considered  
21 by the Court separately from the Court's consideration of the fairness, reasonableness, and adequacy  
22 of the settlement set forth in the Stipulation, and any order or proceeding relating to the Plan of  
23 Allocation shall not operate to terminate or cancel the Stipulation or affect the finality of the Court's  
24 Judgment approving the Stipulation and the settlement set forth therein, or any other orders entered  
25 pursuant to the Stipulation.

26           **6.     Lead Plaintiff's Counsel's Attorneys' Fees and Expenses**

27           6.1     Lead Counsel may submit an application or applications (the "Fee and Expense  
28 Application") for distributions to Lead Counsel from the Settlement Fund for: (a) an award of

1 attorneys' fees; plus (b) expenses incurred in connection with prosecuting the Litigation, plus any  
2 interest on such attorneys' fees and expenses at the same rate and for the same periods as earned by  
3 the Settlement Fund (until paid) as may be awarded by the Court. Lead Counsel reserve the right to  
4 make additional applications for fees and expenses incurred.

5           6.2     The fees and expenses, as awarded by the Court, shall be paid to Lead Counsel, as  
6 ordered, immediately after the Court executes an order awarding such fees and expenses and enters  
7 the Judgment. Lead Counsel may thereafter allocate the attorneys' fees among other plaintiffs'  
8 counsel in a manner in which they in good faith believe reflects the contributions of such counsel to  
9 the initiation, prosecution, and resolution of the Litigation.

10           6.3     In the event that the Effective Date does not occur, or the Judgment or the order  
11 making the Fee and Expense Award is reversed or modified, or the Stipulation is canceled or  
12 terminated for any other reason, and in the event that the provisional reimbursement described in  
13 ¶6.1 or the Fee and Expense Award has been paid to any extent, then such of plaintiffs' counsel who  
14 have received any portion of the provisional reimbursement as described in ¶6.1 or the Fee and  
15 Expense Award shall within five (5) business days from receiving notice from the Defendants'  
16 counsel or from a court of appropriate jurisdiction, refund to the Settlement Fund such fees and  
17 expenses previously paid to them from the Settlement Fund plus interest thereon at the same rate as  
18 earned on the Settlement Fund in an amount consistent with such reversal or modification. Each  
19 such plaintiffs' counsel's law firm receiving fees and expenses, as a condition of receiving such fees  
20 and expenses, on behalf of itself and each partner and/or shareholder of it, agrees that the law firm  
21 and its partners and/or shareholders are subject to the jurisdiction of the Court for the purpose of  
22 enforcing the provisions of this paragraph. Without limitation, plaintiffs' counsel agree that the  
23 Court may, upon application of Defendants and notice to Lead Counsel, summarily issue orders  
24 including, but not limited to, judgments and attachment orders, and may make appropriate findings  
25 of or sanctions for contempt, should such law firm fail timely to repay fees and expenses pursuant to  
26 this ¶6.3.

27           6.4     The Lead Plaintiff may submit an application for reimbursement of its time and  
28 expenses incurred in the prosecution of the Litigation. However, in the event that the Effective Date

1 does not occur, or the judgment or the order approving Lead Plaintiff's application for  
2 reimbursement of its time and expenses is reversed or modified, or the Stipulation is canceled or  
3 terminated for any other reason, then the Lead Plaintiff shall within five (5) business days from  
4 receiving notice from Defendants' counsel or from a court of appropriate jurisdiction, refund to the  
5 Settlement Fund such reimbursement for time and expenses previously paid to it from the Settlement  
6 Fund plus interest thereon at the same rate as earned on the Settlement Fund in an amount consistent  
7 with such reversal or modification. Lead Plaintiff, if it receives reimbursement under this paragraph,  
8 as a condition of receiving such reimbursement, agrees that it is subject to the jurisdiction of the  
9 Court for the purpose of enforcing the provisions of this paragraph.

10           6.5     The procedure for and the allowance or disallowance by the Court of any applications  
11 by any plaintiffs' counsel for attorneys' fees and expenses, or the expenses of the Lead Plaintiff, to  
12 be paid out of the Settlement Fund, are not part of the settlement set forth in the Stipulation, and are  
13 to be considered by the Court separately from the Court's consideration of the fairness,  
14 reasonableness, and adequacy of the settlement set forth in the Stipulation, and any order or  
15 proceeding relating to the Fee and Expense Application, or the Lead Plaintiff's expense application,  
16 or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to  
17 terminate or cancel the Stipulation, or affect or delay the finality of the Judgment approving the  
18 Stipulation and the settlement of the Litigation set forth therein.

19           6.6     Defendants and their Related Parties shall have no responsibility for any payment of  
20 attorneys' fees and expenses to plaintiffs' counsel over and above payment out of the Settlement  
21 Fund.

22           6.7     Defendants and their Related Parties shall have no responsibility for the allocation  
23 among plaintiffs' counsel, and/or any other Person who may assert some claim thereto, of any Fee  
24 and Expense Award that the Court may make in the Litigation, and the Defendants and their Related  
25 Parties take no position with respect to such matters.

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1           **7.       Conditions of Settlement, Effect of Disapproval, Cancellation or**  
2           **Termination**

3           7.1       The Effective Date of the Stipulation shall be conditioned on the occurrence of all of  
4 the following events:

5                   (a)       Defendants' have timely made or caused to be made their contributions to the  
6 Settlement Fund, as required by ¶2.1 hereof;

7                   (b)       the Court has entered the Preliminary Approval Order, as required by ¶3.1  
8 hereof;

9                   (c)       PMI has not exercised its option to terminate the Stipulation pursuant to ¶7.3  
10 hereof;

11                   (d)       the Court has entered the Judgment, or a judgment substantially in the form of  
12 Exhibit B attached hereto; and

13                   (e)       the Judgment has become Final, as defined in ¶1.9 hereof.

14           7.2       Upon the occurrence of all of the events referenced in ¶7.1 hereof, any and all  
15 remaining interest or right of the Defendants or the Defendants' Insurers in or to the Settlement  
16 Fund, if any, shall be absolutely and forever extinguished. If it becomes clear that all of the  
17 conditions specified in ¶7.1 hereof cannot or will not be met, then the Stipulation shall be canceled  
18 and terminated subject to ¶7.4 hereof unless Lead Counsel and counsel for the Defendants mutually  
19 agree in writing to proceed with the Stipulation.

20           7.3       PMI shall have the option to terminate the settlement in the event that Class Members  
21 who purchased in the aggregate more than a certain number of shares of PMI common stock during  
22 the Class Period choose to exclude themselves from the Class, as set forth in a separate agreement  
23 (the "Supplemental Agreement") executed between Lead Counsel and PMI's counsel. The  
24 Supplemental Agreement will not be filed with the Court unless a dispute among the Settling Parties  
25 concerning its interpretation or application arises and in that event, the Supplemental Agreement  
26 shall be filed and maintained by the Court under seal.

27           7.4       Unless otherwise ordered by the Court, in the event the Stipulation shall terminate, or  
28 be canceled, or shall not become effective for any reason, within five (5) business days after written

1 notification of such event is sent by counsel for the Defendants or Lead Counsel to the Escrow  
2 Agent, the Settlement Fund (including accrued interest), less expenses which have either been  
3 disbursed pursuant to ¶¶2.6 and 2.7 hereof, or are determined to be chargeable to the Settlement  
4 Fund, shall be refunded by the Escrow Agent directly to the entities that provided the funds based on  
5 their pro rata contribution to the Settlement Fund. The Escrow Agent or its designee shall apply for  
6 any tax refund owed on the Settlement Fund and pay the proceeds, after deduction of any fees or  
7 expenses incurred in connection with such application(s) for refund.

8           7.5     In the event that the Stipulation is not approved by the Court or the settlement set  
9 forth in the Stipulation is terminated or fails to become effective in accordance with its terms, the  
10 Settling Parties shall be restored to their respective positions in the Litigation as of July 12, 2010. In  
11 such event, the terms and provisions of the Stipulation, with the exception of ¶¶1.1-1.26, 2.6-2.8,  
12 6.3-6.4, 7.4-7.6, and 8.3 hereof, shall have no further force and effect with respect to the Settling  
13 Parties and shall not be used in this Litigation or in any other proceeding for any purpose, and any  
14 judgment or order entered by the Court in accordance with the terms of the Stipulation shall be  
15 treated as vacated, nunc pro tunc. No order of the Court or modification or reversal on appeal of any  
16 order of the Court concerning the Plan of Allocation or the amount of any attorneys' fees, costs,  
17 expenses, and interest awarded by the Court to any of plaintiffs' counsel or expenses to the Lead  
18 Plaintiff shall constitute grounds for cancellation or termination of the Stipulation.

19           7.6     If the Effective Date does not occur, or if the Stipulation is terminated pursuant to its  
20 terms, neither the Lead Plaintiff nor any of its counsel shall have any obligation to repay any  
21 amounts actually and properly disbursed pursuant to ¶2.6. In addition, any expenses already  
22 incurred pursuant to ¶2.6 hereof at the time of such termination or cancellation but which have not  
23 been paid, shall be paid by the Escrow Agent in accordance with the terms of the Stipulation prior to  
24 the balance being refunded in accordance with ¶¶2.8 and 7.4 hereof.

25           **8.       Miscellaneous Provisions**

26           8.1     The Settling Parties (a) acknowledge that it is their intent to consummate this  
27 agreement; and (b) agree to cooperate to the extent reasonably necessary to effectuate and implement  
28

1 all terms and conditions of the Stipulation and to exercise their best efforts to accomplish the  
2 foregoing terms and conditions of the Stipulation.

3           8.2     The Settling Parties intend this settlement to be a final and complete resolution of all  
4 disputes between them with respect to the Litigation. The settlement compromises claims which are  
5 contested and shall not be deemed an admission by any Settling Party as to the merits of any claim or  
6 defense. The Final Judgment will contain a finding that, during the course of the Litigation, the  
7 parties and their respective counsel at all times complied with the requirements of Federal Rule of  
8 Civil Procedure 11. The Settling Parties agree that the Settlement Amount and the other terms of the  
9 settlement were negotiated in good faith by the Settling Parties, and reflect a settlement that was  
10 reached voluntarily after consultation with competent legal counsel. The Settling Parties reserve  
11 their right to rebut, in a manner that such party determines to be appropriate, any contention made in  
12 any public forum that the Litigation was brought or defended in bad faith or without a reasonable  
13 basis.

14           8.3     Neither the Stipulation nor the settlement contained therein, nor any act performed or  
15 document executed pursuant to or in furtherance of the Stipulation or the settlement: (a) is or may be  
16 deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim,  
17 or of any wrongdoing or liability of the Defendants; or (b) is or may be deemed to be or may be used  
18 as an admission of, or evidence of, any fault or omission of any of the Defendants in any civil,  
19 criminal or administrative proceeding in any court, administrative agency or other tribunal. The  
20 Defendants may file the Stipulation and/or the Judgment in any action that may be brought against  
21 them in order to support a defense or counterclaim based on principles of res judicata, collateral  
22 estoppel, release, good faith settlement, judgment bar or reduction, or any other theory of claim  
23 preclusion or issue preclusion or similar defense or counterclaim.

24           8.4     All agreements made and orders entered during the course of the Litigation relating to  
25 the confidentiality of information shall survive this Stipulation.

26           8.5     All of the Exhibits to the Stipulation are material and integral parts hereof and are  
27 fully incorporated herein by this reference.

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1           8.6     The Stipulation may be amended or modified only by a written instrument signed by  
2 or on behalf of all Settling Parties or their respective successors-in-interest.

3           8.7     The Stipulation and the Exhibits attached hereto and the Supplemental Agreement  
4 constitute the entire agreement among the parties hereto and no representations, warranties or  
5 inducements have been made to any party concerning the Stipulation or its Exhibits other than the  
6 representations, warranties and covenants contained and memorialized in such documents. Except  
7 as otherwise provided herein, each party shall bear its own costs.

8           8.8     Lead Counsel, on behalf of the Class, is expressly authorized by the Lead Plaintiff to  
9 take all appropriate action required or permitted to be taken by the Class pursuant to the Stipulation  
10 to effectuate its terms and also are expressly authorized to enter into any modifications or  
11 amendments to the Stipulation on behalf of the Class which they deem appropriate.

12          8.9     Each counsel or other Person executing the Stipulation or any of its Exhibits on  
13 behalf of any party hereto hereby warrants that such Person has the full authority to do so.

14          8.10    The Stipulation may be executed in one or more counterparts. All executed  
15 counterparts and each of them shall be deemed to be one and the same instrument. A complete set of  
16 original executed counterparts shall be filed with the Court.

17          8.11    The Stipulation shall be binding upon, and inure to the benefit of, the successors and  
18 assigns of the parties hereto.

19          8.12    The Court shall retain jurisdiction with respect to implementation and enforcement of  
20 the terms of the Stipulation, and all parties hereto submit to the jurisdiction of the Court for purposes  
21 of implementing and enforcing the settlement embodied in the Stipulation.

22          8.13    This Stipulation and the Exhibits hereto shall be considered to have been negotiated,  
23 executed and delivered, and to be wholly performed, in the State of California, and the rights and  
24 obligations of the parties to the Stipulation shall be construed and enforced in accordance with, and  
25 governed by, the internal, substantive laws of the State of California without giving effect to that  
26 State's choice-of-law principles.

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28

1 IN WITNESS WHEREOF, the parties hereto have caused the Stipulation to be executed, by  
2 their duly authorized attorneys, dated as of August 30, 2010.

3 ROBBINS GELLER RUDMAN  
4 & DOWD LLP  
5 KEITH F. PARK  
6 DANIEL S. DROSMAN

7 s/ Keith F. Park  
8 KEITH F. PARK

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22 Lead Counsel for Plaintiffs

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415/984-8701 (fax)

Attorneys for Defendants

1 CERTIFICATE OF SERVICE

2 I hereby certify that on August 31, 2010, I authorized the electronic filing of the foregoing  
3 with the Clerk of the Court using the CM/ECF system which will send notification of such filing to  
4 the e-mail addresses denoted on the attached Electronic Mail Notice List, and I hereby certify that I  
5 caused to be mailed the foregoing document or paper via the United States Postal Service to the non-  
6 CM/ECF participants indicated on the attached Manual Notice List.

7 I further certify that I caused this document to be forwarded to the following Designated  
8 Internet Site at: <http://securities.stanford.edu>.

9 I certify under penalty of perjury under the laws of the United States of America that the  
10 foregoing is true and correct. Executed on August 31, 2010.

11 s/ Keith F. Park  
12 KEITH F. PARK

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