

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

In re The PMI Group, Inc.

Case No. 11-13730 (BLS)  
Reporting Period: 3/1/12-3/31/12

**MONTHLY OPERATING REPORT**

File with Court and submit copy to United States Trustee within 20 days after end of month

Submit copy of report to any official committee appointed in the case

<b>REQUIRED DOCUMENTS</b>	<b>Form No.</b>	<b>Document Attached</b>	<b>Explanation Attached</b>	<b>Debtor's Statement</b>
Schedule of Cash Receipts and Disbursements	MOR-1	X		
Bank Account Reconciliations, Bank Statements and Cash Disbursements Journal	MOR-1(a)			X
Schedule of Professional Fees Paid	MOR-1(b)	X		
Statement of Operations	MOR-2	X		
Balance Sheet	MOR-3	X		
Status of Postpetition Taxes	MOR-4			X
Summary of Unpaid Postpetition Accounts Payable	MOR-4(a)	X		
Debtor Questionnaire	MOR-5	X		

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

\_\_\_\_\_  
Signature of Debtor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Joint Debtor

\_\_\_\_\_  
Date

Donald P. Lofe, Jr.  
Signature of Authorized Individual\*

4/20/2012  
Date

Donald P. Lofe, Jr.  
Printed Name of Authorized Individual

Executive Vice President, Chief Financial Officer  
and Chief Administrative Officer  
Title of Authorized Individual

\*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.



## **NOTES TO MONTHLY OPERATING REPORT**

The PMI Group, Inc., a debtor and debtor in possession (the “Company” or “Debtor”), hereby submits its Monthly Operating Report (the “MOR”).

1. Description of the Cases. On November 23, 2011 (the “Petition Date”), the Debtor filed a voluntary petition with the Bankruptcy Court for reorganization under Chapter 11 of the Bankruptcy Code. The Debtor is operating its business as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. Basis of Presentation. The MOR is limited in scope, covers a limited time period and has been prepared solely for the purpose of complying with the monthly reporting requirements to the United States Bankruptcy Court. The financial information in the MOR is preliminary and unaudited and does not purport to show the financial statements of the Debtor in accordance with Generally Accepted Accounting Principles (“GAAP”) and, therefore, may exclude items required by GAAP, such as certain reclassifications, eliminations, accruals, valuations and disclosure items. We caution readers not to place undue reliance upon the MOR. There can be no assurance that such information is complete and the MOR may be subject to revision.

The information contained in the MOR has been derived from the Debtor’s books and records in conjunction with information available from non-debtor affiliates. This information, however, has not been subject to procedures that would typically be applied to financial information presented in accordance with GAAP, and upon the application of such procedures, we believe that the financial information could be subject to changes and these changes could be material. The information furnished in this MOR includes primarily normal recurring adjustments but does not include all of the adjustments that would typically be made for financial statements prepared in accordance with GAAP. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted.

3. Recoveries and Causes of Action. The MOR, the Debtor’s Schedules of Assets and Liabilities and Statements of Financial Affairs may not include a complete list of causes of action it possesses as of the Petition Date or at any point thereafter. Regardless of the recoveries and causes of action listed, the Debtor reserves all of its rights with respect to any and all causes of action they may possess, including, but not limited to, avoidance actions or to assert any defenses, and nothing in this MOR shall be deemed a waiver or limitation of any of the Debtor’s rights to pursue any such causes of action or recovery or assert any defenses.

4. Reorganization Items. American Institute of Certified Public Accountant Statement of Position 90-7, “Financial Reporting by Entities in reorganization under the Bankruptcy Code” (“SOP 90-7”) requires separate disclosure of reorganization items such as realized gains and losses from the settlement of pre-petition liabilities, provisions for losses resulting from the reorganization and restructuring of the business as well as professional fees directly related to the process or reorganizing the Debtor under Chapter 11. Such items are reflected in the MOR as Bankruptcy Related Expenses.

5. Liabilities Subject to Compromise. As a result of the Chapter 11 filing, most pre-petition indebtedness is subject to compromise or other treatment under a plan of reorganization. Generally, actions to enforce or otherwise effect payment of pre-petition 11 liabilities are stayed. The Debtor has been paying and intends to continue to pay undisputed post-petition claims in the ordinary course of business. In addition, the Debtor may reject pre-petition executory contracts with respect to the Debtor's operations with the approval of the Bankruptcy Court. Damages resulting from rejection of executory contracts are generally treated as general unsecured claims and will be classified as liabilities subject to compromise. The pre-petition liabilities that are subject to compromise are reported herein at the amounts expected to be allowed, although they may be settled for lesser amounts. The amounts currently classified as liabilities subject to compromise may be subject to future adjustments depending on Bankruptcy Court actions, further developments with respect to disputed claims, determinations of the secured status of certain claims, the values of any collateral securing such claims or other events. While GAAP requires fair market adjustments to certain obligations, including funded debt, this MOR states such obligations at notional value, including pre-petition accrued interest.

6. Post-petition Accounts Payable. To the best of the Debtor's knowledge, all undisputed post-petition accounts payable have been and are being paid under agreed-upon payment terms.

7. Investments in Subsidiaries. Financial information related to any of the Debtor's investments in its subsidiaries has been derived from the Debtor's books and records in conjunction with the information available from non-debtor affiliates. Any information contained in this report pertaining to the Debtor's investments in its subsidiaries should be viewed as preliminary and subject to revision. Given the timing of this filing, final loss provision and other expenses and revisions may not be reflected in the period in which they occur.

8. Non-Cash Compensation Expense. Prior to the Petition Date, certain employees of the Debtor and its subsidiaries were granted stock-based compensation (including options). The Debtor has not expensed or accrued post-petition expense for outstanding stock-based grants and other stock-based compensation.

9. Pre-Paid Assets. Pre-Paid Assets are not being amortized, thus have no impact on the Debtor's income statement.

10. Notes Receivable. The Other Assets balance reported on the balance sheet of this report includes notes receivable that relate to investments made prior to 2002 to fund programs instituted, or to be instituted, by the Company or its subsidiaries. These programs are no longer in place and the Debtor is currently attempting to monetize these assets. The value assigned to these notes has been derived from the Debtor's books and records in conjunction with the information available from non-debtor affiliates. The Debtor has not independently confirmed the outstanding balance on these notes receivable. These amounts may not represent fair market value and may be subject to significant revision.

The Debtor holds a Note Receivable of approximately \$285 million plus accrued interest from an operating subsidiary. That subsidiary has been placed into receivership on an interim basis by its regulator due to a deficiency in regulatory capital; accordingly, the Debtor has provided a full

valuation allowance against this note. The fair market value of this note and the amount that may ultimately be received in satisfaction thereof cannot be determined at this time.

11. Deferred Assets and Liabilities and Other Accruals. The Debtor has reversed certain accruals for pre-petition non-cash assets and liabilities, such as unamortized debt issuance expenses. There is significant uncertainty respecting the Debtor's ability to utilize its deferred tax attributes; accordingly, a full valuation allowance has been applied to the deferred tax asset and no tax benefit or provision has been recognized.

12. Intercompany Balances. The "Accounts Receivable – Affiliates" and Post-petition "Accounts Payable – Intercompany" should be viewed as preliminary and subject to further revision. Given the timing of this filing, the Debtor and its affiliates may be required to make adjustments that may not be reflected in the period in which they occur.

**The PMI Group, Inc.**  
**Cash Receipts and Disbursements**  
**March 1, 2012 to March 31, 2012**  
**MOR - 1**

<b>Cash Receipts<sup>1</sup></b>	<b>\$</b>	<b>450,015</b>
<u>Operating Disbursements</u>		
Employee Compensation		154,028
Payroll Taxes		4,941
Employee Benefit Costs		-
Consultants and Temporary Staff		12,499
Ordinary Course Professional Fees		84,290
Intercompany Payments (non-employee)		61,860
Travel		461
Tax Payments		436
Board Compensation and Travel		13,615
Other (misc. G&A and contingencies)		13,596
<b>Total Operating Disbursements</b>		<b>345,728</b>
<u>Bankruptcy Related Expenses</u>		
Debtor Professionals		343,676
UCC Professionals		-
Claims Administrators		50,884
US Trustee		1,625
<b>Total Bankruptcy Disbursements</b>		<b>396,185</b>
<b>Total Disbursements</b>		<b>741,913</b>
<b>Net Cash Flow</b>	<b>\$</b>	<b>(291,898)</b>
Beginning Cash Balance as of 3-1-2012	\$	164,349,961
Change in Cash		(291,898)
Ending Cash Balance as of 3-31-2012	<b>\$</b>	<b>164,058,062</b>

<sup>1</sup>Includes \$418,706 intercompany tax settlement with reinsurance subsidiary.

**The PMI Group, Inc.**  
**Schedule of Bank Accounts and Balances**  
**As of March 31, 2012**  
**MOR - 1a**

Note: All bank accounts have been reconciled for the period presented.

<u>Name of Bank</u>	<u>Account Name</u>	<u>Bank Account Number</u>	<u>Balance</u>
Bank of America	Main Account	xxxxxx0476	\$ 163,608,139
Bank of America	Payroll Account	xxxxxx0423	53,476
Bank of New York	Cash Securities	xxx430	222,402
Chemical Bank	Gateway	xxxxxx1515	148,230
First National Bank of Gordon	Gateway	xxx251	10,728
Commonwealth National Bank	Gateway	xxx3169	15,087
<b>Total</b>			<b>\$ 164,058,062</b>

Note: The accounts at First National Bank of Gordon and Chemical Bank were closed on March 23rd and 29th, respectively. The Debtor received cashiers checks in April.

**The PMI Group, Inc.**  
**Schedule of Professional Fees Paid**  
**March 1, 2012 to March 31, 2012**  
**MOR - 1b**

<u>Payee</u>	<u>Period Covered</u>	<u>Amount</u>
Kurtzman Carson Consultants, LLC	January 2012	\$ 50,883.98
Young Conaway Stargatt & Taylor	January 2012	110,088.10
Goldin Associates, LLC	February 2012	216,623.73
Groom Law Group	February 2012	16,964.35
<b>Total Professional Fees</b>		<b>\$ 394,560.16</b>

**STATEMENT OF OPERATIONS**  
**THE PMI GROUP, INC.**  
**For the Month ended March 31, 2012**  
**MOR-2**

<b>Total Revenues</b>	<b>\$</b>	<b>-</b>
Payroll Expenses		149,844
Other Recurring Expense		368,342
<b>Total Recurring Expense</b>		<b>518,186</b>
Non-Recurring Expenses - Bankruptcy Related		832,405
<b>Total Expense</b>		<b>1,350,591</b>
Interest and Dividends - Net		9,213
Equity Earnings		4,615,386
Gain (Loss) on Investments		(113)
<b>Net Investment Income</b>		<b>4,624,485</b>
<b>Interest Expense</b>		<b>-</b>
<b>Income (Loss) before Tax</b>		<b>3,273,894</b>
<b>Tax Provision (Benefit)</b>		<b>(15,646)</b>
<b>Net Income (Loss)</b>	<b>\$</b>	<b>3,289,540</b>



**BALANCE SHEET**  
**THE PMI GROUP, INC.**  
**As of March 31, 2012**  
**MOR-3**

**Assets**

Fixed Income Securities	\$	1,922,790
Cash		164,058,062
Investments in Subsidiaries		54,942,370
Accounts Receivable - Affiliates		2,030,425
Pre-paid Assets		9,887,183
Other Assets		682,402
<b>Total Assets</b>	<b>\$</b>	<b>233,523,231</b>

**Liabilities Not Subject to Compromise**

Accrued Expenses	\$	2,189,325
Accounts Payable		280,044
Accounts Payable - Intercompany		106,946
Other Liabilities		45,328
<b>Liabilities Not Subject to Compromise</b>	<b>\$</b>	<b>2,621,643</b>

**Liabilities Subject To Compromise**

Pre-Petition Bond Debt	\$	742,742,007
Gateway Liability		262,000
Accounts Payable		49,197
Accounts Payable - Intercompany		22,300,189
<b>Liabilities Subject To Compromise</b>	<b>\$</b>	<b>765,353,393</b>

**Total Liabilities**

**\$ 767,975,036**

Common Stock	\$	1,970,788
Additional Paid In Capital and Accumulated Deficit		736,982,315
Treasury Shares		(1,273,404,907)
<b>Total Equity</b>	<b>\$</b>	<b>(534,451,804)</b>

**Total Liabilities & Equity**

**\$ 233,523,231**

**The PMI Group, Inc.**  
**Summary of Post-Petition Taxes**  
**For the Month Ended March 31, 2012**  
**MOR - 4**

**Representation: To the best of its knowledge, The PMI Group, Inc. has paid its taxes due as of 3-31-2012.**

**The PMI Group, Inc.**  
**Summary of Post-Petition Debts**  
**For the Month Ended March 31, 2012**  
**MOR - 4a**

Unpaid Post-Petition Debts

	<u>Current</u>	<u>0-31 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
<b>Total Operating Payables</b>	\$ 195,158	\$ -	\$ -	\$ -	\$ -	\$ 195,158
<b>Total Bankruptcy Related Payables</b>	84,886	-	-	-	-	84,886
<b>Total Post-Petition Payables</b>	<u>\$ 280,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,044</u>

**The PMI Group, Inc.**  
**Debtor Questionnaire**  
**For the Month Ended March 31, 2012**  
**MOR - 5**

**DEBTOR QUESTIONNAIRE**

<b>Must be completed each month</b>	<b>Yes</b>	<b>No</b>
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		x
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		x
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	x	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	x	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3.		x