THE PMI GROUP, INC.

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the years ended December 31, 2018 and 2017

CONTENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
The PMI Group, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial condition of The PMI Group, Inc. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows, for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the two-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

BPM LLP

We have served as the Company's auditor since 2016.

San Francisco, California

March 7, 2019

THE PMI GROUP, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2018 AND 2017

(in thousands, except per share data)

	December 31, 2018	December 31, 2017
ASSETS		
Cash	$ 3,197	$ 3,916
Restricted cash	689	699
Prepaid expenses and other current assets	38	13
Total current assets	3,924	4,628
Deferred tax assets (Note 7)	-	-
Total assets	$ 3,924	$ 4,628
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Term loan, net of deferred financing costs ($197 and $473, respectively)	$ 4,835	$ 4,076
Accrued liabilities and accounts payable (includes $0 and $2 from related party)	41	49
Warrant liability	20	-
Total liabilities	4,896	4,125
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock, $0.01 par value; 10,000,000 shares authorized; 2,074,441 shares issued and outstanding	21	21
Preferred stock, $0.01 par value; 1,000,000 shares authorized; no shares issued and outstanding	-	-
Additional paid-in capital	7,967	7,967
Accumulated deficit	(8,960)	(7,485)
Total stockholders' equity	(972)	503
Total liabilities and stockholders' equity	$ 3,924	$ 4,628

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

THE PMI GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(in thousands)

	Year Ended December 31, 2018	2017
Revenue:		
Interest income	$ 2	$ 2
Total revenue	2	2
Expenses:		
General, administrative, and other expenses	718	520
Interest expense - amortization of deferred financing costs	276	395
Interest expense	483	437
Total expenses	1,477	1,352
Net loss	$ (1,475)	$ (1,350)

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

THE PMI GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(in thousands, except per share data)

	Common Stock		Preferred Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance, January 1, 2017	2,074,441	$ 21	-	$ -	$ 7,967	$ (6,135)	$ 1,853
Net loss	-	-	-	-	-	(1,350)	(1,350)
Balance, December 31, 2017	2,074,441	21	-	-	7,967	(7,485)	503
Net loss	-	-	-	-	-	(1,475)	(1,475)
Balance, December 31, 2018	2,074,441	$ 21	-	$ -	$ 7,967	$ (8,960)	$ (972)

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

THE PMI GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands)

	For the Years Ended December 31, 2018	2017
Cash flows from operating activities:		
Net loss	$ (1,475)	$ (1,350)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt issuance costs	276	395
Paid-In-Kind interest expense	483	437
Change in fair value of warrant liability	20	(1)
Changes in assets and liabilities:		
Prepaid expenses and other current assets	(25)	6
Accrued liabilities and accounts payable	(8)	(19)
Net cash used in operating activities	(729)	(532)
Decrease in cash and restricted cash	(729)	(532)
Cash and restricted cash, beginning of period	4,615	5,147
Cash and restricted cash, end of period	$ 3,886	$ 4,615

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

1. The Company

On October 1, 2013, The PMI Group, Inc. ("PMI" or the "Company") emerged from Bankruptcy with a new Board of Directors appointed pursuant to the First Amended Plan of Reorganization of the PMI Group, Inc. under Chapter 11 of the United States Bankruptcy Code (the "Plan"). Since emergence, PMI has sought to identify and execute strategic alternatives intended to maximize PMI value. In connection with these efforts, PMI is pursuing and exploring a number of options, including, among others, discussions with respect to the sale or financing of PMI's assets and future operations, other potential avenues to raise additional capital including debt, preferred stock or common stock, as well as potential corporate transactions. As of December 31, 2018, PMI has not executed definitive agreements relating to any material transaction other than the BTO Transactions noted below.

On August 28, 2015, PMI entered into a series of transactions ("BTO Transactions") in conjunction with the acquisition by BTO PMI Holdings L.P. ("BTO Holdings") of 764,542 common shares from another shareholder, including entry into a Subordinated Loan Agreement with BTO PMI Holdings-NQ, L.P. ("BTO Holdings-NQ") (See Note 5) and the issuance of a Warrant to BTO Holdings-NQ (Collectively, BTO Holdings and BTO Holdings-NQ are referred to as "BTO"). Contemporaneous with the BTO transactions, PMI entered into an Investor Rights Agreement and a Registration Right Agreement with BTO which among other things provides BTO with certain governance rights and rights to demand and/or piggy-back in a registered offering under certain circumstances as defined in the agreements.

2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements of PMI as of and for the years ended December 31, 2018 and 2017, have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and in accordance with Accounting Standards Codification, as set forth by the Financial Accounting Standards Board ("FASB"). The following is a summary of significant accounting and reporting policies.

Principles of Consolidation

PMI is the 100% owner of PMI Mortgage Insurance Co. ("MIC"). On August 19, 2011, MIC was placed under formal supervision of the Arizona Department of Insurance ("ADI"). On October 20, 2011, the ADI filed a petition and complaint in the Arizona Superior Court, County of Maricopa (the "Receivership Court") seeking to have MIC placed into interim receivership under full possession and control of the ADI, which was granted that day (the "Possession Order"). On March 14, 2012, the Receivership Court, with the consent of PMI's bankrupt estate, entered an order ("the Receivership Order") appointing the Arizona Insurance Commissioner as Receiver and appointing a Special Deputy Receiver to manage the day-to-day affairs of MIC subject to the continuing oversight of the Receivership Court.

2. Summary of Significant Accounting Policies, continued

MIC is currently subject to the Receivership Order that effects a separation of control between PMI and MIC which, among other things, gives the Receiver exclusive custody and control of MIC's records and assets, including all of MIC's rights to control its operations and those of its subsidiaries.

The Receivership Order prohibits PMI (as MIC's stockholder) from transacting any of MIC's business or altering any of MIC's records. In accordance with the applicable accounting standards, when a subsidiary becomes subject to the control of a government, court, administrator, or regulator, deconsolidation of that subsidiary is generally required. The Company has therefore deconsolidated MIC for accounting purposes and eliminated the results of MIC's operations for all periods presented. However, MIC does remain as part of the PMI consolidated tax group.

The Company believes they have no responsibilities for liabilities of MIC. Although MIC is currently in rehabilitation, to the extent that MIC is rehabilitated and emerges from receivership, the residual interest would belong to PMI. The accounts of PMI include the accounts of PMI and its subsidiaries – PMI Insurance Co., and PMI Mortgage Service Co.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company believes that the estimates used in preparing its consolidated financial statements are reasonable and prudent; however, actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments with an original maturity date of three months or less at the date of purchase to be cash equivalents. There were no such investments at December 31, 2018 or December 31, 2017, as all cash was held in checking or savings accounts.

Income Taxes

PMI uses the asset and liability method of accounting for income taxes, pursuant to which deferred tax assets and liabilities are recognized with respect to the future tax consequences attributable to (i) differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and (ii) NOL carryforwards ("NOLs") and other tax credit carryforwards. Deferred tax assets and liabilities are calculated applying current income tax rates to taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the results of operations in the period that includes the effective date for the new rates. The ability to realize PMI's deferred tax assets is evaluated quarterly based on a "more-likely-than-not" standard, and to the extent this threshold is not met, a valuation allowance is recorded.

2. Summary of Significant Accounting Policies, continued

PMI evaluates tax positions taken or expected to be taken in the course of preparing PMI's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions deemed to meet the "more-likely-than-not" threshold of being sustained would be recorded as a tax benefit in the current period. PMI has reviewed all open tax years in each respective jurisdiction and concluded that PMI has no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions. This is not expected to change significantly during the next twelve months.

PMI accounts for interest and penalties associated with income tax obligations as a component of income tax expense. PMI recognized no interest or penalties as part of the provision for income taxes in the statements of operations for the years ended December 31, 2018 and 2017.

Comprehensive Loss

Comprehensive loss is defined as the change in equity of PMI during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. For the years ended December 31, 2018 and 2017, the Company had no items of other comprehensive loss. Therefore, the net loss equals comprehensive loss for the years then ended.

Recent Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-03, "Technical Corrections and Improvements to Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2018-03"), which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2018-03 became effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years beginning after June 15, 2018. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"), which addresses changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty that should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. ASU 2018-13 will be effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

(in thousands, except per share data)

2. Summary of Significant Accounting Policies, continued

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flow: Restricted Cash" which amended the existing accounting standards for the statement of cash flows by requiring restricted cash to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard update will be effective in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted. This reporting standard was early adopted for the year ended December 31, 2018 and has been applied retrospectively for all periods presented. Cash and restricted cash as of December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Cash	$ 3,197	$ 3,916
Restricted cash	689	699
Total cash and restricted cash shown in the consolidated statement of cash flows	$ 3,886	$ 4,615

In May 2014, the FASB issued ASU No. 2014-09, which creates ASC 606, "Revenue from Contracts with Customers", and supersedes ASC 605, "Revenue Recognition". ASU 2014-09 requires revenue to be recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU 2014-09 was effective for annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

3. Cash and Restricted Cash

Cash includes interest-earning deposits and are held at financial institutions that may exceed federally insured limits. PMI has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk with respect to cash balances held in these financial institutions. As of December 31, 2018, and 2017, PMI had approximately $700, of restricted cash, which is for the escrow of the CAA (See Note 4).

4. MIC Transactions

On December 12, 2012, PMI and MIC agreed to the Second Amended and Restated Cost Allocation Agreement (the "CAA"), pursuant to which MIC provided certain Transition Services and Additional Services (both as defined in the CAA) to PMI. The agreement required the deposit of funds into an escrow account (the "Escrow Account") for the benefit of both PMI and MIC. The total funds contained in the escrow account are approximately $1,087. As of December 31, 2018 and 2017, PMI had approximately $700 held in the Escrow Account. The cash held in the Escrow Account is recorded as restricted cash on the consolidated statement of financial condition.

4. MIC Transactions, continued

The parties agreed to pay their respective portions of the PMI Service Costs (as defined in the CAA) as invoiced from each party to the CAA. As of December 31, 2018 and 2017, related party receivables from MIC totaled approximately $38 and $13, respectively, which are included in prepaid expenses and other current assets on the consolidated statement of financial condition.

5. Subordinated Term Loan

On August 28, 2015, PMI entered into the Subordinated Loan Agreement, as amended, (“Loan Agreement”) with BTO, pursuant to which BTO has agreed to make available to the Company in one or more term loans, as defined, in an aggregate principal amount up to $8,000 (“Total Commitment”). Any amounts borrowed under the Loan Agreement, and subsequently repaid, may not be re-borrowed. On August 28, 2015, PMI borrowed $4,000 (“Term Loan”) under this Loan Agreement. The Company entered into an amendment to the Loan Agreement on August 31, 2017 to extend the draw period from August 2017 to August 2018. Additionally, the amendment extended the maturity date from August 28, 2018 to August 28, 2019. The Term Loan bears interest at a rate of 10% per annum. Interest is payable monthly in arrears.

All payments of interest on each Term Loan are payable monthly in-kind (“PIK”) and will be added to the principal amount of the Term Loan. Interest expense was $483 and $437 for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the total outstanding principal balance under this Term Loan was $5,032 and $4,549, respectively. The Term Loan is subject to certain covenants and conditions which, as of December 31, 2018 the Company is in compliance with.

In connection with obtaining the Loan Agreement, PMI incurred and paid debt issuance costs of $1,350 and is presented as a direct deduction from the related Term Loan. The debt issuance costs are being amortized to interest expense over the life of Term Loan using an effective interest method. Amortization expense was approximately $252 and $361 for the years ended December 31, 2018 and 2017, respectively. Amortization expense will be approximately $180 in 2019.

Additionally, in connection with the Loan Agreement, PMI issued BTO a warrant to purchase 419,474 shares of the Company’s common stock at an exercise price of $5.00 per share, which expires on August 28, 2020. The Company estimated the fair value of the warrants at the date of issuance to be approximately $127. The amount has been reflected as discount on the debt in the accompanying consolidated statement of financial condition and is being amortized to interest expense over the life of the Term Loan. Amortization expense was approximately $24 and $34 for the years ended December 31, 2018 and 2017, respectively. Amortization expense will be approximately $17 in 2019.

(in thousands, except per share data)

6. Common Stock Warrants and Fair Value Measurements

The Company has determined the Warrant is classified as a liability and is adjusted to fair value at each year end with the changes in fair value recognized in general, administrative and other expenses in the consolidated statements of operations. The estimated fair value of the Warrant at December 31, 2018 and 2017 was $20 and $0, respectively, based on the Black-Scholes option-pricing model using the weighted-average assumptions below:

	At December 31, 2018	At December 31, 2017
Volatility	80%	32%
Risk-free interest rate	2.51%	1.95%
Expected term (in years)	1.66	2.67
Expected dividend yield	- %	- %
Fair value of common stock	$1.00	$0.90
Exercise price	$5.00	$5.00

The Company accounts for certain of its financial assets and liabilities at fair value. In determining and disclosing fair value, the Company uses a fair value hierarchy established by GAAP. Due to their short maturity, the carrying amounts reported in the consolidated financial statements for cash and restricted cash, accounts payable and accrued liabilities, and Term Loan approximate their fair values.

As a basis for considering such assumptions, ASC 820-10, *Fair Value Measurements and Disclosures - Overall*, establishes a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs, such as quoted prices in active markets for identical and unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities or inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 – Unobservable inputs in which there is little or no market data, which require the Company to develop its own assumptions about the assumptions market participants would use in pricing the asset or liability. Valuation techniques include the use of option-pricing models, discounted cash flow models, and similar techniques.

6. **Common Stock Warrants and Fair Value Measurements**, continued

At December 31, 2018 and 2017, the Company had no assets or liabilities required to be measured at fair value using Level 1 or Level 2 inputs. The Company's common stock warrant liability is recorded at fair value, determined using Level 3 inputs. A reconciliation of the liability related to the warrants measured and recorded at fair value on a recurring basis, using significant unobservable inputs (Level 3), is as follows:

Balance, January 1, 2017	$	1
Change in fair value of common stock warrants		(1)
Balance, December 31, 2017	$	-
Change in fair value of common stock warrants		20
Balance, December 31, 2018	$	20

7. **Taxes**

The Company did not provide any current or deferred U.S. Federal or state income tax benefit on the current-year income due to recording a full valuation allowance.

The components of deferred tax assets consist of the following (*in thousands*):

	Decmber 31, 2018	December 31, 2017
Deferred tax assets:		
Net operating losses (1)	$ 173,193	$ 172,920
Other	6	-
Total deferred tax assets	173,199	172,920
Less valuation allowance	(173,199)	(172,913)
Deferred tax assets	$ -	$ 7
Deferred tax liabilities:		
Other	-	(7)
Net deferred tax assets	$ -	$ -

(1) The deferred tax asset noted in above table for net operating losses relates to the potential financial benefit of being able to utilize approximately $825,000 of Federal NOLs in the future.

7. Taxes, continued

December 22, 2017, the United States Congress and the Administration have approved a bill reforming the US corporate income tax code which reduced corporate tax rate from 35% to 21%. The rate reduction took effect on January 1, 2018. The carrying value of the Company's deferred tax assets is also determined by the enacted US corporate income tax rate. Consequently, any changes in the US corporate income tax rate will impact the carrying value of the Company's deferred tax assets. The difference between the Federal statutory tax rate of 21% and the effective tax rate of 0% was attributable to the provision of a full valuation allowance.

Based upon available objective evidence as to current and anticipated taxable income from existing operations, the Company believes it is more likely than not that the net deferred tax assets will not be fully realized. Accordingly, the Company has established a valuation allowance for all deferred tax assets. The valuation allowance increased by approximately $286 during the year ended December 31, 2018. Should the Company generate sufficient taxable income in the future, all or a portion of the valuation allowance could be reversed. The net change in the valuation allowance for the year ended December 31, 2018 was primarily due to a change in the Company's net loss from operations.

As of December 31, 2018, PMI's consolidated tax group has approximately $164,000 of tax credits, which may be available to PMI. Approximately $161,000 of the tax credits are foreign tax credits, all of which will expire in 2018. The credits will be fully expired by 2023. None of these tax credits are generally available to offset tax liabilities until all applicable NOLs have been utilized. The Company believes that most, if not all, of the available tax credits will expire unused based upon current and projected taxable income. Should the Company generate sufficient taxable income in the future, all or a portion of these tax credits may be usable, however the Company has not performed an analysis of any conditions to its usage or to determine how much would be realizable.

As of December 31, 2018, the Company has approximately $140,000 in California NOLs that may be available to PMI, however the Company has not performed an analysis to determine how much California NOLs are potentially available or if the NOLs would be subsequently realizable.

The Company has not included the potential value of the tax credits or California NOLs in the schedule of deferred tax assets above given the uncertainty in realizing their value.

7. Taxes, continued

In general, Section 382 of the Internal Revenue Code ("Section 382") limits the amount of NOL carryforwards and other tax attributes, including certain built-in losses, arising before an "ownership change" that may be used to offset taxable income following the "ownership change." An "ownership change," as defined under Section 382, occurs when certain five percent or greater shareholders of a corporation with NOLs increase their ownership percentage in the corporation by more than 50 percentage points during a rolling three-year period. Pursuant to the Plan, PMI's then-outstanding common stock was extinguished and new common stock of PMI was issued to creditors, resulting in an "ownership change." There are certain exceptions to the application of Section 382 that are applicable in a bankruptcy context.

Management believes that PMI qualifies for an exception and the NOLs are not limited by Section 382. There are rules other than Section 382 that could limit the use of the losses, but Management believes those rules are not applicable.

The Company believes that the total available and utilizable Federal NOLs at December 31, 2018 are approximately $825,000. As of December 31, 2018, there was no limitation on the use of these NOLs. These NOLs will begin to expire in 2030. PMI's ability to utilize the NOLs or realize any benefits related to the NOLs is subject to a number of risks. Moreover, the law in this area is unsettled and despite management's belief that PMI's NOLs are not subject to any limitations, PMI's use of the NOLs may be challenged in the future by tax authorities.

PMI files income tax returns in the U.S. Federal jurisdiction and various states. With few exceptions, PMI is no longer subject to U.S. Federal, state, and local income tax examinations by tax authorities for years before 2012. As a matter of course, various taxing authorities, including the IRS, could audit PMI. There were no tax years under examination by major tax jurisdictions as of December 31, 2018.

PMI files a U.S. federal consolidated tax return with eligible subsidiaries, including MIC. Also, in December 2012, PMI entered into the Amended Tax Sharing Agreement approved by the Bankruptcy Court and the Receivership Court, which among other things, allocated a portion of the consolidated tax group's NOLs between PMI and MIC, as described above.

8. Incentive Awards

Transaction Incentive Award

On December 13, 2013, PMI entered into Transaction Incentive Award Agreements ("Transaction Incentive Award") with its then three Board members. Each Transaction Incentive Award Agreement provides an incentive award opportunity for the applicable Board member in the event that PMI enters into one of the types of transactions enumerated in the agreement, such as a capital raise, an acquisition of an unrelated entity (or the assets of an unrelated entity), a minority investment in an unrelated entity or a combination of the foregoing transactions, in each case to the extent that the aggregate value of the transaction is at least $4 million. In order to be entitled to an award under the agreement, a Board member must remain in continuous service with PMI until the earlier of the closing of the applicable transaction or December 31, 2016, unless an earlier qualifying termination of that relationship takes place as provided under the agreement (which did occur with respect to the former Board member who resigned in April 2015). In addition, the transaction must have been agreed to by December 31, 2016 in order for a Board member to be entitled to any benefits under the agreement.

In connection with the BTO Transaction, each of the existing Board members of PMI as of the date of execution of the BTO Transaction as well as the former director received equal cash awards under their respective Transaction Incentive Awards totaling approximately zero for the year ended December 31, 2017. Effective with the re-election of two of its Board members, PMI entered into an Amended and Restated Transaction Incentive Award on May 28, 2015, with each of the two re-elected Board members, which was further amended with both Board members on August 28, 2015. The amended cash award amount is $50 in the event that the value of all completed transactions are less than $5 million and is 1% of the value of all completed transactions in the event that completed transactions are equal to or greater than $5 million. The cash award amount is capped at a maximum aggregate of $360 each. In addition, the transaction must have been agreed to by December 31, 2018 in order for a Board member to be entitled to any benefits under the agreement with respect to the transaction. For the years ended December 31, 2018 and 2017, no cash awards were paid or accrued.

9. Subsequent Events

The Company has evaluated all subsequent events for recognition and disclosure through March 7, 2019 the date, which these consolidated financial statements were available. Nothing has occurred outside the normal course of business operations that require disclosure or recognition as of December 31, 2018.