

The PMI Group, Inc

October 28, 2025

Dear Fellow Shareholders;

I would like to take this opportunity to provide you with a brief update on our business development activities, as well as, a review our financial performance for the three- and nine-month periods ended September 30, 2025.

As previously discussed in prior shareholder letters, we have continued to retain the services of Jefferies LLC, as a financial advisor, to assist us to identify and advise us on strategic initiatives that may benefit the Company and our Shareholders. We continue to believe that The PMI Group provides an ideal platform for tax efficient growth and offers significant value to potential partners.

For the three-month period ended September 30, 2025, the net loss was (\$172k) compared to a net loss in the three-month period ended September 30, 2024 of (\$292k), an improvement of approximately \$120k or 41.1%. General and administrative expenses decreased approximately \$143k or 59.8% to \$96k from \$239k, principally as a result of lower professional fees.

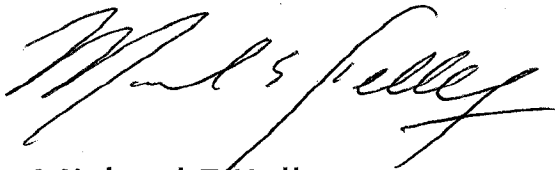
Interest expense for the three-month period ended September 30,2025 was \$76k compared to \$53k in the prior year same period, an increase of approximately \$23k or 43.4%. The increase in interest expense is attributable to a \$500k draw in January 2025 together with PIK interest. The \$500k draw was made to provide the Company with increased liquidity and fund general operating expenses.

With regards to our financial performance, for the nine -month period ended September 30,2025, the net loss was (\$485k) compared to a net loss in the nine-month period ended September 30,2024 of (\$695k), an improvement of approximately \$210k or 30.2%. General and administrative expenses decreased to \$272k from \$543k, an improvement of approximately \$271k or 49.9%. Interest expense for the nine-month period ended September 30,2025, was \$215k compared to \$154k in the prior nine-period ended September 30,2024, an increase of approximately \$61k or 39.6%.

The Company as of September 30,2025 had approximately \$461k in cash and cash equivalents on hand and \$2,545k outstanding on its \$4.0 million line of credit with Lancer Capital.

The Company continues to maintain a streamlined operating structure as it continues with the assistance of Jefferies LLC, to actively explore opportunities to enter into strategic transactions to maximize its assets for the value of the Company and its Shareholders. In closing, thank you for your continued support of The PMI Group.

Respectfully,

A handwritten signature in black ink, appearing to read "Michael E. Kelly", with a stylized, cursive script.

Michael E Kelly

CEO, Director

The PMI Group, Inc

THE PMI GROUP, INC.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ending September 30, 2025 and 2024

These financial statements have not been audited, reviewed, or compiled and no assurance is provided on them.

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THE PMI GROUP, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS

As of September 30, 2025 and 2024
(in thousands, except share data)

	September 30,	
	2025	2024
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 461	\$ 252
Prepaid expenses and other current assets	89	104
Total current assets	<u>\$ 550</u>	<u>\$ 356</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 554</u>	<u>\$ 434</u>
Non-Current Liabilities:		
Line of Credit	<u>2,545</u>	<u>1,774</u>
Total liabilities	<u>3,099</u>	<u>2,208</u>
Stockholders' deficit:		
Common stock, \$0.01 par value; 10,000,000 shares authorized; 2,074,441 shares issued and outstanding	21	21
Additional paid-in capital	7,967	7,967
Accumulated deficit	<u>(10,537)</u>	<u>(9,840)</u>
Total stockholders' deficit	<u>(2,549)</u>	<u>(1,852)</u>
Total liabilities and stockholders' deficit	<u>\$ 550</u>	<u>\$ 356</u>

See accompanying notes to the unaudited consolidated financial statements.

THE PMI GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

For the Nine Months Ended September 30, 2025 and 2024

(in thousands, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenue:				
Interest income	\$ -	\$ -	\$ 2	\$ 2
Total revenue	-	-	2	2
Expenses:				
General, administrative, and other expenses	96	239	272	543
Interest expense	76	53	215	154
Total expenses	172	292	487	697
Loss from operations	(172)	(292)	(485)	(695)
Net loss	\$ (172)	\$ (292)	\$ (485)	\$ (695)

See accompanying notes to the unaudited consolidated financial statements.

THE PMI GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
For the Nine Months Ended September 30, 2025 and 2024
(in thousands, except share data)

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	Stockholders' Deficit
Balance, January 1, 2025	2,074,441	\$ 21	\$ 7,967	\$ (10,052)	\$ (2,064)
Net loss	-	-	-	(159)	(159)
Balance, March 31, 2025	2,074,441	21	7,967	(10,211)	(2,223)
Net loss	-	-	-	(154)	(154)
Balance, June 30, 2025	2,074,441	21	7,967	(10,365)	(2,377)
Net Loss	-	-	-	(172)	(172)
Balance, September 30, 2025	2,074,441	\$ 21	\$ 7,967	\$ (10,537)	\$ (2,549)
	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	Stockholders' Deficit
Balance, January 1, 2024	2,074,441	\$ 21	\$ 7,967	\$ (9,145)	\$ (1,157)
Net loss	-	-	-	(221)	(221)
Balance, March 31, 2024	2,074,441	21	7,967	(9,366)	(1,378)
Net loss	-	-	-	(182)	(182)
Balance, June 30, 2024	2,074,441	21	7,967	(9,548)	(1,560)
Net loss	-	-	-	(292)	(292)
Balance, September 30, 2024	2,074,441	\$ 21	\$ 7,967	\$ (9,840)	\$ (1,852)

See accompanying notes to the unaudited consolidated financial statements.

THE PMI GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2025 and 2024
(in thousands, except share data)

	September 30,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (485)	\$ (695)
Adjustments to reconcile net loss to net cash used in operating activities:		
Interest expense	215	154
Changes in assets and liabilities:		
Prepaid expenses and other current assets	16	70
Accounts payable and accrued liabilities	115	152
Net cash used in operating activities	(139)	(319)
Cash flows provided by financing activities:		
Draw on line of credit	500	-
Increase (decrease) in cash and cash equivalents	361	(319)
Cash and cash equivalents, beginning of period	100	571
Cash and cash equivalents, end of period	\$ 461	\$ 252

See accompanying notes to the unaudited consolidated financial statements.

THE PMI GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share data)

1. Company

On October 1, 2013, The PMI Group, Inc. ("PMI" or the "Company") emerged from Bankruptcy 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.

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") 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.

On November 4, 2022, PMI entered into a Securities Sale Agreement ("SSA") with Lancer Capital LLC ("Lancer") to consent to BTO Holdings selling 764,542 common shares, as well as entering into an Investor Rights Agreement and Registrations Rights Agreement with Lancer Capital LLC. The SSA terminated BTO Holdings Investor Rights Agreement, Registration Right Agreement and warrants dated as of June 25, 2021, with BTO Holdings-NQ.

2. Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements of PMI as of and for the nine-month period ended September 30, 2025, and 2024, 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"). All intercompany transactions and balances have been eliminated in consolidation.

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.

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 PMI GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share data)

2. Summary of Significant Accounting Policies, continued

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. On January 23, 2019, PMI Mortgage Service Co. filed a certificate of dissolution that was accepted by the California Secretary of State.

Use of Estimates

The preparation of unaudited consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the amounts reported in the unaudited consolidated financial statements and accompanying notes. The Company believes that the estimates used in preparing its unaudited 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. The Company invests a portion of its cash and cash equivalents into money market funds. Money market funds are carried at cost plus accrued interest. As of September 30, 2025, the Company had approximately \$452 invested in money market funds.

Income Taxes

PMI accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the unaudited consolidated financial statements. Under this method, the Company determines deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

PMI recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would be able to realize our deferred tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

THE PMI GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share data)

2. Summary of Significant Accounting Policies, continued

Income Taxes, continued

The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) it determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

The Company recognizes interest and penalties related to unrecognized tax benefits as interest expense on the accompanying unaudited consolidated statements of operations. As of September 30, 2025 and 2024, the Company recorded no interest and penalties.

Comprehensive Income (Loss)

Comprehensive income (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 nine months ended September 30, 2025 and 2024, the Company had no items of other comprehensive income (loss). Therefore, the net (loss) income equals comprehensive (loss) income for the periods then ended.

3. Cash and Cash Equivalents

Cash and cash equivalents include interest-earning, highly liquid 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.

Cash and cash equivalents as of September 30, 2025 and 2024, is comprised as follows:

	<u>2025</u>	<u>2024</u>
Cash	\$ 9	\$ 252
Cash equivalents	<u>452</u>	<u>-</u>
Total cash and cash equivalents shown in the unaudited consolidated statements of cash flows	<u>\$ 461</u>	<u>\$ 252</u>

THE PMI GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share data)

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 Company with the consent of the Receiver mutually closed the Escrow Account as of May 31, 2023, and transferred these funds to unrestricted cash. To obtain the consent of the Receiver, the Company advanced \$75 directly to MIC as a prepaid deposit for future cost allocations per the CAA. As of September 30, 2025, there were \$9 of costs allocated, bringing the balance to \$66, which is included in prepaid expenses and other current assets on the unaudited consolidated balance sheets.

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 September 30, 2025, and 2024, related party receivables from MIC totaled approximately \$13 and \$15, respectively, which are included in prepaid expenses and other current assets on the unaudited consolidated balance sheets.

5. Subordinated Term Loan

Subordinated Loan Agreement - Lancer Capital LLC

On November 4, 2022, the Company entered into a Securities Sale Agreement, whereby 764,542 shares of common stock owned by BTO Holdings (see note 1) was sold to Lancer Capital, LLC. The SSA terminated BTO Holdings' Investor Rights Agreement, Registration Right Agreement and warrants dated as of June 25, 2021, with BTO Holdings-NQ. In connection with the SSA, payment of all amounts outstanding under, and the termination of, the Subordinated Loan Agreement dated as of August 28, 2015, with BTO was made on November 4, 2022.

On November 3, 2022, the Company entered into a Subordinated Loan Agreement ("Loan Agreement") with Lancer Capital LLC for the aggregate principal amount up to \$4,000. On November 3, 2022, the Company borrowed \$1,408 under this Loan Agreement in connection with the SSA. The Loan Agreement bears interest at a rate of 10% per annum; however, should the Company elect to pay interest in kind ("PIK") as defined in the Loan Agreement the interest increases to 12% per annum. Since the Company elected PIK, the monthly interest payment will be added to the principal amount of the Loan Agreement. The Loan Agreement has a maturity date of November 3, 2027. Interest expense on this Loan Agreement was \$215 and \$154, respectively for the nine-month period ended September 30, 2025 and 2024.

THE PMI GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (in thousands, except share data)

6. Taxes

The components of deferred tax assets consist of the following:

	For the Year ended December 31,	
	2024	2023
Net operating losses	\$ 173,533	\$ 173,343
Less valuation allowance	(173,533)	(173,343)
Net deferred tax asset	\$ -	\$ -

As of December 31, 2024, the deferred tax asset noted in the above table for net operating losses relates to the potential benefit of being able to utilize \$826,350 of federal net operating losses in the future.

Management assesses that available positive and negative evidence whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets associated with loss carry forwards. A significant piece of objective negative evidence is the existence of a three-year cumulative loss positions as of the reporting date. As of December 31, 2024, due to the one-time gain resulting from the termination of the Loan Agreement which occurred in 2022, the Company is in a three-year cumulative income position despite its long history of losses. While this is positive evidence that could support the realization of tax assets, it is out weighted by the negative evidence associated with the previous loss history of the Company (excluding 2022) and the inability to project future taxable income to absorb being carried forward.

Excluding the one-time, non-recurring gain in 2022 from the loan terminations, the Company would still be in a cumulative three-year loss position. This objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth.

On the basis of this evaluation, as of December 31, 2024 and 2023, the Company maintained a full valuation allowance against its net deferred tax asset. The valuation allowance increased by approximately \$190 and \$165 as of December 31, 2024 and 2023, respectively. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increase or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections growth. The net change in the valuation allowance for the year ended December 31, 2024 and 2023 was primarily due to changes in the Company's net operating loss carry forwards.

THE PMI GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share data)

6. Taxes, continued

As of December 31, 2022, PMI's consolidated tax group has approximately \$100 of federal tax credits, which may be available to PMI. The federal tax credits are foreign tax credits and low-income housing credits, which 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.

As of December 31, 2024 and 2023, the Company has \$144,531 in California NOLs that expire between 2034 and 2037, however the Company concluded the utilization of these tax losses is remote, thus the Company has not recorded a deferred tax asset related to these NOLs.

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."

The Internal Revenue Code provides limited exceptions to the application of Section 382. Such limited exception is provided in the Title 11 or similar cases (e.g., bankruptcy context). Management believes that PMI qualifies for such exception under Section 382; and, that any NOLs are not limited due to ownership changes. The tax attribute limitations are complex and vary from jurisdiction to jurisdiction. However, management believes that the total available and utilizable NOLs (not subject to limitation) at December 31, 2024 and 2023 are approximately \$819,295. The remaining NOLs totaling \$7,055 will begin to expire in 2031.

PMI's ability to utilize the NOLs or other tax attributes such as tax credits is subject to a number of risks, including, but not limited to, the Company's ability to generate future taxable income. Continuing tax controversy around the net operating loss utilization and scrutiny by taxing authorities may limit the Company's ability to use tax attributes in the future or result in their complete loss.

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 2018. 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 September 30, 2025 and 2024.

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.

The Company had no unrecognized tax benefits or accrued interest and penalties related to unrecognized tax benefits as of September 30, 2025 and 2024.

THE PMI GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share data)

7. Commitments and Contingencies

During 2022 a claim was made that a transaction fee in the amount of \$300 is due to a third party as a result of the consummation of a Subsequent Transaction, as such term is defined in a letter between the Company and predecessors or affiliates of the third party dated August 27, 2015. In 2022, the Company contacted the third party and disputed the claim. As of September 30, 2025, the Company has not received any subsequent correspondence on this matter from the third party advising of their intentions or pursuing their claim and as of September 30, 2025, has not accrued any amount for this claim.

8. Subsequent Events

The Company has evaluated all subsequent events for recognition and disclosure through October 23, 2025 the date which these unaudited consolidated financial statements were available to be issued. Nothing has occurred outside the normal course of business operations that require disclosure or recognition as of September 30, 2025.