THE PMI GROUP, INC.

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the years ended December 31, 2019 and 2018

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 statements of financial condition of The PMI Group, Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows, for each of the years in the two-year period ended December 31, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, 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.

Correction of Error

As discussed in Note 7 to the consolidated financial statements, the Company restated and corrected the consolidated financial statements for certain errors resulting in misstatements of previously reported amounts. Our opinion is not modified with respect to this matter.

BPM LLP

We have served as the Company's auditor since 2015.
San Francisco, California
March 13, 2020

THE PMI GROUP, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2019 AND 2018

(in thousands, except share data)

	December 31, 2019	December 31, 2018 (As Restated - See Note 7)
ASSETS		
Cash	$ 2,947	$ 3,197
Restricted cash	687	689
Tax refund receivable (Note 7)	132	264
Prepaid expenses and other current assets (includes $16 and $38 from related party in 2019 and 2018, respectively)	33	38
Total current assets	3,799	4,188
Deferred tax assets (Notes 7 & 8)	132	264
Total assets	$ 3,931	$ 4,452
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Liabilities:		
Term loan, net of deferred financing costs ($197)	$ -	$ 4,835
Accrued liabilities and accounts payable (includes $1 and $0 from related party in 2019 and 2018, respectively)	33	41
Warrant liability	-	20
Total current liabilities	33	4,896
Term loan, net of deferred financing costs ($0)	5,567	-
Total liabilities	5,600	4,896
Commitments and contingencies (Note 5)		
Stockholders' deficit:		
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 (Note 7)	(9,657)	(8,432)
Total stockholders' deficit	(1,669)	(444)
Total liabilities and stockholders' deficit	$ 3,931	$ 4,452

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, 2019 AND 2018

(in thousands)

	Year Ended December 31, 2019	Year Ended December 31, 2018
Revenue:		
Interest income	$ 2	$ 2
Total revenue	2	2
Expenses:		
General, administrative, and other expenses	495	718
Interest expense - amortization of deferred financing costs	197	276
Interest expense	535	483
Total expenses	1,227	1,477
Income tax benefit	-	-
Net loss	$ (1,225)	$ (1,475)

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

THE PMI GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(in thousands, except share data)

	Common Stock		Preferred Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
Balance, January 1, 2018, as previously reported	2,074,441	$ 21	-	$ -	$ 7,967	$ (7,485)	$ 503
Restatement (Note 7)	-	-	-	-	-	528	528
Balance, January 1, 2018, as restated	2,074,441	21	-	-	7,967	(6,957)	1,031
Net loss	-	-	-	-	-	(1,475)	(1,475)
Balance, December 31, 2018, as restated (Note 7)	2,074,441	21	-	-	7,967	(8,432)	(444)
Net loss	-	-	-	-	-	(1,225)	(1,225)
Balance, December 31, 2019	2,074,441	$ 21	-	$ -	$ 7,967	$ (9,657)	$ (1,669)

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

THE PMI GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(in thousands)

	For the Years Ended December 31, 2019	2018 (As Restated - See Note 7)
Cash flows from operating activities:		
Net loss	$ (1,225)	$ (1,475)
Adjustments to reconcile net loss to net cash used in operating activities:		
Deferred tax assets	132	264
Amortization of deferred financing costs	197	276
Paid-In-Kind interest expense	535	483
Change in fair value of warrant liability	(20)	20
Changes in assets and liabilities:		
Tax refund receivable	132	(264)
Prepaid expenses and other current assets	5	(25)
Accrued liabilities and accounts payable	(8)	(8)
Net cash used in operating activities	(252)	(729)
Decrease in cash and restricted cash	(252)	(729)
Cash and restricted cash, beginning of period	3,886	4,615
Cash and restricted cash, end of period	$ 3,634	$ 3,886

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, 2019, 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, 2019 and 2018, 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.

2. Summary of Significant Accounting Policies, continued

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 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 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, 2019 or 2018, as all cash was held in checking or savings accounts.

2. Summary of Significant Accounting Policies, continued

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 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 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 on the income tax expense line in the accompanying consolidated statement of operations. Accrued interest and penalties are included on the related tax liability line in the consolidated balance sheet.

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, 2019 and 2018, the Company had no items of other comprehensive loss. Therefore, the net loss equals comprehensive loss for the periods then ended.

Recent Accounting Pronouncements

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.

(in thousands, except share data)

2. Summary of Significant Accounting Policies, continued

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 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, 2018, 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. Cash and restricted cash as of December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
Cash	$ 2,947	$ 3,197
Restricted cash	687	689
Total shown in the consolidated statement of cash flows	$ 3,634	$ 3,886

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 adoption of ASC 606 in fiscal year 2019 had no impact on the Company's 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, 2019, and 2018, 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 $1,036.

4. MIC Transactions, continued

As of December 31, 2019 and 2018, PMI had approximately $700 held in the Escrow Account. The cash held in the Escrow Account is recorded as restricted cash on the consolidated statements of financial condition. 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, 2019 and 2018, related party receivables from MIC totaled approximately $16 and $38, respectively, which are included in prepaid expenses and other current assets on the consolidated statements of financial condition. As of December 31, 2019 and 2018, related party payables to MIC totaled approximately $1 and $0, respectively, which are included in accrued liabilities and accounts payable on the consolidated statements 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 a new amendment to the Loan Agreement on August 12, 2019 to further extend the draw period to August 2020 and to extend the maturity date of the Term Loan to August 28, 2021. 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 $535 and $483 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the total outstanding principal balance under this Term Loan was $5,567 and $5,032, respectively. The Term Loan is subject to certain covenants and conditions which, as of December 31, 2019 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 $180 and $252 for the years ended December 31, 2019 and 2018, respectively.

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 $17 and $24 for the years ended December 31, 2019 and 2018, respectively.

(in thousands, except 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, 2019 and 2018 was $0 and $20, respectively, based on the Black-Scholes option-pricing model using the weighted-average assumptions below:

	At December 31, 2019	At December 31, 2018
Volatility	80%	80%
Risk-free interest rate	1.55%	2.51%
Expected term (in years)	0.66	1.66
Expected dividend yield	- %	- %
Fair value of common stock	$0.25	$1.00
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.

(in thousands, except share data)

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

At December 31, 2019 and 2018, 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, 2018	$	-
Change in fair value of common stock warrants		20
Balance, December 31, 2018	$	20
Change in fair value of common stock warrants		(20)
Balance, December 31, 2019	$	-

7. **Restatement**

Subsequent to the issuance of the Company's 2018 consolidated financial statements, it has been determined that the Company's previously issued consolidated financial statements as of and for the year ended December 31, 2018 should be restated to correct the transactions described below.

As a result of an internal review of the Company's income tax provision and related deferred tax asset calculations during 2019, the Company discovered that certain tax benefits amounted to $528 were not recognized during 2017 and therefore, impacted the 2018 accumulated deficit, deferred tax asset, and tax refund receivable and the 2017 accumulated deficit previously reported on the Company's consolidated statement of financial condition.

Accordingly, the Company restated its consolidated statement of financial condition as of and for the year ended December 31, 2018. The effect of the restatement on consolidated statement of financial condition, changes in stockholders' deficit, and cash flows as of and for the year ended December 31, 2018 are as follows:

7. **Restatement**, continued

	(As Previously Reported)	(As Restated)
Selected Consolidated Statement of Financial Condition as of December 31, 2018		
Tax refund receivable	$ -	$ 264
Total current assets	3,924	4,188
Deferred tax assets	-	264
Total assets	3,924	4,452
Accumulated deficit	(8,960)	(8,432)
Total stockholders' deficit	(972)	(444)
Total liabilities and stockholders' deficit	3,924	4,452
Selected Consolidated Statement of Changes in Stockholders' Deficit as of December 31, 2018		
Beginning balance, January 1, 2018 of accumulated deficit	$ (7,485)	$ (6,957)
Ending balance, December 31, 2018 of accumulated deficit	(8,960)	(8,432)
Beginning balance, January 1, 2018 of total stockholders' equity (deficit)	503	1,031
Ending balance, December 31, 2018 of total stockholders' equity (deficit)	(972)	(444)
Selected Consolidated Statement of Cash Flows for 2018		
Tax refund receivable	$ -	$ (264)
Deferred tax assets	-	264

8. **Taxes**

As of December 31, 2018 and 2019, the Company provided current and deferred U.S. Federal income tax benefits related to refundable AMT tax credits stemming from the US tax reform discussed below.

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

	December 31, 2019	December 31, 2018 (As Restated - See Note 7)
Deferred tax assets:		
Net operating losses (1)	$ 173,445	$ 173,193
AMT Credits (Note 7)	132	264
Other	-	6
Total deferred tax assets	173,577	173,463
Less valuation allowance	(173,445)	(173,199)
Deferred tax assets	$ 132	$ 264
Deferred tax liabilities:		
Other	-	-
Net deferred tax assets	$ 132	$ 264

(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 $826,000 of Federal NOLs in the future.

8. Taxes, continued

The 2017 Tax Cuts and Jobs Act (the "Act") repeals the Alternative Minimum Tax ("AMT") regime for tax years beginning after December 31, 2017. For tax years beginning in 2018, 2019, and 2020, the AMT credit carryforward can be utilized to offset regular tax with any remaining AMT carryforwards eligible for a refund of 50% of the outstanding balance. Any remaining AMT credit carryforwards will become fully refundable beginning in the 2021 tax year. As a result, any existing valuation allowances on AMT credit carryforwards should be released as part of accounting for tax reform since the asset will be fully refundable.

Based on the available income tax guidance, PMI determined that the portion of the credits that are currently refundable are reflected as a tax receivable on the Company's consolidated statements of financial condition, while the portion that will become refundable in future years is being maintained as a deferred tax asset with no corresponding valuation allowance.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2019 and 2018. Such 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, 2019 and 2018, a valuation allowance of $173,445 has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. 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 increased 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 for growth. The valuation allowance increased by $246 during the year ended December 31, 2019.

As of December 31, 2019, PMI's consolidated tax group has $1,246 of tax credits, which may be available to PMI. Approximately $1,114 of the tax credits are foreign tax credits and low-income housing credits, approximately $607 of which will expire in 2020. The remaining credits will be fully expired by 2023, with the exception of $132 of refundable AMT tax credits. None of these tax credits are generally available to offset tax liabilities until all applicable NOLs have been utilized. The Company believes that all of the available tax credits will expire unused based upon current and projected taxable income and the relatively short carryforward period for the tax credits. As a result, the Company believes the future realization of these credits will be remote and thus the Company has not recorded a deferred tax asset related to these credits.

8. Taxes, continued

As of December 31, 2019, the Company has $144,530 in California NOLs that may be available to PMI, however the Company concluded the utilization of these tax losses is remote; and, the Company's current and expected future net operating loss utilization, thus the Company has not recorded a deferred tax asset related to these credits.

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 and NOLs are not limited due to ownership changes. The tax attribute limitation rules 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, 2019 are approximately $826 million. These NOLs will begin to expire in 2030.

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 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, 2019.

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 December 31, 2019 and 2018. PMI does not expect any material changes to its unrecognized tax benefits within the next twelve months.

9. Incentive Awards

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. 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, 2019 and 2018, no cash awards were paid or accrued.

10. Subsequent Events

The Company has evaluated all subsequent events for recognition and disclosure through March 13, 2020, 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, 2019.