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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

THE PORT AUTHORITY OF ALLEGHENY)
COUNTY RETIREMENT AND)
DISABILLITY ALLOWANCE PLAN FOR)
EMPLOYEES REPRESENTED BY)
LOCAL 85 OF THE AMALGAMATED)
TRANSIT UNION,)

Plaintiff,)

v.)

L. STEPHEN SMITH, et al.,)

Defendants,)

-and-)

THE PMI GROUP, INC.,)

Nominal Defendant.)

Case No.: 3:08-cv-02046-SI

**[PROPOSED] PRELIMINARY
APPROVAL OF SETTLEMENT AND
PROCEDURAL ORDER**

Judge: Honorable Susan Illston

1 WHEREAS, the Plaintiff moved, pursuant to Federal Rule of Civil Procedure 23.1, for an
2 order approving the settlement (the "Settlement") of: (i) the above-entitled action ("Federal
3 Derivative Action"); and (ii) *Torres v. Smith et al.*, Civil Action No. 08-01068 pending in the
4 California Superior Court for Contra Costa County (the "State Derivative Action," and
5 collectively with the Federal Derivative Action, the "Actions") in accordance with the
6 Stipulation and Agreement of Settlement dated March 11, 2011 (the "Settlement Agreement").
7 The Settlement Agreement and the Exhibits annexed thereto, sets forth the terms and conditions
8 for the proposed Settlement of the Actions and for dismissal of the Actions with prejudice upon
9 the terms and conditions set forth therein;

10 WHEREAS, for purposes of this preliminary approval order (the "Order"), all capitalized
11 terms contained herein shall have the same meanings as set forth in the Settlement Agreement (in
12 addition to those capitalized terms defined herein); and

13 WHEREAS, the Court having read and considered the Settlement Agreement and the
14 Exhibits annexed thereto:

15 **NOW THEREFORE, IT IS HEREBY ORDERED:**

16 1. The Court preliminarily approves the Settlement of the Actions as set forth in the
17 Settlement Agreement, as modified by this Order where applicable, subject to the right of any
18 current PMI shareholder as of March 11, 2011 ("Current PMI Shareholder" or "Current PMI
19 Shareholders") to challenge the fairness, reasonableness, and adequacy of the Settlement
20 Agreement, and show cause, if any exists, why a final judgment dismissing the Federal
21 Derivative Action based on the terms set forth in the Settlement Agreement should not be
22 ordered herein after due and adequate notice to Current PMI Shareholders has been given in
23 conformity with this Order.

24 2. A hearing (the "Settlement Hearing") shall be held before this Court on May 20,
25 2011 at 9:00 a.m. or as soon thereafter as counsel may be heard in the courtroom of the
26 Honorable Susan Illston of the United States District Court for the Northern District of
27

1 California, Courtroom 10, 19th Floor, 450 Golden Gate Ave., San Francisco, CA 94102 to
2 determine: (i) whether the proposed Settlement of the Actions as set forth in the Settlement
3 Agreement, should be approved in all respects as fair, reasonable, and adequate; (ii) whether the
4 Final Order and Judgment approving the Settlement should be entered; and (iii) whether
5 Plaintiff's Counsel's agreed-to fee award should be approved. The Court may adjourn or
6 continue the Settlement Hearing without further notice to Current PMI Shareholders.

7 3. The Court approves, as to form and content, (i) the Publication Notice of
8 Pendency of Settlement of Derivative Litigation (the "Notice") substantially in the form of
9 Exhibit B attached to the Settlement Agreement, for filing with the U. S. Securities and
10 Exchange Commission ("SEC") via a Form 8-K; and (ii) the Summary Publication Notice of
11 Pendency of Settlement of Derivative Litigation (the "Summary Notice"), substantially in the
12 form of Exhibit B-1 attached to the Settlement Agreement, for publication in the *Investor's*
13 *Business Daily*, on the terms described below.

14 4. Not later than April 11, 2011, PMI shall cause the Summary Notice to be
15 published once in the *Investor's Business Daily* and cause a copy of the Notice to be filed with
16 the SEC via a Form 8-K.

17 5. PMI shall be solely responsible for, and shall cause to be paid, any costs
18 associated with publication of the Summary Notice and filing of the Notice.

19 6. The Court finds that dissemination of the Notice and Summary Notice in the
20 manner required by the Settlement Agreement constitutes the best notice practicable under the
21 circumstances to Current PMI Shareholders and meets the requirements of applicable law and
22 due process under the United States Constitution, and shall constitute due and sufficient notice to
23 all Persons entitled thereto.

24 7. PMI shall file with the Court and serve upon all parties no later than ten (10) days
25 prior to the Settlement Hearing an affidavit or declaration describing the efforts taken to comply
26

1 with the notice provisions of this Order and stating that the publication of the Summary Notice
2 and filing of the Notice have been completed in accordance with the terms of this Order.

3 8. Any Current PMI Shareholder who objects to the Settlement of the Actions shall
4 have a right to appear and be heard at the Settlement Hearing. Any Current PMI Shareholder
5 may enter an appearance through counsel of their own choosing at their own expense or may
6 appear on their own. However, no Current PMI Shareholder shall be heard at the Settlement
7 Hearing unless, no later than May 6, 2011, such Person has: (1) filed with the Clerk of the Court
8 a written objection to the Settlement setting forth: (a) the nature of the objection; (b) proof of
9 ownership of PMI stock through the date of the Settlement Hearing, including the number of
10 shares of PMI stock and the date of purchase; and (c) any documentation in support of such
11 objection; and (2) if a Current PMI Shareholder intends to appear and requests to be heard at the
12 Settlement Hearing, such shareholder must have, in addition to the requirements of (1) above,
13 filed with the Clerk of the Court: (a) a written notice of such shareholder's intention to appear;
14 (b) a statement that indicates the basis for such appearance; and (c) the identities of any
15 witnesses the shareholder intends to call at the Settlement Hearing and the subjects of their
16 testimony. If a Current PMI Shareholder files a written objection and/or written notice of intent
17 to appear, such shareholder must also simultaneously serve copies of such notice, proof,
18 statement, and documentation, together with copies of any other papers or briefs such
19 shareholder files with the Court (either by hand delivery or by first class mail) upon each of the
20 following thereof:

21 BARRACK, RODOS & BACINE
22 STEPHEN R. BASSER
23 600 West Broadway, Suite 900
San Diego, CA 92101

O'MELVENY & MYERS LLP
MEREDITH N. LANDY
2765 Sand Hill Road
Menlo Park, California 94025

24 *Lead Counsel and Counsel for*
25 *Plaintiff The Port Authority of*
26 *Allegheny County Retirement and*
27 *Disability Allowance Plan for*
Employees Represented by Local 85
of the Amalgamated Transit Union

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Roger Haughton, David H. Katkov, Donald

1 ROBBINS UMEDA LLP
2 MARC UMEDA
3 600 B Street, Suite 1900
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*P. Lofe, Jr., Mariann Byerwalter, Dr. James
C. Castle, Carmine Guerro, Wayne E.
Heiden, Louis G. Lower, II, Raymond L.
Ocampo, Jr., John D. Roach, Dr. Kenneth T.
Rosen, Steven L. Scheid, Jose H. Villarreal,
Mary Lee Widener, and Ronald H. Zech*

4 HOLZER HOLZER & FISTEL, LLC
5 MICHAEL I. FISTEL, JR.
6 200 Ashford Center North, Suite 300
Atlanta, GA 30338

7 *Counsel for Plaintiff Jorge Torres*

8 The written objections and copies of any papers and briefs in support thereof to be filed
9 in Court shall be delivered by hand or sent by first class mail to:

10 CLERK OF THE COURT
11 United States District Court
Northern District Of California
12 450 Golden Gate Ave.
San Francisco, CA 94102

13 Any Current PMI Shareholder who does not make his, her, or its objection in the manner
14 provided herein shall be deemed to have waived such objection and shall forever be foreclosed
15 from making any objection to the fairness, reasonableness, or adequacy of the proposed
16 Settlement, and shall otherwise be bound by the judgment to be entered and the releases to be
17 given.

18 9. The manner in which a notice of objection must be prepared, filed, and delivered
19 shall be stated in the Notice and Summary Notice. Only Current PMI Shareholders who have
20 filed and delivered valid and timely written notices of objection will be entitled to be heard at the
21 Settlement Hearing unless the Court orders otherwise.

22 10. All PMI shareholders shall be bound by all orders, determinations, and judgments
23 in the Actions concerning the Settlement, whether favorable or unfavorable to PMI shareholders.

24 11. No later than April 29, 2011, all briefs supporting the Settlement, including the
25 Fee Award, shall be served and filed. The parties may supplement their briefs supporting the
26 Settlement and the Fee Award to address shareholder objections, if any. Any such supplemental
27 brief must be filed and served no later than May 13, 2011.

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12. Neither the Settlement Agreement, nor any of its terms or provisions, nor any of the negotiations or proceedings connected with it, shall be construed as an admission or concession by Defendants of the truth of any of the allegations in the Actions, or of any liability, fault, or wrongdoing of any kind, or by Plaintiffs or any PMI shareholder of the merit of any defense or lack of merit of any claim.

13. Pending final determination of whether the Settlement should be approved, neither Plaintiff, PMI, nor any PMI shareholders shall commence, maintain, or prosecute against any of the Defendants, whether directly or derivatively on behalf of PMI, any action or proceeding in any court or tribunal asserting any of the Released Claims. In addition, upon entry of this Order, all proceedings and further activity between the Parties in the Federal Derivative Action, except for those relating to the Settlement, shall be stayed pending the Court's approval of the Settlement and entry of the Final Order and Judgment.

14. The Court may, for good cause, extend any of the deadlines set forth in this Order without further notice to Current PMI Shareholders and may approve the Settlement, with such modifications as may be agreed to by the Parties, if appropriate, without further notice to Current PMI Shareholders.

IT IS SO ORDERED.

Dated: 4/1/11

By: 

HONORABLE SUSAN ILLSTON
UNITED STATES DISTRICT JUDGE

Submitted by:
BARRACK, RODOS & BACINE
STEPHEN R. BASSER
600 West Broadway, Suite 900
San Diego, CA 92101

*Lead Counsel and Counsel for Plaintiff The Port Authority
of Allegheny County Retirement and Disability
Allowance Plan for Employees Represented by Local 85
of the Amalgamated Transit Union*

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6 *Counsel for Plaintiff Jorge Torres*

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