

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re)	Chapter 11
WASHINGTON MUTUAL, INC., et al., ¹)	Case No. 08-12229 (MFW)
)	Jointly Administered
)	Related to Docket Nos. 3568 and 4242
Debtors.)	Hearing Date: June 3, 2010 at 10:30 a.m. (ET)
)	Response Deadline: May 28, 2010 at 4:00 p.m. (ET)

**OBJECTION OF PAULSON & CO. INC. TO THE DEBTORS’
MOTION TO APPROVE DISCLOSURE STATEMENT FOR
SECOND AMENDED JOINT PLAN OF AFFILIATED DEBTORS**

Paulson & Co. Inc. (“Paulson”), a creditor and party in interest in these cases, files this objection to the Motion of Debtors for an Order Pursuant to Sections 105, 502, 1125, and 1128 of the Bankruptcy Code and Bankruptcy Rules 2002, 3003, 3017, 3018 and 3020, (I) Approving the Proposed Disclosure Statement and the Form and Manner of the Notice of the Disclosure Statement Hearing, (II) Establishing Solicitation and Voting Procedures, (III) Scheduling a Confirmation Hearing, and (IV) Establishing Notice and Objection Procedures for Confirmation of the Debtors’ Joint Plan (D.I. 3568, the “Disclosure Statement Motion”). Specifically, the Debtors’ Proposed Disclosure Statement for the Second Amended Joint Plan (D.I. 4242, the “Disclosure Statement”) only addresses some, but not all, of the potential effects of the subordination provisions of junior notes of the Debtor WMI.²

¹ The debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Washington Mutual, Inc. (“WMI”) (3725) and WMI Investment Corp. (“WMI Investment,” and together with WMI, the “Debtors”) (5395). The Debtors’ principal offices are located at 1301 Second Avenue, Seattle, Washington.

² Capitalized terms defined in the Disclosure Statement and not otherwise defined herein are used herein with the meanings so defined.

Background

Paulson had objected to approval of the Debtors' previous disclosure statement, principally on the grounds that the earlier disclosure statement did not address either (i) the rights of Senior Noteholders to post-effective-date interest and (ii) the subordination of junior noteholder claims to the claims of Senior Noteholders for post-petition and post-effective date interest. The Debtors' Second Amended Joint Plan and the related Disclosure Statement now resolve the first issue (post-effective date interest), but still fail to address the subordination of junior note claims to all post-petition interest.

Subordination

The Second Amended Joint Plan contains (and the Disclosure Statement describes) a "waterfall" of recoveries to unsecured noteholders. *See* Second Amended Joint Plan Exhibit G. This waterfall still only provides (like the prior plan) that Senior Notes will recover in first priority up to the amount of their prepetition claim. Postpetition and post-effective date interest is to be paid only on a *pro rata* basis with the principal and interest claims of the subordinated noteholders. The Disclosure Statement does not meet the requirements of adequate disclosure because it fails to disclose that these terms vary from the simple terms of the indentures, which require that Senior Notes be paid first until they are paid in full.

Joinder

In addition to the arguments set forth herein, Paulson joins in the arguments set forth by the Washington Mutual, Inc. Noteholders Group in opposition to the Disclosure Statement Motion as if set forth in full herein.

WHEREFORE, Paulson respectfully requests that the Court deny approval of the Disclosure Statement unless the Debtors' revise it to address the fact that senior WMI noteholders must be paid in full first all postpetition interest, before junior holders can receive any recovery, and for such other relief as is just and proper under the circumstances.

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Dated: May 28, 2010