

Washington Mutual, Inc.

**Expert Report of Steven Zelin,
Blackstone Advisory Partners, L.P.**

October 26, 2010

Blackstone® Advisory Partners



Washington Mutual, Inc.

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I. Introduction

Washington Mutual, Inc.

I. Introduction

Introduction

- ▶ This Expert Report has been prepared by Steven M. Zelin and others under his supervision at Blackstone at the request of Washington Mutual, Inc., et al. before the US Bankruptcy Court for the District of Delaware (“Bankruptcy Court”)
- ▶ Mr. Zelin is a Senior Managing Director in Blackstone’s Restructuring and Reorganization Group, an industry leader in providing advice to debtors and creditors in large, complex restructurings
- ▶ Mr. Zelin will provide expert testimony regarding his opinion of the following assets of WMI (together the “WMI Assets”):
 - Valuation analysis of WMI as collectively reorganized (“Reorganized WMI” or the “Company”), which includes WM Mortgage Reinsurance Company (“WMMRC”), WMI, and WMI Investment Corp., as of December 31, 2010
 - Valuation analysis of Reorganized WMI’s net operating losses (“NOLs”) as of December 22, 2010
 - Valuation analysis of the Subscription Rights to the Rights Offering as contemplated in the Plan of Reorganization (the “Plan”) as of December 31, 2010
- ▶ Mr. Zelin’s testimony is part of the services provided by the engagement of Blackstone by WMI. The compensation for such engagement ⁽¹⁾ is as follows:
 - A retainer fee of \$500,000 earned upon Bankruptcy Court approval of Blackstone’s retention
 - An additional fee of \$850,000 earned upon completion of Blackstone’s valuation
 - A monthly fee of \$75,000 beginning on September 1, 2010, subject to approval by the Bankruptcy Court
 - Reimbursement of expenses incurred in connection with Blackstone’s retention and valuation
- ▶ In addition, Blackstone has been asked by the Company to represent it in the potential sale of the WMMRC asset. If the sale process commences, compensation for the engagement is as follows:
 - A transaction fee of \$2,000,000, payable upon the consummation of a sale, which includes a non-refundable \$500,000 retainer fee
 - Reimbursement of expenses incurred in connection with advising on the sale
- ▶ Blackstone’s compensation is not contingent on the conclusions reached in this Expert Report and / or any outcome of any proceedings pending before the Bankruptcy Court

(1) All terms used but not defined herein shall have the meanings ascribed to them in the Sixth Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated October 6, 2010.

Washington Mutual, Inc.

I. Introduction

Steven Zelin Qualifications

General Background

- ▶ Mr. Zelin is a Senior Managing Director with Blackstone and has been with the firm in excess of twelve years, including nine years as a Senior Managing Director
- ▶ Prior to joining Blackstone, Mr. Zelin was a Partner in the Restructuring & Reorganization Group of Ernst & Young LLP, having been involved full time in restructuring advisory work since 1988
- ▶ Mr. Zelin has been named as one of the country's leading restructuring advisors in each of the 2003 through 2010 K&A Restructuring Register, a peer group listing of the top legal and financial advisors who practice in the United States
- ▶ Mr. Zelin received a BS in 1984 from the University at Albany, where he serves as a member of the School of Business Advisory Board, and an MBA in Finance in 1991 from New York University's Stern School of Business where he serves as the Chairman of the Dean's Executive Board. Mr. Zelin is a Certified Public Accountant
- ▶ Some of Mr. Zelin's most notable publicly disclosed assignments include:
 - ▶ AbitibiBowater Corp.
 - ▶ Aeromexico, S.A. de C.V. / Mexicana Airlines, S.A. de C.V.
 - ▶ American Axle & Manufacturing, Inc.
 - ▶ Apex Silver Mines Limited
 - ▶ Centaur LLC
 - ▶ Delphi Corp.
 - ▶ Enron Corp.
 - ▶ Entergy New Orleans, Inc.
 - ▶ Ferruzzi Finanziaria S.p.A.
 - ▶ Ford Motor Co.
 - ▶ General Motors Corporation
 - ▶ Goodyear Tire & Rubber Corporation
 - ▶ Inacom Corporation
 - ▶ Integrated Resources, Inc.
 - ▶ Intrawest LLC
 - ▶ Iridium LLC
 - ▶ Jefferson County, Alabama
 - ▶ Marvel Entertainment Group, Inc.
 - ▶ The Pacific Lumber Company / Scotia Pacific Company LLC
 - ▶ R.H. Macy & Co.
 - ▶ SemGroup, L.P.
 - ▶ Vencor, Inc.
 - ▶ Xerox Corp.

Washington Mutual, Inc.

I. Introduction

Steven Zelin Qualifications (Cont'd)

Prior Testimony⁽¹⁾

- ▶ AbitibiBowater Corp.
- ▶ American Banknote Corp.
- ▶ Apex Silver Mines Limited
- ▶ Audio Visual Services, Inc.
- ▶ Big V Supermarkets (ShopRite)
- ▶ Centaur LLC
- ▶ Enron Corp.
- ▶ Indesco Corporation
- ▶ Meridian Automotive Systems, Inc.
- ▶ The Pacific Lumber Company / Scotia Pacific Company LLC
- ▶ Paragon Trade Brands, Inc.
- ▶ The Penn Traffic Company
- ▶ Safelite Glass Corp.
- ▶ SemGroup, L.P.
- ▶ Vencor, Inc.

Presentations

- ▶ February 2010 – NYU Stern School of Business guest lecturer regarding restructuring trends
- ▶ January 2010 – JPM high-yield conference, panel discussion regarding restructuring trends
- ▶ April 2008 – Debtwire Distressed Debt Forum regarding restructuring trends
- ▶ September 2007 – Deutsche Bank high-yield conference, panel discussion regarding restructuring trends
- ▶ February 2007 – VALCON Conference regarding distressed hedge funds
- ▶ November 2006 – NYU Distressed Investors Conference panel discussion regarding automotive restructurings
- ▶ October 2006, October 2005, April 2004, October 2003 – NYU Stern School of Business guest lecturer regarding restructuring trends
- ▶ September 2005 – Lehman hosted investors conference regarding the new bankruptcy code
- ▶ March 2004 – VALCON: The Conference on Bankruptcy Valuation, presentation regarding valuation methodology in chapter 11
- ▶ May 2003 – Morgan Stanley Equity Conference, presentation regarding recent trends in commercial banks' approach to restructurings
- ▶ March 2003 – Lehman High Yield Conference, presentation regarding energy industry restructuring trends

(1) Testimony since 2001, including depositions and proffers.

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Washington Mutual, Inc.

I. Introduction

Signature Page

- ▶ I reserve the right to supplement the opinions, analyses and conclusions presented in this expert report based on any subsequently obtained information, including but not limited to, any objections, testimonies, reports of other experts and new market information
- ▶ I further reserve the right to create additional exhibits, as appropriate



Steven Zelin
Senior Managing Director
Blackstone Advisory Partners L.P.

Oct 26, 2010

Date

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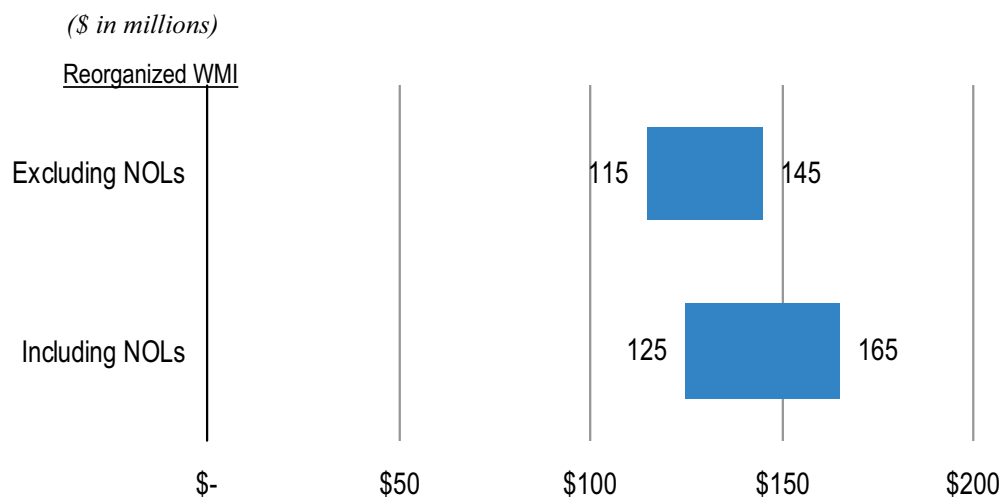
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I. Introduction

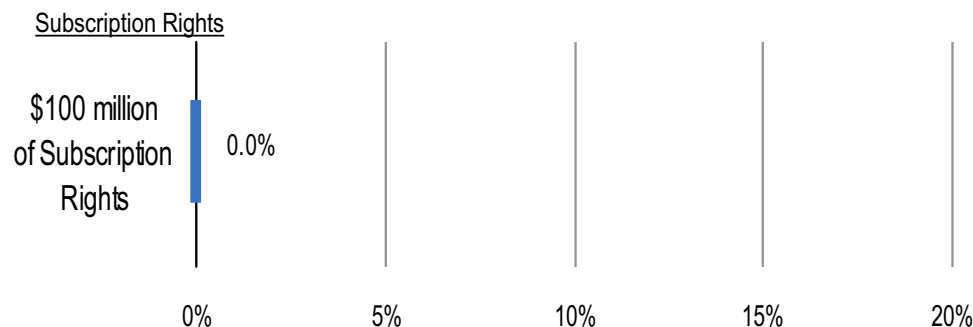
Valuation Summary

Recommended Value Range

Methodology



- ▶ Discounted cash flow analysis and precedent transaction analysis; assumes post-emergence net operating losses are not available to shelter any Reorganized WMI taxable income
- ▶ Same as above, however, assumes post-emergence net operating losses are available to shelter any taxes payable
- ▶ Level of post-emergence NOLs assumes Company emerges on or before December 22, 2010 or after January 1, 2011



- ▶ Given the timing and amount of the potential NOLs, Blackstone attributes no value to the Subscription Rights
- ▶ Should the Debtor's emergence be delayed until next year, the value of the Subscription Rights may change

II. Documents Reviewed by Blackstone

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**II. Documents Reviewed by
Blackstone**

Documents Reviewed by Blackstone

Publicly Available Documents

- ▶ WMI Disclosure Statement
- ▶ Plan of Reorganization
- ▶ Global Settlement Agreement
- ▶ Corporate filings (such as 10-Ks, 10-Qs, 8-Ks, and press releases) for comparable companies and companies involved in precedent transactions
- ▶ Equity and industry research reports
- ▶ Tax cases (Briarcliff Candy Corp. v. Comm'r, 54 T.C.M. (CCH) 667 (1987).; Enbridge Energy Co. v. United States, 354 F. App'x. 15 (5th Cir. 2009).)

Documents Received from Debtor and Alvarez & Marsal North America, LLC (“Alvarez & Marsal”)

- ▶ WMMRC unaudited actual financial results through July 2010
- ▶ Monthly WMMRC financial forecasts through December 2019 assuming Company's post-emergence NOLs are available to shield taxable income
- ▶ Monthly WMMRC financial forecasts through December 2019 assuming post-emergence NOLs are not available to shield taxable income
- ▶ WMMRC Cash Flow Projection detailing minimum and withdrawal capital requirements
- ▶ WMMRC Cash and Investments Detail
- ▶ Captive Summary based on Cession Statements⁽¹⁾ as of July 2010 for each primary mortgage insurer
- ▶ Detailed book-by-book buildup of premiums, losses incurred, losses paid, and reserves for each primary mortgage insurer
- ▶ Historical book-by-book buildup of premiums from January 1997 – March 2009 for each primary mortgage insurer
- ▶ WMMRC Fact Sheet and Organization Chart

(1) Cession Statements are the periodic statements of premiums and the losses and expenses incurred under the reinsured policies, provided by the primary insurer to a reinsurer.

Washington Mutual, Inc.

**II. Documents Reviewed by
Blackstone**

Documents Reviewed by Blackstone (Cont'd)

Documents Received from Debtor and Alvarez & Marsal (Cont'd)

- ▶ Risk-in-force⁽¹⁾ and insurance-in-force⁽²⁾ analysis comparing WMMRC to its peers based upon various loan metrics
- ▶ Estimate of worthless stock loss under scenarios assuming both pre-emergence and post-emergence triggers of worthless stock deduction
- ▶ Washington Mutual, Inc. Recovery Analysis
- ▶ Washington Mutual, Inc. Claims Calculation
- ▶ Schedule of WMMRC investments for December 2009 and May 2010
- ▶ Unsolicited bids for WMMRC dated February and April 2009

Documents Received from Milliman, Inc.

- ▶ WMMRC December 2009 Reinsurance Performance Metrics executive summary
- ▶ WMMRC draft and final December 2009 reinsurance performance metrics
- ▶ WMMRC draft and final December 2009 home loan forecasting exhibits
- ▶ WMMRC draft and final December 2009 WM II forecasting exhibits
- ▶ WMMRC draft December 2009 forecasting exhibits
- ▶ WMMRC draft March 2010 WM reinsurance performance metrics quarterly breakdown of losses and premiums
- ▶ WMMRC draft June 2010 WM reinsurance performance metrics forecasting exhibits

(1) Represents the aggregate unpaid balances of loans insured multiplied by the amount of coverage of such loans.

(2) Represents the total amount of insurance outstanding.

III. Reorganized WMI Valuation Summary

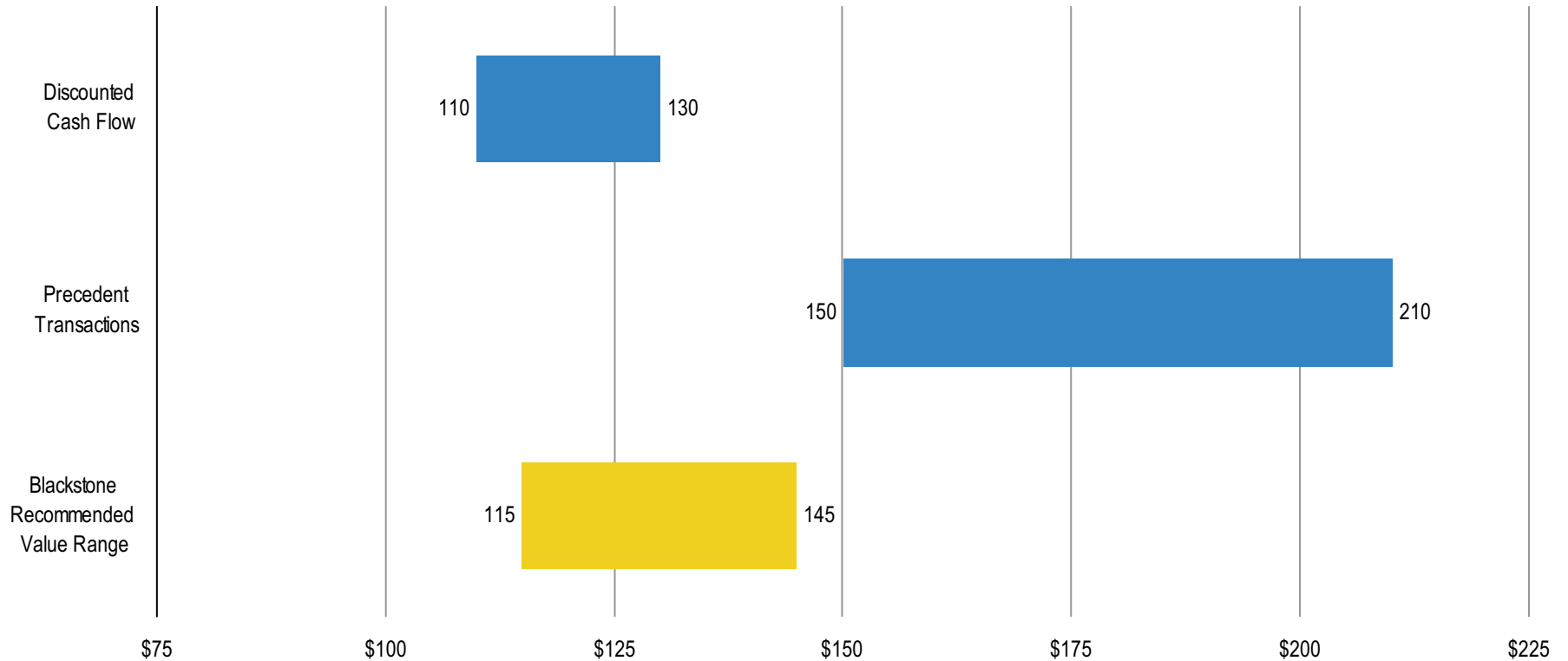
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**III. Reorganized WMI Valuation
Summary**

**Reorganized WMI Valuation Summary – Dec. 31, 2010
(Excluding Proceeds of the Rights Offering)**

Excluding NOLs

(\$ in millions)



Washington Mutual, Inc.
**III. Reorganized WMI Valuation
Summary**

Valuation Approach

Key Assumptions

- ▶ Financial model provided by the Debtors (“Financial Model”) including NOL utilization dated September 21, 2010
- ▶ Financial Model provided by the Debtors adjusted to exclude NOL utilization
- ▶ Milliman actuarial analyses of premium income and loss payments used in the preparation of the Financial Model
- ▶ State of Hawaii regulatory requirements remain as set forth in the Financial Model
- ▶ Valuation prepared assuming effective date as of December 31, 2010

Approaches

- ▶ Discounted Cash Flow
 - Analysis of projected dividend stream payable to holders of Reorganized WMI equity
 - Based upon diligence with Milliman and Alvarez & Marsal, Blackstone considered in its valuation the impact of a 10% improvement in the level of loan loss reserves as forecasted by Milliman (the “Adjusted Financial Model”)
 - Discount rate estimates based upon:
 - Weighted average cost of capital (“WACC”) based upon public comparable company analysis
 - Blackstone’s judgment as to the returns required by acquirers of similar assets
- ▶ Precedent Transactions
 - Price-to-book multiples paid in precedent transactions of both run-off and going-concern portfolios for transactions of comparable size to the WMMRC portfolio
- ▶ Comparable Companies
 - Given the size and the ongoing nature of the comparable company universe, a comparable company analysis was not relied upon in determining the value of Reorganized WMI

(a) Reorganized WMI Valuation - DCF Analysis Excluding NOLs

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(a) Reorganized WMI Valuation - DCF
Analysis Excluding NOLs

Discounted Cash Flow Calculation
(Excluding NOLs)

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Financial Model (Excluding NOLs)										
Projected Dividend Stream (see page 19)	\$ -	\$ -	\$ -	\$ 40,166	\$ 20,874	\$ 35,797	\$ 49,925	\$ 41,303	\$ 61,828	\$ 249,893
13% WACC Discount Factor ⁽¹⁾	0.97	0.86	0.76	0.67	0.59	0.53	0.47	0.41	0.36	
Present Value of Projected Dividend Stream	-	-	-	26,999	12,417	18,845	23,258	17,028	22,557	121,105
15% WACC Discount Factor ⁽¹⁾	0.97	0.84	0.73	0.63	0.55	0.48	0.42	0.36	0.32	
Present Value of Projected Dividend Stream	-	-	-	25,503	11,525	17,186	20,843	14,994	19,518	109,569
Adjusted Financial Model (Excluding NOLs)										
Projected Adjusted Dividend Stream (see page 23)	\$ -	\$ -	\$ -	\$ 41,998	\$ 32,717	\$ 41,653	\$ 49,882	\$ 47,576	\$ 55,181	\$ 269,008
13% WACC Discount Factor ⁽¹⁾	0.97	0.86	0.76	0.67	0.59	0.53	0.47	0.41	0.36	
Present Value of Projected Adjusted Dividend Stream	-	-	-	28,231	19,462	21,927	23,238	19,614	20,132	132,605
15% WACC Discount Factor ⁽¹⁾	0.97	0.84	0.73	0.63	0.55	0.48	0.42	0.36	0.32	
Present Value of Projected Adjusted Dividend Stream	-	-	-	26,666	18,064	19,998	20,825	17,272	17,419	120,244
Recommended Value Range										110,000 130,000

(1) Per projections, assumes all dividends are paid in March of the corresponding year.

Washington Mutual, Inc.
(a) Reorganized WMI Valuation - DCF
Analysis Excluding NOLs

Weighted Average Cost of Capital
(Information as of October 14, 2010)

(\$ in millions, except per share amount)

Company Name	Description	Net Debt	Market Cap ⁽¹⁾	Net Debt/ Total Cap	2-Year Average		5-Year Average	
					Levered Beta ⁽²⁾	Unlevered Beta ⁽³⁾	Levered Beta ⁽²⁾	Unlevered Beta ⁽³⁾
Distressed Insurers								
PMI Group Inc.*	Thriffs and Mortgage Finance	\$ (433.8)	\$ 678.5	NM	3.71	6.35	3.53	6.04
Radian Group Inc.*	Thriffs and Mortgage Finance	1,265.9	1,184.5	51.7%	4.30	2.54	3.03	1.79
Genworth Financial Inc.*	Insurance	6,421.0	6,395.6	50.1%	3.72	2.25	3.23	1.96
MGIC Investment Corp.*	Thriffs and Mortgage Finance	(1,134.6)	2,106.7	NM	3.54	5.44	3.11	4.78
MBIA Inc.*	Insurance	15,512.9	2,605.4	85.6%	3.24	0.66	2.57	0.53
Diversified Insurers								
AFLAC Inc.	Insurance	\$ 516.0	\$ 25,815.0	2.0%	1.87	1.85	1.72	1.70
Ameriprise Financial Inc.	Insurance, other	3,726.0	12,612.7	22.8%	1.90	1.59	1.97	1.65
Lincoln National Corp.	Insurance	2,264.0	8,004.3	22.0%	3.60	3.04	2.54	2.14
MetLife, Inc.	Insurance	20,550.0	32,522.2	38.7%	2.61	1.85	1.80	1.27
Old Republic International Corp.	Insurance	281.5	3,277.3	7.9%	1.35	1.28	0.91	0.86
Principal Financial Group Inc.	Insurance	871.5	8,542.7	9.3%	2.62	2.46	2.87	2.69
Prudential Financial, Inc.	Insurance	19,186.0	25,302.1	43.1%	2.63	1.76	2.40	1.61
Torchmark Corp.	Insurance	1,086.1	4,413.0	19.7%	1.95	1.69	1.62	1.39
Unum Group	Insurance	2,445.5	7,359.1	24.9%	1.82	1.50	1.72	1.42
Mkt. Cap Weighted Average				27.3%	2.48	1.96	2.10	1.68
*Distressed Insurers				46.6%	3.65	2.69	3.07	2.33

Assumptions	Debt/ Capitalization	WACC - 2 Year Average			WACC - 5 Year Average			
		1.86	1.9%	2.06	2.23	2.33	2.43	
10 Year U.S. Treasury Yield (at 10/14/10)	2.52%							
Historical Risk Premium ⁽⁴⁾	6.50%							
Tax Rate	35.00%							
Est. Cost of Debt	7.00%							
Total Universe		0.0%	14.6%	15.2%	15.9%	12.8%	13.4%	14.1%
		10.0%	14.4%	15.0%	15.6%	12.6%	13.3%	13.9%
		20.0%	14.1%	14.7%	15.4%	12.5%	13.1%	13.7%
		30.0%	13.9%	14.5%	15.1%	12.3%	12.9%	13.5%
		40.0%	13.7%	14.3%	14.8%	12.2%	12.7%	13.3%
Distressed Insurers		0.0%	19.4%	20.0%	20.7%	17.0%	17.6%	18.3%
		10.0%	19.0%	19.6%	20.2%	16.7%	17.3%	17.9%
		20.0%	18.6%	19.2%	19.8%	16.4%	17.0%	17.6%
		30.0%	18.2%	18.8%	19.4%	16.1%	16.7%	17.2%
		40.0%	17.8%	18.4%	18.9%	15.8%	16.3%	16.9%

Note: Comparable company list excludes multi-national reinsurance businesses.

(1) Based on stock price as of 10/14/2010.

(2) Per Capital IQ.

(3) Unlevered Beta = Levered Beta/(1+((Debt/Equity)*(1-Tax Rate))).

(4) Long-Horizon Equity Risk Premium from 1926 to 2008 per the 2009 Ibbotson Associates Risk Premia over Time Report.

Recommended WACC Discount Factor Range 13.0% 15.0%

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(a)(i) Financial Model (Excluding NOLs)

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(a)(i) Financial Model (Excluding NOLs)

**Financial Model (Excluding NOLs) –
Cash Flow Statement**

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011 - 2019
Cash Flows from Operating Activities										
Net Income (Loss)	\$ (2,989)	\$ 7,080	\$ 13,128	\$ 12,195	\$ 9,014	\$ 6,499	\$ 3,304	\$ 1,914	\$ (8,401)	\$ 41,744
Accrued Investment Income	382	111	31	120	47	91	142	118	223	1,264
Premiums Receivable	551	495	634	505	428	286	293	221	–	3,412
Losses and Loss Adjustment Expenses	(106,066)	(42,199)	(25,942)	(9,378)	(1,629)	(660)	(323)	–	–	(186,196)
Losses Payable	(10,372)	(3,569)	(1,818)	(1,858)	(727)	(121)	(36)	(27)	–	(18,527)
Unearned Premiums	(127)	(110)	(127)	(116)	(98)	(80)	(56)	(106)	–	(822)
Accrued Ceding Commissions Expense	(55)	(51)	(65)	(57)	(43)	(28)	(27)	(26)	–	(353)
Accrued Interest on Notes Payable	–	–	–	–	–	–	–	–	–	–
Federal Income Tax Payable to Parent	(1,609)	3,812	4,866	(502)	(1,713)	(1,354)	(1,720)	(748)	(5,555)	(4,524)
Accounts Payable and Accrued Expenses	81	3	4	4	4	4	4	(139)	–	(36)
Accrued Investment Expense	50	(6)	(2)	(7)	(3)	(5)	(8)	(7)	(13)	–
Net Cash Provided by Operating Activities	(120,154)	(34,434)	(9,292)	905	5,279	4,633	1,573	1,200	(13,746)	(164,036)
Net Cash Provided by Investing Activities	–	–	–	–	–	–	–	–	–	–
Cash Flow from Financing Activities										
Dividend of Unrestricted Cash	–	–	–	(40,166)	(20,874)	(35,797)	(49,925)	(41,303)	(61,828)	(249,893)
Proceeds from Issuance of Notes Payable to Parent	–	–	–	–	–	–	–	–	0	0
Net Cash Provided by Financing Activities	–	–	–	(40,166)	(20,874)	(35,797)	(49,925)	(41,303)	(61,828)	(249,893)
Net Change in Cash and Cash Equivalents	(120,154)	(34,434)	(9,292)	(39,261)	(15,595)	(31,164)	(48,352)	(40,102)	(75,574)	(413,928)
Beginning Cash and Investments Balance	413,928	293,774	259,340	250,049	210,787	195,192	164,028	115,676	75,574	413,928
Ending Cash and Investments Balance	\$ 293,774	\$ 259,340	\$ 250,049	\$ 210,787	\$ 195,192	\$ 164,028	\$ 115,676	\$ 75,574	\$ (0)	\$ (0)

Source: Financial Model.

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Washington Mutual, Inc.
(a)(i) Financial Model (Excluding NOLs)

**Financial Model (Excluding NOLs) –
Income Statement**

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011-2019
Premiums Written	\$ 37,142	\$ 30,846	\$ 22,811	\$ 16,162	\$ 10,532	\$ 6,767	\$ 2,909	\$ –	\$ –	\$ 127,167
Change in Unearned Premiums	127	110	127	116	98	80	56	106	–	822
Net Premiums Earned	37,270	30,955	22,938	16,278	10,630	6,847	2,965	106	–	127,989
Losses Paid	154,087	66,716	33,222	10,928	2,203	756	323	–	–	268,235
Provision for Losses and IBNR	(106,066)	(42,199)	(25,942)	(9,378)	(1,629)	(660)	(323)	–	–	(186,196)
Ceding Commission	3,860	3,219	2,381	1,630	1,058	690	340	–	–	13,176
Underwriting Expense	51,882	27,735	9,661	3,180	1,632	786	340	–	–	95,215
Underwriting Income (Loss)	(14,612)	3,220	13,277	13,098	8,998	6,061	2,625	106	–	32,774
General & Administrative Expenses	(1,487)	(1,532)	(1,578)	(1,625)	(1,674)	(1,724)	(1,776)	–	–	(11,397)
Interest Expense	–	–	–	–	–	–	–	–	–	–
Investment Income	11,501	9,205	8,498	7,288	6,543	5,662	4,234	2,839	422	56,192
Gain/(Loss) on Commutation	–	–	–	–	–	–	–	–	(13,347)	(13,347)
Income (Loss) Before Tax Provision	(4,599)	10,892	20,197	18,761	13,867	9,999	5,084	2,945	(12,925)	64,222
Federal Income Tax Expense	(1,609)	3,812	7,069	6,566	4,854	3,500	1,779	1,031	(4,524)	22,478
Net Income (Loss)	\$ (2,989)	\$ 7,080	\$ 13,128	\$ 12,195	\$ 9,014	\$ 6,499	\$ 3,304	\$ 1,914	\$ (8,401)	\$ 41,744

Source: Financial Model.

Confidential

Washington Mutual, Inc.
(a)(i) Financial Model (Excluding NOLs)

**Financial Model (Excluding NOLs) –
Balance Sheet**

(\$ in thousands)

	Assumed Emergence										
	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-10 - Dec-19
Cash and Investments	\$ 413,928	\$ 293,774	\$ 259,340	\$ 250,049	\$ 210,787	\$ 195,192	\$ 164,028	\$ 115,676	\$ 75,574	\$ (0)	\$ (413,928)
Accrued Interest	1,264	882	771	740	621	574	482	341	223	–	(1,264)
Reinsurance Premiums Receivable	3,412	2,861	2,366	1,732	1,227	800	514	221	–	–	(3,412)
Total Assets	\$ 418,605	\$ 297,517	\$ 262,478	\$ 252,521	\$ 212,636	\$ 196,566	\$ 165,024	\$ 116,238	\$ 75,796	\$ (0)	\$ (418,605)
Accrued Expenses	\$ 36	\$ 117	\$ 120	\$ 124	\$ 127	\$ 131	\$ 135	\$ 139	\$ –	\$ –	\$ (36)
Accrued Investment Expenses	–	50	44	42	35	32	27	19	13	–	–
Accrued Ceding Fees	353	297	246	181	124	80	52	26	–	–	(353)
Federal Income Tax Payable (Receivable)	–	(1,609)	2,203	7,069	6,566	4,854	3,500	1,779	1,031	(4,524)	(4,524)
Allowance for Doubtful Accounts	–	–	–	–	–	–	–	–	–	–	–
Notes Payable	–	–	–	–	–	–	–	–	–	0	0
Interest Payable	–	–	–	–	–	–	–	–	–	–	–
Unearned Premiums	822	695	585	457	341	243	163	106	–	–	(822)
Losses Payable	18,527	8,155	4,586	2,769	911	184	63	27	–	–	(18,527)
Loss Reserves and IBNR	186,196	80,130	37,931	11,990	2,611	983	323	0	0	0	(186,196)
Total Liabilities	205,933	87,834	45,715	22,631	10,716	6,507	4,263	2,097	1,043	(4,524)	(210,457)
Paid in Capital	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	–
Retained Earnings (Accumulated Deficit)	128,961	129,704	126,715	133,795	146,923	159,117	168,131	174,630	177,935	179,849	50,888
Net Income (Loss) - YTD	743	(2,989)	7,080	13,128	12,195	9,014	6,499	3,304	1,914	(8,401)	(9,144)
Cumulative Dividends Paid	–	–	–	–	(40,166)	(61,040)	(96,837)	(146,762)	(188,064)	(249,893)	(249,893)
Total Stockholder's Equity	212,672	209,683	216,763	229,891	201,919	190,059	160,761	114,141	74,753	4,524	(208,148)
Total Liabilities and Stockholder's Equity	\$ 418,605	\$ 297,517	\$ 262,478	\$ 252,521	\$ 212,636	\$ 196,566	\$ 165,024	\$ 116,238	\$ 75,796	\$ (0)	\$ (418,605)

Source: Financial Model.

Confidential

(a)(ii) Adjusted Financial Model (Excluding NOLs)

Confidential

Washington Mutual, Inc.
(a)(ii) Adjusted Financial Model
(Excluding NOLs)

Adjusted Financial Model (Excluding NOLs) –
Cash Flow Statement

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011 - 2019
Cash Flows from Operating Activities										
Net Income (Loss)	\$ 6,830	\$ 12,529	\$ 15,195	\$ 13,051	\$ 9,496	\$ 6,735	\$ 3,496	\$ 2,008	\$ (14,492)	\$ 54,848
Accrued Investment Income	330	97	31	122	80	108	141	136	231	1,276
Premiums Receivable	551	495	634	505	428	286	293	221	–	3,412
Losses and Loss Adjustment Expenses	(105,259)	(43,114)	(24,948)	(8,750)	(1,580)	(610)	(291)	–	–	(184,551)
Losses Payable	(9,334)	(3,212)	(1,636)	(1,672)	(654)	(109)	(32)	(24)	–	(16,674)
Unearned Premiums	(127)	(110)	(127)	(116)	(98)	(80)	(56)	(106)	–	(822)
Accrued Ceding Commissions Expense	(55)	(51)	(65)	(57)	(43)	(28)	(27)	(26)	–	(353)
Accrued Interest on Notes Payable	–	–	–	–	–	–	–	–	–	–
Federal Income Tax Payable to Parent	3,678	3,069	1,436	(1,155)	(1,914)	(1,487)	(1,744)	(801)	(8,884)	(7,803)
Accounts Payable and Accrued Expenses	81	3	4	4	4	4	4	(139)	–	(36)
Accrued Investment Expense	53	(5)	(2)	(7)	(5)	(6)	(8)	(8)	(13)	–
Net Cash Provided by Operating Activities	(103,254)	(30,299)	(9,479)	1,924	5,713	4,813	1,776	1,261	(23,158)	(150,702)
Net Cash Provided by Investing Activities	–	–	–	–	–	–	–	–	–	–
Cash Flow from Financing Activities										
Dividend of Unrestricted Cash	–	–	–	(41,998)	(32,717)	(41,653)	(49,882)	(47,576)	(55,181)	(269,008)
Proceeds from Issuance of Notes Payable to Parent	–	–	–	–	–	–	–	–	0	0
Net Cash Provided by Financing Activities	–	–	–	(41,998)	(32,717)	(41,653)	(49,882)	(47,576)	(55,181)	(269,008)
Net Change in Cash and Cash Equivalents	(103,254)	(30,299)	(9,479)	(40,074)	(27,004)	(36,841)	(48,106)	(46,316)	(78,339)	(419,710)
Beginning Cash and Investments Balance	419,710	316,456	286,157	276,679	236,605	209,601	172,760	124,655	78,339	419,710
Ending Cash and Investments Balance	\$ 316,456	\$ 286,157	\$ 276,679	\$ 236,605	\$ 209,601	\$ 172,760	\$ 124,655	\$ 78,339	\$ (0)	\$ (0)

Source: Adjusted Financial Model.

Confidential

Washington Mutual, Inc.
(a)(ii) Adjusted Financial Model
(Excluding NOLs)

Adjusted Financial Model (Excluding NOLs) –
Income Statement

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011-2019
Premiums Written	\$ 37,142	\$ 30,846	\$ 22,811	\$ 16,162	\$ 10,532	\$ 6,767	\$ 2,909	\$ –	\$ –	\$ 127,167
Change in Unearned Premiums	127	110	127	116	98	80	56	106	–	822
Net Premiums Earned	37,270	30,955	22,938	16,278	10,630	6,847	2,965	106	–	127,989
Losses Paid	138,678	60,044	29,900	9,835	1,983	680	291	–	–	241,412
Provision for Losses and IBNR	(105,259)	(43,114)	(24,948)	(8,750)	(1,580)	(610)	(291)	–	–	(184,551)
Ceding Commission	3,860	3,219	2,381	1,630	1,058	690	340	–	–	13,176
Underwriting Expense	37,280	20,149	7,333	2,715	1,461	760	340	–	–	70,037
Underwriting Income (Loss)	(10)	10,806	15,605	13,563	9,169	6,087	2,625	106	–	57,952
General & Administrative Expenses	(1,487)	(1,532)	(1,578)	(1,625)	(1,674)	(1,724)	(1,776)	–	–	(11,397)
Interest Expense	–	–	–	–	–	–	–	–	–	–
Investment Income	12,005	10,001	9,350	8,141	7,114	5,998	4,529	2,983	437	60,559
Gain/(Loss) on Commutation	–	–	–	–	–	–	–	–	(22,732)	(22,732)
Income (Loss) Before Tax Provision	10,507	19,276	23,378	20,078	14,609	10,361	5,379	3,089	(22,295)	84,382
Federal Income Tax Expense	3,678	6,747	8,182	7,027	5,113	3,626	1,883	1,081	(7,803)	29,534
Net Income (Loss)	\$ 6,830	\$ 12,529	\$ 15,195	\$ 13,051	\$ 9,496	\$ 6,735	\$ 3,496	\$ 2,008	\$ (14,492)	\$ 54,848

Source: Adjusted Financial Model.

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Washington Mutual, Inc.
(a)(ii) Adjusted Financial Model
(Excluding NOLs)

**Adjusted Financial Model (Excluding NOLs) –
Balance Sheet**

(\$ in thousands)

	Assumed Emergence										
	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-10 - Dec-19
Cash and Investments	\$ 419,710	\$ 316,456	\$ 286,157	\$ 276,679	\$ 236,605	\$ 209,601	\$ 172,760	\$ 124,655	\$ 78,339	\$ (0)	\$ (419,710)
Accrued Interest	1,276	946	849	818	696	616	508	367	231	–	(1,276)
Reinsurance Premiums Receivable	3,412	2,861	2,366	1,732	1,227	800	514	221	–	–	(3,412)
Total Assets	\$ 424,398	\$ 320,263	\$ 289,372	\$ 279,229	\$ 238,529	\$ 211,017	\$ 173,782	\$ 125,243	\$ 78,570	\$ (0)	\$ (424,398)
Accrued Expenses	\$ 36	\$ 117	\$ 120	\$ 124	\$ 127	\$ 131	\$ 135	\$ 139	\$ –	\$ –	\$ (36)
Accrued Investment Expenses	–	53	48	46	39	35	29	21	13	–	–
Accrued Ceding Fees	353	297	246	181	124	80	52	26	–	–	(353)
Federal Income Tax Payable (Receivable)	–	3,678	6,747	8,182	7,027	5,113	3,626	1,883	1,081	(7,803)	(7,803)
Allowance for Doubtful Accounts	–	–	–	–	–	–	–	–	–	–	–
Notes Payable	–	–	–	–	–	–	–	–	–	0	0
Interest Payable	–	–	–	–	–	–	–	–	–	–	–
Unearned Premiums	822	695	585	457	341	243	163	106	–	–	(822)
Losses Payable	16,674	7,340	4,127	2,492	820	165	57	24	–	–	(16,674)
Loss Reserves and IBNR	184,551	79,292	36,178	11,230	2,480	900	291	0	0	0	(184,551)
Total Liabilities	202,436	91,471	48,051	22,712	10,959	6,668	4,352	2,199	1,094	(7,803)	(210,239)
Paid in Capital	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	–
Retained Earnings (Accumulated Deficit)	128,961	138,995	145,824	158,354	173,549	186,600	196,096	202,830	206,327	208,334	79,373
Net Income (Loss) - YTD	10,034	6,830	12,529	15,195	13,051	9,496	6,735	3,496	2,008	(14,492)	(24,525)
Cumulative Dividends Paid	–	–	–	–	(41,998)	(74,715)	(116,369)	(166,251)	(213,827)	(269,008)	(269,008)
Total Stockholder's Equity	221,963	228,792	241,322	256,517	227,570	204,349	169,430	123,044	77,475	7,803	(214,159)
Total Liabilities and Stockholder's Equity	\$ 424,398	\$ 320,263	\$ 289,372	\$ 279,229	\$ 238,529	\$ 211,017	\$ 173,782	\$ 125,243	\$ 78,570	\$ (0)	\$ (424,398)

Source: Adjusted Financial Model.

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(b) Reorganized WMI Valuation - Precedent Transactions

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Washington Mutual, Inc.
(b) Reorganized WMI Valuation -
Precedent Transactions

Precedent Transactions

Criteria for Publicly Disclosed Precedent Transactions

- ▶ Targets are reinsurance portfolios or businesses
- ▶ Portfolio size less than \$700 million

(\$ in millions)

Buyer / Target	Nature of Portfolio	Announced	Completion	Deal Value	Deal Value / Book	Deal Value / Tangible Book	Deal Value / Revenue
Run-Off Precedents							
Citadel Risk Management / Arthur J Gallagher	Property & casualty; health & welfare; retirement	2/22/2008	3/26/2008	\$ 38.0	1.1x	9.3x	0.7x
White Mountains Insurance/ Helicon Re Holdings Ltd.	Property & casualty	1/7/2008	1/7/2008	150.2	1.0	NA	NA
Fortress Investment Group / Alea Group Holdings	Property & casualty	4/4/2007	7/20/2007	319.7	0.7	0.7	1.5
Catalina Holdings / Overseas Partners Re	Property & casualty	9/3/2005	9/21/2005	170.5	0.7	NA	NA
Fairfax Financial Holdings / Markel Corp	Property, aviation, marine and credit	1/1/2005	1/11/2005	57.0	1.0	NA	NA
Enstar Group Inc. / Toa-Re Insurance Co. (U.K.)	Life insurance	3/31/2003	4/2/2003	46.0	0.8	NA	NA
Going-Concern Precedents							
SCOR / PartnerRe Life Insurance Co.	Life insurance	4/12/2000	8/4/2000	\$ 145.0	1.4x	NA	0.7x
Swiss Reinsurance Co. / Underwriters Re Group Inc.	Property & casualty	12/13/1999	5/10/2000	659.1	1.6	NA	NA
Gerling-Konzern Versicherungs / Constitution Re	Property & casualty	7/24/1998	10/27/1998	700.0	1.3	NA	NA

Recommended Price-to-Book Multiple Range	0.7x	1.0x
Projected Book Value of Equity - Dec. 31, 2010	\$ 212.7	\$ 212.7
Total	148.9	212.7
Recommended Value Range	\$ 150.0	\$ 210.0

Low (All)	38.0	0.7x	0.7x	0.7x
Mean	253.9	1.0x	5.0x	1.0x
Median	150.2	1.0x	5.0x	0.7x
High (All)	700.0	1.6x	9.3x	1.5x
Mean (Run-Off)	130.2	0.9x	5.0x	1.1x
Median (Run-Off)	103.6	0.9x	5.0x	1.1x

Source: Press releases, 10-Ks, 10-Qs, 8-Ks, publicly available news articles.

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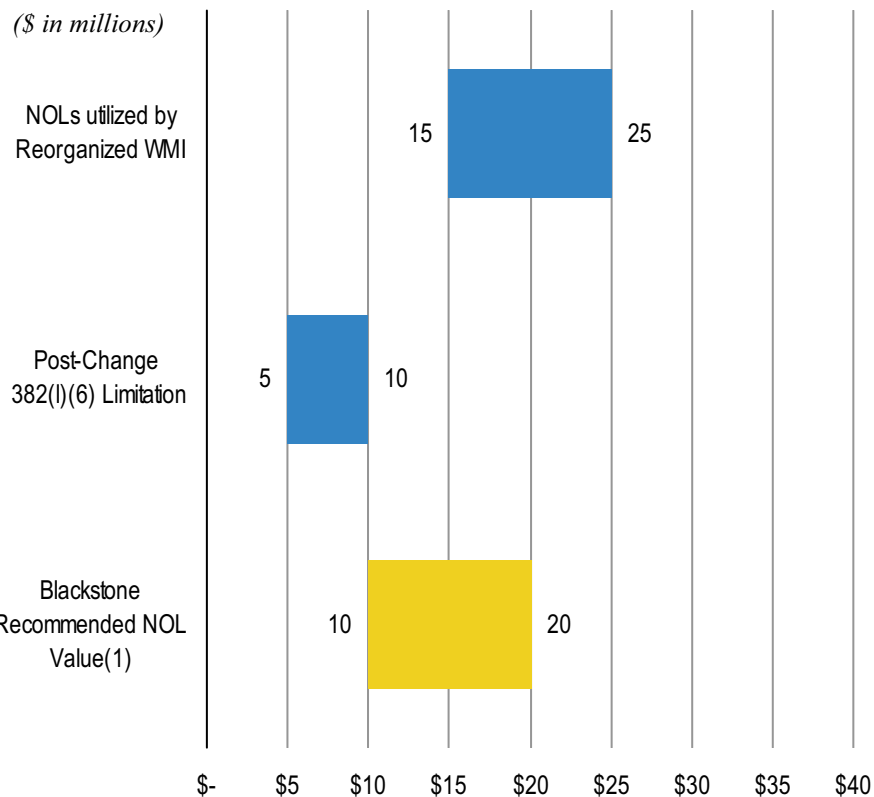
(c) Reorganized WMI Valuation - NOL Valuation Summary

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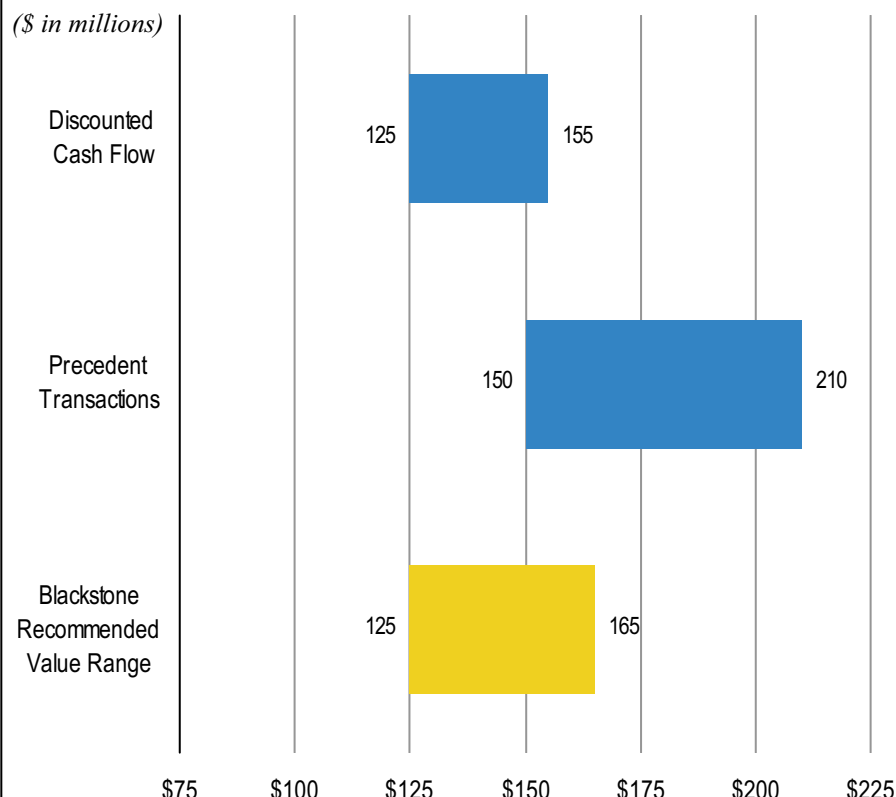
Washington Mutual, Inc.
(c) Reorganized WMI Valuation - NOL
Valuation Summary

NOL Valuation – Dec. 22, 2010
(Excluding Proceeds of the Rights Offering)

Value of NOLs



Reorganized WMI Value (Including NOLs)⁽²⁾



(1) Total Adj. NOL Value based on estimated probability of NOLs being recognized as ordinary income.

(2) Level of post-emergence NOLs assumes Company emerges on or before December 22, 2010 or after January 1, 2011.

**Washington Mutual, Inc.
(c) Reorganized WMI Valuation - NOL
Valuation Summary**

Net Operating Loss Valuation Summary

Key Assumptions

- ▶ Summary of available NOLs⁽¹⁾

		Comments
Calculation of Pre-Emergence NOL		
WMI's Adjusted Tax Basis in the stock of WMB	\$ 19,750	
Less: The Amount of WMB NOLs used to offset Taxable Income	(14,300)	
Less: CODI Attribute Reduction at the WMI Level	(500)	
Total	\$ 4,950	
Amount Subject to Limitation	\$ 4,744	12/22/10 trigger of WMB worthless stock deduction assumes pre-emergence timing
Amount Not Subject to Limitation	108	Post-emergence trigger of worthless stock
Total	\$ 4,852	
Amount assumed utilized by WMMRC	\$ 100	

- ▶ Reorganized WMI generates no additional taxable income beyond that forecasted in the Reorganized WMI financial projections

Approach

- ▶ NOLs utilized by Reorganized WMI - utilization of post-emergence NOLs to shelter taxable income generated by the existing portfolio
 - Discount rate estimates based upon similar discount rates used to value the underlying portfolio
- ▶ Post-Change 382(1)(6) Limitation Value (“Post-Change Value”) - valuation based upon the present value of the assumed maximum usage pursuant to the 382(1)(6) limitation under the assumption that Reorganized WMI is sold to a third party
 - Discount rate estimate of 25% - 35% incorporates a premium for transaction risk
 - Applicable federal tax rate for 382(1)(6) limitation – 3.98% (October 2010)

(1) Based on analysis provided by the Debtors, Alvarez & Marsal and Weil, Gotshal & Manges, LLP (“Weil”).

(d) Reorganized WMI Valuation - DCF Analysis Including NOLs

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Washington Mutual, Inc.
(d) Reorganized WMI Valuation - DCF
Analysis Including NOLs

Discounted Cash Flow Calculation
(Including NOLs)

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Financial Model (Including NOLs)										
Projected Dividend Stream (see page 34)	\$ –	\$ –	\$ –	\$ 49,510	\$ 27,443	\$ 40,651	\$ 53,424	\$ 43,082	\$ 62,859	\$ 276,969
13% WACC Discount Factor ⁽¹⁾	0.97	0.86	0.76	0.67	0.59	0.53	0.47	0.41	0.36	
Present Value of Projected Dividend Stream	–	–	–	33,280	16,325	21,400	24,889	17,761	22,934	136,588
15% WACC Discount Factor ⁽¹⁾	0.97	0.84	0.73	0.63	0.55	0.48	0.42	0.36	0.32	
Present Value of Projected Dividend Stream	–	–	–	31,436	15,152	19,517	22,304	15,640	19,843	123,891
Adjusted Financial Model (Excluding NOLs)										
Projected Adjusted Dividend Stream (see page 38)	\$ –	\$ –	\$ –	\$ 61,074	\$ 39,757	\$ 46,767	\$ 53,508	\$ 49,459	\$ 56,262	\$ 306,827
13% WACC Discount Factor ⁽¹⁾	0.97	0.86	0.76	0.67	0.59	0.53	0.47	0.41	0.36	
Present Value of Projected Adjusted Dividend Stream	–	–	–	41,054	23,650	24,619	24,928	20,390	20,527	155,167
15% WACC Discount Factor ⁽¹⁾	0.97	0.84	0.73	0.63	0.55	0.48	0.42	0.36	0.32	
Present Value of Projected Adjusted Dividend Stream	–	–	–	38,778	21,950	22,453	22,339	17,955	17,761	141,236

Recommended Value Range 125,000
(Including NOLs) 155,000

Recommended Value Range 110,000
(Excluding NOLs) 130,000

Recommended Value Range 15,000
(NOLs) 25,000

(1) Per projections, assumes all dividends are paid in March of the corresponding year.

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(d)(i) Financial Model (Including NOLs)

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Washington Mutual, Inc.
(d)(i) Financial Model (Including NOLs)

**Financial Model (Including NOLs) –
Cash Flow Statement**

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011 - 2019
Cash Flows from Operating Activities										
Net Income (Loss)	\$ (4,599)	\$ 10,892	\$ 20,252	\$ 18,780	\$ 13,867	\$ 9,999	\$ 5,084	\$ 2,945	\$ (12,925)	\$ 64,297
Accrued Investment Income	382	111	24	126	47	91	142	118	223	1,264
Premiums Receivable	551	495	634	505	428	286	293	221	–	3,412
Losses and Loss Adjustment Expenses	(106,066)	(42,199)	(25,942)	(9,378)	(1,629)	(660)	(323)	–	–	(186,196)
Losses Payable	(10,372)	(3,569)	(1,818)	(1,858)	(727)	(121)	(36)	(27)	–	(18,527)
Unearned Premiums	(127)	(110)	(127)	(116)	(98)	(80)	(56)	(106)	–	(822)
Accrued Ceding Commissions Expense	(55)	(51)	(65)	(57)	(43)	(28)	(27)	(26)	–	(353)
Accrued Interest on Notes Payable	–	–	–	–	–	–	–	–	–	–
Federal Income Tax Payable to Parent	–	–	–	–	–	–	–	–	–	–
Accounts Payable and Accrued Expenses	81	3	4	4	4	4	4	(139)	–	(36)
Accrued Investment Expense	50	(6)	(1)	(7)	(3)	(5)	(8)	(7)	(13)	–
Net Cash Provided by Operating Activities	(120,154)	(34,434)	(7,039)	7,999	11,845	9,486	5,072	2,980	(12,715)	(136,960)
Net Cash Provided by Investing Activities	–	–	–	–	–	–	–	–	–	–
Cash Flow from Financing Activities										
Dividend of Unrestricted Cash	–	–	–	(49,510)	(27,443)	(40,651)	(53,424)	(43,082)	(62,859)	(276,969)
Proceeds from Issuance of Notes Payable to Parent	–	–	–	–	–	–	–	–	0	0
Net Cash Provided by Financing Activities	–	–	–	(49,510)	(27,443)	(40,651)	(53,424)	(43,082)	(62,859)	(276,969)
Net Change in Cash and Cash Equivalents	(120,154)	(34,434)	(7,039)	(41,511)	(15,598)	(31,164)	(48,352)	(40,102)	(75,574)	(413,928)
Beginning Cash and Investments Balance	413,928	293,774	259,340	252,301	210,790	195,193	164,028	115,676	75,574	413,928
Ending Cash and Investments Balance	\$ 293,774	\$ 259,340	\$ 252,301	\$ 210,790	\$ 195,193	\$ 164,028	\$ 115,676	\$ 75,574	\$ (0)	\$ (0)

Source: Financial Model.

Confidential

Washington Mutual, Inc.
(d)(i) Financial Model (Including NOLs)

**Financial Model (Including NOLs) –
Income Statement**

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011-2019
Premiums Written	\$ 37,142	\$ 30,846	\$ 22,811	\$ 16,162	\$ 10,532	\$ 6,767	\$ 2,909	\$ –	\$ –	\$ 127,167
Change in Unearned Premiums	127	110	127	116	98	80	56	106	–	822
Net Premiums Earned	37,270	30,955	22,938	16,278	10,630	6,847	2,965	106	–	127,989
Losses Paid	154,087	66,716	33,222	10,928	2,203	756	323	–	–	268,235
Provision for Losses and IBNR	(106,066)	(42,199)	(25,942)	(9,378)	(1,629)	(660)	(323)	–	–	(186,196)
Ceding Commission	3,860	3,219	2,381	1,630	1,058	690	340	–	–	13,176
Underwriting Expense	51,882	27,735	9,661	3,180	1,632	786	340	–	–	95,215
Underwriting Income (Loss)	(14,612)	3,220	13,277	13,098	8,998	6,061	2,625	106	–	32,774
General & Administrative Expenses	(1,487)	(1,532)	(1,578)	(1,625)	(1,674)	(1,724)	(1,776)	–	–	(11,397)
Interest Expense	–	–	–	–	–	–	–	–	–	–
Investment Income	11,501	9,205	8,553	7,307	6,543	5,662	4,234	2,839	422	56,267
Gain/(Loss) on Commutation	–	–	–	–	–	–	–	–	(13,347)	(13,347)
Income (Loss) Before Tax Provision	(4,599)	10,892	20,252	18,780	13,867	9,999	5,084	2,945	(12,925)	64,297
Federal Income Tax Expense	–	–	–	–	–	–	–	–	–	–
Net Income (Loss)	\$ (4,599)	\$ 10,892	\$ 20,252	\$ 18,780	\$ 13,867	\$ 9,999	\$ 5,084	\$ 2,945	\$ (12,925)	\$ 64,297

Source: Financial Model.

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Washington Mutual, Inc.
(d)(1) Financial Model (Including NOLs)

**Financial Model (Including NOLs) –
Balance Sheet**

(\$ in thousands)

	Assumed Emergence										
	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-10 - Dec-19
Cash and Investments	\$ 413,928	\$ 293,774	\$ 259,340	\$ 252,301	\$ 210,790	\$ 195,193	\$ 164,028	\$ 115,676	\$ 75,574	\$ (0)	\$ (413,928)
Accrued Interest	1,264	882	771	747	621	574	482	341	223	–	(1,264)
Reinsurance Premiums Receivable	3,412	2,861	2,366	1,732	1,227	800	514	221	–	–	(3,412)
Total Assets	\$ 418,605	\$ 297,517	\$ 262,478	\$ 254,780	\$ 212,638	\$ 196,566	\$ 165,024	\$ 116,238	\$ 75,796	\$ (0)	\$ (418,605)
Accrued Expenses	\$ 36	\$ 117	\$ 120	\$ 124	\$ 127	\$ 131	\$ 135	\$ 139	\$ –	\$ –	\$ (36)
Accrued Investment Expenses	–	50	44	42	35	32	27	19	13	–	–
Accrued Ceding Fees	353	297	246	181	124	80	52	26	–	–	(353)
Federal Income Tax Payable (Receivable)	–	–	–	–	–	–	–	–	–	–	–
Allowance for Doubtful Accounts	–	–	–	–	–	–	–	–	–	–	–
Notes Payable	–	–	–	–	–	–	–	–	–	0	0
Interest Payable	–	–	–	–	–	–	–	–	–	–	–
Unearned Premiums	822	695	585	457	341	243	163	106	–	–	(822)
Losses Payable	18,527	8,155	4,586	2,769	911	184	63	27	–	–	(18,527)
Loss Reserves and IBNR	186,196	80,130	37,931	11,990	2,611	983	323	0	0	0	(186,196)
Total Liabilities	205,933	89,444	43,512	15,562	4,150	1,653	763	317	13	0	(205,933)
Paid in Capital	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	–
Retained Earnings (Accumulated Deficit)	128,961	129,704	125,105	135,998	156,250	175,030	188,897	198,896	203,980	206,925	77,964
Net Income (Loss) - YTD	743	(4,599)	10,892	20,252	18,780	13,867	9,999	5,084	2,945	(12,925)	(13,668)
Cumulative Dividends Paid	–	–	–	–	(49,510)	(76,952)	(117,603)	(171,028)	(214,110)	(276,969)	(276,969)
Total Stockholder's Equity	212,672	208,073	218,966	239,218	208,489	194,913	164,261	115,920	75,784	(0)	(212,672)
Total Liabilities and Stockholder's Equity	\$ 418,605	\$ 297,517	\$ 262,478	\$ 254,780	\$ 212,638	\$ 196,566	\$ 165,024	\$ 116,238	\$ 75,796	\$ (0)	\$ (418,605)

Source: Financial Model.

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(d)(ii) Adjusted Financial Model (Including NOLs)

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Washington Mutual, Inc.
(d)(ii) Adjusted Financial Model
(Including NOLs)

Adjusted Financial Model (Including NOLs) –
Cash Flow Statement

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011 - 2019
Cash Flows from Operating Activities										
Net Income (Loss)	\$ 10,507	\$ 19,369	\$ 23,676	\$ 20,169	\$ 14,610	\$ 10,361	\$ 5,379	\$ 3,089	\$ (22,295)	\$ 84,864
Accrued Investment Income	330	86	10	153	80	108	141	136	231	1,276
Premiums Receivable	551	495	634	505	428	286	293	221	–	3,412
Losses and Loss Adjustment Expenses	(105,259)	(43,114)	(24,948)	(8,750)	(1,580)	(610)	(291)	–	–	(184,551)
Losses Payable	(9,334)	(3,212)	(1,636)	(1,672)	(654)	(109)	(32)	(24)	–	(16,674)
Unearned Premiums	(127)	(110)	(127)	(116)	(98)	(80)	(56)	(106)	–	(822)
Accrued Ceding Commissions Expense	(55)	(51)	(65)	(57)	(43)	(28)	(27)	(26)	–	(353)
Accrued Interest on Notes Payable	–	–	–	–	–	–	–	–	–	–
Federal Income Tax Payable to Parent	–	–	–	–	–	–	–	–	–	–
Accounts Payable and Accrued Expenses	81	3	4	4	4	4	4	(139)	–	(36)
Accrued Investment Expense	53	(5)	(1)	(9)	(5)	(6)	(8)	(8)	(13)	–
Net Cash Provided by Operating Activities	(103,254)	(26,538)	(2,453)	10,227	12,741	9,926	5,403	3,143	(22,077)	(112,883)
Net Cash Provided by Investing Activities	–	–	–	–	–	–	–	–	–	–
Cash Flow from Financing Activities										
Dividend of Unrestricted Cash	–	–	–	(61,074)	(39,757)	(46,767)	(53,508)	(49,459)	(56,262)	(306,827)
Proceeds from Issuance of Notes Payable to Parent	–	–	–	–	–	–	–	–	0	0
Net Cash Provided by Financing Activities	–	–	–	(61,074)	(39,757)	(46,767)	(53,508)	(49,459)	(56,262)	(306,827)
Net Change in Cash and Cash Equivalents	(103,254)	(26,538)	(2,453)	(50,847)	(27,016)	(36,841)	(48,106)	(46,316)	(78,339)	(419,710)
Beginning Cash and Investments Balance	419,710	316,456	289,918	287,464	236,617	209,601	172,760	124,655	78,339	419,710
Ending Cash and Investments Balance	\$ 316,456	\$ 289,918	\$ 287,464	\$ 236,617	\$ 209,601	\$ 172,760	\$ 124,655	\$ 78,339	\$ (0)	\$ (0)

Source: Adjusted Financial Model.

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Washington Mutual, Inc.
(d)(ii) Adjusted Financial Model
(Including NOLs)

Adjusted Financial Model (Including NOLs) –
Income Statement

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011-2019
Premiums Written	\$ 37,142	\$ 30,846	\$ 22,811	\$ 16,162	\$ 10,532	\$ 6,767	\$ 2,909	\$ –	\$ –	\$ 127,167
Change in Unearned Premiums	127	110	127	116	98	80	56	106	–	822
Net Premiums Earned	37,270	30,955	22,938	16,278	10,630	6,847	2,965	106	–	127,989
Losses Paid	138,678	60,044	29,900	9,835	1,983	680	291	–	–	241,412
Provision for Losses and IBNR	(105,259)	(43,114)	(24,948)	(8,750)	(1,580)	(610)	(291)	–	–	(184,551)
Ceding Commission	3,860	3,219	2,381	1,630	1,058	690	340	–	–	13,176
Underwriting Expense	37,280	20,149	7,333	2,715	1,461	760	340	–	–	70,037
Underwriting Income (Loss)	(10)	10,806	15,605	13,563	9,169	6,087	2,625	106	–	57,952
General & Administrative Expenses	(1,487)	(1,532)	(1,578)	(1,625)	(1,674)	(1,724)	(1,776)	–	–	(11,397)
Interest Expense	–	–	–	–	–	–	–	–	–	–
Investment Income	12,005	10,094	9,649	8,231	7,114	5,998	4,529	2,983	437	61,041
Gain/(Loss) on Commutation	–	–	–	–	–	–	–	–	(22,732)	(22,732)
Income (Loss) Before Tax Provision	10,507	19,369	23,676	20,169	14,610	10,361	5,379	3,089	(22,295)	84,864
Federal Income Tax Expense	–	–	–	–	–	–	–	–	–	–
Net Income (Loss)	\$ 10,507	\$ 19,369	\$ 23,676	\$ 20,169	\$ 14,610	\$ 10,361	\$ 5,379	\$ 3,089	\$ (22,295)	\$ 84,864

Source: Adjusted Financial Model.

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Washington Mutual, Inc.
(d)(ii) Adjusted Financial Model
(Including NOLs)

Adjusted Financial Model (Including NOLs) –
Balance Sheet

(\$ in thousands)

	Assumed Emergence										
	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-10 - Dec-19
Cash and Investments	\$ 419,710	\$ 316,456	\$ 289,918	\$ 287,464	\$ 236,617	\$ 209,601	\$ 172,760	\$ 124,655	\$ 78,339	\$ (0)	\$ (419,710)
Accrued Interest	1,276	946	860	850	696	616	508	367	231	–	(1,276)
Reinsurance Premiums Receivable	3,412	2,861	2,366	1,732	1,227	800	514	221	–	–	(3,412)
Total Assets	\$ 424,398	\$ 320,263	\$ 293,144	\$ 290,046	\$ 238,541	\$ 211,017	\$ 173,782	\$ 125,243	\$ 78,570	\$ (0)	\$ (424,398)
Accrued Expenses	\$ 36	\$ 117	\$ 120	\$ 124	\$ 127	\$ 131	\$ 135	\$ 139	\$ –	\$ –	\$ (36)
Accrued Investment Expenses	–	53	49	48	39	35	29	21	13	–	–
Accrued Ceding Fees	353	297	246	181	124	80	52	26	–	–	(353)
Federal Income Tax Payable (Receivable)	–	–	–	–	–	–	–	–	–	–	–
Allowance for Doubtful Accounts	–	–	–	–	–	–	–	–	–	–	–
Notes Payable	–	–	–	–	–	–	–	–	–	0	0
Interest Payable	–	–	–	–	–	–	–	–	–	–	–
Unearned Premiums	822	695	585	457	341	243	163	106	–	–	(822)
Losses Payable	16,674	7,340	4,127	2,492	820	165	57	24	–	–	(16,674)
Loss Reserves and IBNR	184,551	79,292	36,178	11,230	2,480	900	291	0	0	0	(184,551)
Total Liabilities	202,436	87,794	41,305	14,532	3,932	1,555	726	316	13	0	(202,436)
Paid in Capital	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	–
Retained Earnings (Accumulated Deficit)	128,961	138,995	149,502	168,871	192,547	212,715	227,325	237,686	243,064	246,153	117,192
Net Income (Loss) - YTD	10,034	10,507	19,369	23,676	20,169	14,610	10,361	5,379	3,089	(22,295)	(32,328)
Cumulative Dividends Paid	–	–	–	–	(61,074)	(100,831)	(147,598)	(201,106)	(250,565)	(306,827)	(306,827)
Total Stockholder's Equity	221,963	232,470	251,839	275,515	234,609	209,462	173,056	124,927	78,557	(0)	(221,963)
Total Liabilities and Stockholder's Equity	\$ 424,398	\$ 320,263	\$ 293,144	\$ 290,046	\$ 238,541	\$ 211,017	\$ 173,782	\$ 125,243	\$ 78,570	\$ (0)	\$ (424,398)

Source: Adjusted Financial Model.

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(e) Reorganized WMI Valuation – 382(D)(6) Value

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Washington Mutual, Inc.
(e) Reorganized WMI Valuation –
382(l)(6) Value

Discounted Cash Flow Calculation –
Post-Change Value

	Year																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Value of Reorganized WMI Excluding 382(l)(6) Value	\$ 125.0																			
382(l)(6) Value	8.2																			
Value of Reorganized WMI Including 382(l)(6) Value	\$ 133.2																			
Available Taxable Income Shield	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
Tax Savings	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
25% Discount Factor ⁽¹⁾	0.89	0.72	0.57	0.46	0.37	0.29	0.23	0.19	0.15	0.12	0.10	0.08	0.06	0.05	0.04	0.03	0.03	0.02	0.02	0.01
Present Value of Tax Savings	1.7	1.3	1.1	0.8	0.7	0.5	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Value of Reorganized WMI Excluding 382(l)(6) Value	\$ 125.0																			
382(l)(6) Value	6.0																			
Value of Reorganized WMI Including 382(l)(6) Value	\$ 131.0																			
Available Taxable Income Shield	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Tax Savings	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
35% Discount Factor ⁽¹⁾	0.86	0.64	0.47	0.35	0.26	0.19	0.14	0.11	0.08	0.06	0.04	0.03	0.02	0.02	0.01	0.01	0.01	0.01	0.00	0.00
Present Value of Tax Savings	1.6	1.2	0.9	0.6	0.5	0.4	0.3	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Value of Reorganized WMI Excluding 382(l)(6) Value	\$ 165.0																			
382(l)(6) Value	10.8																			
Value of Reorganized WMI Including 382(l)(6) Value	\$ 175.8																			
Available Taxable Income Shield	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Tax Savings	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
25% Discount Factor ⁽¹⁾	0.89	0.72	0.57	0.46	0.37	0.29	0.23	0.19	0.15	0.12	0.10	0.08	0.06	0.05	0.04	0.03	0.03	0.02	0.02	0.01
Present Value of Tax Savings	2.2	1.8	1.4	1.1	0.9	0.7	0.6	0.5	0.4	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Value of Reorganized WMI Excluding 382(l)(6) Value	\$ 165.0																			
382(l)(6) Value	8.1																			
Value of Reorganized WMI Including 382(l)(6) Value	\$ 173.1																			
Available Taxable Income Shield	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Tax Savings	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
35% Discount Factor ⁽¹⁾	0.86	0.64	0.47	0.35	0.26	0.19	0.14	0.11	0.08	0.06	0.04	0.03	0.02	0.02	0.01	0.01	0.01	0.01	0.00	0.00
Present Value of Tax Savings	2.1	1.6	1.2	0.9	0.6	0.5	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(1) See page 17 for recommended range of Discount Factor.

IV. Subscription Rights Valuation

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Washington Mutual, Inc.
IV. Subscription Rights Valuation

Terms of the Rights Offering

As part of the Plan of Reorganization, a rights offering is being offered to holders of the PIERS claims to invest in Reorganized WMI.

- ▶ \$100 million rights offering
- ▶ No backstop
- ▶ No discount to value of Reorganized WMI
- ▶ Offered to the holders of the PIERS claims
- ▶ \$2 million minimum participation
- ▶ The Rights Offering will be subject to 1145 limitations
- ▶ The Rights Offering will commence on the date Ballots and Subscription Forms are mailed to Voting Nominees on behalf of holders of the PIERS claims; the date by which holders of Subscription Rights must elect to subscribe to the Rights Offering is defined in the Plan as the Subscription Expiration Date
- ▶ The equity in Reorganized WMI purchased through the Rights Offering will be distributed on the Effective Date or as soon as practicable thereafter
- ▶ To the extent a holder of a PIERS claims elects to exercise Subscription Rights and receives equity in Reorganized WMI, such holder's distribution of Creditor Cash or Cash to be received on account of Liquidating Trust Interests, shall be reduced, on a dollar-for-dollar basis, by the value of the Subscription Rights exercised
- ▶ Subject to the Debtors' sole and absolute discretion, each eligible holder of Subscription Rights that exercises its Subscription Rights in full will also have an over-subscription right to purchase any additional shares of Reorganized WMI equity not purchased by other eligible holders of the Subscription Rights pursuant to the Rights Offering

Source: Sixth Amended Disclosure Statement, dated October 6, 2010.

Note: Pursuant to Section 34.7 of the Plan, in the event the Debtors enter into a Retention/Sale Transaction, no Additional Common Stock will be issued and the Debtors will return all payments made pursuant to the Rights Offering.

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Appendix

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Steven Zelin Qualifications

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**Washington Mutual, Inc.
Steven Zelin Qualifications**

**Other Notable Publicly Disclosed Assignments
of Steven Zelin**

-
- ▶ Allegheny Health, Education & Research Foundation
 - ▶ Alliance Entertainment Corp.
 - ▶ American Banknote Corp.
 - ▶ Ames Department Stores, Inc.
 - ▶ Anacomp, Inc.
 - ▶ Audio Visual Services, Inc.
 - ▶ Big V Supermarkets, Inc.
 - ▶ Brown Jordan International, Inc.
 - ▶ Channel Home Centers
 - ▶ Coastal Physicians Group
 - ▶ Continental Information Systems
 - ▶ Dura Automotive Systems, Inc.
 - ▶ FGIC Corp.
 - ▶ Fruehauf Trailer Corporation
 - ▶ Highland Hospitality
 - ▶ Indesco Corporation
 - ▶ Instrumentation Labs, Inc.
 - ▶ Marchon Eyewear, Inc.
 - ▶ Medical Resources, Inc.
 - ▶ Meridian Automotive Systems
 - ▶ Mrs. Fields Famous Brands, LLC
 - ▶ Musicland Stores Corporation
 - ▶ Paragon Trade Brands, Inc.
 - ▶ The Penn Traffic Company
 - ▶ The Pullman Company
 - ▶ Safelite Glass Corp.

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Reorganized WMI Financial Model Support

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**Washington Mutual, Inc.
Reorganized WMI Financial Model
Support**

WMMRC Overview

- ▶ WMMRC is a mortgage reinsurance company incorporated in 2000 and domiciled in Hawaii
 - Company is regulated by the State of Hawaii Department of Insurance
- ▶ Company receives premium revenue from insurance on residential mortgage loans with private mortgage insurance (“MI”) in return for taking risk on potential insurance claim losses
 - WMMRC has not written any new business since 9/25/08
- ▶ Consumer protections:
 - Customer is placed into a primary MI policy that best suits their needs and at a fair, competitive price
 - Premiums are determined by MI companies and filed with each state, not WMMRC
 - Customer (within 30 days of loan funding) has the ability to “opt out” of the captive reinsurance arrangement, although captive reinsurance treaties have no impact on the borrowers
 - WMMRC receives risk transference options that meet the US Department of Housing and Urban Development’s Real Estate Settlement Procedures Act guidelines on bona fide reinsurance arrangements

Source: WMMRC management.

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Washington Mutual, Inc.
Reorganized WMI Financial Model
Support

WMMRC Overview (Cont'd)

- ▶ Company has basic reinsurance contract provisions with all six primary mortgage insurers: Genworth, MGIC, PMI, Radian, RMIC, and UGRIC
 - The majority of reinsurance contracts are structured in 4% / 10% / 40% manner whereby:
 - WMMRC begins to pay claims after initial 4% of losses per each vintage year;
 - WMMRC pays all losses on the next 10% risk layer; primary MI pays all losses after the 10% risk layer is exhausted;
 - In return, WMMRC receives 40% of MI insurance premiums;
 - Each annual book of business has a 10-year term
 - There are two “quota share” contracts (with Genworth and Radian) which are structured in a manner whereby:
 - WMMRC begins to pay claims with the first dollar of losses
 - It shares these losses 50% / 50% with the primary insurer
 - WMMRC receives 50% of commissions
 - Each book has a 10-year term
 - A few contracts (across all six MIs) are structured in a 5% / 5% / 25% manner whereby:
 - WMMRC begins to pay claims after initial 5% of losses per each vintage year
 - WMMRC pays all losses on the next 5% risk layer; primary MI pays all losses after the 5% risk layer is exhausted;
 - In return, WMMRC receives 25% of MI insurance premiums;
 - Each annual book of business has a 10-year term
 - These contract structures are prevalent in the 1999 – 2002 vintage years and the 2008 vintage year

Source: WMMRC management.

Washington Mutual, Inc.
Reorganized WMI Financial Model
Support

WMMRC Overview (Cont'd)

- ▶ Credit risk associated with reinsurance is mitigated by:
 - Holding a well-diversified national portfolio of insurance loans
 - Reducing counter-party credit risk by using all six MI companies
 - Diversifying risks across vintages (time dimension)
 - Maintaining a very high quality (“AAA-rated”) bond investment portfolio
- ▶ Key financial data points as of 12/31/09:
 - Assets: \$472m
 - Reserve: \$349m
 - Assets Held in Trust: \$467m
 - Equity: \$106m
- ▶ Key portfolio statistics as of 12/31/09:
 - Insured Loans: \$16.6b
 - Insured Risk: \$ 4.3b (Primary MI covers about 25% of the loan balance)
 - Original Risk Exposure: \$ 1.6b (Represents WMMRC’s 10% risk layer based on original loan balance)
 - Remaining Risk Exposure: \$ 0.7b (Represents actual exposure taking into account loan paydowns and attachment points)
 - Operating Leverage: 3.6:1 (Industry average is 8:1)

Source: WMMRC management.

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**Washington Mutual, Inc.
Reorganized WMI Financial Model
Support**

**Financial Model (Excluding NOLs) –
Detailed Projections**

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011 - 2019
Assumed Premiums Written										
Genworth	\$ 6,274	\$ 5,261	\$ 3,990	\$ 3,157	\$ 2,228	\$ 1,511	\$ 337	\$ 19	\$ –	\$ 22,777
MGIC	3,349	2,671	2,024	1,530	1,083	607	415	31	–	11,710
Radian	6,312	5,388	4,532	3,419	2,557	1,756	1,500	113	–	25,576
PMI	11,320	9,445	6,764	4,397	2,748	1,759	430	25	–	36,888
UGRIC	7,726	6,315	4,466	3,041	1,724	1,051	355	23	–	24,700
RMIC	2,712	2,260	1,668	1,123	619	369	163	11	–	8,927
Total Assumed Premiums Written	37,694	31,341	23,444	16,667	10,960	7,053	3,202	221	–	130,580
Paid Losses										
Genworth	(19,497)	(8,043)	(3,606)	(1,937)	(264)	(69)	(29)	(2)	–	(33,447)
MGIC	(19,338)	(4,811)	(3,184)	(2,701)	(297)	(22)	(11)	(1)	–	(30,365)
Radian	(40,671)	(12,319)	(6,193)	(1,557)	(773)	(375)	(112)	(8)	–	(62,007)
PMI	(46,704)	(21,393)	(10,111)	(867)	(63)	(40)	(22)	(2)	–	(79,202)
UGRIC	(27,923)	(15,941)	(8,377)	(3,505)	(431)	(16)	–	–	–	(56,193)
RMIC	(10,325)	(7,777)	(3,569)	(2,218)	(1,103)	(355)	(186)	(15)	–	(25,548)
Total Paid Losses	(164,459)	(70,285)	(35,040)	(12,786)	(2,930)	(877)	(359)	(27)	–	(286,762)
Ceding Commissions										
Genworth	–	–	–	–	–	–	–	–	–	–
MGIC	(13)	(11)	(8)	(6)	(4)	(2)	(2)	(0)	–	(47)
Radian	(1,043)	(891)	(749)	(565)	(423)	(290)	(248)	(19)	–	(4,227)
PMI	(1,863)	(1,554)	(1,113)	(724)	(452)	(290)	(71)	(4)	–	(6,071)
UGRIC	(996)	(814)	(576)	(392)	(222)	(135)	(46)	(3)	–	(3,184)
RMIC	–	–	–	–	–	–	–	–	–	–
Total Ceding Commissions	(3,916)	(3,270)	(2,446)	(1,687)	(1,101)	(718)	(366)	(26)	–	(13,529)
Net Operating Cash Flow										
Genworth	(13,223)	(2,782)	384	1,220	1,965	1,442	308	16	–	(10,670)
MGIC	(16,002)	(2,151)	(1,168)	(1,177)	781	582	403	30	–	(18,702)
Radian	(35,403)	(7,821)	(2,410)	1,297	1,361	1,091	1,140	87	–	(40,657)
PMI	(37,247)	(13,503)	(4,460)	2,806	2,233	1,430	338	19	–	(48,385)
UGRIC	(21,193)	(10,441)	(4,487)	(856)	1,071	899	309	20	–	(34,677)
RMIC	(7,613)	(5,517)	(1,901)	(1,095)	(484)	15	(22)	(3)	–	(16,620)
Total Net Operating Cash Flow	\$ (130,681)	\$ (42,214)	\$ (14,041)	\$ 2,194	\$ 6,928	\$ 5,458	\$ 2,476	\$ 168	\$ –	\$ (169,711)

Note: Net Operating Cash Flow does not include G&A expense.

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Washington Mutual, Inc.
Reorganized WMI Financial Model
Support

Disclosure Statement Financial Model –
Cash Flow Statement

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011 - 2019
Cash Flows from Operating Activities										
Net Income (Loss)	\$ (4,599)	\$ 10,892	\$ 20,252	\$ 20,033	\$ 16,281	\$ 13,758	\$ 10,669	\$ 10,268	\$ (11,592)	\$ 85,962
Accrued Investment Income	382	111	24	(23)	(41)	(39)	(32)	(30)	911	1,264
Premiums Receivable	551	495	634	505	428	286	293	221	–	3,412
Losses and Loss Adjustment Expenses	(106,066)	(42,199)	(25,942)	(9,378)	(1,629)	(660)	(323)	–	–	(186,196)
Losses Payable	(10,372)	(3,569)	(1,818)	(1,858)	(727)	(121)	(36)	(27)	–	(18,527)
Unearned Premiums	(127)	(110)	(127)	(116)	(98)	(80)	(56)	(106)	–	(822)
Accrued Ceding Commissions Expense	(55)	(51)	(65)	(57)	(43)	(28)	(27)	(26)	–	(353)
Accrued Interest on Notes Payable	–	–	–	–	–	–	–	–	–	–
Federal Income Tax Payable to Parent	–	–	–	–	–	–	–	–	–	–
Accounts Payable and Accrued Expenses	81	3	4	4	4	4	4	(139)	–	(36)
Accrued Investment Expense	50	(6)	(1)	1	2	2	2	2	(51)	–
Net Cash Provided by Operating Activities	(120,154)	(34,434)	(7,039)	9,111	14,176	13,122	10,495	10,162	(10,732)	(115,294)
Net Cash Provided by Investing Activities	–	–	–	–	–	–	–	–	–	–
Cash Flow from Financing Activities										
Dividend of Unrestricted Cash	–	–	–	–	–	–	–	–	(298,634)	(298,634)
Proceeds from Issuance of Notes Payable to Parent	–	–	–	–	–	–	–	–	0	0
Net Cash Provided by Financing Activities	–	–	–	–	–	–	–	–	(298,634)	(298,634)
Net Change in Cash and Cash Equivalents	(120,154)	(34,434)	(7,039)	9,111	14,176	13,122	10,495	10,162	(309,366)	(413,928)
Beginning Cash and Investments Balance	413,928	293,774	259,340	252,301	261,412	275,588	288,710	299,204	309,366	413,928
Ending Cash and Investments Balance	\$ 293,774	\$ 259,340	\$ 252,301	\$ 261,412	\$ 275,588	\$ 288,710	\$ 299,204	\$ 309,366	\$ (0)	\$ (0)

**Washington Mutual, Inc.
Reorganized WMI Financial Model
Support**

**Disclosure Statement Financial Model –
Income Statement**

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011-2019
Premiums Written	\$37,142	\$30,846	\$22,811	\$16,162	\$10,532	\$6,767	\$2,909	\$0	\$0	\$127,167
Change in Unearned Premiums	127	110	127	116	98	80	56	106	-	822
Net Premiums Earned	37,270	30,955	22,938	16,278	10,630	6,847	2,965	106	-	127,989
Losses Paid	154,087	66,716	33,222	10,928	2,203	756	323	-	-	268,235
Provision for Losses and IBNR	(106,066)	(42,199)	(25,942)	(9,378)	(1,629)	(660)	(323)	-	-	(186,196)
Ceding Commission	3,860	3,219	2,381	1,630	1,058	690	340	-	-	13,176
Underwriting Expense	51,882	27,735	9,661	3,180	1,632	786	340	-	-	95,215
Underwriting Income (Loss)	(14,612)	3,220	13,277	13,098	8,998	6,061	2,625	106	-	32,774
General & Administrative Expenses	(1,487)	(1,532)	(1,578)	(1,625)	(1,674)	(1,724)	(1,776)	-	-	(11,397)
Interest Expense	-	-	-	-	-	-	-	-	-	-
Investment Income	11,501	9,205	8,553	8,560	8,956	9,421	9,820	10,161	1,727	77,904
Gain/(Loss) on Commutation	-	-	-	-	-	-	-	-	(13,319)	(13,319)
Income (Loss) Before Tax Provision	(4,599)	10,892	20,252	20,033	16,281	13,758	10,669	10,268	(11,592)	85,962
Federal Income Tax Expense	-	-	-	-	-	-	-	-	-	-
Net Income (Loss)	\$ (4,599)	\$ 10,892	\$ 20,252	\$ 20,033	\$ 16,281	\$ 13,758	\$ 10,669	\$ 10,268	\$ (11,592)	\$ 85,962

Washington Mutual, Inc.
Reorganized WMI Financial Model
Support

Disclosure Statement Financial Model –
Balance Sheet

(\$ in thousands)

		Assumed Emergence										
	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-10 - Dec-19
Cash and Investments	\$463,546	\$ 413,928	\$ 293,774	\$ 259,340	\$ 252,301	\$ 261,412	\$ 275,588	\$ 288,710	\$ 299,204	\$ 309,366	\$ (0)	\$ (413,928)
Accrued Interest	4,367	1,264	882	771	747	770	810	850	881	911	–	(1,264)
Reinsurance Premiums Receivable	4,015	3,412	2,861	2,366	1,732	1,227	800	514	221	–	–	(3,412)
Total Assets	\$ 471,928	\$ 418,605	\$ 297,517	\$ 262,478	\$ 254,780	\$ 263,409	\$ 277,198	\$ 290,073	\$ 300,306	\$ 310,278	\$ (0)	\$ (418,605)
Accrued Expenses	\$ 45	\$ 36	\$ 117	\$ 120	\$ 124	\$ 127	\$ 131	\$ 135	\$ 139	\$ –	\$ –	\$ (36)
Accrued Investment Expenses	–	–	50	44	42	43	46	48	50	51	–	–
Accrued Ceding Fees	467	353	297	246	181	124	80	52	26	–	–	(353)
Federal Income Tax Payable (Receivable)	(46,249)	–	–	–	–	–	–	–	–	–	–	–
Allowance for Doubtful Accounts	46,249	–	–	–	–	–	–	–	–	–	–	–
Notes Payable	12,511	–	–	–	–	–	–	–	–	–	0	0
Interest Payable	–	–	–	–	–	–	–	–	–	–	–	–
Unearned Premiums	1,002	822	695	585	457	341	243	163	106	–	–	(822)
Losses Payable	2,636	18,527	8,155	4,586	2,769	911	184	63	27	–	–	(18,527)
Loss Reserves and IBNR	255,859	186,196	80,130	37,931	11,990	2,611	983	323	0	0	0	(186,196)
Total Liabilities	272,521	205,933	89,444	43,512	15,562	4,158	1,666	784	348	51	0	(205,933)
Paid in Capital	69,880	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	82,968	–
Retained Earnings (Accumulated Deficit)	138,770	128,961	129,704	125,105	135,998	156,250	176,283	192,563	206,321	216,990	227,258	98,297
Net Income (Loss) - YTD	(9,243)	743	(4,599)	10,892	20,252	20,033	16,281	13,758	10,669	10,268	(11,592)	(12,335)
Cumulative Dividends Paid	–	–	–	–	–	–	–	–	–	–	(298,634)	(298,634)
Total Stockholder's Equity	199,407	212,672	208,073	218,966	239,218	259,251	275,531	289,289	299,958	310,226	(0)	(212,672)
Total Liabilities and Stockholder's Equity	\$ 471,928	\$ 418,605	\$ 297,517	\$ 262,478	\$ 254,780	\$ 263,409	\$ 277,198	\$ 290,073	\$ 300,306	\$ 310,278	\$ (0)	\$ (418,605)

**Washington Mutual, Inc.
Reorganized WMI Financial Model
Support**

WMMRC Customers

Company	Description	2009 Revenue Mix	Credit Rating
Genworth	Genworth Financial, Inc., provides insurance, wealth management, investment, and financial solutions in the United States and internationally. The company operates in three segments: Retirement and Protection, International, and U.S. Mortgage Insurance. The Retirement and Protection segment offers various protection products, including life, long-term care, Medicare supplement insurance, and senior supplemental products, as well as care co-ordination services; and wealth management and retirement income products. The International segment provides mortgage insurance products in Canada, Australia, Mexico, and European countries, as well as offers payment protection coverages. This segment also provides various services, analytical tools, and technology that enable lenders to manage risk. The U.S. Mortgage Insurance segment offers mortgage insurance products principally insuring prime-based, individually underwritten residential mortgage loans. Additionally, the company provides institutional products consisting of funding agreements, funding agreements backing notes, and guaranteed investment contracts; and corporate-owned life insurance products.	<ul style="list-style-type: none"> ▪ Retirement and Protection: 62.4% ▪ International: 28.2% ▪ U.S. Mortgage Insurance: 9.1% ▪ Corporate and Other: 0.2% 	BBB
MGIC	MGIC Investment Corporation provides private mortgage insurance to the home mortgage lending industry in the United States. It provides primary insurance coverage that provides mortgage default protection on individual loans and covers unpaid loan principal, delinquent interest, and various expenses associated with the default and subsequent foreclosure. The company's primary insurance is written on first mortgage loans secured by owner occupied single-family homes, first liens secured by non-owner occupied single-family homes, and on vacation or second homes. MGIC Investment's principal product, primary mortgage insurance is written through the flow market channel, in which loans are insured in individual and loan-by-loan transactions, as well as through the bulk market channel, in which portfolios of loans are individually insured in single, bulk transactions. It also provides various mortgage services for the mortgage finance industry, such as contract underwriting, portfolio retention, and secondary marketing of mortgage-related assets.	N/A	CCC

Source: Capital IQ.

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**Washington Mutual, Inc.
Reorganized WMI Financial Model
Support**

WMMRC Customers (Cont'd)

Company	Description	2009 Revenue Mix	Credit Rating
Radian	Radian Group Inc provides credit-related insurance coverage and financial services in the United States and internationally. The company operates in three segments: Mortgage Insurance, Financial Guaranty, and Financial Services. The Mortgage Insurance segment offers credit protection for mortgage lenders and other financial services companies on residential mortgage assets. This segment serves mortgage originators, such as mortgage bankers, mortgage brokers, commercial banks, savings institutions, and credit unions. The Financial Guaranty segment insures and reinsures municipal bonds, structured finance transactions, and other credit-based risks, as well as provides credit protection on various asset classes through financial guarantees and credit default swaps. This segment serves financial institutions that structure, underwrite, or trade securities issued in structured finance obligations. The Financial Services segment specializes in credit card and bankruptcy-plan consumer assets, as well as originates subprime credit card receivables and has various other similar ventures related to consumer assets.	<ul style="list-style-type: none"> ▪ Mortgage Insurance: 69.2% ▪ Financial Guaranty: 30.8% ▪ Financial Service: 0.0% 	CCC
PMI	The PMI Group, Inc. provides residential mortgage insurance products that offer loss protection to mortgage lenders and investors in the event of borrower default in the United States. The company offers mortgage insurance products to meet the capital and credit risk mitigation needs of its customers. Its products include primary mortgage insurance through primary flow channel that provide the insured with first-loss mortgage default protection on individual loans at specified coverage percentages; and mortgage insurance to credit unions through its 50% joint venture interest in CMG Mortgage Insurance Company. The PMI Group's customers primarily include mortgage lenders, depository institutions, commercial banks, and investors.	<ul style="list-style-type: none"> ▪ Mortgage Insurance: 92.7% ▪ International Operations: 4.8% ▪ Corporate and Other: 2.4% 	CCC+

Source: Capital IQ.

**Washington Mutual, Inc.
Reorganized WMI Financial Model
Support**

WMMRC Customers (Cont'd)

Company	Description	2009 Revenue Mix	Credit Rating
UGRIC	United Guaranty Residential Insurance Company provides mortgage guaranty insurance and reinsurance solutions. It offers direct insurance coverage insuring, on an individual basis, loans secured by a first mortgage lien against real estate consisting of one-family and four-family dwellings, as well as reinsurance of business written by other mortgage guaranty insurers. United Guaranty Residential Insurance Company operates as a subsidiary of National Union Fire Insurance Company Of Pittsburgh, Pa.	N/A	BBB
RMI	Republic Mortgage Insurance Company provides mortgage insurance services. It protects lenders from losses due to defaults on first mortgages for single-family residential properties; offers pre-homeownership, structured finance, technology solutions, market analysis, loan services, and mortgage training; and provides lender services, including contract underwriting, real estate, and strategic advisory services, as well as offers online services. It serves industrial and financial services institutions. Republic Mortgage Insurance Company operates as a subsidiary of Old Republic Mortgage Guaranty Group, Inc.	N/A	BBB-

Source: Capital IQ.

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Comparable Company Analysis

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**Washington Mutual, Inc.
Comparable Company Analysis**

Comparable Company Analysis

Given the size of comparable companies and the nature of the operations, Blackstone did not rely on the comparable company analysis as a primary determinant of Reorganized WMI value.

(\$ in millions, except per share amount)

Company	Ticker	Market Cap.	Share Price	Current Price % of 52-Week		Price as a Multiple of:				Div. Yield	ROE 2009E	Gross Debt / Cap (At Book)	TEV / Revenue	Corporate Credit Rating
				High	Low	GAAP EPS		Book Value	Tangible BV					
Distressed Insurers														
PMI Group Inc.	NYSE:PMI	\$ 678.5	\$ 4.21	54.3%	232.6%	NM	NM	0.7x	0.7x	- %	(64.5%)	38.1%	1.91x	CCC+
Radian Group Inc.	NYSE:RDN	1,184.5	8.91	47.7	NM	NM	NM	0.7	0.7	0.1	(49.3)	42.1	10.5	CCC
Genworth Financial Inc.	NYSE:GNW	6,395.6	13.07	67.5	156.2	13.2	8.0	0.5	1.4	-	2.3	44.1	1.3	BBB
MGIC Investment Corp.	NYSE:MTG	2,106.7	10.51	76.2	282.5	NM	21.6	1.1	1.1	-	(25.2)	34.2	2.4	CCC
MBIA Inc.	NYSE:MBI	2,605.4	13.00	99.2	407.5	NM	NM	1.0	1.2	-	(42.6)	86.5	7.1	BB-
Diversified Insurers														
AFLAC Inc.	NYSE:AFL	\$ 25,815.0	\$ 54.83	96.9%	137.4%	10.0x	9.0x	2.6x	23.7x	2.0%	22.4%	21.2%	1.5x	A-
Ameriprise Financial Inc.	NYSE:AMP	12,612.7	50.24	98.9	147.2	12.4	10.1	1.2	1.2	1.4	10.4	49.5	1.1	A
Lincoln National Corp.	NYSE:LNC	8,004.3	25.27	75.3	122.4	7.3	6.7	0.6	7.3	0.2	6.3	32.1	1.6	A-
MetLife, Inc.	NYSE:MET	32,522.2	39.64	83.0	123.3	9.1	7.6	0.8	2.0	7.5	6.2	44.2	1.2	A-
Old Republic International Corp.	NYSE:ORI	3,277.3	13.85	89.4	138.2	38.8	12.9	0.8	0.9	4.9	1.4	8.0	1.1	BBB+
Principal Financial Group Inc.	NYSE:PFG	8,542.7	26.67	84.9	127.7	10.2	9.3	1.0	2.0	7.5	9.4	23.2	1.2	BBB+
Prudential Financial, Inc.	NYSE:PRU	25,302.1	54.18	81.1	124.8	9.2	8.2	0.9	1.6	5.2	19.8	50.7	1.8	A
Torchmark Corp.	NYSE:TMK	4,413.0	54.60	96.6	137.8	8.7	8.1	1.1	72.4	1.1	14.1	22.0	1.9	A
Unum Group	NYSE:UNM	7,359.1	22.52	85.2	121.9	8.2	7.5	0.8	1.2	1.5	10.5	22.2	0.9	BBB-

Source: Capital IQ.

Note: As of 10/14/2010.

Note: Comparable company list excludes multi-national reinsurance businesses.

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