

February 18, 2011  
 Hon. Mary F. Walrath  
 United States Bankruptcy Court  
 District of Delaware  
 824 Market Street, 5th Floor  
 Wilmington, DE 19801

Re: In re Washington Mutual, Inc., et al. Case Number 08-12229 (MFW) (Jointly Administered)

FILED  
 FEB 22 AM 10:59  
 U.S. BANKRUPTCY COURT  
 DISTRICT OF DELAWARE

### Objection to the Modified Disclosure Statement

Dear Judge Walrath,

I am writing on behalf of myself as a shareholder of Washington Mutual securities (and those similarly situated). I have been tracking the progress of this case since its inception. I hold common equity of WMI.

I am concerned that certain details provided by the debtor, namely certain details about certain subsidiaries that belong to the debtor, have not been fully disclosed to this court and to the shareholders of WMI.

A debtor has a duty to report all of the interests they hold, even if those assets prove to be of little value to the estate. An honest and full disclosure of assets that belong to the estate is essential to the bankruptcy process and to an equitable outcome for all parties.

Though I have confidence that counsel for the equity committee has the experience and resources to represent these interests, I feel that it is still important to highlight my concerns about one of subsidiaries that belongs to WMI.

### WMI Investments Securities Are Unchanged Since 9/26/2008

1) From the December 19, 2008 SOFA, the debtor listed the following information about securities owned by WMI Investments:

Security	CUSIP	Share count	Value on 9/26/2008
Wachovia	922903276	1,000,000	\$6,850,000
MetLife	59156R603	600,000	\$11,460,000
Georgia Power	373334119	250,000	\$21,900,000
Bank of America	060505740	4,000,000	\$76,000,000
Total value:			\$116,200,000

These assets were disclosed in December 2008, yet were listed at their September 2008 prices. It should be noted that the day after the debtors filed for bankruptcy (9/26/2008) was one of historic market disruption, and the prices listed quickly recovered from these lows.

As leave was never filed with the court to sell over \$100,000,000 in preferred securities, the current share values are still of interest:



Security	CUSIP	Share count	Value on 2/17/2011
Wachovia	922903276	1,000,000	\$25,000,000
MetLife	59156R603	600,000	\$15,000,000
Georgia Power	373334119	250,000	\$25,750,000
Bank of America	060505740	4,000,000	\$93,960,000
Total value:			\$159,710,000

If the debtors have disposed of these, this represents a loss to the estate of more than \$43,000,000 in share price (and over \$10,000,000 in dividends paid to holders of these securities since 9/26/2008).

2) Two other investments that belonged to WMI Investments are also listed in the SOFA:

Security	CUSIP	Share count	Value on 9/26/2008
PNC Financial Services	693475AJ4	Undisclosed	\$37,447,160
Citigroup	172967ER8	Undisclosed	\$12,510,000
Total value:			\$49,957,160

These are listed as bonds in the SOFA, but upon investigation, they are actually not bonds, but preferred shares. The shares in PNC are series K preferred and the shares in Citigroup are series E 8.4% preferred. The debtors have not listed the number of shares owned of these securities.

3) When WMI filed for bankruptcy, the listed value of WMI Investments was \$977 million. Of the assets and liabilities that belonged to WMI Investments as of 9/26/2008, the debtors chose only to list those six, totaling roughly 15% of the stated book value of the WMI Investments subsidiary. Given that the debtors chose to list some of the assets that belonged to WMI Investments--and at their 9/26/2008 values--one can only assume that the remaining undisclosed assets are also valued at their 9/26/2008 historic lows.

4) One obvious question regarding these securities investments owned by WMI Investments is that their 9/26/2008 value (at the time WMI filed for bankruptcy) was more than \$165 million dollars. This amount is similar to the proposed value of the reorganized WMI, as outlined in the revised disclosure statement. This amount also does not include the dividends that each of the above-listed securities paid.

5) If the value of these securities is similar to the value of the reorganized WMI, and if the value of the reorganized WMI is based on the proposed value of the WMMRC subsidiary<sup>1</sup>, then isn't the actual value of the reorganized debtor AT LEAST TWICE the proposed value?

#### **WMI Investments Stated Value Is Much Greater Than Sum Of Disclosed Assets**

1) When WMI filed for bankruptcy, the stated book value of WMI Investments was \$977 million. Of that total, less than \$166 million in assets belonging to WMI Investments has ever been disclosed. This is a discrepancy of MORE THAN \$811 million dollars.

2) This \$811 million dollar discrepancy is:

- Nearly four times greater than the proposed value of the reorganized debtors (WMMRC) in the revised disclosure statement

<sup>1</sup> Interestingly, Washington Mutual Mortgage Reinsurance Company, the subsidiary around which WMI plans to reorganize, does not appear to be listed among the debtor's assets at the time the debtor filed for bankruptcy.

- Nearly double the stated amount of un-liquidated claims
- Nearly double the amount remaining to put equity "in the money"

## Conclusion

The debtor's behavior with this subsidiary stands out, especially with regard to the manner in which they have chosen to represent the value of the WMI estate. Some simple and basic facts:

- Those that were pointed out earlier in this letter regarding the value of the securities owned by WMI Investments
- The fact that the stated book value on 9/26/2008 of WMI Investments, as listed by the debtors in their SOFA, is NEARLY \$1 billion dollars (\$977 million, just \$23 million shy). This is a non-trivial amount, especially when considering the proposed value of the reorganized debtors.

A debtor has a fiduciary duty to the estate, including to equity shareholders. A debtor is supposed to deal openly and honestly with the bankruptcy system and to not conceal and/or dispose of estate assets while in bankruptcy. This debtor will surely argue that, since all creditors are being paid in full, that its obligations to its fiduciary duty have been met. However, I would like to remind the debtor (and this court) that their fiduciary duty extends to all creditors and interest holders in WMI, including equity shareholders.

The debtor has never updated the SOFA to reflect any changes in value to the WMI Investments subsidiary (if, indeed, there have been any changes in value). Nor has the debtor disclosed whether the assets that belonged to WMI Investments at the time of petition are still assets of WMI Investments, or if they have been disposed of (with or without the court's permission)<sup>2</sup>.

It concerns this shareholder that a discrepancy as large and as significant as the difference between the stated value of WMI Investments and the sum of the stated assets of WMI Investments can be left unaccounted for in this bankruptcy.

Again, this difference in value:

- Is greater than the total amount of general unsecured claims
- Is greater than the disputed DIME shareholder recovery
- Is greater than the purported amount the debtors claim that "equity is out of the money."

Indeed, the stated value of WMI Investments as of 9/26/2008 is NEARLY THE SAME AS the combined amounts of the general unsecured claims, DIME shareholder recovery, and the amount the debtors claim is still needed to provide value to equity.

In order to ensure a fair and equitable reorganization of the debtor, it is hereby requested that the court find that:

1) The disclosure statement fails to provide sufficient detail as to the value of the following security investments owned by WMI Investments, including the number of shares owned by WMI Investments and the current value as of the date of this letter:

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<sup>2</sup> The debtors have made reference to selling these securities, via a footnote in a court filing. This cryptic reference has never otherwise been explained.

- Wachovia Corp (CUSIP 922903276)
- MetLife (CUSIP 59156R603)
- Georgia Power (CUSIP 373334119)
- Bank of America (CUSIP 060505740)
- PNC Financial Services (CUSIP 693475AJ4)
- Citigroup (CUSIP 172967ER8)

2) That if the debtors have disposed of any of the assets that belonged to WMI Investments that the debtor can establish that it did so with approval from this court.

3) That if the debtors have disposed of any of these securities, that the total amounts of revenue earned in the sale of said securities be disclosed to the court and included in the stated assets of the debtor's estate.

4) That the debtors have failed to disclose a full and audited value of the entire subsidiary named WMI Investments, including all of its assets (disclosed and undisclosed) and liabilities, and in a manner that satisfies the court as to the \$877 million difference between the stated book value of WMI Investments and the securities that were stated to be owned by WMI Investments.

5) That the full and audited value of WMI Investments be included in the stated assets of the debtor's estate.

6) Find that the debtors have failed to disclose these assets with the intent of preventing them from being included as assets of the estate.

7) Require that the debtors file an amended statement of assets, one that includes all assets that belong to WMI Investment.

8) That an appropriate remedy for the debtor's failure to providing full disclosure of this subsidiary as part of the value of the reorganized debtor be applied by this court.

As a matter of equity and fairness to all creditors and interest holders, a debtor in possession should not be allowed to hide and/or obfuscate details about the assets and liabilities of the estate.

Sincerely,

Bettina M. Haper

A handwritten signature in black ink, appearing to read "Bettina M. Haper", with a long horizontal flourish extending to the right.

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