

May 11, 2010

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

**In re:**

**WASHINGTON MUTUAL, INC, et. AL,**

**Chapter 11  
Case No. 08-12229 (MFW)**

**Debtors**

**From: Dr. Sankarshan Acharya  
17636 West Neuberry Ridge Drive  
Lockport, IL 60441**

**To: The Honorable Mary Walrath, Chief Judge  
United States Bankruptcy Court  
District of Delaware  
824 Market Street, 5th Floor  
Wilmington, DE 19801**

**Claim: I own 20500 common shares of WAMUQ**  
**Objection: I strongly object to the Joint Plan of Affiliated Debtors and the related proposed Disclosure Statement for the Joint Plan of Affiliated Debtors, slated to be heard on May 19, 2010.**



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Dear Honorable Judge Mary Walrath,

I strongly object to the "Joint Plan" and "Disclosure Statement" of Affiliated Debtors of WMI. I received today the notice from Debtors' Attorneys, Weil, Gotshal and Manges, LLP and Richards, Layton & Finger, P.A.\* I have served copies of my objection to all parties as stated in the notice by first class mail and hope that they will receive the same before the deadline of May 13, 2010 set by the Debtors' Attorneys.

I object because the asset value of WMI parent company is significantly more than its liabilities. This makes the value of common stock of WMI very significant. The Joint Plan of Affiliated Debtors does not include valuation of WMI assets to deduce no value to WMI equity. The Debtors have not provided a list of all assets of WMI purchased by JPMC. Neither have they given the fair values of all WMI assets in their Disclosure Statement.

As a finance professor with specialty in valuation of latent assets (published in prestigious journals like the Journal of Finance), and as someone who has accurately predicted the current crisis and have proposed preemptive policies to avert the crisis since 2003, I can rationally value the consolidated assets of WMI transferred to JPMC through FDIC receivership, based on the cash flow data publicly

*\* Please see the attached envelope. My brokerage (Ameritrade) assured me that they did not send it and did not have a trace of it.*

disclosed by JPMC and included in JPMC CEO's statement to shareholders. If certain subsidiaries of WMI holding company were indeed insolvent at the time of FDIC seizure, the legally valid value of WMI parent company's assets will be greater than that derived from the consolidated value of assets transferred to JPMC:<sup>1</sup>

1. JPMC has stated its 2009 Earnings: \$100.434 Billions<sup>2</sup>

JPMC has reported its 2009 EBIT: \$64.390B<sup>2</sup>

JPMC has reported 2009 Tax: \$4.415<sup>2</sup>

JPMC's 2009 Cash flow (for Debt & Equity) = EBIT - Tax = \$59.975B

JPMC's 2009 Cash flow as a percent of earnings =  $59.975/100.434 = .6$

JPMC's CEO states in his March 26, 2010 memo to shareholders about \$30B of earnings from WMI assets it received through FDIC Receiver in 2009. JPMC can be asked to reconfirm this figure.

JPMC's incremental cash flows from the acquired WMI assets is approximately =  $.6 \times 30 = 18B$ . This assumes that the cash flow attributable to debt and equity is the same fraction (0.6) of earnings for JPMC as for the acquired WMI Assets.

A conservative estimate of the cost of capital in a low interest rate environment is about 0.05. It should be a risk adjusted weighted cost of capital for debt and equity. But since the equity stake in the acquired WMI assets is nil, debt dominates the cost of capital estimate in fair valuation.

The fair consolidated value of acquired WMI assets is equal to  $\$18B/.05 = \$360B$  using the Gordon formula given in finance textbooks for cash flows with no growth.

The acquired WMI debt and deposits is about \$220B including senior WMB bonds. The value accruing to WMI parent company from the assets transferred to JPMC is thus equal to  $\$360-220 = \$140B$ .

This makes the acquired WMI parent company's assets worth  $360-220 = \$140B$ . In addition, WMI parent company has a cash deposit of \$4B in WMB, tax refunds of \$5.6B, and trust preferred securities valued at \$4B or a total of \$13.5B that belongs to WMI parent company. The value of assets of WMI parent company is thus  $\$140+13.5 = \$153.5B$ . Out of this value, \$13.5 is the pure liquidation value of WMI parent company's assets. The parent company's debt obligation is reported as \$8B.

Thus, on liquidation basis, the parent holding company's equity holders (common and

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<sup>1</sup> "Holding Company Organization and Capital Structure," <http://pro-prosperty.com/Research/OptimalHoldingCompanyOrganizationCapitalStructure.pdf>

<sup>2</sup> <http://finance.yahoo.com/q/qs?s=JPM&annual>

preferred) have  $\$13.5 - 8 = \$5.5B$ . On financial valuation basis, WMI parent company's equity holders have, in addition, \$140B, derived from cash flows on the WMB assets acquired by JPMC or a total of  $\$140 + 5.5 = \$145.5B$ . The legally admissible value of parent company equity of WMI would be still higher if some of the subsidiaries of WMI were insolvent at the time of seizure. The Debtors' Joint Plan of Organization is thus outlandish with no economic basis.

2. At the time of takeover, when I purchased some shares of WMI, the true value of equity would have earned me a very high rate of return. JPMC knew it too, as the facts presented by its CEO's letter to his shareholders now prove. The FDIC nevertheless seized this true WMI equity value from me and many other real families in USA and around the world to hand over the same to JPMC with an alibi that some bank run of \$16B from WMB had taken place. But the FDIC confidentially communicated to JPMC about three weeks before the date of seizure that JPMC could receive the valuable WMI assets, as per news reports published later. Such confidential communication may have ruffled some uninsured depositors to transfer their funds, maybe to JPMC that was known to them as the acquirer of WMB.
3. WMI had an enormous cash balance, access to the Federal Reserve discount window funds, and impending TARP money at the time of seizure. The flimsy alibi of FDIC about deposit withdrawals is simply untenable at best. At worst, it amounts to an unconstitutional usurpation of private wealth, like my hard-earned household savings, to someone favored by a regulatory agency that utterly failed to serve the taxpayers due to perpetuation of manmade banking shenanigans that have caused the crisis, as per my analysis.<sup>3</sup>
4. At the beginning of the case, the Debtors promised to pursue with the FDIC and JPMC to recover the value of all WMI assets, but have utterly failed to perform their fiduciary duty of increasing the value of the bankruptcy estate by purposefully giving away any remaining value of WMI to JPMC and FDIC to close the case with no regard to all the legitimate claimholders like equity holders and the lawsuits currently pending in Washington DC. Even the Board of Directors of WMI is not obviously functioning to serve the best interest of the rightful owners, equity holders, of the company.
5. The Office of Thrift Supervision had maintained and the FDIC had signed till the seizure that the Washington Mutual Bank (subsidiary of WMI) was solvent and well-capitalized and that it should not have been seized.

With best regards,

  
SANKARSHAN ACHARYA

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<sup>3</sup>I have proved that the current system of money and finance is unconstitutional and presented a constitutional system. <http://pro-prosperty.com/Research/Constitutional-Monetary-Finance-System.pdf>. I have also written about the "Mythology of Market Discipline Unraveled by Market Crash," memos written to the President and Congress on March 7 and February 27, 2010, available on the internet, here <http://pro-prosperty.com/Mythology%20of%20Market%20Discipline%20Unraveled%20by%20Market%20Crash.html>