

WMI HOLDINGS CORP.

Form 10-Q

November 09, 2012

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2012**

**or**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number 1-14667**

**WMI Holdings Corp.**

**(Exact name of registrant as specified in its charter)**

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**Washington**  
(State or other jurisdiction)

**91-1653725**  
(IRS Employer

of incorporation)

Identification No.)

**1201 THIRD AVENUE, SUITE 3000**

**SEATTLE, WASHINGTON**  
(Address of principal executive offices)

**98101**  
(Zip Code)

**(206) 432-8887**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. ☒ Yes ☐ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**Common Stock \$0.00001 par value**  
(Class)

**201,156,078**  
(Outstanding at November 9, 2012)

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**EXPLANATORY NOTE**

On September 26, 2008, Washington Mutual, Inc. ( WMI ) filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code in the Bankruptcy Court for the District of Delaware. WMIHC's plan of reorganization (as modified, the Plan ) was confirmed by the Bankruptcy Court on February 24, 2012 and became effective on March 19, 2012, the date on which we emerged from bankruptcy (the Effective Date ), with a new board of directors. On the Effective Date, we also changed our corporate name to WMI Holdings Corp. ( WMIHC ) and we are a successor to WMI.

In connection with the Plan becoming effective, among other things:

approximately \$6.5 billion was distributed to parties-in-interest on account of their allowed claims;

WMIHC received \$75 million in cash from certain creditors;

WMIHC obtained access to a \$125 million senior credit facility, approximately \$25 million of which can be used for working capital and \$100 million of which can be utilized in addition to the amount available for working capital for certain acquisitions and originations, subject to certain criteria and conditions set forth in the Financing Agreement (see Note 10: Financing Arrangements);

WMIHC issued \$110 million aggregate principal amount of its 13% Senior First Lien Notes due 2030 (the First Lien Notes ) under an indenture, dated as of March 19, 2012 (the First Lien Indenture ), between WMIHC and Wilmington Trust, National Association, as Trustee. Additionally, WMIHC issued \$20 million aggregate principal amount of its 13% Senior Second Lien Notes due 2030 (the Second Lien Notes and, together with the First Lien Notes, the Runoff Notes ) under an indenture, dated as of March 19, 2012 (the Second Lien Indenture and, together with the First Lien Indenture, the Indentures ), between WMIHC and Law Debenture Trust Company of New York, as Trustee. With limited exceptions, the Runoff Notes are solely the obligation of WMIHC's wholly owned subsidiary WMMRC and are nonrecourse to WMIHC (see Note 9: Notes Payable); and

Based on our analysis, we believe WMIHC experienced an ownership change under Section 382 of the Internal Revenue Code. Prior to emergence, WMI abandoned the stock of Washington Mutual Bank ( WMB ), thereby generating a worthless stock deduction of approximately \$8.37 billion, which gives rise to a NOL for the current year. We believe that the total available and utilizable NOL carry forward at March 19, 2012 is expected to be approximately \$5.96 billion and at September 30, 2012 there was no limit on the use of these NOLs. See Note 7: Federal Income Taxes.

During the bankruptcy, WMIHC adopted so-called Modified Exchange Act Reporting under the SEC Staff's Legal Bulletin No. 2 ( SLB 2 ). Since emergence, WMIHC continues to follow SLB 2 and has filed as of the Effective Date a Form 8-K pertaining to emergence from bankruptcy and subsequently filed a Form 8-K/A, which included WMIHC's audited balance sheet as of the Effective Date. As provided under the SLB 2 Modified Exchange Act Reporting, WMIHC intends to file Exchange Act periodic reports for all periods that begin after the Effective Date of the Plan.

As part of the bankruptcy, WMI Liquidating Trust ( Trust ) was formed and the Trust files certain documents under the same Commission File Number as WMIHC. WMIHC has no control over and is not responsible for the filings of, or the content of filings of, the Trust with the SEC.

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**Table of Contents****PART I****FINANCIAL INFORMATION****Item 1. Financial Statements.****WMI HOLDINGS CORP. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

for the periods ended September 30, 2012 and September 30, 2011

*(in thousands, except per share amounts)**(Unaudited)*

	Successor <sup>(1)</sup> Three Months Ended September 30, 2012	Predecessor <sup>(1)</sup> Three Months Ended September 30, 2011	Successor <sup>(1)</sup> Period from March 20, 2012 through September 30, 2012	Predecessor <sup>(1)</sup> Period from January 1, 2012 through March 19, 2012	Predecessor <sup>(1)</sup> Nine Months ended September 30, 2011
<b>Revenues:</b>					
Premiums earned	\$ 4,194	\$ 8,701	\$ 10,481	\$ 6,177	\$ 26,757
Net investment income	3,142	402	6,224	3,172	6,378
Total revenues	7,336	9,103	16,705	9,349	33,135
<b>Expenses:</b>					
Losses and loss adjustment expenses	6,063	13,666	16,100	\$ 11,467	37,357
Ceding commission expense	401	1,070	1,136	768	3,340
General and administrative expenses	1,927	631	3,400	547	1,960
Loss contract reserve fair market value change	(10,696)		(10,696)		
Interest expense	4,342		9,167		
Total expenses	2,037	15,367	19,107	12,782	42,657
Income (loss) before federal income taxes	5,299	(6,264)	(2,402)	(3,433)	(9,522)
Federal income tax expense (benefit)					
Net income (loss)	\$ 5,299	\$ (6,264)	\$ (2,402)	\$ (3,433)	\$ (9,522)
<b>Net income (loss) per share</b>					
Basic	\$ 0.03	\$ (6,264.00)	\$ (0.01)	\$ (3,433.00)	\$ (9,522.00)
Diluted	\$ 0.03	\$ (6,264.00)	\$ (0.01)	\$ (3,433.00)	\$ (9,522.00)
Shares used in per share calculation					

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Basic	200,000,000	1,000	200,000,000	1,000	1,000
Diluted	200,000,000	1,000	200,000,000	1,000	1,000

(1) Please refer to Note 3 and Note 4 for explanation of Successor and Predecessor Presentation.  
The accompanying notes are an integral part of the condensed consolidated financial statements.

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**WMI HOLDINGS CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

As of September 30, 2012 and December 31, 2011

*(in thousands, except share data)*

*(Unaudited)<sup>(1)</sup>*

	Successor September 30, 2012	Predecessor December 31, 2011
<b>ASSETS</b>		
Investments held in trust, at fair value:		
Fixed-maturity securities	\$ 208,512	\$ 298,555
Cash equivalents held in trust	94,698	33,458
Total investments held in trust	303,210	332,013
Cash and cash equivalents	15,344	7,642
Fixed-maturity securities, at fair value	72,782	5,490
Restricted cash	2,273	
Accrued investment income	1,640	2,622
Other assets	1,820	2,792
Total assets	\$ 397,069	\$ 350,559
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Notes payable - principal	\$ 134,047	\$
Notes payable - interest	1,452	
Losses and loss adjustment reserves	130,689	142,119
Losses payable	2,832	5,923
Unearned premiums	313	456
Accrued ceding commissions	125	329
Loss contract fair market value reserve	52,368	
Other liabilities	1,045	26,742
Total liabilities	322,871	175,569
<b>Commitments and contingencies</b>		
<b>Shareholders' equity:</b>		
Preferred stock, \$ 0.00001 par value, 5,000,000 authorized, zero outstanding as of September 30, 2012;		
Preferred stock of the Predecessor, none authorized or outstanding as of December 31, 2011.		
Common stock, \$ 0.00001 par value; 500,000,000 authorized, 200,000,000 shares issued and outstanding		
as of September 30, 2012; Common Stock of the Predecessor, \$1 par value, 1,000 shares issued and		
outstanding as of December 31, 2011.		
	2	1
Additional paid-in capital	76,598	69,879
Retained earnings	( 2,402)	105,110

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Total shareholders' equity	74,198	174,990
Total liabilities and shareholders' equity	\$ 397,069	\$ 350,559

(1) The Balance Sheet at December 31, 2011 is derived from the audited financial statements of the Predecessor.  
The accompanying notes are an integral part of the condensed consolidated financial statements.



**Table of Contents****WMI HOLDINGS CORP. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the periods ended September 30, 2012 and March 19, 2012

*(in thousands, except share amounts)**(Unaudited)*

	Common Stock Shares	Amount	Additional paid-in capital	Retained earnings (deficit)	Total shareholders equity (deficit)
Balance at December 31, 2011 (Predecessor)	1,000	\$ 1	\$ 69,879	\$ 105,110	\$ 174,990
Net (loss) income from January 1, 2012 to March 19, 2012				(3,433)	(3,433)
Balance at March 19, 2012 (Predecessor) (Unaudited)	1,000	1	69,879	101,677	171,557
Fresh Start Adjustments:					
Allocated carve-out costs				23,108	23,108
Cancellation of Predecessor common stock	(1,000)	(1)	(69,879)	(124,785)	(194,665)
Issuance of common stock:					
Common stock, \$.00001 par value; 500,000,000 authorized, 200,000,000 shares issued and outstanding	200,000,000	2	76,598		76,600
Balance at March 19, 2012 (Successor)	200,000,000	2	76,598		76,600
Net (loss) income from March 20, 2012 to September 30, 2012				(2,402)	(2,402)
Balance at September 30, 2012 (Unaudited)	200,000,000	2	76,598	(2,402)	74,198

*The accompanying notes are an integral part of the condensed consolidated financial statements.*

**Table of Contents****WMI HOLDINGS CORP. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

for the periods ended September 30, 2012 and September 30, 2011

*(in thousands)**(Unaudited)*

	Successor Period from March 20, 2012 through September 30, 2012	Predecessor Period from January 1, 2012 through March 19, 2012	Predecessor Nine Months ended September 30, 2011
Cash flows from operating activities:			
Net income (loss)	\$ (2,402)	\$ (3,433)	\$ (9,522)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities before reorganization activities:			
Amortization of bond premium or discount	1,263	523	1,912
Net realized gain on sale of investments	(2,617)	(176)	(1,543)
Unrealized (gain) loss on trading securities	594	(1,049)	3,251
Changes in assets and liabilities:			
Accrued investment income	674	309	798
Other assets	1,569	(597)	1,229
Change in cash held in trust	(68,449)	7,209	1,471
Change in restricted cash	(2,273)		
Losses and loss adjustment reserves	(10,321)	(1,109)	(40,092)
Losses payable	(4,753)	1,662	(5,232)
Unearned premiums	(96)	(47)	(166)
Accrued ceding commission expense	(341)	137	(237)
Accrued interest on notes payable	1,452		
Loss contract fair market value reserve	(10,696)		
Other liabilities	(3,004)	414	1,526
Total Adjustments	(96,998)	7,276	(37,083)
Net cash provided by (used in) operating activities	(99,400)	3,843	(46,605)
Cash flows from investing activities:			
Purchase of investments	(145,698)	(38,506)	(101,482)
Proceeds from sales and maturities of investments	174,381	34,035	152,882
Net cash provided by (used in) investing activities	28,683	(4,471)	51,400
Cash flows from financing activities:			
Cash from (used in) reorganization activities:		75,000	
Notes payable issued	4,047		

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Net cash provided by (used in) financing activities	4,047	75,000	
Increase (decrease) in cash and cash equivalents	(66,670)	74,372	4,795
Cash and cash equivalents, beginning of period	82,014	7,642	1,938
Cash and cash equivalents, end of period	\$ 15,344	\$ 82,014	\$ 6,733
Supplementary disclosure of cash information:			
Cash paid during the year:			
Interest	\$ 3,668	\$	\$

*The accompanying notes are an integral part of the condensed consolidated financial statements.*

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### **WMI HOLDINGS CORP.**

#### **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*Unless otherwise indicated, financial information, including dollar values stated in the text of the notes to financial statements, is expressed in thousands.*

*References herein to the Company, we, us, our or Successor generally are intended to refer to WMI Holdings Corp. and its subsidiaries on a consolidated basis.*

#### ***Note 1: The Company and its subsidiaries***

##### **WMI Holdings Corp.**

WMI Holdings Corp. ( WMIHC ) is a holding company organized and existing under the law of the State of Washington. WMIHC, formerly known as Washington Mutual, Inc. ( WMI ), is the direct parent of WM Mortgage Reinsurance Company, Inc. ( WMMRC or Predecessor ), a Hawaiian corporation, and WMI Investment Corp. ( WMIIC ), a Delaware corporation. As of the Petition Date (defined below), WMIIC held a variety of securities and investments. Upon emergence from bankruptcy on March 19, 2012, we had no operations other than WMMRC's legacy reinsurance business which is being operated in runoff and has not written any new business since September 26, 2008.

##### **WMMRC**

WMMRC is a wholly-owned subsidiary of WMIHC. Prior to August 2008 (at which time WMMRC became a direct subsidiary of WMI), WMMRC was a wholly-owned subsidiary of FA Out-of-State Holdings, Inc., a second-tier subsidiary of Washington Mutual Bank ( WMB ) and third-tier subsidiary of WMI. WMMRC is a pure captive insurance company domiciled in the State of Hawaii. WMMRC was incorporated on February 25, 2000, and received a Certificate of Authority, dated March 2, 2000, from the Insurance Commissioner of the State of Hawaii.

WMMRC was organized to reinsure private mortgage insurance risk for seven primary mortgage insurers then offering private mortgage insurance on loans originated or purchased by former subsidiaries of WMI. The seven primary mortgage insurers are United Guaranty Residential Insurance Company ( UGRIC ), Genworth Mortgage Insurance Corporation ( GMIC ), Mortgage Guaranty Insurance Corporation ( MGIC ), PMI Mortgage Insurance Company ( PMI ), Radian Guaranty Incorporated ( Radian ), Republic Mortgage Insurance Company ( RMIC ) and Triad Guaranty Insurance Company ( Triad ).

Due to deteriorating performance in the mortgage guarantee markets and the closure and receivership of WMB, the reinsurance agreements with each of the primary mortgage insurers were terminated or placed into runoff during 2008. The agreements with UGRIC and Triad were terminated effective May 31, 2008. The agreements with all other primary mortgage insurers were placed into runoff effective September 26, 2008. As a result, effective September 26, 2008, WMMRC ceased assuming new mortgage risks from the primary carriers. Consequently, WMMRC's continuing operations consist solely of the runoff of coverage associated with mortgages placed with the primary mortgage carriers prior to September 26, 2008. In runoff, an insurer generally writes no new business but continues to service its obligations under in force policies and otherwise continues as a licensed insurer. Management does not believe any additional adjustments to the carrying values of assets and liabilities which have been recorded at fair market value as reported in these financial statements are required as a result of WMMRC's runoff status.

The reinsurance agreements with Triad and PMI were commuted on August 31, 2009 and October 2, 2012, respectively (see Note 13: Subsequent Events for additional information on the PMI commutation).

##### **WMIIC**

WMIIC does not currently have any operations and is fully eliminated upon consolidation. Prior to September 26, 2008, WMIIC held a variety of securities and investments; however, such securities and investments were liquidated and the value thereof distributed in connection with implementing the Plan as described in Note 2: Reorganization under Chapter 11 of the United States Bankruptcy Code, below.

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### ***Note 2: Reorganization under Chapter 11 of the United States Bankruptcy Code***

Prior to September 26, 2008 (the *Petition Date*), WMI was a multiple savings and loan holding company that owned WMB and, indirectly, WMB's subsidiaries, including Washington Mutual Bank fsb ( *FSB* ). As of the *Petition Date*, WMI also owned, directly or indirectly, several non-banking, non-debtor subsidiaries. Prior to the *Petition Date*, WMI was subject to regulation and examination by the Office of Thrift Supervision (the *OTS* ). WMB and FSB, in turn, as depository institutions with federal thrift charters, were subject to regulation and examination by the OTS. In addition, WMI's banking and non-banking subsidiaries were overseen by various federal and state authorities, including the Federal Deposit Insurance Corporation ( *FDIC* ).

On September 25, 2008 (the *Receivership Date*), the OTS, by order number 2008-36, closed WMB, appointed the FDIC as receiver for WMB (the *FDIC Receiver* ) and advised that the FDIC Receiver was immediately taking possession of WMB's assets. Immediately after its appointment as receiver, the FDIC Receiver sold substantially all the assets of WMB, including the stock of FSB, to JPMorgan Chase Bank, National Association ( *JPMC* ), pursuant to that certain Purchase and Assumption Agreement, Whole Bank, effective September 25, 2008 (the *Purchase and Assumption Agreement* ), in exchange for payment of \$1.88 billion and the assumption of all of WMB's deposit liabilities. As a result of this transaction, substantially all of the business and accounting records of WMI became the property of JPMC and WMIHC had extremely limited access to such records. The foregoing notwithstanding, over time, limited access to such records was obtained through information sharing arrangements. Access to WMMRC's historical records was not significantly affected by WMB's closure and receivership.

On the *Petition Date*, WMI and WMIIC (together, referred to herein as the *Debtors* ) each filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the *Court* ) (Case No.08-12229 (MFW)).

On December 12, 2011, the Debtors filed with the Court the Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code (the *Filed Plan* ) and a related disclosure statement (the *Disclosure Statement* ). The Filed Plan was subsequently modified and, on February 24, 2012, the Court entered an order (the *Confirmation Order* ) confirming the Filed Plan as modified by such modifications (the *Plan* ). On March 19, 2012 (the *Effective Date* ), the Plan became effective.

As previously disclosed, the Plan provides for the distribution of cash, Runoff Notes (as defined below), liquidating trust interests in WMI Liquidating Trust (the *Trust* ) and newly issued shares of WMIHC's common stock, in each case to certain holders of claims against, or former equity interests in, the Debtors. On or about March 23, 2012, the Trust distributed approximately \$6.5 billion in cash and other assets as contemplated by the Plan.

### ***Note 3: Significant Accounting Policies***

#### ***Basis of Presentation***

As of March 19, 2012, the Company adopted fresh start accounting in accordance with Accounting Standards Codification ( *ASC* ) 852-10, Reorganizations (see Note 4: Fresh Start Accounting). The adoption of fresh start accounting resulted in the Company becoming a new entity for financial reporting purposes. Accordingly, the financial statements prior to March 19, 2012 are not comparable with the financial statements on or after March 19, 2012. Reference to *Successor* refers to the Company on or after the emergence from bankruptcy on March 19, 2012. Reference to *Predecessor* refers to WMMRC prior to the adoption of fresh start accounting and the emergence from bankruptcy.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( *SEC* ) for quarterly reporting and also under SEC Staff's Legal Bulletin No. 2, *Modified Exchange Act Reporting* for public companies reporting while in bankruptcy proceedings. Certain information and footnote disclosures normally included in the financial statements and prepared in accordance with generally accepted accounting principles in the United States of America ( *GAAP* ) have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures included are adequate.

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These interim unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the Company's consolidated financial statement and notes thereto filed in the Company's Amended Form 8-K/A for the consolidated balance sheets as of March 19, 2012 (Successor) and December 31, 2011 (Predecessor), filed with the SEC on August 8, 2012. Interim information presented in the unaudited condensed consolidated financial statements has been prepared by management. In the opinion of management, the financial statements include all adjustments necessary for a fair presentation and that all such adjustments are of a normal, recurring nature and necessary for the fair statement of the financial position, results of operations and cash flows for the period presented in accordance with GAAP.

All significant intercompany transactions and balances have been eliminated in preparing the condensed consolidated financial statements.

### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Management has made significant estimates in certain areas, including valuing certain financial instruments and other assets, the determination of the contingent risk liabilities, and in determining appropriate insurance reserves. Actual results could differ substantially from those estimates.

### *Fair Value of Certain Financial Instruments*

Fair Value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally, for assets that are reported at fair value, the Company uses quoted market prices or valuation models to estimate their fair value. These models incorporate inputs such as forward yield curves, market volatilities and pricing spreads, utilizing market-based inputs where readily available. The degree of management judgment involved in estimating the fair value of a financial instrument or other asset is dependent upon the availability of quoted market prices or observable market inputs. For financial instruments that are actively traded in the marketplace or whose values are based on readily available market value data, little judgment is necessary when estimating the instrument's fair value. When observable market prices and data are not readily available, significant management judgment often is necessary to estimate fair value. In those cases, different assumptions could result in significant changes in valuation.

### *Fair Value Option*

The Company classifies fixed-maturity investments as trading securities pursuant to Financial Accounting Standards Board (FASB) Fair Value Option accounting guidance. Fixed-maturity investments treated as hold-to-maturity investments are recorded at amortized cost which, in the case of much of our investment holdings, approximates fair value. As such, changes in unrealized gains and losses on investments held at the balance sheet date are recognized and reported as a component of net investment income on the statement of operations. The Company believes Fair Value Option accounting provides better matching of investment earnings to potential cash flow generated from the investment portfolio and reduces subjectivity related to evaluating other-than-temporary impairment on the Company's investment portfolio.

The Company has recorded a liability related to a loss contract fair market value reserve (the Reserve) and applies FASB Fair Value Option accounting guidance to this liability. The Reserve was initially established in compliance with ASC 805-10-55-21(b)(1) which defines a loss contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The Company recorded this Reserve to properly value the net economic value of the WMMRC subsidiary as further described in Note 4: Fresh Start Accounting. At each reporting date, the Company reassesses the loss contract reserve which may result in a change to this line item in the balance sheet and statement of operations. Accordingly, any changes in the loss contract reserve at the balance sheet date are recognized and reported within the loss contract reserve fair market value change in the statement of operations. The Company believes Fair Value Option accounting provides better matching of earnings to potential cash flow generated from the WMMRC operating business.

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### *Fair Value Measurement*

The Company's estimates of fair value for financial assets and financial liabilities are based on the framework established in the FASB Fair Value Measurements and Disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions.

The three levels of the hierarchy are as follows:

Level 1 Inputs to the valuation methodology are quoted prices for identical assets or liabilities traded in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market corroborated inputs.

Level 3 Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the inputs that market participants would use.

Fair values are based on quoted market prices when available (Level 1). The Company receives the quoted market prices from a third party, nationally recognized pricing service. When market prices are not available, the Company utilizes a pricing service to determine an estimate of fair value. The fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). These valuation techniques involve some level of management estimation and judgment. The Company recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

### *Fixed-Maturity Securities*

Fixed-maturity securities consist of U.S. Treasury securities, obligations of U.S. government agencies, commercial mortgage-backed securities and corporate debt securities. Fixed-maturity securities held in trust are for the benefit of the primary insurers as more fully described in Note 5: Insurance Activity. Investments in fixed-maturity securities are reported at their estimated fair values or amortized cost (as the case may be) and are classified as trading securities in accordance with applicable accounting guidance. Realized gains and losses on the sale of fixed-maturity securities are determined using the specific identification method and are reported as a component of net investment income within the statement of operations.

### *Investments Held in Trust*

Cash equivalents which include highly liquid debt instruments with original maturities of three months or less and fixed-maturity securities, are held in trust for the benefit of the primary insurers as more fully described in Notes 4: Fresh Start Accounting and 5: Insurance Activity.

### *Premium Recognition*

Premiums assumed are earned on a daily pro-rata basis over the underlying policy terms. Premiums assumed relating to the unexpired portion of policies in force at the balance sheet date are recorded as unearned premiums.

The Company recognizes premium deficiencies when there is a probable loss on an insurance contract. Premium deficiencies are recognized if the sum of the present value of expected losses and loss adjustment expenses, unamortized deferred acquisition costs, and maintenance costs exceed unearned premiums and anticipated investment income. Premium deficiency reserves have been recorded totaling \$15.8 million and \$3.1 million as of September 30, 2012 and December 31, 2011, respectively.

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The Company's premium deficiency analysis was performed on a single book basis and includes all book years and reinsurance treaties aggregated together using assumptions based on the actuarial best estimates at the balance sheet date. The calculation for premium deficiency requires significant judgment and includes estimates of future expected premiums, claims, loss adjustment expenses and investment income as of the balance sheet date. To the extent ultimate losses are higher or premiums are lower than estimated, additional premium deficiency reserves may be required in the future.

### *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, amounts due from banks, U.S. Treasury bills and overnight investments.

### *Restricted cash*

Restricted cash consists of amounts held for the express purposes of paying principal and interest on the Runoff Notes or other uses permitted under the terms and conditions governing the Company's financing arrangements.

### *Ceding Commission Expense*

The Company is required to pay a ceding commission to certain primary insurers pursuant to certain reinsurance agreements.

### *Losses and Loss Adjustment Reserves*

The losses and loss adjustment reserve includes case basis estimates of reported losses and supplemental amounts for incurred but not reported losses (IBNR). A default is considered the incident (e.g., the failure to make timely payment of mortgage payments) that may give rise to a claim for mortgage insurance. In establishing the losses and loss adjustment reserve, the Company utilizes the findings of an independent consulting actuary. The consulting actuary estimates ultimate loss rates based upon industry data and claims and exposure data provided by the primary mortgage insurance carriers and assumptions of prepayment speed relative to loans reinsured by the Company. The fully developed ultimate loss rates are then applied to cumulative earned premium and reduced for cumulative losses and loss adjustment expenses paid to arrive at the liability for unpaid losses and loss adjustment expenses. Actuarial methods utilized by the consulting actuary to derive the ultimate loss rates, include the loss development method, simulated loss development method, Bornhuetter-Ferguson method and simulated Bornhuetter-Ferguson method on a paid and incurred basis. Due to the current condition of the mortgage insurance market, WMMRC has recorded reserves at the higher of (x) reserves estimated by the consulting actuary for each primary mortgage guaranty carrier and (y) ceded case reserves and IBNR levels reported by the primary mortgage guaranty carriers as of September 30, 2012 and December 31, 2011, respectively. Management believes that its aggregate liability for unpaid losses and loss adjustment expenses at period end represents its best estimate, based upon the available data, of the amount necessary to cover the current cost of losses. However, due to the inherent uncertainty arising from fluctuations in the persistency rate of mortgage insurance claims, the Company's size and lack of prior operating history, external factors such as future changes in regional or national economic conditions, judicial decisions, federal and state legislation related to mortgage restructuring and foreclosure restrictions, claims denials and coverage rescissions by primary carriers and other factors beyond management's control, it is not presently possible to determine whether actual loss experience will conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Accordingly, the ultimate liability could be significantly higher or lower, as the case may be, of the amount indicated in the financial statements and there can be no assurance that the reserve amounts recorded will be sufficient. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

### *Loss Contract Fair Market Value Reserves*

A loss contract fair market value reserve relating to contractual obligations of WMMRC was established at March 19, 2012 as a result of applying Fresh Start Accounting (more fully described in Note 4) and in compliance with ASC 805-10-55-21(b)(1) which defines a loss contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The fair market value of this reserve is analyzed quarterly and is adjusted accordingly. This adjustment to the reserve produces an expense or contra-expense in the statement of operations.

### *Fresh Start Accounting*

The Company adopted fresh start accounting in accordance with ASC 852 (Reorganizations) (ASC 852). See Note 4: Fresh Start Accounting for a description of the Company's application of this standard.

### *Comprehensive Income (Loss)*



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The Company has no comprehensive income (loss) other than the net income (loss) disclosed in the condensed consolidated statement of operations.

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### *Dividend Policy*

WMIHC currently has no plans to pay a dividend. The Financing Agreement includes restrictions related to the payment of dividends.

### *New Accounting Pronouncements*

On May 12, 2011, the FASB issued Accounting Standards Update No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ( ASU 2011-04 ). ASU 2011-04 amends ASC 820, which requires entities to change the wording used to describe the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 clarifies the application of existing fair value measurement and disclosure requirements related to the application of the highest and best use and valuation premise concepts for financial and nonfinancial instruments, measuring the fair value of an instrument classified in equity, and disclosures about fair value measurements. ASU 2011-04 requires additional disclosures about fair value measurements categorized within Level 3 of the fair value hierarchy, including the valuation processes used by the reporting entity, the sensitivity of the fair value to changes in unobservable inputs, and the interrelationships between those unobservable inputs, if any. All the amendments to ASC 820 made by ASU 2011-04 are effective for interim and annual periods beginning after December 15, 2011. We have adopted this standard and determined it has not had a material impact on the Company's consolidated financial position, results of operations or disclosure requirements.

### **Note 4: Fresh Start Accounting**

Under ASC 852, the application of fresh start accounting results in the allocation of reorganization value to the fair value of assets, and is required when (a) the reorganization value of assets immediately prior to confirmation of a plan of reorganization is less than the total of all post-petition liabilities and allowed claims and (b) the holders of voting shares immediately prior to the confirmation of the plan of reorganization receive less than 50 percent of the voting shares of the emerging entity. The Company adopted fresh start accounting as of the Effective Date, which represents the date on which all material conditions precedent to the effectiveness of the Plan were satisfied or waived. As of the Effective Date, the Company believes that it satisfied both of the aforementioned conditions.

The Company's reorganization value ( Equity Value ), upon emergence from bankruptcy, was determined to be \$76.6 million, which represents management's best estimate of fair value based on a calculation of the present value of the Company's consolidated assets and liabilities as at March 19, 2012. As part of our fresh start reporting, we applied various valuation methodologies to calculate the reorganization value of the Successor. These methods included (a) the comparable company's analysis, (b) the precedent transactions analysis and (c) the discounted cash flow analysis. The application of these methodologies requires certain key estimates, judgments and assumptions, including financial projections used by the Company, for example, to calculate and analyze losses attributable to reinsurance and other metrics, the amount of cash available to fund operations and current market conditions. Such projections, judgments and assumptions are inherently subject to significant uncertainties and there can be no assurance that such estimates, assumptions and projections reflected in the valuation will be realized and actual results may vary materially.

A significant difference exists between the Equity Value determined by management and the value determined by the Court in an opinion dated September 13, 2011 in which the Court expressed its view with respect to the Company's value (including the value of net operating loss carry forward items relating to taxes ( NOLs )). While the NOL asset has been recorded on the Company's opening balance sheet at the value assigned by the Court, management also has recorded a full valuation allowance relative to these assets. The valuation allowance was determined to be necessary as management is unable to identify potential earnings from its existing operations and assets which would allow the Company to benefit from the utilization of these NOLs now or in the future. In the event that earnings are recognized in future periods, the availability of NOLs could result in additional value to the shareholders. The utilization of NOLs may be subject to significant additional limits. See Note 7: Federal Income Taxes for additional detail. No cash will be used for Plan-related liabilities as WMIHC is not liable for pre-petition claims under the terms of the Plan and the estimated minimum level of cash required for ongoing reserves was deducted from total projected cash to arrive at the amount of remaining or available cash. The Effective Date Equity Value of \$76.6 million is intended to reflect a value that a willing buyer would pay for the Company's assets immediately after emerging from bankruptcy.

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The value of a business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the prospects of such a business. As a result, the estimates set forth herein are not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. These estimates assume that the Company will continue as the owner and operator of these businesses and related assets and that such businesses and assets will be operated in accordance with WMMRC's historical business practices, which is the basis for financial projections. The financial projections are based on projected market conditions and other estimates and assumptions including, but not limited to, general business, economic, competitive, regulatory, market and financial conditions, all of which are difficult to predict and generally beyond the Company's control. Depending on the actual results of such factors, operations or changes in financial markets, these valuation estimates may differ significantly from that disclosed herein.

The Company's Equity Value was first allocated to its tangible assets and identifiable intangible assets and the excess (if any) of reorganization value over the fair value of tangible and identifiable intangible assets would be recorded as goodwill. Liabilities existing as of the Effective Date, other than deferred taxes, were recorded at the present value of amounts expected to be paid using appropriate risk adjusted interest rates. The only intangible asset identified related to reinsurance contracts which were held by WMMRC. The contracts were evaluated to determine whether the value attributable to such contracts was either above market or in a loss contract position. After taking such evaluation into consideration, a loss contract fair market value reserve totaling \$63.1 million was recorded. WMMRC's deferred taxes were determined in conformity with applicable income tax accounting standards.

Material differences, including with respect to its business operations, financial performance, asset size and other factors, exist with respect to the pre-petition operations and financial position of Washington Mutual, Inc. and its subsidiaries as compared with the post-emergence operations and financial position of the Company. In order to address such differences, in preparing these and future financial statements, management has concluded that it is appropriate to use the financial information of the Company's wholly-owned subsidiary, WMMRC as the basis for its past and ongoing financial reporting. Information in these Financial Statements labeled as "Predecessor" refers to periods prior to the adoption of fresh start reporting, while those labeled as "Successor" refer to periods following the Company's reorganization and emergence from bankruptcy.

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Adjustments recorded to the Predecessor, after giving effect to the implementation of the Plan and to record assets and liabilities at fair value pursuant to the adoption of fresh start accounting are summarized below (dollars in thousands):

	Predecessor March 19, 2012	Reorganization Adjustments (a)	Fair Value Adjustments (b)	Successor March 19, 2012
<b>ASSETS</b>				
Investments held in trust, at fair value:				
Fixed-maturity securities	\$ 303,169	\$	\$	\$ 303,169
Cash equivalents held in trust	26,249			26,249
Total investments held in trust	329,418			329,418
Cash and cash equivalents	7,014	75,000 <sup>(c)</sup>		82,014
Fixed-maturity securities, at fair value	6,049			6,049
Accrued investment income	2,313			2,313
Other assets	3,389	210,000 <sup>(d)</sup>	(210,000) <sup>(i)</sup>	3,389
Total assets	\$ 348,183	\$ 285,000	\$ (210,000)	\$ 423,183
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Liabilities:				
Notes payable - principal	\$	\$ 130,000 <sup>(e)</sup>	\$	\$ 130,000
Losses and loss adjustment reserves	141,010			141,010
Losses payable	7,585			7,585
Unearned premiums	409			409
Accrued ceding commissions	466			466
Loss contract fair market value reserve			63,064 <sup>(j)</sup>	63,064
Other liabilities	27,156	(23,109) <sup>(f)</sup>	2 <sup>(f)</sup>	4,049
Total liabilities	176,626	106,891	63,066	346,583
Shareholders' equity:				
Common stock, \$.00001 par value; 500,000,000 authorized, 200,000,000 shares issued and outstanding		2 <sup>(g)</sup>		2
Common stock, \$1 par value, 1,000 shares issued and outstanding	1		(1) <sup>(k)</sup>	
Additional paid-in capital (Predecessor)	69,879		(69,879) <sup>(l)</sup>	
Additional paid-in capital Successor		154,998 <sup>(g)</sup>	(78,400) <sup>(m)</sup>	76,598
Retained earnings	101,677	23,109 <sup>(h)</sup>	(124,786) <sup>(n)</sup>	
Total shareholders' equity	171,557	178,109	(273,066)	76,600
Total liabilities and shareholders' equity	\$ 348,183	\$ 285,000	\$ (210,000)	\$ 423,183

The following notes relate to the table above and should be read in conjunction with the information in such table.

- (a) These adjustments are necessary to give effect to the Plan, including the receipt of cash proceeds associated with the contribution of cash from certain creditors, issuance of debt securities, issuance of 200 million shares of common stock and other transactions as contemplated under the Plan.



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- (b) These adjustments are necessary to reflect assets and liabilities at fair value and elimination of Predecessor equity. The primary operating business of the Successor is the WMMRC subsidiary which has a net asset value higher than its Fair Market Value ( FMV ).
- (c) This adjustment reflects \$75 million of cash contributed to the Company on the Effective Date by certain creditors.
- (d) This adjustment reflects the Court's valuation of WMMRC of \$140 million and additional value attributable to the NOLs. These items have been adjusted to FMV as part of the application of Fresh Start Accounting. The Court's valuation is presented solely for information purposes, however, because management does not believe that the Court's valuation necessarily reflects the actual or FMV of the Company's assets and liabilities under GAAP. This adjustment is eliminated as described in (i) below.
- (e) This adjustment reflects the issuance of \$130 million of Runoff Notes as described in Note 9: Notes Payable below.
- (f) This adjustment reflects eliminating an intercompany payable occurring from carve-out allocated costs related to historic charges allocated as if services had been performed and charged to the Predecessor in accordance with Staff Accounting Bulletin ( SAB ) Topic 1B and 1B1. The methodology for these charges is based on applying the current contractual relationships described in Note 8: Service Agreements and Related Party Transactions as if they had been in place since the formation of WMMRC. The impact on historic earnings is described in (h) below. Additionally, this eliminates the offsetting intercompany amount created when Predecessor common stock is eliminated.
- (g) This adjustment reflects the calculated value of the 200 million shares of common stock issued before adjusting for FMV as a result of Fresh Start Accounting. This amount results from the use of the Court-assigned (non-GAAP) values attributed to assets and liabilities which are then utilized in calculating the resulting balance attributable to equity. The common stock is recorded at par value calculated as 200 million shares at a par value of \$0.00001 per share. The remainder of the value is then attributed to additional paid-in capital.
- (h) This adjustment increases the retained earnings of the Predecessor due to the elimination of the carve-out costs which decreased historic earnings of the Predecessor. The resulting intercompany payable is described in (f) above. These costs and the related retained earnings are eliminated as the costs were allocated in accordance with SAB Topics 1B and 1B1 and would have eliminated in consolidation.
- (i) This adjustment reflects the elimination of the Court assigned values described in (d) above. There has been no goodwill recorded as a result of this transaction. WMMRC is reported as the Predecessor and therefore is carried at FMV in individual line items. Management believes that the Court's valuation was inconsistent with GAAP and such information related to such valuation is being presented here for informational purposes only. Therefore, elimination is required to present the opening balance sheet in accordance with GAAP.
- (j) This adjustment is required to reflect a loss contract fair market value reserve of \$63.1 million relating to contractual obligations of WMMRC. This is in compliance with ASC 805-10-55-21(b)(1) which defines a loss contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The net assets or equity value of WMMRC totaled \$171.6 million prior to reorganization and fair value adjustments. The elimination of the costs and intercompany payable allocated to the predecessor in accordance with SAB Topic 1B and 1B1 and described in (f) above increase the equity value to \$194.7 million. The value of WMMRC was reduced by \$63.1 million based upon the FMV analysis described above.

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Predecessor retained earnings	\$ 101,677
Adjustment for carve-out allocations	23,109
Predecessor adjusted retained earnings	124,786
Predecessor additional paid-in capital	69,879
Predecessor common stock eliminated in consolidation	(1)
Predecessor equity value	194,664
Fair market value of WMMRC	131,600
Loss contract fair market reserve allowance	\$ 63,064

- (k) This adjustment reflects the elimination of common stock of the Predecessor.
- (l) This adjustment reflects the elimination of additional paid-in capital of the Predecessor.
- (m) This adjustment reflects the reduction of equity value resulting from fresh start accounting. It is comprised of a reduction (relative to Court assigned FMV) in WMMRC's FMV totaling \$8.4 million and the elimination of the Court assigned value of \$70 million related to NOLs. Although the Company has substantial NOLs they are subject to a 100 percent valuation allowance as described in Note 7: Federal Income Taxes, and there can be no assurance the Company will be able to realize any benefit from the NOLs.

Fair market value of WMMRC (Court assigned)	\$ 140,000
Fair market value of WMMRC	131,600
Fair market value reduction	8,400
Elimination of Court assigned value related to NOLs	70,000
Total change in fair market value affecting Equity Value	\$ 78,400
Court assigned Equity Value recorded as additional paid-in capital	\$ 154,998
Total change in fair market value affecting Equity Value	78,400
Additional paid-in capital at March 19, 2012	\$ 76,598

- (n) This adjustment reflects the elimination of adjusted retained earnings of the Predecessor.

Predecessor retained earnings	\$ 101,677
Adjustment for carve-out allocations	23,109
Predecessor adjusted retained earnings	\$ 124,786

**Note 5: Insurance Activity**

The Company, through WMMRC, reinsures mortgage guaranty risks of mortgage loans originated by affiliates of the Company during the period from 1997 through 2008. WMMRC is (or was) a party to reinsurance agreements with UGRIC, GMIC, MGIC, PMI, Radian, RMIC and Triad. The agreements with UGRIC and Triad were placed into runoff effective May 31, 2008. The agreements with all other primary mortgage insurers were placed into runoff effective September 26, 2008. The reinsurance agreements with Triad and PMI were commuted on August 31, 2009 and October 2, 2012, respectively (see Note 13: Subsequent Events for additional information on the PMI commutation).

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All agreements are on an excess of loss basis, except for certain reinsurance treaties with GMIC and Radian during 2007 and 2008, which are reinsured on a 50 percent quota share basis. Pursuant to the excess of loss reinsurance treaties, WMMRC reinsures a second loss layer which ranges from 5 percent to 10 percent of the risk in force in excess of the primary mortgage insurer's first loss percentages which range from 4 percent to 5 percent.



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As security for the ceding insurers, WMMRC has entered into separate trust agreements with each of the primary mortgage insurance companies whereby premiums assumed are held in trust accounts for the benefit of each separate insurer. Pursuant to the terms of the reinsurance agreements, WMMRC is required to keep such assets in trust for a minimum of five years and is subject to claims for up to ten (10) years from termination of obligations arising from the last year in which insurance business was written prior to runoff. Release of funds from the trust by WMMRC requires approval from the primary mortgage guaranty companies.

Premiums assumed and earned are as follows for the periods ended September 30, 2012 and 2011 respectively:

	Successor	Predecessor	Successor	Predecessor	Predecessor
	Three Months	Three Months	Period from	Period from	Predecessor
	Ended September 30,	Ended September 30,	March 20, 2012	January 1,	Period from
	2012	2011	through September 30,	2012	January 1, 2012
Premiums assumed	\$ 4,149	\$ 8,653	\$ 10,385	\$ 6,130	\$ 26,591
Change in unearned premiums	45	48	96	47	166
Premiums earned	\$ 4,194	\$ 8,701	\$ 10,481	\$ 6,177	\$ 26,757

The components of the liability for losses and loss adjustment reserves are as follows as of September 30, 2012 and December 31, 2011:

	Successor	Predecessor
	September 30,	December 31,
	2012	2011
Case-basis reserves	\$ 108,807	\$ 132,970
IBNR reserves	6,096	6,049
Premium deficit reserves	15,786	3,100
Total	\$ 130,689	\$ 142,119

Losses and loss adjustment reserve activity are as follows for the nine months ended September 30, 2012 and the year ended December 31, 2011:

	Successor	Predecessor
	September 30,	December 31,
	2012	2011
Balance at beginning of period	\$ 142,119	\$ 190,036
Incurred prior periods	27,567	47,321
Paid prior periods	(38,997)	(95,238)
Total	\$ 130,689	\$ 142,119

The loss contract fair market reserve balance is analyzed and adjusted quarterly. The balances in the reserve was \$52.4 million at September 30, 2012 and \$0 at December 31, 2011 as the loss contract fair market reserve was established on March 19, 2012 at \$63.1 million (as more fully described in Note 4 – Fresh Start Accounting). The fair market value of this reserve was decreased by \$10.7 million during the period ended September 30, 2012 resulting in a decrease in expense of \$10.7 million. This change was primarily the result of the commutation of PMI as more fully described in Note 13: Subsequent Events.

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The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values of fixed-maturity securities held in trust at September 30, 2012, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Trading Securities:</b>				
U.S. Treasury securities	\$ 250	\$	\$	\$ 250
Obligations of U.S. government sponsored enterprises	101,400	1,608	(100)	102,908
Corporate debt securities	99,416	3,611	(151)	102,876
Commercial paper	44,866	56	(7)	44,915
Foreign corporate debt securities	18,342	447	(5)	18,784
Commercial mortgage-backed securities	11,571	55	(65)	11,561
<b>Total fixed-maturity securities</b>	<b>275,845</b>	<b>5,777</b>	<b>(328)</b>	<b>281,294</b>
<b>Less total unrestricted fixed-maturity securities</b>	<b>72,690</b>	<b>232</b>	<b>(140)</b>	<b>72,782</b>
<b>Total fixed-maturity securities held in trust</b>	<b>\$ 203,155</b>	<b>\$ 5,545</b>	<b>\$ (188)</b>	<b>\$ 208,512</b>

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values of fixed-maturity securities held in trust at December 31, 2011, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Trading Securities:</b>				
U.S. Treasury securities	\$ 250	\$	\$	\$ 250
Obligations of U.S. government sponsored enterprises	122,874	2,029	(267)	124,636
Corporate debt securities	129,916	3,791	(845)	132,862
Foreign corporate debt securities	26,800	546	(117)	27,229
Commercial mortgage-backed securities	19,138	76	(146)	19,068
<b>Total fixed-maturity securities</b>	<b>298,978</b>	<b>6,442</b>	<b>(1,375)</b>	<b>304,045</b>
<b>Less total unrestricted fixed-maturity securities</b>	<b>5,348</b>	<b>151</b>	<b>(9)</b>	<b>5,490</b>
<b>Total fixed-maturity securities held in trust</b>	<b>\$ 293,630</b>	<b>\$ 6,291</b>	<b>\$ (1,366)</b>	<b>\$ 298,555</b>

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Amortized cost and estimated fair value of fixed-maturity securities at September 30, 2012 by contractual maturity are as follows:

	Amortized Cost	Estimated Fair Value
Maturity in:		
2012	\$ 35,037	\$ 34,958
2013-2016	140,503	144,336
2017-2021	37,998	38,970
Thereafter	50,736	51,469
Mortgage-backed securities	11,571	11,561
<b>Total fixed-maturity securities</b>	<b>\$ 275,845</b>	<b>\$ 281,294</b>

Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Net investment income for the periods ending September 30, 2012 and 2011, is summarized as follows:

	Successor  Three Months Ended September 30, 2012	Predecessor Three Months Ended September 30, 2011	Successor  Period from March 20, 2012 through September 30, 2012	Predecessor  Period from January 1, 2012 through March 19, 2012	Predecessor  Nine Months ended September 30, 2011
Investment income:					
Amortization of premium or discount on fixed-maturity	\$ (507)	\$ (613)	\$ (1,263)	\$ (523)	\$ (1,912)
Investment income on fixed-maturity securities	2,113	3,150	5,377	2,467	9,953
Interest income on cash and equivalents	58	6	87	3	45
Realized net gain (loss) from sale of investment	2,345	357	2,617	176	1,543
Unrealized (losses) gains on trading securities held at period end	(867)	(2,498)	(594)	1,049	(3,251)
<b>Net investment income</b>	<b>\$ 3,142</b>	<b>\$ 402</b>	<b>\$ 6,224</b>	<b>\$ 3,172</b>	<b>\$ 6,378</b>

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The following tables show how the Company's investments are categorized in accordance with fair value measurement, as of September 30, 2012 and December 31, 2011:

	September 30, 2012			
	Level 1	Level 2	Level 3	Total
<b>Class of Security:</b>				
U.S. Treasury securities	\$ 250	\$	\$	\$ 250
Obligations of U.S. government sponsored securities	16,415	86,493		102,908
Corporate debt securities		102,876		102,876
Commercial paper	44,915			44,915
Foreign corporate debt securities		18,784		18,784
Commercial mortgage-backed securities		11,561		11,561
<b>Total</b>	<b>\$ 61,580</b>	<b>\$ 219,714</b>	<b>\$</b>	<b>\$ 281,294</b>

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
<b>Class of Security:</b>				
U.S. Treasury securities	\$ 250	\$	\$	\$ 250
Obligations of U.S. government sponsored securities	42,927	81,709		124,636
Corporate debt securities		132,862		132,862
Foreign corporate debt securities		27,229		27,229
Commercial mortgage-backed securities		19,068		19,068
<b>Total</b>	<b>\$ 43,177</b>	<b>\$ 260,868</b>	<b>\$</b>	<b>\$ 304,045</b>

### Note 7: Federal Income Taxes

For the nine months ended September 30, 2012, the Company recorded a loss of approximately \$5.8 million. Due to the projected tax losses for the year ended December 31, 2012, the Company has not recorded an income tax expense or benefit for the nine months ended September 30, 2012. The Company recorded no income tax expense or benefit for the period ended December 31, 2011 due to losses in that period.

The Company files a consolidated federal income tax return. Pursuant to a tax sharing agreement, WMMRC's federal income tax liability is calculated on a separate return basis determined by applying 35 percent to taxable income, in accordance with the provisions of the Internal Revenue Code that apply to property and casualty insurance companies. WMIHC, as WMMRC's parent, pays federal income taxes on behalf of WMMRC and settles the federal income tax obligation on a current basis in accordance with the tax sharing agreement. WMMRC made no tax payments to WMIHC during the period ending September 30, 2012 or December 31, 2011 associated with the Company's tax liability from the preceding year.

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and income tax purposes. Temporary differences principally relate to discounting of loss reserves,

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recognition of unearned premiums, net operating losses and unrealized gains and losses on investments. As of September 30, 2012 and December 31, 2011, the Company recorded a valuation allowance equal to 100 percent of the net deferred federal income tax asset due to uncertainty regarding the Company's ability to realize these benefits in the future. The amount of deferred tax asset considered realizable could be reduced in the near term if estimates of future taxable income are revised.

On March 19, 2012, WMIHC emerged from bankruptcy. Prior to emergence, WMI abandoned the stock of WMB, thereby generating a worthless stock deduction of approximately \$8.37 billion which gives rise to an NOL for the current year. Under Section 382 of the Internal Revenue Code, and based on our analysis, we believe that the Company experienced an ownership change (generally defined as a greater than 50 percent change (by value) in our equity ownership over a three-year period) on March 19, 2012, and our ability to use our pre-change of control NOLs and other pre-change tax attributes against our post-change income was limited. The Section 382 limitation is applied annually so as to limit the use of our pre-change NOLs to an amount that generally equals the value of our stock immediately before the ownership change multiplied by a designated federal long-term tax-exempt rate. Due to applicable limitations under IRC Section 382 and a reduction of tax attributes due to cancellation of indebtedness, a portion of these NOLs were limited and will expire unused. We believe that the total available and utilizable NOL carry forward at March 19, 2012 is expected to be approximately \$5.96 billion. At September 30, 2012 there was no limitation on the use of these NOLs. These NOLs will begin to expire in 2030. The Company's ability to utilize the NOLs or realize any benefits related to the NOLs is subject to a number of risks.

The Company accounts for uncertain tax positions in accordance with the income taxes accounting guidance. The Company has analyzed filing positions in the federal and state jurisdiction where it is required to file tax returns, as well as the open tax years in these jurisdictions. Tax years 2008 to present are subject to examination by the Internal Revenue Service. The Company believes that its federal income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain federal income tax positions have been recorded. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of the provision for federal income taxes. The Company did not incur any federal income tax related interest income, interest expense or penalties for the periods ended September 30, 2012 and December 31, 2011.

### ***Note 8: Service Agreements and Related Party Transactions***

WMMRC has engaged a Hawaiian-based service provider to provide accounting and related management services for its operations. In exchange for performing these services, WMMRC pays such service provider a management fee.

WMIHC entered into an Investment Management Agreement and an Administrative Services Agreement with WMMRC on March 19, 2012. Total amounts incurred under these agreements totaled \$1.05 million for the period from March 20, 2012 to September 30, 2012 and zero for all other periods. The expense and related income eliminate on consolidation. These agreements are described below.

On March 19, 2012, WMIHC entered into an Investment Management Agreement with WMMRC. Under the terms of this agreement WMIHC receives from WMMRC a fee equal to the product of (x) the ending dollar amount of assets under management during the calendar month in question and (y) .002 divided by 12. WMIHC is responsible for investing the funds of WMMRC based on applicable investment criteria and subject to rules and regulations to which WMMRC is subject.

On March 19, 2012, WMIHC entered into an Administrative Services Agreement with WMMRC. Under the terms of this agreement, WMIHC receives from WMMRC a fee of \$110 thousand per month. WMIHC is responsible for providing administrative services to support, among other things, supervision, governance, financial administration and reporting, risk management, and claims management as may be necessary, together with such other general or specific administrative services that may be reasonably required or requested by WMMRC in the ordinary course of its business.

On March 23, 2012, WMIHC and the Trust entered into a Transition Services Agreement (the "TSA"). Pursuant to the TSA, each party will make available certain services and employees. The TSA provides the Company with office space for its current employees and basic infrastructure and support services to allow the Company to operate. The TSA provides the Trust with access to certain of the Company's employees and, initially, limited use of the Company's health insurance plan for its employees. The TSA was amended on September 24, 2012 and the term of the agreement was extended through March 31, 2013 subject to automatic renewal for successive additional three-month terms unless earlier terminated by either party upon at least 30 days written notice prior to the expiration of the term. Either party may terminate one or more of the services offered upon ten (10) days written notice to the other party.

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See Note 4: Fresh Start Accounting for a discussion of fees attributed to WMMRC in accordance with SAB Topics 1B and 1B1 which address common cost and expense allocations for pre-Effective Date periods in Fresh Start Accounting section.

### ***Note 9: Notes Payable***

On the Effective Date, WMIHC issued \$110 million aggregate principal amount of its 13% Senior First Lien Notes due 2030 (the First Lien Notes ) under an indenture, dated as of March 19, 2012 (the First Lien Indenture ), between WMIHC and Wilmington Trust, National Association, as Trustee (the First Lien Trustee ). Additionally, WMIHC issued \$20 million aggregate principal amount of its 13% Senior Second Lien Notes due 2030 (the Second Lien Notes ) and, together with the First Lien Notes, the Runoff Notes ) under an indenture, dated as of March 19, 2012 (the Second Lien Indenture ) and, together with the First Lien Indenture, the Indentures ), between WMIHC and Law Debenture Trust Company of New York, as Trustee (the Second Lien Trustee ) and, together with the First Lien Trustee, the Trustees ). The Runoff Notes are scheduled to mature on March 19, 2030 and pay interest quarterly.

The Runoff Notes are secured by, and have a specified priority in right of payment in, (a) a securities or deposit account into which WMIHC will deposit distributions it receives of Runoff Proceeds (as defined in the Indentures) (the Collateral Account ) and (b) the equity interests in, and assets of, either WMMRC, or such other entity as holds (or may hold in the future) WMMRC 's existing portfolio of assets, to the extent a lien has been granted therein (with any such lien subject to regulatory approval). No such regulatory approval has been obtained as of the date on which these audited financial statements are being published.

WMIHC will, and has agreed to cause WMMRC to, deposit all distributions, dividends or other receipts in respect of Runoff Proceeds Distributions (as defined in the Indentures) on the date paid to WMIHC in the Collateral Account established in accordance with the terms of the Indentures. On any interest payment date, payments are made from the Collateral Account and from any other Runoff Proceeds Distributions in the priority set forth in the Indentures. The obligations created by the Runoff Notes are nonrecourse to WMIHC (except for certain actions for specific performance) and, except in certain limited circumstances as more fully described in Section 7.16 of the Indentures with respect to Runoff Proceeds Distributions in the Collateral Account or for failure to comply with certain specified covenants relating to (i) the deposit of Runoff Proceeds in the Collateral Account, (ii) payment of Runoff Proceeds in the Collateral Account in accordance with the order of priority established in the Indentures, (iii) failure to seek to obtain the appropriate regulatory approval to permit the dividend of Runoff Proceeds to WMIHC and (iv) the failure to cause WMMRC to deposit Runoff Proceeds into a segregated account.

In connection with interest payments due and payable in respect of the Second Lien Notes on June 1 and September 1, 2012, WMIHC elected, consistent with the terms of the Indentures, to issue PIK Notes (as defined in the Indentures) in lieu of making such interest payment in cash. In connection with interest payments due and payable in respect of the First Lien Notes on June 1, 2012, WMIHC elected, consistent with the terms of the Indentures, to issue PIK Notes (as defined in the Indentures) in lieu of making such interest payment in cash. The September 1, 2012 interest payments on the First Lien Notes were paid in cash. The aggregate face amount of PIK Notes issued as of September 30, 2012 totals approximately \$4.0 million.

Outstanding amounts under these notes totaled \$134.0 million as of September 30, 2012 and zero as of December 31, 2011.

### ***Note 10: Financing Arrangements***

As of March 19, 2012, a Financing Agreement (the Financing Agreement ) was entered into by and among the WMIHC, each current subsidiary of WMIHC and any additional subsidiary or person who later agrees to or becomes a Guarantor (each a Guarantor collectively, the Guarantors ), the lenders from time to time party thereto (each a Lender and collectively, the Lenders ), on a several and not joint basis, and U.S. Bank National Association, a national banking association, as administrative agent for the Lenders (together with its successors and assigns, in such capacity, the Agent ). The credit facility established by the Financing Agreement may be used for only certain specific purposes.

The facility consists of (a) a tranche A term loan and a tranche A-1 term loan in the aggregate principal amount of \$25 million and (b) a tranche B term loan in the aggregate principal amount of \$100 million. The proceeds of (a) the tranche A term loan and tranche

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A-1 term loan can be used to fund working capital and for general corporate purposes of the Company, and (b) the tranche B term loan can be used to fund certain permitted acquisitions and permitted originations (as these terms are defined in the Financing Agreement) which are limited to acquisitions and originations of business in the financial services or insurance sectors. The Lenders are severally, and not jointly, obligated to extend such credit to WMIHC. The facility is secured by substantially all of WMIHC's assets and the Lenders must have an additional first priority lien on any new business and assets acquired. As of September 30, 2012, no loans were outstanding under the Financing Agreement.

### ***Note 11: Capital Stock***

On the Effective Date, all shares of common and preferred equity securities previously issued by WMI were cancelled and extinguished. As of the Effective Date, and pursuant to WMIHC's Amended and Restated Articles of Incorporation, WMIHC is authorized to issue up to 500,000,000 shares of common stock and up to 5,000,000 shares of blank check preferred stock, each with a par value of \$0.00001 per share. The newly issued shares of common stock were issued by WMIHC pursuant to the Court approved Plan and in reliance on Section 1145 of the Bankruptcy Code. As of September 30, 2012, 200,000,000 shares of WMIHC's common stock were issued and outstanding. No shares of WMIHC's preferred stock are issued or outstanding.

### ***Note 12: Pending Litigation***

Except as described below, as of September 30, 2012, the Company was not a party to, or aware of, any pending legal proceedings or investigations against the Company requiring disclosure at this time.

Article XLI of the Plan includes, among other things, customary discharge, injunction, bar order and release provisions which, when taken together, operate to insulate the Company from and against any liabilities in respect of claims and causes of action that arose prior to the Petition Date. In addition, the Plan also includes a customary exculpation clause in favor of the Debtors, their respective directors, officers and others named therein for conduct during the pendency of the chapter 11 proceedings (other than in respect of willful misconduct or conduct that was grossly negligent).

#### ***WMI Holdings Corp. Litigation***

Prior to the Effective Date of the Plan, WMI filed a complaint in the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court), Case no: 08-12229 (MFW), Adv. Proc. No: 12-50422 (MFW) (the Coverage Action) against certain insurance carriers (including Allied World Assurance Company Ltd. (Allied)), from whom WMI purchased director and officer liability insurance policies prior to the Effective Date. On May 31, 2012, in response to an affidavit filed by Allied, the Supreme Court of Bermuda issued an anti-suit injunction order as to WMIHC, among others (the Bermuda Action). On the Effective Date, and unrelated to the Bermuda Action, WMI's interests in the Coverage Action vested in the Trust and as a result, on June 11, 2012, the Trust filed a motion in the Bankruptcy Court seeking to have the Trust substituted for WMIHC as a plaintiff in the Coverage Action. On June 28, 2012, the Bankruptcy Court, without a hearing, granted such motion and WMIHC is no longer a party in the Coverage Action. On October 4, 2012, the Bankruptcy Court dismissed the Coverage Action and, on October 8, 2012, the Trust filed a similar action in the Delaware Superior Court, with WMIHC having no role in the recently filed action. Additionally, WMIHC does not expect to have any role in the Bermuda Action, although it may take appropriate action to terminate all related proceedings against it.

#### ***WMMRC Litigation***

With respect to the Company's sole operating subsidiary, WMMRC, on October 22, 2007, lead plaintiffs Robert Alexander and James Reed filed a putative Class Action Complaint (the Class Action Complaint) in the United States District Court, Eastern District of Pennsylvania (the Pennsylvania Action) against WMMRC, WMI, WMB and Washington Mutual Bank fsb (FSB), and collectively, the Defendants, alleging that the Defendants violated Section 8 of the Real Estate Settlement Procedures Act (RESPA), 12 U.S.C. § 2607, by collecting referral payments or unearned fees in the form of reinsurance premiums. Specifically, plaintiffs allege that the private mortgage insurance policies procured in connection with their loans are subject to captive reinsurance arrangements between private mortgage insurers and WMMRC. Plaintiffs have alleged that a percentage of the mortgage insurance premiums paid by borrowers are ceded to WMMRC, but that the risk assumed by WMMRC is not commensurate with the premiums that it receives. According to plaintiffs, these allegedly excessive reinsurance premiums are disguised kickbacks paid to WMI through the captive reinsurance arrangements in exchange for the placement of its primary mortgage business. The complaint seeks treble damages, attorney's fees and defense costs.

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On December 21, 2007, the Defendants filed a Motion to Dismiss Plaintiffs' Complaint. That motion was denied. The Defendants subsequently filed an interlocutory appeal of the denial with the Third Circuit Court of Appeals. Following the Third Circuit's October 2009 decision in Alston v. Countrywide Financial Corp., 585 F.3d 753 (3d Cir. 2009), which raised similar issues, the petition for appeal in the Pennsylvania Action was denied and the matter was returned to the district court. On January 11, 2010, the Pennsylvania Action was removed from the Civil Suspense File and re-opened for final disposition by the district court. A joint discovery plan was approved by the district court on February 2, 2010. The Pennsylvania Action remained stayed as to WMI due to its bankruptcy filing.

On March 1, 2010, WMMRC filed an Amended Answer to the Class Action Complaint. In addition, pursuant to the parties' joint discovery plan, three additional motions were filed on March 1, 2010. The FDIC, in its capacity as receiver for WMB, and JPMC, as successor to FSB, filed motions to dismiss the complaint for lack of subject matter jurisdiction. Additionally, the FDIC, as receiver, filed a motion to strike plaintiffs' class allegations against the FDIC for failure to comply with procedural requirements of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). The FDIC's motion to dismiss was granted on June 28, 2011.

In 2011, the parties reached a preliminary compromise and settlement in the Class Action Complaint. That compromise was subsequently memorialized in a written settlement agreement. Pursuant to the Federal Rules of Civil Procedure, the settlement must be approved by the District Court. On June 4, 2012, Plaintiffs filed a motion for preliminary approval of the settlement and on June 25, 2012, the District Court entered an order preliminarily approving such settlement. In accordance with GAAP guidance on Loss Contingencies, in 2010 management recorded (and continues to record) an accrual for estimated anticipated settlements of \$4 million as a component of other liabilities on the balance sheet and as a component of general and administrative expenses on the statement of operations. The amount of such accrual as of September 30, 2012 is zero as the Company on or about July 16, 2012, deposited the settlement amount into a settlement distribution escrow account and the settlement amount will remain on deposit in such account until the District Court finally approves the settlement. A final hearing to approve the settlement of the Class Action Complaint is currently scheduled for November 27, 2012. The amount of such accrual as of December 31, 2011 corresponds to the \$4 million settlement amount.

### ***Note 13: Subsequent Events***

Effective on October 2, 2012, WMMRC and PMI agreed to the commutation or termination of the trust identified as the PMI Trust (the "Trust Account") in the Indentures and the related agreements (the "Commutation"). The Commutation was (i) approved by the Hawaiian Division of Insurance and the Maricopa County, Arizona, Superior Court in CV 2011-018944 (the "Receivership Court") and (ii) consented to by the Trust, the Trustees under the Indenture and the Lenders and Agent under the Financing Agreement.

To effectuate the Commutation, WMMRC entered into a Commutation and Release Agreement with PMI, dated July 17, 2012 (the "Commutation Agreement"). On October 2, 2012, upon the satisfaction of applicable conditions in accordance with the Commutation Agreement, PMI was paid \$49 million in cash and WMMRC was paid approximately \$30.7 million (the "WMMRC Amount"), representing all cash and assets remaining in the Trust Account after the payment to PMI. Under the Commutation Agreements each party was released from liabilities as contemplated therein. Following the Commutation, the WMMRC Amount was deposited into WMMRC's custodial account and WMMRC has requested from the Hawaiian Division of Insurance approval to declare a dividend or distribution of all or a portion of the WMMRC Amount to WMIHC; provided however, that there can be no assurance that the Hawaiian Division of Insurance will approve any such dividend or distribution. If the Hawaiian Division of Insurance approves such a dividend or distribution, WMIHC will deposit such dividend or distribution (to the extent constituting Runoff Proceeds as defined in the Indentures), directly into the Collateral Account (as defined in the Indenture) for distribution in accordance with the Indentures.

The Commutation Agreement became effective on October 2, 2012 upon the completion of the following events: (v) the receiver appointed by the Receivership Court approved the Commutation; (w) the Company entered into Limited Waiver Agreements with the Trustees in order to permit the Commutation under the terms of each Indenture; (x) the Company received a Consent from the Lenders and Agent under the Financing Agreement in order to permit the Commutation under the Financing Agreement; and (y) WMI Liquidating Trust, the holder of at least two-thirds in aggregate principal amount of the Runoff Notes outstanding under both Indentures, consented to both limited waiver agreements.

The limited waiver agreements provide for a waiver of (i) a covenant that prohibits the Company and WMMRC from transferring certain assets from the Trusts for the limited purpose of allowing the Company and WMMRC to consummate the Commutation; and (ii) any Default or Event of Default (as such terms are defined under the Indentures) as a result of consummating the Commutation. The limited waiver agreements do not waive any other provisions of the Indentures.

Under the Commutation Agreement and upon consummation of the Commutation, (a) the parties to the Commutation Agreement are released from all liabilities and obligations under the following agreements: (i) January 1, 2003 Excess of Loss Policy Year Reinsurance Agreement, (ii) July 1, 1999 Reinsurance Agreement, (iii) January 1, 1999 Facultative Excess Layer Reinsurance Agreement, and (iv) April 1, 1999 Facultative Excess Layer Primary Mortgage Guarantee Reinsurance Agreement; and (b) upon the giving of notice of intention by PMI and



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WMMRC on October 3, 2012, that certain January 1, 2003 Trust Agreement, as amended by and between PMI, as beneficiary, WMMRC, as grantor and U.S. Bank, N.A., as Trustee was terminated.

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### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion should be read in conjunction with our financial statements and the related notes, included elsewhere in this Form 10-Q. The following is a discussion and analysis of our results of operations for the nine months ended September 30, 2012 and 2011 and financial condition as of September 30, 2012 and December 31, 2011. (Dollars in thousands, except per share data and as otherwise indicated).

References herein to the Company, we, us, our or Successor generally are intended to refer to WMI Holdings Corp. and its subsidiaries on a consolidated basis.

## **FORWARD-LOOKING STATEMENTS AND INFORMATION**

This quarterly report includes forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this report that address activities, events, conditions or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business and these statements are not guarantees of future performance. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements may include the words anticipate, estimate, expect, project, intend, plan, believe, strategy, future, opportunity, might, would, will be, will continue, will likely result, and similar expressions. Such forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements. These risks are identified and discussed in the Company's prior quarterly report for the quarter ended June 30, 2012 under Risk Factors in Part II, Item 1A. These risk factors will be important to consider in determining future results and should be reviewed in their entirety. These forward-looking statements are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that the events, results or trends identified in these forward-looking statements will occur or be achieved. Forward-looking statements speak only as of the date they are made, and we do not undertake to update any forward-looking statement, except as required by law.

## **Background**

### ***WMI Holdings Corp.***

WMI Holdings Corp. (WMIHC) is a holding company organized and existing under the law of the State of Washington. WMIHC formerly known as Washington Mutual, Inc. (WMI), is the direct parent of WM Mortgage Reinsurance Company, Inc. (WMMRC or Predecessor), and WMI Investment Corp. (WMIIC), a Delaware corporation. As of the Petition Date (defined below), WMIIC held a variety of securities and investments. Upon emergence from bankruptcy on the Effective Date, we had no operations other than WMMRC's legacy reinsurance business with respect to mortgage insurance which is being operated in runoff mode and we have not written any new business since September 26, 2008.

Prior to September 26, 2008 (the Petition Date), WMI was a multiple savings and loan holding company that owned Washington Mutual Bank (WMB) and, indirectly, WMB's subsidiaries, including Washington Mutual Bank fsb (FSB). As of the Petition Date, WMI also owned, directly or indirectly, several non-banking, non-debtor subsidiaries. Prior to the Petition Date, WMI was subject to regulation by the Office of Thrift Supervision (the OTS). WMB and FSB, in turn, as depository institutions with federal thrift charters, were subject to regulation and examination by the OTS. In addition, WMI's banking and non-banking subsidiaries were overseen by various federal and state authorities, including the Federal Deposit Insurance Corporation (FDIC). As a result of this transaction, substantially all of the business and accounting records of WMI became the property of JPMC and WMIHC had extremely limited access to such records. The foregoing notwithstanding, over time, limited access to such records was obtained through information sharing arrangements. Access to WMMRC's historical records was not significantly affected by WMB's closure and receivership.

On September 25, 2008 (the Receivership Date), the OTS, by order number 2008-36, closed WMB, appointed the FDIC as receiver for WMB (the FDIC Receiver) and advised that the FDIC Receiver was immediately taking possession of WMB's assets. Immediately after its appointment as receiver, the FDIC Receiver sold substantially all the assets of WMB, including, among other things, the stock of FSB, to JPMorgan Chase Bank, National Association (JPMC), pursuant to that certain Purchase and Assumption Agreement, Whole Bank, effective September 25, 2008 (the Purchase and Assumption Agreement) (publicly available at <http://www.fdic.gov/about/freedom/popular.html>), in exchange for payment of \$1.88 billion and the assumption of all of WMB's deposit liabilities.

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On the Petition Date, WMI and WMIIC (together, referred to herein as the Debtors ) each commenced with the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court ) voluntary petitions for relief under chapter 11 of title 11 of the United States Code ( Chapter 11 ) in the United States Bankruptcy Court for the District of Delaware (the Court ) (Case No.08-12229 (MFW)).

On December 12, 2011, the Debtors filed with the Court the Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code (the Filed Plan ) and a related disclosure statement (the Disclosure Statement ). The Filed Plan was subsequently modified and, on February 24, 2012, the Court entered an order (the Confirmation Order ) confirming the Filed Plan as modified by such modifications (the Plan ). On March 19, 2012 (the Effective Date ), the Plan became effective.

As previously disclosed, the Plan provides for the distribution of cash, Runoff Notes (as defined below), liquidating trust interests in WMI Liquidating Trust (the Trust ) and newly issued shares of the Company s common stock, in each case to certain holders of claims against, or former equity interests in, the Debtors. On or about March 23, 2012, the Trust distributed approximately \$6.5 billion in cash and other assets as contemplated by the Plan.

WMIHC s Amended and Restated Articles of Incorporation authorize the Company to issue up to 500,000,000 shares of common stock, and up to 5,000,000 shares of preferred stock (in one or more series), in each case with a par value of \$0.00001 per share. On the Effective Date of the Plan and pursuant to its terms, WMIHC issued 200,000,000 shares of common stock, with 194,670,501 shares having been issued to WMIHC s new shareholders and 5,329,499 shares having been deposited into the Disputed Equity Escrow (as discussed below) on the Effective Date. As of November 8, 2012, 4,347,399 shares of common stock remain on deposit in the Disputed Equity Escrow. No shares of WMIHC s preferred stock are issued or outstanding.

On the Effective Date, the Debtors (and now the Liquidating Trust on behalf of the Debtors) continued to dispute whether the interests of certain former holders of Equity Interests or Claims (in each case as those terms are defined in the Plan) against the Debtors should be allowed. As a result, pursuant to the Plan, on the Effective Date, a Disputed Equity Escrow (as defined in the Plan) was created for the benefit of each holder of an Disputed Equity Interest (as such term is defined in the Plan). Such Disputed Equity Escrow was created to hold shares of the Company s common stock (as well as any dividends, gains or income attributable in respect of such common stock) allocable, on a pro rata basis, to each holder of such a Disputed Equity Interest if and when such Disputed Equity Interest becomes an Allowed Equity Interest (as such term is defined in the Plan). All such Equity Interests will constitute Disputed Equity Interests pursuant to the Plan until such time, or from time to time, as each Disputed Equity Interest has been compromised and settled or allowed or disallowed by a final order of the Court.

The Liquidating Trustee acts as escrow agent with respect to the Disputed Equity Escrow. Until such time as all of the Company s common stock has been distributed from the Disputed Equity Escrow in accordance with the Plan (e.g., as a result of all Disputed Equity Claims becoming Allowed Equity Interests or all Disputed Equity Claims being disallowed), the Liquidating Trustee is vested with the authority to exercise voting or consent rights with respect to such stock; provided, however, that the Liquidating Trustee is obligated to vote or consent, as the case may be, as to such stock in the same proportion as all other holders of WMIHC s common stock have voted or consented, in each case on an issue-by-issue basis. The Liquidating Trust has no right to or entitlement in any shares of common stock held in the Disputed Equity Escrow. Additionally, WMIHC does not have any right to, or interest in, any shares of common stock held by the Disputed Equity Escrow unless or until such time as WMIHC repurchases or otherwise acquires such common stock.

*For more information regarding the Disputed Equity Escrow, see Section 26.3 of the Plan. For more information regarding the Plan and related matters, please refer to copies of the Plan Disclosure Statement and Confirmation, each of which were attached as exhibits 2.1, 2.2, and 2.3 to that certain Form 8-K filed by WMIHC on March 26, 2012.*

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### ***WMMRC***

WMMRC is a wholly-owned subsidiary of the Company. Prior to August 2008 (at which time WMMRC became a direct subsidiary of WMI), WMMRC was a wholly-owned subsidiary of FA Out-of-State Holdings, Inc., a second-tier subsidiary of WMB and third-tier subsidiary of WMI. WMMRC is a pure captive insurance company domiciled in the State of Hawaii. WMMRC was incorporated on February 25, 2000, and received a Certificate of Authority, dated March 2, 2000, from the Insurance Commissioner of the State of Hawaii.

WMMRC was organized to reinsure private mortgage insurance risk for seven primary mortgage insurers on loans originated or purchased by former subsidiaries of WMIHC. The seven primary mortgage insurers are United Guaranty Residential Insurance Company ( UGRIC ), Genworth Mortgage Insurance Corporation ( GMIC ), Mortgage Guaranty Insurance Corporation ( MGIC ), PMI Mortgage Insurance Company ( PMI ), Radian Guaranty Incorporated ( Radian ), Republic Mortgage Insurance Company ( RMIC ) and Triad Guaranty Insurance Company ( Triad ).

Due to deteriorating performance in the mortgage guarantee markets and the closure and receivership of WMB, the reinsurance agreements with each of the primary mortgage insurers were terminated or placed into runoff during 2008. The agreements with UGRIC and Triad were terminated effective May 31, 2008. The agreements with all other primary mortgage insurers were placed into runoff effective September 26, 2008. As such, effective September 26, 2008, WMMRC ceased assuming new mortgage risks from the primary carriers. Consequently, the Company's continuing operations consist solely of the runoff of coverage associated with mortgages placed with the primary mortgage carriers prior to September 26, 2008. In runoff, an insurer generally writes no new business but continues to service its obligations under in force policies and otherwise continues as a licensed insurer. Management does not believe any adjustments to the carrying values of assets and liabilities as reported in these financial statements are required as a result of the runoff status.

The reinsurance agreements with Triad and PMI were commuted on August 31, 2009 and October 2, 2012, respectively (see Note 13: Subsequent Events for additional information on the PMI commutation).

### ***WMIIC***

WMIIC does not currently have any operations and is fully eliminated upon consolidation. Prior to September 26, 2008, WMIIC held a variety of securities and investments; however, such securities and investments were liquidated and the value thereof distributed in connection with implementing the Plan as described in Note 2: Reorganization under Chapter 11 of the United States Bankruptcy Code.

### **Segments**

The Company manages its business on the basis of one operating segment, property and casualty reinsurance, in accordance with GAAP. Within the property and casualty reinsurance segment, our current risks arise solely from the reinsurance of mortgage insurance policies that are placed on certain residential mortgage loans. The majority of these policies are required by mortgage lenders as a stipulation to approve the mortgage loans. The mortgage insurance policies protect the beneficiaries of the policy from all or a portion of default-related losses.

### **Business Overview and Operating Environment**

As previously disclosed WMIHC retained Blackstone Advisory Partners L.P. ( Blackstone ) to assist WMIHC in developing its acquisition strategy and to provide financial advisory services in connection with potential transactions.

Under the terms of the agreement, Blackstone will work with us to consider potential mergers, acquisitions or business combinations. Blackstone will assist with developing an acquisition strategy, identifying and evaluating strategic opportunities, collecting and analyzing information regarding potential target companies, determining the valuation of potential target companies and advising on capital-raising, if needed, to fund this external growth strategy.

There can be no assurance that any transaction will occur or if so on what terms.

With respect to our current operations, the Company currently operates a single business, WMMRC, whose sole activity is the reinsurance of mortgage insurance policies that has been operated in runoff mode since September 26, 2008. Since that date, WMMRC has not underwritten any new policies (and by extension any new risk). WMMRC, through predecessor companies, began reinsuring risks in 1997 and continued through September 25, 2008.



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The nature of the reinsurance contracts are mainly excess-of-loss contracts whereby WMMRC takes a portion of the risk, usually five or ten percent, with a stated attachment and exit point. Each calendar year, or book year, is treated separately from other years when calculating losses. In return for accepting a portion of the risk, WMMRC receives, net of ceding commission, a percentage of the premium that ranges from 25 to 40 percent.

Beginning in 2006, the housing market and related credit markets experienced a downturn that in 2012 has shown initial signs of stabilizing. During that period, housing prices declined materially, credit guidelines tightened, delays in mortgage servicing and foreclosure activities have occurred (and continue to occur), and deterioration in the credit performance of mortgage loans has occurred. In addition, the macro-economic environment during that period has demonstrated limited economic growth, stubbornly high unemployment, and limited median wage gains.

While the macro-economic outlook remains guarded, there are indications that the housing market has begun to stabilize nationally. Recent reports show housing prices in certain locales have increased somewhat on a year-over-year basis, and that housing sales in certain market have begun to recover, although they remain well below their long-run average. Nevertheless, despite these early signs of market improvement, WMMRC's operating environment remains challenged as much of its results over the next several years will be directly affected by the significant inventory of pending defaulted mortgages at its ceding companies arising primarily from mortgages originated in calendar years 2005 through 2008.

### **Critical Accounting Policies**

Our condensed consolidated financial statements are prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect reported and disclosed amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. We believe that the critical accounting policies set forth in our audited balance sheets on Form 8-K/A as of March 19, 2012 and December 31, 2011 continue to describe the more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. These accounting policies pertain to premium revenues and risk transfer, valuation of investments, loss and loss adjustment expense reserves, our values under fresh start accounting and the resulting loss contract fair market value reserve. If actual events differ significantly from the underlying judgments or estimates used by management in the application of these accounting policies, there could be a material effect on our results of operations and financial condition.

The Company adopted fresh start accounting in accordance with ASC 852 (Reorganizations) (ASC 852). Note 4: Fresh Start Accounting of the accompanying condensed consolidated financial statements more fully describe the Company's application of this standard.

Recently issued accounting standards and their impact to the Company have been presented under New Accounting Pronouncements in Note 3: Significant Accounting Policies of the accompanying condensed consolidated financial statements.

### **Fresh Start Accounting**

Under ASC 852, the application of fresh start accounting results in the allocation of reorganization value to the fair value of assets and required when (a) the reorganization value of assets immediately prior to confirmation of a plan of reorganization is less than the total of all post-petition liabilities and allowed claims and (b) the holders of voting shares immediately prior to the confirmation of the plan of reorganization receive less than 50 percent of the voting shares of the emerging entity. The Company adopted fresh start accounting as of the Effective Date, which represents the date on which all material conditions precedent to the effectiveness of the Plan were satisfied or waived as it believes that it satisfied both of the aforementioned conditions.

The Company's Reorganization value (Equity Value), upon emergence from bankruptcy, was determined to be \$76.6 million, which represents management's best estimate of fair value based on a calculation of the present value of the Company's consolidated assets and liabilities as at March 19, 2012. As part of our fresh start reporting, we applied various valuation methodologies to calculate the reorganization value of the Successor. These methods included (a) the comparable company's analysis, (b) the precedent

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transactions analysis and (c) the discounted cash flow analysis. The application of these methodologies requires certain key estimates, judgments and assumptions, including financial projections, the amount of cash available to fund operations and current market conditions. Such projections, judgments and assumptions are inherently subject to significant uncertainties and there can be no assurance that such estimates, assumptions and projections reflected in the valuation will be realized and actual results may vary materially.

A significant difference exists between the Equity Value determined by management and the value determined by the Court in an opinion dated September 13, 2011 in which the Court expressed its view with respect to the Company's value (including the value of net operating loss carry forward items relating to taxes (NOLs)). While the NOL asset has been recorded on the Company's opening balance sheet, management also has recorded a full valuation allowance relative to these assets. The valuation allowance was determined necessary as management is unable to identify potential earnings from its existing operations and assets which would allow the Company to benefit from the utilization of these NOLs now or in the future. In the event that earnings are recognized in future periods, the availability of NOLs could result in additional value to the shareholders. The utilization of NOLs may be subject to significant additional limits. See Note 7: Federal Income Taxes for additional detail. No cash will be used for Plan-related liabilities as the Company will not be liable for pre-petition claims under the terms of the Plan and the estimated minimum level of cash required for ongoing reserves was deducted from total projected cash to arrive at an amount of remaining or available cash. The Effective Date Equity Value of \$76.6 million is intended to reflect a value that a willing buyer would pay for the Company's assets immediately after emerging from bankruptcy.

The value of a business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the prospects of such a business. As a result, the estimates set forth herein are not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. These estimates assume that the Company will continue as the owner and operator of these businesses and related assets and that such businesses and assets will be operated in accordance with WMMRC's historical business practices, which is the basis for financial projections. The financial projections are based on projected market conditions and other estimates and assumptions including, but not limited to, general business, economic, competitive, regulatory, market and financial conditions, all of which are difficult to predict and generally beyond the Company's control. Depending on the actual results of such factors, operations or changes in financial markets, these valuation estimates may differ significantly from that disclosed herein.

The Company's Equity Value was first allocated to its tangible assets and identifiable intangible assets and the excess (if any) of reorganization value over the fair value of tangible and identifiable intangible assets would be recorded as goodwill. Liabilities existing as of the Effective Date, other than deferred taxes, were recorded at the present value of amounts expected to be paid using appropriate risk adjusted interest rates. The only intangible asset identified related to reinsurance contracts which were held by WMMRC. The contracts were evaluated to determine whether the value attributable to such contracts was either above market or in a loss contract position. After taking such evaluation into consideration, a loss contract fair market value reserve totaling \$63.1 million was recorded. WMMRC's deferred taxes were determined in conformity with applicable income tax accounting standards.

Material differences exist with respect to the pre-petition operations and financial position of Washington Mutual, Inc. and its subsidiaries as compared with the post-emergence operations and financial position of the Company. In order to address such differences, in preparing these and future financial statements, management has concluded that it is appropriate to use the financial information of the Company's wholly-owned subsidiary, WMMRC. Information in the accompanying condensed consolidated financial statements labeled as Predecessor refers to periods prior to the adoption of fresh start reporting, while those labeled as Successor refer to periods following the Company's reorganization and emergence from bankruptcy.

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### **Results of Operations for the nine months ended September 30, 2012 and 2011**

As discussed in Note 3: Significant Accounting Policies, the financial statements prior to March 19, 2012, are not necessarily comparable with the financial statements for periods on or after March 19, 2012; however, while there is a different basis of accounting post-emergence, substantially all of the operating assets and liabilities remain consistent between Predecessor and Successor. Accordingly, the results of operations below are made on a comparative basis for the nine months ended September 30, 2012 and 2011.

For the nine months ended September 30, 2012, we reported a net loss of \$5.8 million, as compared to a net loss of \$9.5 million reported for the same period in 2011. The total revenue for the nine months ended September 30, 2012 was \$26.1 million, compared to total revenue of \$33.1 million for the same period in 2011. The decrease in revenues is largely attributable to the operations of WMMRC in runoff mode. No new business is being undertaken and the revenues are expected to continue to decrease.

Underwriting expenses (defined as losses and loss adjustment expenses and ceding commission expenses) decreased by \$11.2 million to \$29.5 million for the nine months ending September 30, 2012 compared to \$40.7 million for the nine months ending September 30, 2011. This trend is consistent with the runoff nature of the WMMRC subsidiary and is expected to continue. As more fully described in Note 3: Significant Accounting Policies of the accompanying condensed consolidated financial statements, due to the current condition of the mortgage insurance market, WMMRC has recorded reserves at the higher of (a) reserves estimated by the consulting actuary for each primary mortgage guaranty carrier and (b) ceded case reserves and incurred but not recorded ( IBNR ) loss levels reported by the primary mortgage guaranty carriers as of each reporting period. Management believes that its aggregate liability for unpaid losses and loss adjustment expenses at period end represents its best estimate, based upon the available data, of the amount necessary to cover the current cost of losses.

As of September 30, 2012, the loss contract fair market value reserve was analyzed and determined to have a fair market value of \$52.4 million. The fair market value of this reserve was \$0 at December 31, 2011 (as it was established at a value of \$63.1 million as a result of our reorganization (described in Note 4 – Fresh Start Accounting of the financial statements)). The decrease in the loss contract fair market value reserve during the period from March 20, 2012 through September 30, 2012 totaled \$10.7 million and resulted in a corresponding decrease in expense of the same amount. This change was primarily the result of the commutation of PMI as more fully described in Note 13: Subsequent Events.

For the nine months ended September 30, 2012, our investment portfolio reported a net investment income of \$9.4 million, or a return of 2.55 percent on our investment account, as compared to a net investment income of \$6.4 million, or a return of 1.87 percent, for the same period in 2011.

### ***General and administrative expenses***

For the nine months ended September 30, 2012, our general and administrative expenses totaled \$3.9 million, an increase from general and administrative expenses totaling \$2.0 million for the same period in 2011. The increase in these expenses is primarily attributable to resuming public company financial reporting and filing of periodic reports under the Exchange Act after emerging from bankruptcy earlier this year.

### ***Interest expense***

For the nine months ended September 30, 2012, we incurred \$9.2 million of interest expense which is payable on the Runoff Notes. No such interest expense was incurred during the same period in 2011 due to the fact that the Runoff Notes were not issued and outstanding then. Because sufficient Runoff Proceeds (as such term is defined in the Indentures) have not always been available to pay accrued interest on the Runoff Notes, a portion of our obligation to pay interest on the Runoff Notes has been satisfied using the pay-in-kind or PIK feature available under the Indentures. As a result, \$4.0 million of PIK Notes were issued in satisfaction of our obligation to pay interest on the Runoff Notes and \$3.7 million of interest was paid in cash. The remaining interest expense of \$1.5 million is accrued interest since the last interest payment period. This accrued interest will be converted to PIK Notes at the next payment date if there is not sufficient cash available to satisfy the required interest payment.

### ***Net loss***

Net loss for the nine months ended September 30, 2012 totaled \$5.8 million compared to a net loss of \$9.5 million for the same period in 2011. The primary factors impacting the decrease in loss of \$3.7 million for the period are related to the decreased expense relating to the fair market change in the loss contract value reserve of \$10.7 million and increased interest expense of \$9.2 million, neither of which existed in prior periods, a revenue reduction of \$7.0 million between the two periods partially offset by a decrease in underwriting expense of \$11.2 million as a result of WMMRC being in a runoff mode and increases of \$2.0 million from general and administrative expense.



Summary of Change in Net Loss (in Millions)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Change
<i>Components of change in Net loss</i>			
Revenue	\$ 26.1	\$ 33.1	\$ 7.0
Underwriting expenses	29.5	40.7	(11.2)
General and administrative	3.9	1.9	2.0
Loss contract fair market value reserve change	(10.7)		(10.7)
Interest Expense	9.2		9.2
Net Loss	\$ (5.8)	\$ (9.5)	\$ (3.7)

**Table of Contents****Comprehensive Income (Loss)**

The Company has no comprehensive income (loss) other than the net income (loss) disclosed in the condensed consolidated statement of operations.

**Net Premiums Earned**

The majority of WMMRC's reinsurance contracts require net premiums to be written and earned monthly. In a few cases, the net premiums earned reflect the pro rata inclusion into income of net premiums written over the life of the reinsurance contracts. Details of net premiums earned are provided in the following table:

	Successor Three Months Ended September 30, 2012	Predecessor Three Months Ended September 30, 2011	Successor Period from March 20, 2012 through September 30, 2012	Predecessor Period from January 1, 2012 through March 19, 2012	Predecessor Nine Months ended September 30, 2011
Premiums assumed	\$ 4,149	\$ 8,653	\$ 10,385	\$ 6,130	\$ 26,591
Change in unearned premiums	45	48	96	47	166
Premiums earned	\$ 4,194	\$ 8,701	\$ 10,481	\$ 6,177	\$ 26,757

For the nine months ended September 30, 2012, net premiums totaled \$16.7 million, a decrease of \$10.1 million when compared to premiums of \$26.8 million for the same period in 2011. Revenues are expected to continue to decrease due to the runoff status of WMMRC.

**Losses Incurred and Losses and Loss Adjustment Expenses**

Losses incurred include losses paid and changes in loss reserves, including reserves for IBNR, premium deficiency reserves net of actual and estimated loss recoverable amounts. Details of net losses incurred for the nine months ended September 30, 2012 and 2011, are provided in the following table:

	Successor Three Months Ended September 30, 2012	Predecessor Three Months Ended September 30, 2011	Successor Period from March 20, 2012 through September 30, 2012	Predecessor Period from January 1, 2012 through March 19, 2012	Predecessor Nine Months ended September 30, 2011
Losses incurred	\$ 6,063	\$ 13,666	\$ 16,100	\$ 11,467	\$ 37,357

We establish reserves for each contract based on estimates of the ultimate cost of all losses including losses incurred but not reported. These estimated ultimate reserves are based on reports received from ceding companies, industry data and historical experience as well as our own actuarial estimates. Quarterly, we review these estimates on a contract by contract basis and adjust as we deem necessary based on updated information and our internal actuarial estimates.

For the nine months ended September 30, 2012 and 2011, the loss ratios for our business were 165 percent and 140 percent, respectively. The loss ratio is calculated by dividing incurred losses for the period by earned premiums. The ratio provides a measure of underwriting profit or, in this case, loss.



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The components of the liability for losses and loss adjustment reserves are as follows at September 30, 2012 and December 31, 2011:

	Successor September 30, 2012	Predecessor December 31, 2011
Case-basis reserves	\$ 108,807	\$ 132,970
IBNR reserves	6,096	6,049
Premium deficit reserves	15,786	3,100
Total	\$ 130,689	\$ 142,119

Losses and loss adjustment reserve activity are as follows for the periods ended September 30, 2012 and December 31, 2011:

	Successor September 30, 2012	Predecessor December 31, 2011
Balance at January 1	\$ 142,119	\$ 190,036
Incurred prior periods	27,567	47,321
Paid prior periods	(38,997)	(95,238)
Total	\$ 130,689	\$ 142,119

**Net Investment Income (Loss)**

A summary of our net investment income (loss) for the nine months ended September 30, 2012 and 2011 is as follows:

	Successor Three Months Ended September 30, 2012	Predecessor Three Months Ended September 30, 2011	Successor Period from March 20, 2012 through September 30, 2012	Predecessor Period from January 1, 2012 through March 19, 2012	Predecessor Nine Months ended September 30, 2011
<b>Investment income:</b>					
Amortization of premium or discount on fixed-maturity	\$ (507)	\$ (613)	\$ (1,263)	\$ (523)	\$ (1,912)
Investment income on fixed-maturity securities	2,113	3,150	5,377	2,467	9,953
Interest income on cash and equivalents	58	6	87	3	45
Realized net gain (loss) from sale of investment	2,345	357	2,617	176	1,543
Unrealized (losses) gains on trading securities held at year end	(867)	(2,498)	(594)	1,049	(3,251)
Net investment income	\$ 3,142	\$ 402	\$ 6,224	\$ 3,172	\$ 6,378

For the nine months ended September 30, 2012, investment income, net of all fees and expenses, resulted in a gain of 2.55 percent on our investment portfolio. This compares to income of 1.87 percent for the same period in 2011.

**Income Taxes**

The Company has no current tax liability due as a result of its tax loss position for both the nine months ended September 30, 2012 and 2011. More detailed information regarding the Company's tax position including net operating loss carry forwards is provided in Note 7: Federal

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Income Taxes of the accompanying condensed consolidated financial statements.

The Company files a consolidated federal income tax return. Pursuant to a tax sharing agreement, WMMRC's federal income tax liability is calculated on a separate return basis determined by applying 35 percent to taxable income, in accordance with the provisions of the Internal Revenue Code that apply to property and casualty insurance companies. The Company, as WMMRC's parent, pays federal income taxes on behalf of WMMRC and settles the federal income tax obligation on a current basis in accordance with the tax sharing agreement. WMMRC made no tax payments to WMIHC during the periods ending September 30, 2012 and December 31, 2011 associated with the Company's tax liability from the preceding year.

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Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and income tax purposes. Temporary differences principally relate to discounting of loss reserves, recognition of unearned premiums, net operating losses and unrealized gains and losses on investments. As of September 30, 2012 and December 31, 2011, the Company recorded a valuation allowance equal to 100 percent of the net deferred federal income tax asset due to uncertainty regarding the Company's ability to realize these benefits in the future. The amount of deferred tax asset considered realizable could be reduced in the near term if estimates of future taxable income are revised.

## **Investments**

### **General**

We hold investments at both WMIHC and WMMRC and the two portfolios consist entirely of fixed income instruments, including commercial paper and overnight money market funds. The value of the consolidated Company's total cash and investments increased from \$345 million on December 31, 2011 to \$394 million on September 30, 2012.

We work with investment broker dealers and, in the case of WMMRC, collateral trustees, in determining whether a market for a financial instrument is active or inactive. We regularly obtain indicative pricing from market makers and from multiple dealers and compare the level of pricing variances as a way to observe market liquidity for certain investment securities. We also obtain trade history and live market quotations from publicly quoted sources, such as Bloomberg, for trade volume and frequency observation.

While we obtain market pricing information from broker dealers, the ultimate fair value of our investments is based on portfolio statements provided by financial institutions that hold our accounts.

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the nine months ended September 30, 2012.

Please refer to Note 6: Investment Securities of the condensed consolidated financial statements for additional information regarding our investment securities.

### **WMIHC**

On the Effective Date, WMIHC received \$75 million of cash as contemplated by the Plan. We invested \$74 million in agency discount notes, corporate obligations and overnight money market funds. These investment securities are primarily scheduled to mature within six months after purchase and we intend to hold all investments to maturity. WMIHC's investment portfolio is recorded at amortized cost. At September 30, 2012, the portfolio was valued at \$63.2 million. Approximately 97 percent of the portfolio consists of securities that will mature within the next 12 months and 3 percent of the securities will mature between one and three years.

### **WMMRC**

WMMRC's investments are valued at fair value and any unrealized gains or losses are reflected in net investment income (loss) in the condensed consolidated statements of income. At September 30, 2012, over 97 percent of WMMRC's investment portfolio was held in six trusts for the benefit of primary mortgage insurers with whom WMMRC established agreements to reinsure private mortgage insurance risk. The total portfolio, including funds in overnight money market, was valued at approximately \$313 million. Approximately 19 percent of the portfolio consists of securities that will mature within the next 12 months and 63 percent of the securities will mature between one and five years, and the remaining 18 percent beyond five years.

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### **Liquidity and Capital Resources**

#### **General**

WMIHC is organized as a holding company with no operations of its own. With respect to its own operations, WMIHC has minimal continuing cash needs, other than with respect to the payment of administrative expenses and interest and principal payments on the Runoff Notes (as defined in the Indentures). Interest and principal payments on the Runoff Notes are payable solely from Runoff Proceeds (as defined in the Indentures) received by WMIHC from WMMRC from time to time. Except in limited circumstances described in Note 9: Notes Payable to the condensed consolidated financial statements, the Runoff Notes are nonrecourse to WMIHC. See Note 9: Notes Payable. In addition, all of our significant operations are conducted through our wholly-owned reinsurance subsidiary, WMMRC, which formerly underwrote risks associated with our property and casualty reinsurance programs, but has been operating in runoff mode since the Petition Date. There are restrictions on WMMRC's ability to pay dividends which are described in more detail below. WMIHC does not currently expect to pay dividends on our common shares.

#### **Liquidity Management**

The objective of liquidity management is to ensure the Company has the continuing ability to maintain cash flows that are adequate to fund operations and meet obligations and other commitments on a timely and cost-effective basis. The Company establishes and maintains liquidity guidelines for itself as well as its principal operating subsidiary. Funds held by WMMRC are not available to WMIHC to satisfy its liquidity needs. Any dividend or payment by WMMRC to WMIHC must be approved by the Insurance Commissioner of the State of Hawaii. In addition, all dividends paid by WMMRC to WMIHC must first be used to make payments on the Runoff Notes in accordance with the Indentures.

Our sources of liquidity include premium receipts, investment income, cash on hand, investment securities and our \$125 million financing facility. Because of the limited nature of WMIHC's operations, and the runoff nature of WMMRC's business, as discussed above, cash is primarily used to pay reinsurance losses and loss adjustment expenses, ceding commissions, interest and principal obligations on the Runoff Notes (only if WMIHC is in receipt of Runoff Proceeds; otherwise WMIHC pays interest using the payment-in-kind (PIK) option available under the Indentures) and general administrative expenses.

The Company monitors operating activities, forecasts liquidity needs and adjusts composition of investment securities in order to address liquidity needs. The Company currently has negative monthly operating cash flows mainly due to loss expenses at WMMRC. As a result, the Company maintains a very high quality and short duration investment portfolio in order to match its liability profile at both levels of the consolidated organization.

#### **Capital Structure and Management**

WMIHC's capital structure consists of shareholders' equity and \$130 million of term debt, both of which were issued on the Effective Date.

On the Effective Date, all shares of common and preferred equity securities previously issued by Washington Mutual, Inc. were cancelled and extinguished. As of the Effective Date, and pursuant to WMIHC's Amended and Restated Articles of Incorporation, WMIHC is authorized to issue up to 500,000,000 shares of common stock and up to 5,000,000 shares of preferred stock, each with a par value of \$0.00001 per share. As of September 30, 2012, 200,000,000 shares of WMIHC's common stock were issued and outstanding; no shares of its preferred stock are issued or outstanding.

We expect our existing capital structure is sufficient to sustain our current business operations and currently do not anticipate incurring additional indebtedness. The foregoing notwithstanding, the Company may, subject to market conditions, as well as limitations set forth in the documentation governing the Financing Agreement (defined below) and Indentures (defined below), determine to incur additional indebtedness or raise additional equity capital in connection with undertaking one or more acquisitions. As previously announced we have retained Blackstone Advisory Partners, LP to act as our financial advisors and to assist us in developing an acquisition strategy.

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While WMIHC is not subject to regulatory capital requirements, WMMRC is required to comply with various solvency and liquidity requirements pursuant to the insurance laws of the State of Hawaii. WMMRC is required to maintain minimum capital and surplus requirements of an amount established under applicable Hawaiian law and deemed appropriate by the Insurance Commissioner of the State of Hawaii. As of September 30, 2012, management believes that WMMRC is compliant with applicable statutory solvency, liquidity and minimum capital and surplus requirements. The payment of dividends is subject to statutory restrictions imposed by Hawaiian insurance laws and regulations and requires approval from the Insurance Commissioner of the State of Hawaii. In addition, the Financing Agreement and the Indentures impose restrictions on WMMRC business activities. During the quarter ended September 30, 2012, WMMRC paid a \$10 million dividend to WMIHC which was deposited into the Collateral Account and is being distributed in accordance with the Indentures.

### **Financing Agreement**

As of March 19, 2012, a Financing Agreement (the "Financing Agreement") was entered into by and among WMIHC, each current subsidiary of WMIHC and any additional subsidiary or person who later agrees to or becomes a Guarantor (each a "Guarantor" collectively, the "Guarantors"), the lenders, severally and not jointly, from time to time party hereto (each a "Lender" and collectively, the "Lenders") and U.S. Bank National Association, a national banking association, as administrative agent for the Lenders (together with its successors and assigns, in such capacity, the "Agent"). The credit facility established by the Financing Agreement may be used for only certain specific purposes.

The facility consists of (a) a tranche A term loan and a tranche A-1 term loan in the aggregate principal amount of \$25 million and (b) a tranche B term loan in the aggregate principal amount of \$100 million. The proceeds of (a) the tranche A term loan and tranche A-1 term loan can be used to fund working capital and for general corporate purposes, and (b) the tranche B term loan can be used to fund certain permitted acquisitions and permitted originations (as these terms are defined in the Financing Agreement) which are limited to acquisitions and originations of business in the financial services or insurance sector. The Lenders are severally, and not jointly, obligated to extend such credit to WMIHC. As of September 30, 2012, no loans are outstanding under the Financing Agreement. The facility is secured by substantially all of WMIHC's assets and the Lenders must have an additional first priority lien on any new business and assets acquired.

### **Notes Payable**

On the Effective Date, WMIHC issued \$110 million aggregate principal amount of its 13% Senior First Lien Notes due 2030 (the "First Lien Notes") under an indenture, dated as of March 19, 2012 (the "First Lien Indenture"), between WMIHC and Wilmington Trust, National Association, as Trustee (the "First Lien Trustee"). Additionally, WMIHC issued \$20 million aggregate principal amount of its 13% Senior Second Lien Notes due 2030 (the "Second Lien Notes" and, together with the First Lien Notes, the "Runoff Notes") under an indenture, dated as of March 19, 2012 (the "Second Lien Indenture" and, together with the First Lien Indenture, the "Indentures"), between WMIHC and Law Debenture Trust Company of New York, as Trustee (the "Second Lien Trustee" and, together with the First Lien Trustee, the "Trustees"). The Runoff Notes are scheduled to mature on March 19, 2030 and pay interest quarterly.

The Runoff Notes are secured by, and have a specified priority in right of payment in, (a) a securities or deposit account into which WMIHC will deposit distributions it receives of Runoff Proceeds (as defined in the Indentures) (the "Collateral Account") and (b) the equity interests in, and assets of, either WMMRC, or such other entity as holds (or may hold in the future) WMMRC's existing portfolio of assets, to the extent a lien has been granted therein (with any such lien subject to regulatory approval). No such regulatory approval has been obtained as of the date on which these audited financial statements are being published.

WMIHC will, and has agreed to cause WMMRC to, deposit all distributions, dividends or other receipts in respect of Runoff Proceeds Distributions (as defined in the Indentures) on the date paid to WMIHC in a Collateral Account established in accordance with the terms of the Indentures. On any interest payment date, payments are made from the Collateral Account and from any other Runoff Proceeds Distributions in the priority set forth in the Indentures. The obligations created by the Runoff Notes are nonrecourse to WMIHC (except for certain actions for specific performance) and, except in certain limited circumstances as more fully described in Section 7.16 of the Indentures with respect to Runoff Proceeds Distributions in the Collateral Account or for failure to comply with certain specified covenants relating to (i) the deposit of Runoff Proceeds in the Collateral Account, (ii) payment of Runoff Proceeds in the Collateral Account in accordance with the order of priority established in the Indentures, (iii) failure to seek to obtain the appropriate regulatory approval to permit the dividend of Runoff Proceeds to WMIHC and (iv) the failure to cause WMMRC to deposit Runoff Proceeds into a segregated account.

In connection with interest payments due and payable in respect of the Second Lien Runoff Notes on June 1 and September 1, 2012, WMIHC elected, consistent with the terms of the Indentures, to issue PIK Notes (as defined in the Indentures) in lieu of making such interest payment in cash. In connection with interest payments due and payable in respect of the First Lien Notes on June 1, 2012, WMIHC elected, consistent with the terms of the Indentures, to issue PIK Notes (as defined in the Indentures) in lieu of making such interest payment in cash. The September 1, 2012 interest payments on the First Lien Notes were paid in cash. The aggregate face amount of PIK Notes issued as of September 30, 2012 totals approximately \$4.0 million. Outstanding amounts under these notes totaled \$134.0 million as of September 30, 2012 and zero as of



December 31, 2011.

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### **Contractual Obligations Commitments and Contingencies**

WMMRC has engaged a Hawaiian-based service provider to provide accounting and related management services for its operations. In exchange for performing these services, WMMRC pays such service provider a management fee.

On March 19, 2012, WMIHC entered into an Investment Management Agreement with WMMRC. Under the terms of this agreement, WMIHC receives a fee from WMMRC equal to the product of (x) the ending dollar amount of assets under management during the calendar month in question and (y) .002 divided by 12. WMIHC is responsible for investing the funds of WMMRC based on applicable investment criteria and subject to rules and regulations to which WMMRC is subject.

On March 19, 2012, WMIHC entered into an Administrative Services Agreement with WMMRC. Under the terms of this agreement, WMIHC receives from WMMRC a fee of \$110 thousand per month. WMIHC is responsible for providing administrative services to support, among other things, supervision, governance, financial administration and reporting, risk management, and claims management as may be necessary, together with such other general or specific administrative services that may be reasonably required or requested by WMMRC in the ordinary course of its business.

Total amounts incurred under the Investment Management Agreement and Administration Services Agreement totaled \$1.05 million for the period from March 20, 2012 to September 30, 2012 and zero for all other periods. The expense and related income eliminate on consolidation. These agreements are described below.

On March 23, 2012, WMIHC and the Trust entered into a Transition Services Agreement (the "TSA"). Pursuant to the TSA, each party will make available certain services and employees. The TSA provides the Company with office space for its current employees and basic infrastructure and support services to allow the Company to operate. The TSA provides the Trust with access to certain of the Company's employees and, initially, use for a limited time of the Company's health insurance plan for its employees. The TSA was amended on September 24, 2012 and the term of the agreement was extended through March 31, 2013 subject to automatic renewal for successive additional three-month terms unless earlier terminated by either party upon at least 30 days written notice prior to the expiration of the term. Either party may terminate one or more of the services offered upon ten (10) days written notice to the other party.

See Note 4: Fresh Start Accounting of the accompanying condensed consolidated financial statements for a discussion of fees attributed to WMMRC in accordance with SAB Topics 1B and 1B1 which address common cost and expense allocations for pre-Effective Date periods in Fresh Start Accounting section.

As a result of the reorganization an intangible asset was identified related to reinsurance contracts which were held by WMMRC. The contracts were evaluated to determine whether the value attributable to such contracts was either above market or in a loss contract position. After taking such evaluation into consideration, a loss contract fair market value reserve totaling \$63.1 million was recorded. The Company adopted the fair value option relative to this reserve. The reserve will be evaluated at each reporting date for changes to its value. As of September 30, 2012, the loss contract fair market value reserve was analyzed and determined to be \$52.4 million. This decrease in the loss contract fair market value reserve of \$10.7 million resulted in a corresponding decrease in expenses of the same amount. The majority of the reduction resulted from the PMI commutation with the balance occurring due to changes in the timing and projected amounts of future losses from the remaining contracts. The fair market value of this reserve will ultimately be reduced to zero, therefore it will improve operating results in future periods as it will reduce future expenses. For additional information see Note 3: Significant Accounting Policies and Note 4: Fresh Start Accounting.

### **Off-Balance Sheet Financing Arrangements**

We have no obligations, assets or liabilities which would be considered off-balance sheet arrangements. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements.

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### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are principally exposed to three types of market risk:

interest rate risk;

credit risk; and

liquidity risk

There have been no material changes to our market risks as disclosed in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012.

### **Item 4. Controls and Procedures.**

#### **Evaluation of disclosure controls and procedures.**

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to management, including the Interim Chief Executive Officer and the Interim Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives. The Company's management, with the participation of the Interim Chief Executive Officer and the Interim Chief Financial Officer, has completed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, our Interim Chief Executive Officer and Interim Chief Financial Officer have concluded that, as of September 30, 2012, our disclosure controls and procedures were effective as described above at the reasonable assurance level.

#### **Changes in Internal Control Over Financial Reporting**

There was no change in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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### **PART II OTHER INFORMATION**

#### **Item 1. Legal Proceedings.**

Except as described below, for the period ended September 30, 2012, the Company was not a party to, or aware of, any pending legal proceedings or investigations against the Company requiring disclosure at this time.

The Company notes that Article XLI of the Plan includes, among other things, customary discharge, injunction, bar order and release provisions which, when taken together, operate to insulate the Company from and against any liabilities in respect of claims and causes of action that arose prior to the Petition Date. In addition, the Plan also includes a customary exculpation clause in favor of the Debtors, their directors, officers and others named therein for conduct during the pendency of the Company's chapter 11 proceedings (other than in respect of willful misconduct or conduct that was grossly negligent).

#### *WMI Holdings Corp. Litigation*

Prior to the Effective Date of the Plan, WMI filed a complaint in the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court), Case no: 08-12229 (MFW), Adv. Proc. No: 12-50422 (MFW) (the Coverage Action) against certain insurance carriers (including Allied World Assurance Company Ltd. (Allied)), from whom WMI purchased director and officer liability insurance policies prior to the Effective Date. On May 31, 2012, in response to an affidavit filed by Allied, the Supreme Court of Bermuda issued an anti-suit injunction order as to WMIHC, among others (the Bermuda Action). On the Effective Date, and unrelated to the Bermuda Action, WMI's interests in the Coverage Action vested in the Trust and as a result, on June 11, 2012, the Trust filed a motion in the Bankruptcy Court seeking to have the Trust substituted for WMIHC as a plaintiff in the Coverage Action. On June 28, 2012, the Bankruptcy Court, without a hearing, granted such motion and WMIHC is no longer a party in the Coverage Action. On October 4, 2012, the Bankruptcy Court dismissed the coverage action and, on October 8, 2012, the Trust filed a similar action in the Delaware Superior Court, with WMIHC having no role in the recently filed action. Additionally, WMIHC does not expect to have any role in the Bermuda Action, although it may take appropriate action to terminate all related proceedings against it.

#### *WMMRC Litigation*

With respect to the Company's sole operating subsidiary, WMMRC, on October 22, 2007, lead plaintiffs Robert Alexander and James Reed filed a putative Class Action Complaint (the Class Action Complaint) in the United States District Court, Eastern District of Pennsylvania (the Pennsylvania Action) against WMMRC, WMI, WMB and Washington Mutual Bank fsb (FSB), and collectively, the Defendants) alleging that the Defendants violated Section 8 of the Real Estate Settlement Procedures Act (RESPA), 12 U.S.C. § 2607, by collecting referral payments or unearned fees in the form of reinsurance premiums. Specifically, plaintiffs allege that the private mortgage insurance policies procured in connection with their loans are subject to captive reinsurance arrangements between private mortgage insurers and WMMRC. Plaintiffs have alleged that a percentage of the mortgage insurance premiums paid by borrowers are ceded to WMMRC, but that the risk assumed by WMMRC is not commensurate with the premiums that it receives. According to plaintiffs, these allegedly excessive reinsurance premiums were disguised kickbacks paid to WMI through the captive reinsurance arrangements in exchange for the placement of its primary mortgage business. The complaint seeks treble damages, attorney's fees and defense costs.

On December 21, 2007, the Defendants filed a Motion to Dismiss Plaintiffs' Complaint. That motion was denied. The Defendants subsequently filed an interlocutory appeal of the denial with the Third Circuit Court of Appeals. Following the Third Circuit's October 2009 decision in Alston v. Countrywide Financial Corp., 585 F.3d 753 (3d Cir. 2009), which raised similar issues, the petition for appeal in the Pennsylvania Action was denied and the matter was returned to the district court. On January 11, 2010, the Pennsylvania Action was removed from the Civil Suspense File and re-opened for final disposition by the district court. A joint discovery plan was approved by the district court on February 2, 2010. The Pennsylvania Action remained stayed as to WMI due to its bankruptcy filing.

On March 1, 2010, WMMRC filed an Amended Answer to the Class Action Complaint. In addition, pursuant to the parties' joint discovery plan, three additional motions were filed on March 1, 2010. The FDIC, in its capacity as receiver for WMB, and JPMC, as successor to FSB, filed motions to dismiss the complaint for lack of subject matter jurisdiction.

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Additionally, the FDIC, as receiver, filed a motion to strike plaintiffs' class allegations against the FDIC for failure to comply with procedural requirements of the Financial Institutions Reform, Recovery and Enforcement Act ( "FIRREA" ). The FDIC's motion to dismiss was granted on June 28, 2011.

In 2011, the parties reached a preliminary compromise and settlement in the Class Action Complaint. That compromise was subsequently memorialized in a written settlement agreement. Pursuant to the Federal Rules of Civil Procedure, the settlement must be approved by the District Court. On June 4, 2012, Plaintiffs filed a motion for preliminary approval of the settlement and on June 25, 2012, the District Court entered an order preliminarily approving such settlement. In accordance with GAAP guidance on Loss Contingencies, in 2010 management recorded an accrual for estimated anticipated settlements of \$4 million as a component of other liabilities on the balance sheet and as a component of general and administrative expenses on the statement of operations. The amount of such accrual as of September 30, 2012 is zero as on or about July 16, 2012, the settlement amount was deposited into a settlement distribution escrow account and the settlement amount will remain on deposit in such account until the District Court finally approves the settlement. A final hearing to approve the settlement of the Class Action Complaint is currently scheduled for November 27, 2012. At December 31, 2011 the accrual corresponds to the \$4 million settlement amount.

### **Item 1A. Risk Factors.**

Our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 sets forth a detailed discussion of our risk factors. Accordingly, the information in this Form 10-Q should be read and considered in conjunction with all of the risk factors and information disclosed in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.

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### **Item 6. Exhibits**

(a) The following exhibits are filed or incorporated by reference as part of this Form 10-Q.

#### **Exhibit**

<b>Number</b>	<b>Description of Exhibit</b>
2.1	Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated December 12, 2011, and filed with the United States Bankruptcy Court for the District of Delaware on December 12, 2011, as modified by the Modification of Seventh Amended Plan dated January 9, 2012, the Second Modification of the Seventh Amended Plan dated January 12, 2012, and the Third Modification of Seventh Amended Plan dated February 16, 2012. (Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on March 1, 2012, and incorporated herein by reference.)
2.2	Disclosure Statement for the Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated December 12, 2011, and filed with the United States Bankruptcy Court for the District of Delaware on December 12, 2011. (Filed as Exhibit 2.2 to the Company's Current Report on Form 8-K filed on March 1, 2012, and incorporated herein by reference.)
2.3	Order Confirming the Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated February 24, 2012, as entered by the Court. (Filed as Exhibit 2.3 to the Company's Current Report on Form 8-K filed on March 1, 2012, and incorporated herein by reference.)
3.1	Amended and Restated Articles of Incorporation of WMI Holdings Corp., dated March 19, 2012. (Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 23, 2012, and incorporated herein by reference.)
3.2	Amended and Restated Bylaws of WMI Holdings Corp., dated March 19, 2012. (Filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed on March 23, 2012, and incorporated herein by reference.)
4.1	First Lien Indenture, dated March 19, 2012. (Filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 23, 2012, and incorporated herein by reference.)
4.2	Second Lien Indenture, dated March 19, 2012. (Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed on March 23, 2012, and incorporated herein by reference.)
10.1	Financing Agreement, dated March 19, 2012, by and among WMI Holdings Corp., as borrower, certain lenders party thereto, and US Bank National Association as agent for the lenders. (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 23, 2012, and incorporated herein by reference.)
10.2	Pledge and Security Agreement, dated March 19, 2012, by and among WMI Holdings Corp., Wilmington Trust, National Association, Law Debenture Trust Company of New York and U.S. Bank National Association. (Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 23, 2012, and incorporated herein by reference.)
10.3	Pledge and Security Agreement, dated March 19, 2012, by and among WMI Holdings Corp., WMI Investment Corp. and US Bank National Association. (Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on March 23, 2012, and incorporated herein by reference.)
10.4	Intercreditor Agreement, dated March 19, 2012, by and among Wilmington Trust, National Association, Law Debenture Trust Company of New York, and U.S. Bank National Association. (Filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on March 23, 2012, and incorporated herein by reference.)
10.5	Employment Agreement, dated March 22, 2012, by and between WMI Holdings Corp. and Weijia Vicky Wu. (Filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on March 23, 2012, and incorporated herein by reference.)
10.6	Employment Agreement, dated March 22, 2012, by and between WMI Holdings Corp. and Peter Struck. (Filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed on March 23, 2012, and incorporated herein by reference.)
10.7	Transition Services Agreement, dated March 23, 2012, by and between WMI Holdings Corp. and the Liquidating Trust. (Filed as Exhibit 10.7 to the Company's Current Report on Form 8-K filed on March 23, 2012, and incorporated herein by reference.)
10.8	Amendment No. 1 To Transition Services Agreement, effective September 18, 2012, by and between WMI Holdings Corp. and the Liquidating Trust. (Filed as Exhibit 10.1 to registrant's Form 8-K filed with the SEC on September 27, 2012, and incorporated herein by reference.)



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### **Exhibit**

<b>Number</b>	<b>Description of Exhibit</b>
10.9	Form of Indemnification Agreement. (Filed as Exhibit 10.8 to the Company's Current Report on Form 8-K filed on March 23, 2012, and incorporated herein by reference)
10.10	Engagement Agreement, effective May 28, 2012 entered into by and between WMI Holdings Corp. and CXO Consulting Group, LLC. (Filed as Exhibit 99.2 to registrant's Form 8-K filed with the SEC on June 4, 2012, and incorporated herein by reference)
10.11	Amendment to Engagement Agreement, effective October 23, 2012 entered into by and between WMI Holdings Corp. and CXO Consulting Group, LLC. (Filed as Exhibit 99.1 to registrant's Form 8-K filed with the SEC on October 25, 2012, and incorporated herein by reference)
10.12	Commutation and Release Agreement dated July 17, 2012 and effective October 2, 2012, by and between PMI Mortgage Insurance Co. and WM Mortgage Reinsurance Company, Inc. (Filed as Exhibit 10.1 to registrant's Form 8-K filed with the SEC on October 9, 2012, and incorporated herein by reference)
10.13	Limited Waiver Agreement with First Indenture Trustee dated October 2, 2012, entered into by and between WMI Holdings Corp. and Wilmington Trust, National Association. (Filed as Exhibit 10.2 to registrant's Form 8-K filed with the SEC on October 9, 2012, and incorporated herein by reference)
10.14	Limited Waiver Agreement with Second Indenture Trustee dated October 2, 2012, entered into by and between WMI Holdings Corp. and Law Debenture Trust Company of New York. (Filed as Exhibit 10.3 to registrant's Form 8-K filed with the SEC on October 9, 2012, and incorporated herein by reference)
10.15	Consent, dated September 24, 2012 and effective October 2, 2012, granted by U.S. Bank National Association, as administrative agent for the lenders party to that certain Financing Agreement, dated March 9, 2012 (the "Financing Agreement") and the lenders party to the Financing Agreement and accepted and acknowledged by WMI Holdings Corp., WMI Investment Corp. and WM Mortgage Reinsurance Company, Inc. (Filed as Exhibit 10.4 to registrant's Form 8-K filed with the SEC on October 9, 2012, and incorporated herein by reference)
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to the 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

\* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.



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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WMI HOLDINGS CORP.

(Registrant)

Dated: November 9, 2012

By: /s/ Charles Edward Smith  
Name: Charles Edward Smith  
Title: Interim Chief Executive Officer

Dated: November 9, 2012

By: /s/ Timothy F. Jaeger  
Name: Timothy F. Jaeger  
Title: Interim Chief Financial Officer

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**EXHIBIT INDEX**

- 2.1 Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated December 12, 2011, and filed with the United States Bankruptcy Court for the District of Delaware on December 12, 2011, as modified by the Modification of Seventh Amended Plan dated January 9, 2012, the Second Modification of the Seventh Amended Plan dated January 12, 2012, and the Third Modification of Seventh Amended Plan dated February 16, 2012. (Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on March 1, 2012, and incorporated herein by reference.)
- 2.2 Disclosure Statement for the Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated December 12, 2011, and filed with the United States Bankruptcy Court for the District of Delaware on December 12, 2011. (Filed as Exhibit 2.2 to the Company's Current Report on Form 8-K filed on March 1, 2012, and incorporated herein by reference.)
- 2.3 Order Confirming the Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated February 24, 2012, as entered by the Court. (Filed as Exhibit 2.3 to the Company's Current Report on Form 8-K filed on March 1, 2012, and incorporated herein by reference.)
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10.10	Engagement Agreement, effective May 28, 2012 entered into by and between WMI Holdings Corp. and CXO Consulting Group, LLC. (Filed as Exhibit 99.2 to registrant's Form 8-K filed with the SEC on June 4, 2012, and incorporated herein by reference)
10.11	Amendment to Engagement Agreement, effective October 23, 2012 entered into by and between WMI Holdings Corp. and CXO Consulting Group, LLC. (Filed as Exhibit 99.1 to registrant's Form 8-K filed with the SEC on October 25, 2012, and incorporated herein by reference)
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