

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  
of incorporation)

**1201 THIRD AVENUE, SUITE 3000**  
**SEATTLE, WASHINGTON**  
(Address of principal executive offices)

**91-1653725**  
(IRS Employer  
Identification No.)

**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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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
<b>Total revenues</b>	<b>7,336</b>	<b>9,103</b>	<b>16,705</b>	<b>9,349</b>	<b>33,135</b>
<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		
<b>Total expenses</b>	<b>2,037</b>	<b>15,367</b>	<b>19,107</b>	<b>12,782</b>	<b>42,657</b>
Income (loss) before federal income taxes	5,299	(6,264)	(2,402)	(3,433)	(9,522)
Federal income tax expense (benefit)					
<b>Net income (loss)</b>	<b>\$ 5,299</b>	<b>\$ (6,264)</b>	<b>\$ (2,402)</b>	<b>\$ (3,433)</b>	<b>\$ (9,522)</b>
<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
<b>Total investments held in trust</b>	<b>303,210</b>	<b>332,013</b>
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
<b>Total assets</b>	<b>\$ 397,069</b>	<b>\$ 350,559</b>
<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
<b>Total liabilities</b>	<b>322,871</b>	<b>175,569</b>
<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.*



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## 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		Additional	Retained	Total
	Shares	Amount	paid-in	earnings	shareholders
			capital	(deficit)	equity (deficit)
Balance at December 31, 2011 (Predecessor)	1,000	\$ 1			

research, opinions or recommendations expressed by us, JPMorgan Chase & Co. or our or its affiliates may not be consistent with each other and may be modified from time to time without notice. You should make your own independent investigation of the merits of investing in the notes and the Underlying.

**POTENTIAL CONFLICTS OF INTEREST** — We and our affiliates play a variety of roles in connection with the issuance of the notes, including acting as calculation agent, hedging our obligations under the notes and determining the Issuer's estimated value of the notes on the Trade Date and the price, if any, at which we or our affiliates would be willing to purchase the notes from you in secondary market transactions. In performing these roles, our economic interests and those of our affiliates are potentially adverse to your interests as an investor in the notes. The calculation agent will determine, among other things, all values, prices and levels required to be determined for the purposes of the notes on any relevant date or time. The calculation agent also has some discretion about certain adjustments to the Stock Adjustment Factor and will be responsible for determining whether a market disruption event has occurred. Any determination by the calculation agent could adversely affect the return on the notes.

**THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES ARE UNCERTAIN** — There is no direct legal authority regarding the proper U.S. federal income tax treatment of the notes, and we do not plan to request a ruling from the IRS. Consequently, significant aspects of the tax treatment of the notes are uncertain, and the IRS or a court might not agree with the treatment of the notes as prepaid financial contracts that are not debt. If the IRS were successful in asserting an alternative treatment for the notes, the tax consequences of ownership and disposition of the notes could be materially and adversely affected.

Even if the treatment of the notes as prepaid financial contracts is respected, purchasing a note could be treated as entering into a "constructive ownership transaction." In that case, all or a portion of any long-term capital gain you would otherwise recognize on the taxable disposition of the note would be recharacterized as ordinary income to the

extent such gain exceeded the “net underlying long-term capital gain,” and a notional interest charge would apply with respect to the deemed tax liability that would have been incurred if such income had accrued at a constant rate over the period you held the note.

As described above under “Tax Consequences,” in 2007 the U.S. Treasury Department and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. Any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the notes, possibly with retroactive effect. You should review carefully the section of the accompanying product supplement entitled “U.S. Federal Income Tax Consequences,” and consult your tax adviser regarding the U.S. federal tax consequences of an investment in the notes (including possible alternative treatments, the potential application of the “constructive ownership” regime and the issues presented by the 2007 notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

### **Use of Proceeds and Hedging**

Part of the net proceeds we receive from the sale of the notes will be used in connection with hedging our obligations under the notes through one or more of our affiliates. The hedging or trading activities of our affiliates on or prior to the Trade Date or an Averaging Date could adversely affect the price of the Underlying and, as a result, could decrease the amount you may receive on the notes at maturity.

## The Underlying

All disclosures contained in this pricing supplement regarding the Underlying are derived from publicly available information. Neither Deutsche Bank AG nor any of its affiliates has participated in the preparation of, or verified, such information about the Underlying contained in this pricing supplement. You should make your own investigation into the Underlying.

Included in the following section is a brief description of the issuer of the Underlying. We obtained the historical closing price information set forth below from Bloomberg L.P. and we have not participated in the preparation of, or verified, such information. You should not take the historical closing prices of the Underlying as an indication of future performance. The Underlying is registered under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). Companies with securities registered under the Exchange Act are required to file certain financial and other information specified by the SEC periodically. Information filed by the issuer of the Underlying with the SEC can be reviewed electronically through a web site maintained by the SEC. The address of the SEC’s web site is <http://www.sec.gov>. Information filed with the SEC by the issuer of the Underlying under the Exchange Act can be located by reference to its SEC file number provided below.

In addition, information filed with the SEC can be inspected and copied at the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of this material can also be obtained from the Public Reference Section, at prescribed rates.

### Bank of America Corporation

According to publicly available information, Bank of America Corporation is a financial institution that serves individual consumers, small- and middle-market businesses, institutional investors, large corporations and governments with a range of banking, investing, asset management and other financial and risk management products and services. Information filed by Bank of America Corporation with the SEC under the Exchange Act can be located by reference to its SEC file number: 001-06523, or its CIK code: 0000070858. The common stock of Bank of America Corporation is traded on the New York Stock Exchange under the ticker symbol “BAC.”

## Historical Information

The following graph sets forth the historical performance of the common stock of Bank of America Corporation based on its daily closing prices from October 6, 2012 through October 6, 2017. The closing price of the Underlying on October 6, 2017 was \$26.21. We obtained the historical closing prices of the Underlying below from Bloomberg L.P. and we have not participated in the preparation of, or verified, such information.

**The historical closing prices of the Underlying should not be taken as an indication of future performance and no assurance can be given as to the Closing Price of the Underlying on any of the Averaging Dates. We cannot give you assurance that the performance of the Underlying will result in the return of any of your initial investment.**

## **Supplemental Plan of Distribution**

JPMorgan Chase Bank, N.A. and JPMS LLC or one of its affiliates will act as placement agents for the notes. The placement agents will receive a fee from the Issuer that will not exceed \$10.00 per \$1,000 Face Amount of notes, but will forgo any fees for sales to certain fiduciary accounts. See “Plan of Distribution (Conflicts of Interest)” in the accompanying product supplement.

## **Settlement**

We expect to deliver the notes against payment for the notes on the Settlement Date indicated above, which is expected to be a day that is greater than two business days following the Trade Date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally will be required to settle in two business days, unless the parties to a trade expressly agree otherwise. Accordingly, if the Settlement Date is more than two business days after the Trade Date, purchasers who wish to transact in the notes more than two business days prior to the Settlement Date will be required to specify alternative settlement arrangements to prevent a failed settlement.