FATE THERAPEUTICS INC
Form 10-Q
May 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016

OR

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934
From the transition period from to .

Commission File Number 001-36076

FATE THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	65-1311552
(State or other jurisdiction	(IRS Employer
of incorporation or organization)	Identification No.)
3535 General Atomics Court, Suite 200, San Diego, CA	92121
(Address of principal executive offices)	(Zip Code)

(858) 875-1800

(Registrant's telephone number, including area code)

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 x No o

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 x No o

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	o		Accelerated filer	x
Non-accelerated filer	o	(Do not check if a smaller reporting company)	Smaller reporting company	o

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

As of May 6, 2016, 28,864,054 shares of the registrant's common stock, par value $0.001 per share, were issued and outstanding.

FATE THERAPEUTICS, INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Fate Therapeutics, Inc.

Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

	March 31, 2016 (unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 39,487	$ 64,809
Short-term investments	16,125	—
Prepaid expenses and other current assets	955	843
Total current assets	56,567	65,652
Property and equipment, net	1,992	2,160
Restricted cash	122	122
Other assets	24	24
Total assets	$ 58,705	$ 67,958
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,975	$ 996
Accrued expenses	2,038	2,439
Current portion of deferred rent	63	54
Current portion of deferred revenue	2,105	2,401
Repurchase liability for unvested equity awards	—	1
Long-term debt, current portion	7,705	7,550
Total current liabilities	13,886	13,441
Deferred rent	42	58
Deferred revenue	4,408	4,934
Accrued expenses	942	799
Long-term debt, net of current portion	8,700	10,688
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, $0.001 par value; authorized shares—5,000,000 at March 31, 2016 and December 31, 2015; no shares issued or outstanding	—	—
Common stock, $0.001 par value; authorized shares — 150,000,000 at March 31, 2016 and December 31, 2015; issued and outstanding shares — 28,861,711 at	29	29

March 31, 2016 and 28,716,570 at December 31, 2015		
Additional paid-in capital	181,445	180,393
Accumulated other comprehensive income	14	—
Accumulated deficit	(150,761)	(142,384)
Total stockholders' equity	30,727	38,038
Total liabilities and stockholders' equity	$ 58,705	$ 67,958

See accompanying notes.

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Fate Therapeutics, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(in thousands, except share and per share data)

	Three Months Ended March 31, 2016 (unaudited)	2015
Collaboration revenue	$1,322	$—
Operating expenses:		
Research and development	6,636	4,568
General and administrative	2,602	2,756
Total operating expenses	9,238	7,324
Loss from operations	(7,916)	(7,324)
Other income (expense):		
Interest income	27	1
Interest expense	(488)	(558)
Total other expense, net	(461)	(557)
Net loss	$(8,377)	$(7,881)
Other comprehensive income:		
Unrealized gain on available-for-sale securities, net	14	—
Comprehensive loss	$(8,363)	$(7,881)
Net loss per common share, basic and diluted	$(0.29)	$(0.38)
Weighted-average common shares used to compute basic and diluted net loss per share	28,777,790	20,554,478

See accompanying notes.

Fate Therapeutics, Inc.

Condensed Consolidated Statements of Cash Flows

(in thousands)

	Three Months Ended March 31,	
	2016	2015
	(unaudited)	
Operating activities		
Net loss	$(8,377)	$(7,881)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	227	128
Stock-based compensation	797	608
Amortization of debt discounts and debt issuance costs	40	44
Amortization of premiums and discounts on investments, net	55	—
Noncash interest expense	157	164
Deferred rent	(7)	(10)
Deferred revenue	(822)	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(112)	303
Accounts payable and accrued expenses	790	269
Net cash used in operating activities	(7,252)	(6,375)
Investing activities		
Purchase of property and equipment	(178)	(452)
Purchases of short-term investments	(16,166)	—
Net cash used in investing activities	(16,344)	(452)
Financing activities		
Issuance of common stock from equity incentive plans, net of issuance costs	147	75
Payments on long-term debt	(1,873)	—
Net cash provided by (used in) financing activities	(1,726)	75
Net change in cash and cash equivalents	(25,322)	(6,752)
Cash and cash equivalents at beginning of the period	64,809	49,101
Cash and cash equivalents at end of the period	$39,487	$42,349

See accompanying notes.

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Fate Therapeutics, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Organization and Summary of Significant Accounting Policies

Organization

Fate Therapeutics, Inc. (the "Company") was incorporated in the state of Delaware on April 27, 2007 and has its principal operations in San Diego, California. The Company is a biopharmaceutical company dedicated to the development of programmed cellular immunotherapies for cancer and immune disorders. The Company's cell therapy pipeline is comprised of immuno-oncology programs, including off-the-shelf NK- and T-cell cancer immunotherapies derived from engineered induced pluripotent cells, and immuno-regulatory programs, including hematopoietic cell immunotherapies for protecting the immune system of patients undergoing hematopoietic cell transplantation and for suppressing autoimmunity. Its adoptive cell therapy programs are based on the Company's novel ex vivo cell programming approach, which it applies to modulate the therapeutic function and direct the fate of immune cells.

As of March 31, 2016, the Company has devoted substantially all of its efforts to product development, raising capital and building infrastructure and has not generated any revenues from any sales of its therapeutic products. To date, the Company's revenues have been derived from collaboration agreements and government grants.

Follow-on Public Equity Offering

In May 2015, the Company completed a public offering of common stock in which the Company sold 6,900,000 shares of its common stock at an offering price of $5.00 per share. Gross proceeds from the offering were $34.5 million. Total underwriting discounts, commissions, and other cash costs related to the offering were $2.4 million. After giving effect to all such costs, total net proceeds from the offering were $32.1 million.

Use of Estimates

The Company's consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("GAAP"). The preparation of the Company's consolidated financial statements requires it to make estimates and assumptions that impact the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the Company's consolidated financial statements and accompanying notes. The most significant estimates in the Company's consolidated financial statements relate to accrued expenses. Although these estimates are based on the Company's knowledge of current events and actions it may undertake in the future, actual results may ultimately materially differ from these estimates and assumptions.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, Fate Therapeutics (Canada), Inc. or "Fate Canada", incorporated in Canada, and Fate Therapeutics Ltd., incorporated in the United Kingdom. To date, the aggregate operations of these subsidiaries have not been significant and all intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include cash in readily available checking and savings accounts, money market accounts and money market funds. The Company considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents.

Short-Term Investments

Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in comprehensive income. The amortized cost of available-for-sale debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are included in other income or expense. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income.

Unaudited Interim Financial Information

The accompanying interim condensed consolidated financial statements are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with GAAP and following the requirements of the United States Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP can be condensed or omitted. In management's opinion, the unaudited interim financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company's financial position and its results of operations and comprehensive loss and its cash flows for periods presented. These statements do not include all disclosures required by GAAP and should be read in conjunction with the Company's financial statements and accompanying notes for the fiscal year ended December 31, 2015, contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed by the Company with the SEC on March 3, 2016. The results for the three months ended March 31, 2016 are not necessarily indicative of the results expected for the full fiscal year or any other interim period or any future year or period.

Revenue Recognition

The Company recognizes revenues when all four of the following criteria are met: (i) persuasive evidence that an agreement exists; (ii) delivery of the products and/or services has occurred; (iii) the selling price is fixed or determinable; and (iv) collectability is reasonably assured.

Revenue arrangements with multiple elements are analyzed to determine whether the elements can be divided into separate units of accounting or whether the elements must be accounted for as a single unit of accounting. The Company divides the elements into separate units of accounting and applies the applicable revenue recognition criteria to each of the elements, if the delivered elements have value to the customer on a stand-alone basis, if the arrangement includes a general right of return relative to the delivered elements, and if the delivery or performance of the undelivered elements is considered probable and substantially within the Company's control.

Revenue is allocated to each element at the inception of the arrangement using the relative selling price method that is based on a three-tier hierarchy. The relative selling price method requires that the estimated selling price for each element be based on vendor-specific objective evidence ("VSOE") of fair value, which represents the price charged for each element when it is sold separately or, for an element not yet being sold separately, the price established by management. When VSOE of fair value is not available, third-party evidence ("TPE") of fair value is acceptable, or a best estimate of selling price is used if neither VSOE nor TPE is available. A best estimate of selling price should be consistent with the objective of determining the price at which the Company would transact if the element were sold regularly on a stand-alone basis and should also take into account market conditions and company-specific factors.

Revenue arrangements with multiple elements may include license fees, research and development payments, milestone payments, other contingent payments, and royalties on any product sales derived from collaborations. The Company recognizes nonrefundable license fees with stand-alone value as revenue at the time that the Company has satisfied all performance obligations, and recognizes license fees without stand-alone value as revenue in combination with any undelivered performance obligations. The Company recognizes a research and development payment as revenue over the term of the collaboration agreement as contracted amounts are earned, or reimbursable costs are incurred, under the agreement, where contracted amounts are considered to be earned in relative proportion to the performance required under the applicable agreement. The Company recognizes a milestone payment, which is contingent upon the achievement of a milestone in its entirety, as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. These criteria include the following: (i) the consideration being earned should be commensurate with either the Company's performance to achieve the milestone or the enhancement of the value of the item delivered as a result of a specific outcome resulting from the Company's performance to achieve the milestone; (ii) the consideration being earned should relate solely to past performance; (iii) the consideration being earned should be reasonable relative to all deliverables and payment terms in the arrangement; and (iv) the milestone should be considered in its entirety and cannot be bifurcated into substantive and nonsubstantive components. Any amounts received pursuant to revenue arrangements with multiple elements prior to satisfying the Company's revenue recognition criteria are recorded as deferred revenue on the Company's consolidated balance sheets.

Revenue from government grants is recorded when reimbursable expenses are incurred under the grant in accordance with the terms of the grant award.

Stock-Based Compensation

Stock-based compensation expense represents the cost of the grant date fair value of employee stock option and restricted stock unit grants recognized over the requisite service period of the awards (usually the vesting period) on a straight-line basis, net of estimated forfeitures. For stock option grants for which vesting is subject to performance-based milestones, the expense is recorded over the remaining service period after the point when the achievement of the milestone is probable or the performance condition has been achieved. For stock option grants for which vesting is subject to both performance-based milestones and market conditions, expense is recorded over the derived service period after the point when the achievement of the performance-based milestone is probable or the performance condition has been achieved. The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model, with the exception of option grants for which vesting is subject to both performance-based milestones and market conditions, which are valued using a lattice-based model. The fair value of restricted stock units is based on the closing price of the Company's common stock as reported on The NASDAQ Global Market on the date of grant.

The Company accounts for stock options and restricted stock awards to non-employees using the fair value approach. Stock options and restricted stock awards to non-employees are subject to periodic revaluation over their vesting terms. For stock option grants for which vesting is subject to performance-based milestones, the expense is recorded over the remaining service period after the point when the performance condition is determined to be probable of achievement or when it has been achieved.

Comprehensive Loss

Comprehensive loss is defined as a change in equity during a period from transactions and other events and circumstances from non owner sources. Other comprehensive income included unrealized gains on available-for-sale securities, which was the only difference between net loss and comprehensive loss for the applicable period.

Net Loss per Common Share

Basic net loss per common share is calculated by dividing the net loss by the weighted-average number of shares of common stock outstanding for the period, without consideration for common stock equivalents. Excluded from the weighted-average number of shares outstanding are shares which have been issued upon the early exercise of stock options and are subject to future vesting totaling 13,135 shares and 58,453 shares for the three months ended March 31, 2016 and 2015, respectively. Diluted net loss per share is calculated by dividing the net loss by the weighted-average number of common stock equivalents outstanding for the period determined using the treasury-stock method. Dilutive common stock equivalents for the periods presented include warrants for the purchase of common stock, and common stock options and restricted stock units outstanding under the Company's stock option and incentive plan. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss position.

For the three months ended March 31, 2016, the Company realized a net loss of $8.4 million. Shares of potentially dilutive securities totaled 4.5 million for the three months ended March 31, 2016, including an aggregate of 4.4 million shares of common stock issuable upon the exercise of outstanding stock options and the settlement of outstanding restricted stock units.

For the three months ended March 31, 2015, the Company realized a net loss of $7.9 million. Shares of potentially dilutive securities totaled 3.1 million for the three months ended March 31, 2015, including options to purchase 3.0 million shares of common stock.

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update No. 2016-09 (ASU 2016-09). ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal periods beginning after December 15, 2016, with early adoption permitted. The Company believes the ultimate adoption of this guidance will not have a material impact on its Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02 which requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the effect this standard will have on its Consolidated Financial Statements.

In November 2015, the FASB issued ASU 2015-17, which requires that all deferred tax assets and liabilities be classified as noncurrent on the balance sheet, instead of separating deferred taxes into current and noncurrent amounts. The update is effective for financial statements issued for fiscal years beginning after December 15, 2016. As early adoption of this amendment is permitted, the Company has adopted the update prospectively during the year ended December 31, 2015. The adoption of this guidance did not have a material impact on the Company’s Consolidated Financial Statements.

In August 2014, the FASB issued ASU 2014-15, which defined management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related disclosure. ASU 2014-15 defined the term substantial doubt and requires an assessment for a period of one year after the date of the issuance of the financial statements. It requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The guidance becomes effective for reporting periods ending after December 15, 2016, and for annual periods and interim periods thereafter, with early adoption permitted. The Company does not believe that the adoption of this guidance will have a material impact on its Consolidated Financial Statements.

In May 2014, the FASB issued ASU 2014-09, which created a single, principle-based revenue recognition model that will supersede and replace nearly all existing U.S. GAAP revenue recognition guidance. Entities will recognize revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. The model provides that entities follow five steps: (i) identify the contract with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations, and (v) recognize revenue. For public business entities, the guidance becomes effective for annual reporting periods beginning after December 15, 2017, and interim periods therein. The Company is currently evaluating the impact the adoption of this guidance will have on its Consolidated Financial Statements.

2. Juno Collaboration and License Agreement

On May 4, 2015, the Company entered into a strategic research collaboration and license agreement (the "Agreement") with Juno Therapeutics, Inc. ("Juno") to screen for and identify small molecules that enhance the therapeutic properties of Juno's genetically-engineered T-cell immunotherapies. Pursuant to the terms of the Agreement, Juno paid the Company a non-refundable upfront payment of $5.0 million and purchased 1,000,000 shares of the Company's common stock at a price of $8.00 per share.

Additionally, Juno agreed to fund all of the Company's collaboration research activities for an initial four-year research term beginning on the effective date of the Agreement, with minimum annual research payments of $2.0 million to the Company. Juno has the option to extend the exclusive research term for an additional two years beyond the initial four-year term, subject to the payment of an extension fee of $3.0 million and the continued funding of the Company's activities under the collaboration during the extended term, with minimum annual research payments of $4.0 million to the Company during the two-year extension period. Upon exercise of the research term extension, the Company has the option to require Juno to purchase up to $10.0 million of the Company's common stock at a premium equal to 120% of the then thirty-day trailing volume weighted average trading price of the Company's common stock.

The Company applied Accounting Standards Codification ("ASC") 605-25, Revenue Recognition — Multiple Element Arrangements, to evaluate the appropriate accounting for the Agreement. In accordance with this guidance, the Company assessed the potential deliverables, including an exclusive license granted by the Company to Juno for certain intellectual property and research services to be performed by the Company, and determined that the deliverables did not have stand-alone value. The Company determined that the license deliverable granted under the Agreement does not have standalone value given the highly specific nature of the small molecules to be identified for use with Juno's genetically-engineered T-cell immunotherapies. The Company concluded that there is one single unit of accounting, and the arrangement consideration will be recognized in the same manner as the final deliverable, which is the research services. As such, the upfront payment of $5.0 million was recorded as deferred revenue and is being recognized over the initial four-year research term under the Agreement. With respect to the $8.0 million payment for the Company's common stock, the Company determined that the common stock purchase price of $8.00 per share represented a premium of $3.40 per share. This premium represents arrangement consideration and therefore the aggregate premium of $3.4 million was recorded as deferred revenue and is being recorded as revenue ratably over the initial four-year research term. The remaining $4.6 million consideration that represents the purchase of common stock was recorded as the issuance of common stock in shareholders' equity.

Pursuant to the collaboration's research plan under the Agreement, the Company is responsible for screening and identifying small molecule modulators of immunological cells, while Juno will be responsible for the development and commercialization of engineered T-cell immunotherapies incorporating the Company's modulators. As the Company is principally responsible for the performance of the research services under the Agreement, revenue is recognized on a gross basis for such services when earned. Billings for research services will be recognized as deferred revenue until earned.

Total revenue recognized under the Agreement for the three months ended March 31, 2016 was $1.3 million. As of March 31, 2016, aggregate deferred revenue related to the Agreement was $6.5 million.

Under the Agreement, the Company has granted Juno an exclusive worldwide license to certain of its intellectual property, including its intellectual property arising under the collaboration, to make, use, sell and otherwise exploit genetically-engineered T-cell immunotherapies using or incorporating small molecule modulators directed against certain designated tumor-associated antigen targets, subject to the selection of a target by Juno. The Company has retained exclusive rights to such intellectual property, including its intellectual property arising under the collaboration, for all other purposes, including its use outside of those targets selected by Juno.

The Company is eligible under the Agreement to receive selection fees for each tumor-associated antigen target selected by Juno and bonus selection fees based on the aggregate number of tumor-associated antigen targets selected by Juno. In accordance with ASC 605-28, Revenue Recognition — Milestone Method, the Company determined that such contingent payments do not constitute milestone payments and will not be accounted for under the milestone method of revenue recognition. The events leading to these payments do not meet the definition of a milestone under ASU 2010-17 because the achievement of these events depends on Juno's performance and selections. Any revenue from these contingent selection payments would be subject to an allocation of arrangement consideration and would be recognized over any remaining period of performance obligation, if any, relating to the collaboration.

In connection with each Juno therapy that uses or incorporates the Company's small molecule modulators, Juno has agreed to pay the Company non-refundable, non-creditable milestone payments totaling up to approximately $51.0 million in the aggregate per therapy upon the achievement of various clinical, regulatory and commercial milestones. Additionally, in connection with the third Juno therapy and the fifth Juno therapy that uses or incorporates the Company's small molecule modulators, Juno has agreed to pay the Company additional non-refundable, non-creditable bonus milestone payments totaling up to approximately $116.0 million and $137.5 million, respectively, in the aggregate, per therapy upon the achievement of various clinical, regulatory, and commercial milestones. In accordance with ASU 2010-17, the Company determined that these contingent payments meet the definition of a milestone under ASU 2010-17, and that the milestones are substantive given that the milestones are commensurate with the Company's performance, relate solely to the Company's past performance, and are reasonable relative to other deliverables and payments under the Agreement. Accordingly, the milestones under the Agreement will be accounted for as revenue on the achievement date, if any.

Beginning on the date of the first commercial sale (in each country) for each Juno therapy that uses or incorporates the Company's small molecule modulators, and continuing until the later of: i) the expiration of the last valid patent claim, ii) ten years after such first commercial sale, or iii) the expiration of all data and other regulatory exclusivity periods afforded each therapy, Juno has agreed to pay the Company royalties in the low single-digits on net sales of each Juno therapy that uses or incorporates the Company's small molecule modulators.

The Agreement will end on the date that no further payments are due under the Agreement.

3. Short-term Investments

During the three months ended March 31, 2016, the Company invested excess cash in United States treasuries with maturities ranging from six to twelve months from the purchase date. These debt securities are classified as short-term investments in the accompanying consolidated balance sheets and are accounted for as available-for-sale securities.

The following table summarizes the Company's short-term investments accounted for as available-for-sale securities as of March 31, 2016 (no such investments were owned as of December 31, 2015) (in thousands):

Maturity (in	Amortized	Unrealized	Unrealized	Estimated

years) Cost Losses Gains Fair Value

March 31, 2016:

WMMRC has net assets totaling $167.0 million and $175.0 million as of December 31, 2012 and 2011, respectively. These net assets are not immediately available for distribution to WMIHC due to restrictions imposed by the trust arrangements referenced earlier in this report, and the requirement that the Insurance Commissioner of the State of Hawaii must approve dividends from WMMRC. Distributions from WMMRC to WMIHC are further restricted by the terms of the Runoff Notes described in Note 9: Notes Payable to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Capital Structure and Management

WMIHC s capital structure consists of shareholders equity and $136.3 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 December 31, 2012, 201,156,078 shares of WMIHC s common stock were issued and outstanding; no shares of its preferred stock are issued or outstanding.

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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 (described below) and Indentures (described 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.

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 Hawaii law and deemed appropriate by the Insurance Commissioner of the State of Hawaii. As of December 31, 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 Hawaii 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 year ended December 31, 2012, WMMRC paid $35.3 million in dividends to WMIHC which were deposited into the Collateral Account (as defined below) and is being distributed in accordance with the Indentures.

Financing Agreement

As of March 19, 2012, a 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 $25.0 million and (b) a tranche B term loan in the aggregate principal amount of $100.0 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 December 31, 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 $110.0 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 $20.0 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

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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 Notes on June 1, 2012, September 1, 2012, and December 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 in lieu of making such interest payment in cash. The September 1, 2012 and December 1, 2012 interest payments on the First Lien Notes were paid in cash. The aggregate face amount of PIK Notes issued and outstanding as of December 31, 2012 totals approximately $8.3 million. Outstanding amounts under these notes totaled approximately $136.3 million as of December 31, 2012 and zero as of December 31, 2011 and 2010. Approximately $2.1 million of First Lien Notes principal was paid during the year ended December 31, 2012. Interest on First Lien Notes paid in cash totaled approximately $3.7 million during the year ended December 31, 2012 and zero during December 31, 2011 and 2010. On September 4, 2012, WMIHC received the Issuer Incremental Amount and Issuer Priority Amount (as such terms are defined in the Indentures) in accordance with the terms of the First Lien Indenture. On March 1, 2013, approximately $21.3 million of principal was paid on the First Lien Notes.

As of December 31, 2012 the Collateral Account contained $25.0 million of cash received from WMMRC which were used for future principal and interest payments. For more information on the ultimate use of these funds for payments of principal and interest on the Runoff Notes see Note 16: Subsequent Events to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

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. The Investment Management Agreement has been approved by the Insurance Commissioner of the State of Hawaii.

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 $110,000 per month. WMIHC is responsible

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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. The Administrative Services Agreement has been approved by the Insurance Commissioner of the State of Hawaii.

Total amounts incurred under the Investment Management Agreement and Administration Services Agreement totaled $1.5 million for the period from March 20, 2012 to December 31, 2012 and zero for all other periods. The expense and related income eliminate on consolidation. These agreements are described above.

On March 23, 2012, WMIHC and the Trust entered into 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 10 days written notice to the other party.

In connection with implementing the Plan, certain holders of specified Allowed Claims had the right to elect to receive such holder s Pro Rata Share of the Common Stock Election . Essentially, the Plan defines the Pro Rata Share of the Common Stock Election as ten million (10,000,000) shares of WMIHC s common stock (i.e. five percent (5%)) issued and outstanding on the Effective Date. Holders exercising the foregoing election did so in lieu of receiving (i) 50% of such holder s interest in and to certain litigation proceeds that could be realized by the Trust on account of certain claims and causes of action asserted by the Trust as contemplated by the Plan (Litigation Proceeds), and (ii) some or all of the Runoff Notes to which such holder may be entitled (if such holder elected to receive Runoff Notes in accordance with the terms of the Plan).

If a holder exercised the election described above and, as a result of such election, received shares of WMIHC s common stock, then such holder s share of Runoff Notes to which the election was effective (i.e., One Dollar ($1.00) of original principal amount of Runoff Notes for each share of WMIHC s common stock) were not issued. In addition, as a result of making the aforementioned election, such holders conveyed to, and WMIHC retains an economic interest in, the Litigation Proceeds equal to fifty percent (50%) of the Litigation Proceeds to which the electing holder otherwise would have been entitled and such holder s rights in respect of distributions from the Trust will be adjusted to the extent Litigation Proceeds are received by WMIHC). Distributions, if any, to WMIHC on account of the foregoing will be effected in accordance with the Plan and Confirmation Order.

As of December 31, 2012, WMIHC had not received any Litigation Proceeds in connection with the foregoing. Given the speculative nature of litigation, there can be no assurance that WMIHC will receive any value or distributions on account of Litigation Proceeds.

See Note 4: Fresh Start Accounting to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K 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 December 31, 2012, the loss contract fair market value reserve was analyzed and determined to be $52.2 million. This decrease in the loss contract fair market value reserve of $10.9 million resulted in a corresponding decrease

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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 to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K and Note 4: Fresh Start Accounting to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

On October 2, 2012, the reinsurance agreement with PMI was commuted resulting in a loss from termination of $6.2 million. This loss was partially offset by the reduction in the loss contract fair market value reserve. The commutation additionally provided an increase in current period cash available for distribution. This additional cash was distributed from WMMRC to WMIHC and at December 31, 2012 was held in the Collateral Account. For additional information see Note 16: Subsequent Events to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

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.

Item 7A. 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.

Interest Rate Risk: The Company s fixed maturity portfolio is exposed to interest rate risk. Fluctuations in interest rates have a direct impact on the market valuation of these investments. As interest rates rise, the market value of the Company s fixed maturity portfolio falls and the Company has the risk that cash outflows will have to be funded by selling assets, which will be trading at depreciated values. As interest rates decline, the market value of the Company s fixed income portfolio increases and the Company has reinvestment risk, as funds reinvested will earn less than is necessary to match anticipated liabilities. We manage interest rate risk by selecting investments with characteristics such as duration, yield, and liquidity tailored to the anticipated cash outflow characteristics of our liabilities. In the case of WMMRC, the investment portfolio duration is maintained at approximately two years because a significant portion of WMMRC s losses are expected to be paid out over the next three years.

At December 31, 2012, the impact on the Company s fixed maturity and short-term investments from an immediate 100 basis point increase in market interest rates (based on United States treasury yield) would have resulted in an estimated decrease in market value of 1.78 percent or approximately $5.5 million. At December 31, 2011, the impact on the Company s fixed maturity portfolio from an immediate 100 basis point increase in market interest rates would have resulted in an estimated decrease in market value of 2.00 percent or approximately $6.9 million.

At December 31, 2012, the Company held $50.6 million of the Company s fixed maturity portfolio in asset-backed and mortgage-backed securities, including those issued by United States government agencies. These assets are exposed to prepayment risk, which occurs when holders of underlying loans increase the frequency with which they prepay the outstanding principal before the maturity date and refinance at a lower interest rate

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cost. The adverse impact of prepayment is more evident in a declining interest rate environment. As a result, the Company will be exposed to reinvestment risk, as cash flows received by the Company will be accelerated and will be reinvested at the prevailing interest rates.

	Impact of Interest Rate Shift in Basis Points			
	At December 31, 2012		At December 31, 2011	
	0	+100	0	+100
Total Market/Fair Value ($000)	311,097	305,559	344,996	338,103
Market/Fair Value Change ($000)	0	-5,538	0	-6,893
Market/Fair Value Change (%)	0.00	-1.78	0.00	-2.00

Credit Risk: The Company s primary credit risks result from investments in corporate bonds. We limit our credit exposure by purchasing high quality fixed income investments to maintain an average credit quality of AA- or higher for the overall investments and an aggregated weighted average credit quality of AAA for mortgage and commercial mortgage-backed issues. A1/P1 is the minimum rating at purchase for all of our short-term commercial paper positions. In addition, we have limited our exposure to any single issuer to 7 percent or less of total investments, excluding commercial paper, treasury and agency securities. Our minimum rating for investment at purchase is A3/A-. Where investments are downgraded below the minimum rating at purchase, we permit our investment managers to continue holding such securities subject to additional credit research and monitoring. As of December 31, 2012, 2.8 percent of the portfolio was rated below A3/A-; we did not have any exposure to non-investment grade securities; and we did not have an aggregate exposure to any single issuer of more than 5 percent of total investments, other than with respect to government securities.

Liquidity risk: Certain of the Company s investments may become illiquid. Disruption in the credit markets may materially affect the liquidity of the Company s investments, including non-agency mortgage-backed securities which represent 3.4 percent of total cash and investments. If the Company requires significant amounts of cash on short notice in excess of normal cash requirements in a period of market illiquidity, it may be difficult to sell the investments in a timely manner and may have to be disposed of for less than what may otherwise have been possible under other conditions. As of December 31, 2012, the Company had $79.0 million of unrestricted, liquid assets, defined as unpledged cash and cash equivalents, short term investments, government and government agency securities. Please refer to in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations-*Liquidity and Capital Resources* for additional information regarding our liquidity sources and management.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item 8 is incorporated by reference from WMI Holdings Corp. Consolidated Financial Statements beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

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Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Interim Chief Executive Officer, and Interim Chief Financial Officer, the effectiveness of the disclosure controls and procedures of the Company as of December 31, 2012. Based on that evaluation, our Interim Chief Executive Officer and Interim Chief Financial Officer have concluded that, as of December 31, 2012, the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective in ensuring that information required to be disclosed by the Company in reports the Company files or submits under the Exchange Act:

(1) is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and

(2) is accumulated and communicated to the Company s management, including the Company s principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Management s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Interim Chief Executive Officer and Interim Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2012.

The effectiveness of our internal control over financial reporting as of December 31, 2012 has been audited by Burr Pilger Mayer, Inc., the independent registered public accounting firm that audited our financial statements included in this Annual Report on Form 10-K, as stated in their attestation report, which is included below.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of WMI Holdings Corp.:

We have audited the internal control over financial reporting of WMI Holdings Corp. and its subsidiaries (the Company) as of December 31, 2012, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, WMI Holdings Corp. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets and the related consolidated statements of operations, changes in shareholders equity, and cash flows of WMI Holdings Corp. and its subsidiaries, and our report dated March 15, 2013 expressed an unqualified opinion.

/s/ Burr Pilger Mayer, Inc.

San Francisco, California

March 15, 2013

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Item 9B. Other Information.

None

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item regarding our executive officers is provided in Item 1. Business Executive Officers of the Registrant in this Annual Report on Form 10-K. The information required by this item concerning our directors, compliance with Section 16 of the Exchange Act, our code of ethics and other corporate governance information is incorporated by reference to the information set forth in the sections entitled Proposal 1: Election of Directors, Committees and Meetings of the Board, Code of Ethics, and Security Ownership of Certain Beneficial Owners and Management Section 16(a) Beneficial Ownership Reporting Compliance in our Proxy Statement for our 2013 annual meeting of shareholders to be filed with the SEC not later than 120 days after the fiscal year ended December 31, 2012 (the 2013 Proxy Statement).

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to the information set forth in the sections entitled Executive Compensation, Director Compensation for Fiscal 2012, and Report of the Compensation Committee in the 2013 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table contains information as of December 31, 2012 about equity securities authorized for issuance under our equity compensation plan:

Plan category[1]	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	- 0 -	- 0 -	- 0 -
Equity compensation plans not approved by security holders	- 0 -	- 0 -	843,922
Total	- 0 -	- 0 -	843,922

(1) On the Effective Date, pursuant to the Plan and the Confirmation Order, all equity interests in WMI, including common stock and any options, warrants, calls, subscriptions or other similar rights or other agreements, commitments or outstanding securities obligations, were cancelled and extinguished.

For further information on our equity compensation plan, see Note 11: Capital Stock to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

The information required by this item concerning security ownership of certain beneficial owners and management is incorporated by reference to the information set forth in the section entitled Security Ownership of Certain Beneficial Owners and Management Stock Ownership Table in the 2013 Proxy Statement.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information required by this item is incorporated by reference to the information set forth in the sections entitled Proposal 1: Election of Directors and Committees and Meetings of the Board in the 2013 Proxy Statement.

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Item 14. Principal Accounting Fees and Services.

The information required by this item is incorporated by reference to the information set forth in the section entitled   Matters Relating to Our Auditors   in the 2013 Proxy Statement.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

Documents filed as part of this Annual Report on Form 10-K are as follows:

2. Financial Statement Schedules:

All schedules for which provision is made in the applicable accounting regulations of the SEC are omitted because they either are not required under the related instructions, are inapplicable, or the required information is shown in the financial statements or notes thereto.

3. Exhibits:

The exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index, which immediately follows the F-pages of this Annual Report on Form 10-K. An asterisk (*) beside the exhibit number indicates the exhibits containing a management contract, compensatory plan or arrangement, which are required to be identified in this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 15, 2013	WMI HOLDINGS CORP.
	By:
	/s/ CHARLES EDWARD SMITH Charles Edward Smith Interim Chief Executive Officer and Secretary

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints Charles Edward Smith and Michael Willingham, and each of them, his or her lawful attorneys-in-fact and agents, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granted unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ CHARLES EDWARD SMITH	Interim Chief Executive Officer	March 15, 2013
Charles Edward Smith	(Principal Executive Officer)	
/s/ TIMOTHY F. JAEGER	Interim Chief Financial Officer	March 15, 2013
Timothy F. Jaeger	(Principal Financial Officer and Principal Accounting Officer)	
/s/ MICHAEL WILLINGHAM	Director	March 15, 2013
Michael Willingham	Chairman of the Board	
/s/ EUGENE DAVIS	Director	March 15, 2013
Eugene Davis		
/s/ MARK HOLLIDAY	Director	March 15, 2013
Mark Holliday		
/s/ DIANE BETH GLOSSMAN	Director	March 15, 2013

Diane Beth Glossman		
/s/ TIMOTHY R. GRAHAM	Director	March 15, 2013
Timothy R. Graham		
/s/ MICHAEL RENOFF	Director	March 15, 2013
Michael Renoff		
/s/ STEVEN D. SCHEIWE	Director	March 15, 2013
Steven D. Scheiwe		

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WMI HOLDINGS CORP.

Index to Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of WMI Holdings Corp.

We have audited the accompanying consolidated balance sheets of WMI Holdings Corp. and its subsidiaries (the Company) as of December 31, 2012 (Successor) and December 31, 2011 (Predecessor), and the related consolidated statements of operations, changes in shareholders equity, and cash flows for the period from March 20, 2012 through December 31, 2012 (Successor), the period from January 1, 2012 through March 19, 2012 (Predecessor) and each of the two years in the period ended December 31, 2011 (Predecessor). The Company s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WMI Holdings Corp. and its subsidiaries as of December 31, 2012 (Successor) and December 31, 2011 (Predecessor), and the results of their operations and their cash flows for the period from March 20, 2012 through December 31, 2012 (Successor), the period from January 1, 2012 through March 19, 2012 (Predecessor) and each of the two years in the period ended December 31, 2011 (Predecessor) in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated balance sheets, on September 26, 2008 the Company filed a voluntary petition 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 Company s Seventh Amended Plan was confirmed on February 24, 2012. The Plan was substantially consummated on March 19, 2012 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting on March 19, 2012.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 15, 2013 expressed an unqualified opinion.

/s/ Burr Pilger Mayer, Inc.

San Francisco, California

March 15, 2013

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WMI HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	Successor December 31, 2012	Predecessor December 31, 2011
ASSETS		
Investments held in trust, at fair value:		
Fixed-maturity securities	$ 201,660	$ 298,555
Cash equivalents held in trust	17,019	33,458
Total investments held in trust	218,679	332,013
Cash and cash equivalents	16,761	7,642
Fixed-maturity securities, at fair value	75,809	5,490
Restricted cash	25,169	
Accrued investment income	1,698	2,622
Other assets	1,800	2,792
Total assets	$ 339,916	$ 350,559
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities:		
Notes payable principal	$ 136,272	$
Notes payable interest	1,476	
Losses and loss adjustment reserves	82,524	142,119
Losses payable	2,140	5,923
Unearned premiums	225	456
Accrued ceding commissions	136	329
Loss contract fair market value reserve	52,217	
Other liabilities	536	26,742
Total liabilities	275,526	175,569
Commitments and contingencies		
Shareholders equity:		
Preferred stock, $ 0.00001 par value, 5,000,000 authorized, zero outstanding as of December 31, 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, 201,156,078 shares issued and outstanding as of December 31, 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	76,741	69,879
Retained earnings	(12,353)	105,110

Total shareholders equity	64,390	174,990
Total liabilities and shareholders equity	$ 339,916	$ 350,559

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

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WMI HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share data)

	Successor Period from March 20, 2012 through December 31, 2012	Predecessor Period from January 1, 2012 through March 19, 2012	Predecessor Year ended December 31, 2011	Predecessor Year ended December 31, 2010
Revenues:				
Premiums earned	$ 14,394	$ 6,177	$ 34,784	$ 45,595
Net investment income	6,893	3,172	8,597	19,827
Total revenues	21,287	9,349	43,381	65,422
Expenses:				
Losses and loss adjustment expenses	18,644	$ 11,467	47,321	60,078
Ceding commission expense	1,544	768	4,339	5,580
General and administrative expenses	4,637	547	2,594	6,862
Loss contract reserve fair market value change	(10,847)			
Loss from contract termination	6,151			
Interest expense	13,511			517
Total expenses	33,640	12,782	54,254	73,037
(Loss) income before federal income taxes	(12,353)	(3,433)	(10,873)	(7,615)
Federal income tax benefit				13,027
Net (loss) income	$ (12,353)	$ (3,433)	$ (10,873)	$ 5,412
Basic and diluted net (loss) income per share attributable to common stockholders	$ (0.06)	$ (3,433.00)	$ (10,873.00)	$ 5,412.00
Shares used in computing basic and diluted net (loss) income per share	200,000,000	1,000	1,000	1,000

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

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WMI HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(in thousands, except share data)

	Common Stock		Additional paid-in capital	Retained earnings (deficit)	Total shareholders equity (deficit)
	Shares	Amount			
Balance at January 1, 2010 (Predecessor)	1,000	$ 1	$ 69,879	$ 110,571	$ 180,451
Net (loss) income from January 1, 2010 to December 31, 2010				5,412	5,412
Balance at December 31, 2010 (Predecessor)	1,000	$ 1	$ 69,879	$ 115,983	$ 185,863
Net (loss) income from January 1, 2011 to December 31, 2011				(10,873)	(10,873)
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 December 31, 2012	0			(12,353)	(12,353)
Issuance of common stock under restricted share compensation arrangement:	1,156,078		143		143
Common stock, $.00001 par value; 500,000,000 authorized, 201,156,078 shares issued and outstanding					
Balance at December 31, 2012 (Successor)	201,156,078	2	76,741	(12,353)	64,390

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

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WMI HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Successor Period from March 20, 2012 through December 31, 2012	Predecessor Period from January 1, 2012 through March 19, 2012	Predecessor Year ended December 31, 2011	Predecessor Year ended December 31, 2010
Cash flows from operating activities:				
Net (loss) income	$ (12,353)	$ (3,433)	$ (10,873)	$ 5,412
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities before reorganization activities:				
Amortization of bond premium or discount	1,837	523	2,750	2,822
Net realized gain on sale of investments	(2,747)	(176)	(1,206)	(4,796)
Unrealized (gain) loss on trading securities	1,410	(1,049)	2,828	(396)
Equity-based compensation expense	143			
Changes in assets and liabilities:				
Accrued investment income	616	309	889	856
Other assets	1,588	(597)	1,385	162
Change in cash held in trust	9,230	7,209	3,998	(23,188)
Change in restricted cash	(25,169)			
Losses and loss adjustment reserves	(58,485)	(1,109)	(47,917)	(66,390)
Losses payable	(5,445)	1,662	(6,498)	9,784
Unearned premiums	(184)	(47)	(222)	(324)
Accrued ceding commission expense	(330)	137	(259)	121
Accrued interest on notes payable	1,476			
Loss contract fair market value reserve	(10,847)			
Other liabilities	(3,514)	414	2,033	6,275
Total adjustments	(90,421)	7,276	(42,219)	(75,398)
Net cash provided by (used in) operating activities	(102,774)	3,843	(53,092)	(69,986)
Cash flows from investing activities:				
Purchase of investments	(202,847)	(38,506)	(147,993)	(224,791)
Proceeds from sales and maturities of investments	234,096	34,035	206,789	307,924

Net cash provided by (used in) investing activities		31,249		(4,471)		58,796		83,133
Cash flows from financing activities:								
Cash from (used in) reorganization activities:				75,000				
Notes payable principal repayments		(2,064)						
Notes payable principal issued		8,336						(12,511)
Net cash provided by (used in) financing activities		6,272		75,000				(12,511)
Increase (decrease) in cash and cash equivalents		(65,253)		74,372		5,704		636
Cash and cash equivalents, beginning of period		82,014		7,642		1,938		1,302
Cash and cash equivalents, end of period	$	16,761	$	82,014	$	7 ,642	$	1,938
Supplementary disclosure of cash flow information:								
Cash paid during the year:								
Interest	$	3,699	$		$		$	
Supplementary disclosure of non-cash investing and financing activities:								
Notes payable issued in lieu of cash interest payments	$	8,336	$		$		$	

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

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WMI HOLDINGS CORP.

NOTES TO 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 laws of the State of Washington. WMIHC, formerly known as Washington Mutual, Inc. (WMI), is the direct parent of WM Mortgage Reinsurance Company, Inc. (WMMRC), a Hawaii 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 certain 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. The PMI transaction resulted in a loss from contract termination of $6.2 million dollars in the current period. In accordance with the commutation agreement between WMMRC and PMI, the trust assets were distributed in a manner such that PMI received $49.0 million in cash and

WMMRC received all remaining trust assets equal to approximately $30.7 million.

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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.

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 provided 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

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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 consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for annual reporting and also under SEC Staff s Legal Bulletin No. 2, Modified Exchange Act Reporting for public companies reporting while in bankruptcy proceedings.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (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 not recorded under the fair value option, but rather 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

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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.

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.

Cash Equivalents and Investments Held in Trust

Cash equivalents which include highly liquid overnight money market instruments and fixed-maturity securities, are held in trust for the benefit of the primary insurers as more fully described in Note 4: Fresh Start Accounting, and Note 5: Insurance Activity and the following information regarding restrictions on distribution of net assets of subsidiaries.

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Third Party Restrictions on Distribution of Net Assets of Wholly-Owned Subsidiaries

The net assets of WMMRC are subject to restrictions from distribution from multiple sources including the primary insurers who have approval control of distribution from the trust, the Insurance Commissioner of the State of Hawaii who have approval control prior to distributions or intercompany advances, and additional restrictions as described in Note 9: Notes Payable.

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, expected dividends to policy holders, unamortized deferred acquisition costs, and maintenance costs exceed unearned premiums and anticipated investment income. Premium deficiency reserves have been recorded totaling $15.1 million $3.1 million as of December 31, 2012 and 2011, respectively.

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. Except as described above in Cash Equivalents Held in Trust, the Company considers all amounts that are invested in highly liquid over-night money market instruments to be cash equivalents. The FDIC insures amounts on deposit with each financial institution up to limits as prescribed by law. The Company may hold funds with financial institutions in excess of the FDIC insured amount, however, the Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

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

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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 December 31, 2012 and 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)

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

Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing net income (loss) applicable to the Company s common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per common share is computed by dividing net income (loss) applicable to the Company s common shareholders by the weighted average number of common shares outstanding during the period and the effect of all dilutive common stock equivalents (of which we had zero). If common share equivalents existed, in periods where there is a net loss, diluted loss per common share is equal to basic loss per common share, since the effect of including any common share equivalents would be antidilutive.

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Share based compensation

On May 22, 2012, WMIH s board of directors approved the 2012 Long-Term Incentive Plan (the 2012 Plan) to award restricted stock to its non-employee directors and to have a plan in place for awards to executives and others in connection with the Company s operations and future strategic plans. A total of 2 million shares of common stock were reserved for future issuance under the Plan, which became effective upon the board of directors approval on May 22, 2012. The 2012 Plan provides for the granting of restricted shares and other cash and share based awards. The value of restricted stock is determined using the fair market value of the shares on the issuance date.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the carrying amounts and tax bases of assets and liabilities and losses carried forward and tax credits. Deferred tax assets and liabilities are measured using enacted tax rates and laws applicable to the years in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided to the extent that it is more likely than not that deferred tax assets will not be realized.

The Company recognizes the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Penalties and interest, of which there are none, would be reflected in income tax expense. Tax years are open to the extent the Company has net operating loss carry-forwards available to be utilized currently.

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 October 1, 2012 the FASB issued Accounting Standards Update No. 2012-04 *Technical Corrections and Improvements* which includes changes to clarify the codification or correct unintended application of guidance that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. This standard is effective for periods beginning after December 15, 2012 for public entities. The Company has reviewed this standard and determined it has no material impact on the Company s consolidated financial position, results of operations, or disclosure requirements.

On August 27, 2012 the FASB issued Accounting Standards Update 2012-03 *Technical Amendments and Corrections to SEC Sections Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 114, Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update 2010-22*. This standard is effective upon publication for public entities. The Company has reviewed this standard and determined it has no 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

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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 (the 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.

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.

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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 WMI 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.

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 except per share amounts)	Predecessor March 19, 2012	Reorganization Adjustments [a]	Fair Value Adjustments [b]	Successor March 19, 2012
Assets				
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 [c]		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 [d]	(210,000)[i]	3,389
Total assets	$ 348,183	$ 285,000	$ (210,000)	$ 423,183
Liabilities And Shareholders Equity				
Liabilities:				
Notes payable principal	$	$ 130,000 [e]	$	$ 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[j]	63,064
Other liabilities	27,156	(23,109)[f]	2[f]	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 [g]		2
Common stock, $1 par value, 1,000 shares issued and outstanding	1		(1)[k]	
	69,879		(69,879)[l]	

Additional paid-in capital (Predecessor)				
Additional paid-in capital (Successor)		154,998 (g)	(78,400)(m)	76,598
Retained earnings	101,677	23,109 (h)	(124,786)(n)	
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.

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.

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(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

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.

As security for the ceding insurers, WMMRC has entered into separate trust agreements with each of the primary mortgage insurance companies whereby a portion of the funds from 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 (5) 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 December 31, 2012, 2011 and 2010 respectively:

	Successor Period from March 20, 2012 through September 30, 2012	Predecessor Period from January 1, 2012 through March 19, 2012	Predecessor Year ended December 31, 2011	Predecessor Year ended December 31, 2010
Premiums assumed	$ 14,210	$ 6,130	$ 34,562	$ 45,271
Change in unearned premiums	184	47	222	324
Premiums earned	$ 14,394	$ 6,177	$ 34,784	$ 45,595

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

	Successor December 31, 2012	Predecessor December 31, 2011	Predecessor December 31, 2010
Case-basis reserves	$ 66,173	$ 132,970	$ 174,858
IBNR reserves	1,298	6,049	9,028
Premium deficit reserves	15,053	3,100	6,150
Total	$ 82,524	$ 142,119	$ 190,036

Losses and loss adjustment reserve activity are as follows for the years ended December 30, 2012, 2011 and 2010:

	Successor December 31, 2012	Predecessor December 31, 2011	Predecessor December 31, 2010
Balance at beginning of period	$ 142,119	$ 190,036	$ 256,426
Incurred prior periods	30,111	47,321	60,078
Paid or terminated prior periods	(89,706)	(95,238)	(126,468)
Total	$ 82,524	$ 142,119	$ 190,036

The loss contract fair market reserve balance is analyzed and adjusted quarterly. The balances in the reserve was $52.2 million at December 31, 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 $10.9 million during the period ended December 31, 2012 resulting in a decrease in expense of $10.9 million. This change was partially the result of the commutation of PMI which was effective on October 2, 2012.

Note 6: Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values of fixed-maturity securities held in trust at December 31, 2012, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Trading Securities:				
Obligations of U.S. government sponsored enterprises	$ 97,103	$ 1,416	$ (156)	$ 98,363
Corporate debt securities	91,997	3,010	(34)	94,973
Commercial paper	54,949			54,949
Foreign corporate debt securities	18,305	379	(18)	18,666
Commercial mortgage-backed securities	10,541	64	(87)	10,518
Total fixed-maturity securities	272,895	4,869	(295)	277,469
	75,659	168	(18)	75,809

Less total unrestricted fixed-maturity securities				
Total fixed-maturity securities held in trust	$ 197,236	$ 4,701	$ (277)	$ 201,660

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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 December 31, 2011, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Trading Securities:				
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
Total fixed-maturity securities	298,978	6,442	(1,375)	304,045
Less total unrestricted fixed-maturity securities	5,348	151	(9)	5,490
Total fixed-maturity securities held in trust	$ 293,630	$ 6,291	$ (1,366)	$ 298,555

Amortized cost and estimated fair value of fixed-maturity securities at December 31, 2012 by contractual maturity are as follows:

	Amortized Cost	Estimated Fair Value
Maturity in:		
2013	$ 82,371	$ 82,577
2014-2017	99,575	103,196
2018-2022	39,888	40,136
Thereafter	40,520	41,042
Mortgage-backed securities	10,541	10,518
Total fixed-maturity securities	$ 272,895	$ 277,469

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 December 31, 2012, 2011 and 2010, is summarized as follows:

	Successor Period from March 20, 2012 through December 31, 2012	Predecessor Period from January 1, 2012 through March 19, 2012	Predecessor Year ended December 31, 2011	Predecessor Year ended December 31, 2010
Investment income:				
Amortization of premium or discount on fixed-maturity	$ (1,837)	$ (523)	$ (2,750)	$ (2,822)
	7,232	2,467	12,920	17,410

Investment income on fixed-maturity securities				
Interest income on cash and equivalents	161	3	49	47
Realized net gain (loss) from sale of investment	2,747	176	1,206	4,796
Unrealized (losses) gains on trading securities held at period end	(1,410)	1,049	(2,828)	396
Net investment income	$ 6,893	$ 3,172	$ 8,597	$ 19,827

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

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Class of Security:				
Obligations of U.S. government sponsored securities	$ 11,362	$ 87,001	$	$ 98,363
Corporate debt securities	22,833	72,141		94,974
Commercial paper	54,948			54,948
Foreign corporate debt securities	1,001	17,665		18,666
Commercial mortgage-backed securities		10,518		10,518
Total	$ 90,144	$ 187,325	$	$ 277,469

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Class of Security:				
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
Total	$ 43,177	$ 260,868	$	$ 304,045

A review of the fair value hierarchy classifications of the Company s investments is conducted quarterly. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications are reported as transfers in or transfers out of the applicable Level at end of the calendar quarter in which the reclassifications occur. During the year ended December 31, 2012, $17.7 million of investments were transferred from Level 2 to Level 1 as a result of improving market conditions for short-term and investment grade corporate securities.

	2012		2011	
	Transfers from Level 1 to Level 2	Transfers from Level 2 to Level 1	Transfers from Level 1 to Level 2	Transfers from Level 2 to Level 1
Class of Securities:				
Corporate securities	$	$ 16,745	$	$
Foreign corporate debt securities		1,001		
Total Transfers	$	$ 17,746	$	$

Note 7: Federal Income Taxes

For the year ended December 31, 2012, the Company recorded a loss of approximately $15.8 million. The Company has not recorded an income tax expense or benefit for the years ended December 31, 2012 or 2011. The Company recorded an income tax benefit for the period ended December 31, 2010 due to forgiveness of indebtedness exchanged for certain tax benefits.

	2012	2011	2010
Current federal income tax expense	$	$	33,401
Provision for doubtful federal income tax receivable			(46,428)
Deferred federal income tax (benefit) expense			
Federal income tax benefit	$	$	$ (13,027)

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The items accounting for the difference between income taxes computed at the US federal statutory rate and our effecive rate were as follows:

	Successor Period from March 20, 2012 through December 31, 2012	Predecessor Period from January 1, 2012 through March 19, 2012	Predecessor Year ended December 31, 2011	Predecessor Year ended December 31, 2010
Income tax at the federal statutory rate of 35%	(35)%	(35)%	(35)%	(35)%
Effect of:				
Tax benefit recovered from parent in bankruptcy				(610)
Fresh start accounting adjustments			(3)	(7)
Worthless stock deduction	(23,718)			
Cancelation of debt	2,401			439
Reduction in NOL due to 382 Limitation	4,518			
Change in valuation allowance	16,834	35	38	42
Effective Rate	%	%	%	(171)%

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 mortgage 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 year ending December 31, 2012, 2011 or 2010 associated with the Company s tax liability from the preceding year.

On November 23, 2010, the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court), approved a Stipulation and Agreement between WMI and WMMRC that provides for the forgiveness of the note payable and associated accrued interest to WMI (WMMRC s ultimate parent at that time) totaling $13.0 million at the date of the agreement, in exchange for certain tax benefits outstanding prior to WMI s bankruptcy. Due to the WMI s status in bankruptcy, WMMRC had deemed this uncollectible and expensed this future benefit in a prior year. As such, during 2010, WMMRC recorded a current tax benefit of $13.0 million.

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, net operating losses and unrealized gains and losses on investments. As of December 31, 2012 and 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.

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The components of the net deferred tax asset as of December 31, 2012, 2011 and 2010, are as follows:

	2012	2011	2010
Deferred federal income tax asset:			
Losses and loss adjustments expenses	$ 2,832	$ 4,097	$ 5,906
Net operating loss carryforward	2,088,461	5,013	43
Accruals and reserves	18,276		
Accrual class action settlement		1,400	1,400
Total deferred federal income tax asset	2,109,569	10,510	7,349
Deferred federal income tax liabilities:			
Net unrealized gains on investments	1,946	1,774	2,764
Total deferred federal income tax liabilities	1,946	1,774	2,764
Less: Valuation allowance	2,107,623	8,736	4,585
Net deferred federal income tax asset	$	$	$

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 the Company s 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 the Company s ability to use the Company s 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 December 31, 2012 is approximately $5.97 billion. At December 31, 2012 there was no limitation on the use of these NOLs. These NOLs will begin to expire in 2029. 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 December 31, 2012, 2011 and 2010.

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 $1.5 million for the period from March 20, 2012 to December 31, 2012 and zero for all other periods. The expense and related income eliminate on consolidation. These agreements are described below.

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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. The Investment Management Agreement has been approved by the Insurance Commissioner of the State of Hawaii.

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. The Administrative Services Agreement has been approved by the Insurance Commissioner of the State of Hawaii.

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 10 days written notice to the other party.

In connection with implementing the Plan, certain holders of specified Allowed Claims had the right to elect to receive such holder s Pro Rata Share of the Common Stock Election . Essentially, the Plan defines the Pro Rata Share of the Common Stock Election as ten million (10,000,000) shares of WMIHC s common stock (i.e. five percent (5%)) issued and outstanding on the Effective Date. Holders exercising the foregoing election did so in lieu of receiving (i) 50% of such holder s interest in and to certain litigation proceeds that could be realized by the Trust on account of certain claims and causes of action asserted by the Trust as contemplated by the Plan (Litigation Proceeds), and (ii) some or all of the Runoff Notes to which such holder may be entitled (if such holder elected to receive Runoff Notes in accordance with the terms of the Plan).

If a holder exercised the election described above and, as a result of such election, received shares of WMIHC s common stock, then such holder s share of Runoff Notes to which the election was effective (i.e., One Dollar ($1.00) of original principal amount of Runoff Notes for each share of WMIHC s common stock) were not issued. In addition, as a result of making the aforementioned election, such holders conveyed to, and WMIHC retains an economic interest in, the Litigation Proceeds equal to fifty percent (50%) of the Litigation Proceeds to which the electing holder otherwise would have been entitled and such holder s rights in respect of distributions from the Trust will be adjusted to the extent Litigation Proceeds are received by WMIHC). Distributions, if any, to WMIHC on account of the foregoing will be effected in accordance with the Plan and Confirmation Order.

As of December 31, 2012, WMIHC had not received any Litigation Proceeds in connection with the foregoing. Given the speculative nature of litigation, there can be no assurance that WMIHC will receive any value or distributions on account of Litigation Proceeds.

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.

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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, September 1and December 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 and December 1, 2012, and WMIHC elected, consistent with the terms of the Indentures, to issue PIK Notes 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 and outstanding as of December 31, 2012 totals approximately $8.3 million.

Outstanding amounts under these notes totaled $136.3 million as of December 31, 2012 and zero as of December 31, 2011. Principal payments totaled $2.0 million and zero for the periods ended December 31, 2012 and 2011 respectively. At December 31, 2012 $25.0 million was held in the restricted cash account, this amount was subsequently used to pay principal and interest on the runoff notes as more fully described in Note 16: Subsequent Events.

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

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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 $25.0 million and (b) a tranche B term loan in the aggregate principal amount of $100.0 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 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 December 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. 200,000,000 shares of common stock were issued by WMIHC pursuant to the Court approved Plan and in reliance on Section 1145 of the Bankruptcy Code on the Effective Date.

On October 18, 2012, 1,156,078 shares of restricted common stock were issued under the 2012 Long-Term Incentive Plan.

WMIHC issued restricted share grants to members of the board of directors totaling $550 thousand of aggregate intrinsic value during the year ended December 31, 2012, and zero for the years ended 2011 and 2010. The restricted shares vest over a three year period and the resulting unamortized value related to the unvested restricted share grant totals $407 thousand at December 31, 2012 and zero for the years ended December 31, 2011 and 2010. The unamortized value of $407 thousand at December 31, 2012 will be amortized over the next 2.2 years. Net stock-based compensation totaled $143 thousand for the year ended December 31, 2012 and zero for the years ended December 31, 2011 and 2010. The share grants were issued at the fair market value determined to be the trading price at the close of business on October 18, 2012, the date the grants were approved by the board of directors.

A summary of WMIHC s restricted share award activity for the years ended December 31, 2012 and 2011 is presented below:

	Number of Restricted Stock Awards Outstanding	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Outstanding January 1, 2011		$	$
Restricted stock awards granted			
Restricted stock awards released or forfeited			
Outstanding December 31, 2011			
Restricted stock awards granted	1,156,078	0.4761	550
Restricted stock awards released or forfeited			

Outstanding	December 31, 2012	1,156,078	$ 0.4761	$ 550

Common Shares Subject to Repurchase WMIHC has issued the total number of shares subject to the restricted stock grants, however, until vested they are subject to repurchase. The restricted shares vest 1/3 per year over a

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three year period annually on March 19th. Until March 19, 2013, all of the restricted shares remain subject to repurchase. On March 19, 2013 385,360 of the shares will become vested assuming none are forfeited. WMIHC has the right to repurchase any unvested (but issued) shares of common stock at $0.0001 per share upon the termination of service in the case of a director. The shares subject to repurchase are not deemed to be issued for accounting purposes.

A summary of the Company s restricted shares issued and subject to repurchase as of the years ended December 31, 2012 and 2011 is presented below:

	Shares
Shares subject to repurchase January 1, 2011	
Unvested shares repurchased	
Unvested shares December 31, 2011	
Shares issued subject to vesting during the period	1,156,078
Shares vested during the period	
Unvested shares December 31, 2012	1,156,078

As of December 31, 2012, 201,156,078 shares of WMIHC s common stock were issued and outstanding. No shares of WMIHC s preferred stock are issued or outstanding. See Note 14: Net (loss) Income Per Common Share for further information on shares used for EPS calculations.

Note 12: Pending Litigation

Except as described below, for the period ended December 31, 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).

WMMRC Litigation

With respect to WMIHC 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.

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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 United States District Court, Eastern District of Pennsylvania (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. On or about July 16, 2012, the settlement amount was deposited into a settlement distribution escrow account from which the settlement amount will be distributed to plaintiffs in accordance with the terms of the settlement agreement. Accordingly, the amount of the accrual relating to the settlement amount was zero as of December 31, 2012. A final hearing to approve the settlement of the Class Action Complaint was held on November 27, 2012 and the District Court issued an order finally approving the settlement on December 4, 2012. At December 31, 2011 the accrual corresponds to the $4 million settlement amount.

Note 13: Restriction on Distribution of Net Assets from Subsidiary

WMMRC has net assets totaling $167.0 million and $175.0 million as of December 31, 2012 and 2011 respectively. These net assets are not immediately available for distribution to WMIHC due to restrictions imposed by trust agreements, and the requirement that the Insurance Commissioner of the State of Hawaii must approve dividends from WMMRC. Distributions from WMMRC to WMIHC are further restricted by the terms of the Runoff Notes described in Note 9: Notes Payable.

Note 14: Net (loss) Income Per Common Share

Basic and diluted net (loss) income per share attributable to common shareholders is computed by dividing net (loss) income, excluding net (loss) income allocated to participating securities, by the weighted average number of shares outstanding less the weighted average of unvested restricted shares outstanding.

There were no dilutive effects from any equity instruments for any of the periods presented, therefore diluted net (loss) income per share was the same as basic net (loss) income for all periods presented. There were no participating shares for any period other than the period from March 20, 2012 to December 31, 2012.

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The following table sets forth the compuation of basic and diluted net (loss) income per share:

(in thousands, except per share data):

	Successor Period from March 20, 2012 to December 31, 2012	Predecessor Period from January 1, 2012 to March 19, 2012	Predecessor Year Ended December 31, 2011	Predecessor Year Ended December 31, 2010
Numerator for basic and diluted net (loss) income per share:				
Net (loss) income	$ (12,353)	$ (3,433)	$ (10,873)	$ 5,412
Less: Net (loss) income allocated to participating securities	(18)			
Net (loss) income attributable to common shareholders	$ (12,335)	$ (3,433)	$ (10,873)	$ 5,412
Denominator for basic and diluted net (loss) income per share:				
Weighted average share outstanding	200,298,083	1,000	1,000	1,000
Weighted average unvested restricted shares outstanding	(298,083)			
Denominator for basic and diluted net (loss) income per share:	200,000,000	1,000	1,000	1,000
Basic and diluted net (loss) income per share attributable to common shareholders	$ (0.06)	$ (3,433.00)	$ (10,873.00)	$ 5,412.00

Note 15: Quarterly Financial Information (Unaudited)

Following is a summary of the unaudited interim results of operations for the year ended December 31, 2012 and 2011 (in thousands, except per share amounts):

	Total Revenue	*Net Income (Loss)*	*Earnings per share basic and diluted*
Successor			
March 20 to March 31, 2012	$ 1,922	$ 472	$ 0.00
Second Quarter	7,447	(8,173)	(0.04)
Third Quarter	7,336	5,299	0.03
Fourth Quarter	4,582	(9,951)	(0.05)

Total	$	21,287	$	(12,353)	$	(0.06)
Predecessor						
January 1 to March 19, 2012	$	9,349	$	(3,433)	$	(3,433.00)
Year Ended December 31, 2011						
First Quarter	$	10,823	$	(1,891)	$	(1,891.00)
Second Quarter		13,208		(1,368)		(1,368.00)
Third Quarter		9,103		(6,264)		(6,264.00)
Fourth Quarter		10,247		(1,350)		(1,350.00)
Total	$	43,381	$	(10,873)	$	(10,873.00)

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Note 16: Subsequent Events

On March 1, 2013, WMIHC paid holders of First Lien Notes approximately $25.0 million. This cash payment represented approximately $3.7 million in interest due and payable on the First Lien Notes in the ordinary course, as well as approximately $21.3 million of principal. The foregoing payment was possible as a result of cash received from WMMRC in connection with the commutation arrangements with PMI Mortgage Insurance Company (PMI) approved by the Insurance Commissioner of the State of Hawaii and previously disclosed in a Form 8-K filed by the Company with the SEC on October 9, 2012. This cash was transferred to WMIHC as restricted cash upon approval for distribution by the Insurance Commissioner of the State of Hawaii.

To effectuate the commutation, WMMRC entered into a Commutation and Release Agreement with PMI, dated July 17, 2012 and in accordance with that agreement, PMI was paid $49.0 million in cash and WMMRC was paid all cash and assets remaining in the trust account after the payment to PMI and each party was released from certain liabilities. WMMRC received $30.7 million from the commutation.

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EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by reference Form	Exhibit	Filing Date	Filed Here-with
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.	8-K	2.1	3/1/12	
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.	8-K	2.2	3/1/12	
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.	8-K	2.3	3/1/12	
3.1	Amended and Restated Articles of Incorporation of WMI Holdings Corp., dated March 19, 2012.	8-K	3.1	3/23/12	
3.2	Amended and Restated Bylaws of WMI Holdings Corp., dated March 19, 2012.	8-K	3.2	3/23/12	
4.1	Senior First Lien Notes Indenture, dated as of March 19, 2012 by and between WMI Holdings Corp. and Wilmington Trust, National Association, as Trustee.	8-K	4.1	3/23/12	
4.2	Senior Second Lien Notes Indenture, dated as of March 19, 2012 by and between WMI Holdings Corp. and Law Debenture Trust Company of New York, as Trustee.	8-K	4.2	3/23/12	
10.1	Financing Agreement, dated March 19, 2012, by and among WMI Holdings Corp., as borrower, certain lenders party thereto, and U.S. Bank National Association as agent for the lenders.	8-K	10.1	3/23/12	
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.	8-K	10.2	3/23/12	
10.3	Pledge and Security Agreement, dated March 19, 2012, by and among WMI Holdings Corp., WMI Investment Corp. and U.S. Bank National Association.	8-K	10.3	3/23/12	
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.	8-K	10.4	3/23/12	

10.5*	Employment Agreement, dated March 22, 2012, by and between WMI Holdings Corp. and Weijia Vicky Wu.	8-K	10.5	3/23/12

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10.6*	Employment Agreement, dated March 22, 2012, by and between WMI Holdings Corp. and Peter Struck.	8-K	10.6	3/23/12	
10.7*	Transition Services Agreement, dated March 23, 2012, by and between WMI Holdings Corp. and the Liquidating Trust.	8-K	10.7	3/23/12	
10.8*	Amendment No. 1 To Transition Services Agreement, effective September 18, 2012, by and between WMI Holdings Corp. and the Liquidating Trust.	8-K	10.1	9/27/12	
10.9*	Form of Indemnification Agreement.	8-K	10.8	3/23/12	
10.10*	Engagement Agreement, effective May 28, 2012 entered into by and between WMI Holdings Corp. and CXO Consulting Group, LLC.	8-K	99.2	6/4/12	
10.11	Amendment to Engagement Agreement, effective October 23, 2012 entered into by and between WMI Holdings Corp. and CXO Consulting Group, LLC.	8-K	99.1	10/25/12	
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.	8-K	10.1	10/9/12	
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.	8-K	10.2	10/9/12	
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.	8-K	10.3	10/9/12	
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.	8-K	10.4	10/9/12	
10.16*	Summary of Compensation Arrangements for Non-Employee Directors.				X
10.17*	2012 Long-Term Incentive Plan.				X
14	Code of Ethics.				X
21	List of Subsidiaries of Registrant.				X
24	Power of Attorney (included on signature page of this Annual Report on Form 10-K).				X
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X

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32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.INS+	XBRL Instance Document.	X
101.SCH+	XBRL Taxonomy Extension Schema Document.	X
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document.	X
101.LAB+	XBRL Taxonomy Extension Label Linkbase Document.	X
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document.	X

* Management Contract or Compensatory Plan or Arrangement.

\+ 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.