

WASHINGTON MUTUAL, INC

Form DEF 14A

March 14, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

WASHINGTON MUTUAL, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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**1301 Second Avenue
Seattle, Washington 98101**

March 14, 2008

Dear Shareholder:

You are cordially invited to attend the Washington Mutual, Inc. Annual Meeting of Shareholders that will be held on Tuesday, April 15, 2008, at 1:00 p.m., local time, at Benaroya Hall, 200 University Street, Seattle, Washington 98101. We will webcast the meeting on our website at www.wamu.com/ir. I look forward to greeting as many of our shareholders as possible at the Annual Meeting.

As set forth in the attached Proxy Statement, we will hold the meeting to consider the following matters:

- Ø the election of 13 directors;
- Ø the ratification of the appointment of Washington Mutual's independent auditor for 2008;
- Ø the approval of an amendment to the Washington Mutual Amended and Restated 2002 Employee Stock Purchase Plan for the purpose of increasing the number of shares that may be issued under the plan by 4,000,000 to 8,863,590;
- Ø two shareholder proposals that are expected to be presented at the meeting; and
- Ø to transact such other business as may properly come before the meeting and any postponement(s) or adjournment(s).

Please read the attached Proxy Statement carefully for information about the matters you are being asked to consider and vote upon. Your vote is important. Whether or not you attend the meeting in person, I urge you to promptly vote your proxy as soon as possible via the Internet, by telephone or by mail using the enclosed postage-paid reply envelope. If you decide to attend the meeting and vote in person, you will, of course, have that opportunity.

Thank you for your continued support of Washington Mutual, and again, I look forward to seeing you at the Annual Meeting.

Sincerely,

Kerry Killinger
Chairman and Chief Executive Officer

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WASHINGTON MUTUAL, INC.

**1301 Second Avenue
Seattle, Washington 98101**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held April 15, 2008**

Meeting Date: Tuesday, April 15, 2008
Meeting Time: 1:00 p.m. (local time)

Record Date: February 29, 2008

Location: Benaroya Hall
200 University Street
Seattle, Washington 98101

Agenda:

1. To elect 13 directors, each for a one-year term;
2. To ratify the appointment of Deloitte & Touche LLP as our independent auditor for 2008;
3. To approve an amendment to our Amended and Restated 2002 Employee Stock Purchase Plan for the purpose of increasing the number of shares that may be issued under the plan by 4,000,000 to 8,863,590;
4. To consider a shareholder proposal regarding an independent board chairman if it is properly presented by the shareholder proponent at the meeting;
5. To consider a shareholder proposal regarding our director election process if it is properly presented by the shareholder proponent at the meeting; and
6. To transact such other business as may properly come before the meeting or any adjournments or postponements.

The Board of Directors urges shareholders to vote FOR Items 1 through 3, and AGAINST Items 4 and 5.

All of these items are more fully described in the Proxy Statement that follows. Shareholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting and any adjournments or postponements thereof. **Under new Securities and Exchange Commission rules, we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. This proxy statement and our 2007 Annual Report to Shareholders are available at our web site at <http://www.wamu.com/ir>.**

By order of the Board of Directors,

William L. Lynch
Secretary

Seattle, Washington
March 14, 2008

IMPORTANT

Whether or not you expect to attend the Annual Meeting in person, we urge you to vote your proxy at your earliest convenience via the Internet, by telephone or by mail using the enclosed postage-paid reply envelope. This will ensure the presence of a quorum at the Annual Meeting and will save us the expense of additional solicitation. Sending in your proxy will not prevent you from voting your shares in person at the Annual Meeting if you desire to do so. Your proxy is revocable at your option in the manner described in the Proxy Statement.

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WASHINGTON MUTUAL, INC.

**1301 Second Avenue
Seattle, Washington 98101**

**PROXY STATEMENT
For the 2008 Annual Meeting of Shareholders
To Be Held On Tuesday, April 15, 2008**

Our board of directors (the Board of Directors or the Board) is soliciting proxies to be voted at our Annual Meeting of Shareholders on April 15, 2008, at 1:00 p.m., and at any adjournments or postponements thereof, for the purposes set forth in the attached Notice of Annual Meeting of Shareholders. The Notice, this Proxy Statement and the form of proxy enclosed are first being sent to shareholders on or about March 14, 2008. As used in this Proxy Statement, the terms Company, we, us and our refer to Washington Mutual, Inc.

Questions and Answers about these Proxy Materials and the Annual Meeting:

Question: *Why am I receiving these materials?*

Answer: Our Board of Directors is providing these proxy materials to you in connection with Washington Mutual's Annual Meeting of Shareholders, to be held on April 15, 2008. As a shareholder of record, you are invited to attend our Annual Meeting, and are entitled to and requested to vote on the items of business described in this Proxy Statement.

Question: *What information is contained in this Proxy Statement?*

Answer: This information relates to the proposals to be voted on at our Annual Meeting, the voting process, compensation of our directors and most highly paid executives, and certain other required information.

Question: *Who is soliciting my vote pursuant to this Proxy Statement?*

Answer: Our Board of Directors is soliciting your vote at our 2008 Annual Meeting.

Question: *Who is entitled to vote?*

Answer: Only shareholders of record at the close of business on February 29, 2008 will be entitled to vote at our Annual Meeting.

Question: *How many shares are eligible to be voted?*

Answer: As of the record date of February 29, 2008, we had 882,432,542 shares of common stock outstanding (including 6,000,000 shares of common stock held in escrow). Each outstanding share of our common stock will entitle its holder to one vote on each of the 13 directors to be elected and one vote on each other matter to be voted on at our Annual Meeting.

Question: *What am I voting on?*

Answer: You are voting on the following matters:

- Ø The election of 13 directors. Our nominees are Stephen I. Chazen, Stephen E. Frank, Kerry K. Killinger, Thomas C. Leppert, Charles M. Lillis, Phillip D. Matthews, Regina T. Montoya, Michael K. Murphy, Margaret Osmer McQuade, Mary E. Pugh, William G. Reed, Jr., Orin C. Smith and James H. Stever.
- Ø Ratification of the appointment of Deloitte & Touche LLP as our independent auditor for 2008.
- Ø Approval of an Amendment to our Amended and Restated 2002 Employee Stock Purchase Plan to increase the number of shares subject to the plan by 4,000,000 to 8,863,590.
- Ø To consider two shareholder proposals if they are properly presented at the meeting by the respective shareholder proponents.

Question: *How does our Board recommend that I vote?*

Answer: Our Board recommends that you vote **FOR** each director nominee, **FOR** the ratification of the appointment of Deloitte & Touche as independent auditor, **FOR** approval of the amendment to the Amended and Restated 2002 Employee Stock Purchase Plan and **AGAINST** each shareholder proposal.

Question: *How many votes are required to hold the Annual Meeting and what are the voting procedures?*

Answer: Quorum Requirement: Washington law provides that any shareholder action at a meeting

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requires that a quorum exist with respect to that action. A quorum for the actions to be taken at our Annual Meeting will consist of a majority of all of our outstanding shares of common stock that are entitled to vote at the Annual Meeting. Therefore, at the Annual Meeting, the presence, in person or by proxy, of the holders of at least 441,216,271 shares of our common stock will be required to establish a quorum. Shareholders of record who are present at the Annual Meeting in person or by proxy and who abstain are considered shareholders who are present and entitled to vote, and will count towards the establishment of a quorum. This will include brokers holding customers shares of record who cause abstentions to be recorded at the Annual Meeting.

Required Votes: Each outstanding share of our common stock is entitled to one vote on each proposal at the Annual Meeting.

- Ø *Election of Directors:* If there is a quorum at our Annual Meeting, the 13 nominees who receive the greatest number of votes cast for directors will be elected. There is no cumulative voting for our directors. Please note that our bylaws contain majority voting procedures that apply for all uncontested director elections, including the 2008 Annual Meeting (see page 4 of this Proxy Statement).
- Ø *Ratification of Independent Auditor, Approval of Employee Stock Purchase Plan Amendment and Approval of the Shareholder Proposals:* If there is a quorum, each of these actions will be approved if the number of votes cast in favor of the proposed action exceeds the number of votes cast against it.

If there is a quorum at the meeting, abstentions and broker non-votes will have no impact on the election of directors or the approval of the other proposed actions at the meeting.

Question: *How may I cast my vote?*

Answer: If you are the shareholder of record: You may vote by one of the following four methods (as instructed on the enclosed proxy card):

- Ø in person at the Annual Meeting,
- Ø via the Internet,
- Ø by telephone, or
- Ø by mail.

Whichever method you use, the proxies identified on the proxy card will vote the shares of which you are the shareholder of record in accordance with your instructions. If you submit a proxy card without giving specific voting instructions, the proxies will vote the shares as recommended by our Board of Directors.

If you own your shares in street name, that is, through a brokerage account or in another nominee form: You must provide instructions to the broker or nominee as to how your shares should be voted. Your broker or nominee will usually provide you with the appropriate instruction forms at the time you receive this Proxy Statement and our Annual Report. If you own your shares in this manner, you cannot vote in person at the Annual Meeting unless you receive a proxy to do so from the broker or the nominee, and you bring the proxy to our Annual Meeting.

If you are a participant in the WaMu Savings Plan, our 401(k) Plan: You have the right to direct Fidelity Management Trust Company, as trustee of the plan, regarding how to vote the shares of Company common stock attributable to your individual account under the plan. The enclosed proxy card can be used as a direction form to provide voting

directions to Fidelity. Fidelity will vote shares of common stock attributable to participant accounts as directed by such participants. Fidelity will not vote shares of common stock attributable to participant accounts for which it does not receive participant direction by April 10, 2008.

Question: *How may I cast my vote over the Internet or by telephone?*

Answer: Voting over the Internet: If you are a shareholder of record, you may use the Internet to transmit your vote up until 11:59 P.M. Eastern Time April 14, 2008. Visit www.proxyvote.com and have your proxy card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

Voting by Telephone: If you are a shareholder of record, you may call 1-800-690-6903 and use any touch-tone telephone to transmit your vote up until 11:59 P.M. Eastern Time April 14, 2008. Have your proxy card in hand when you call and then follow the instructions.

If you hold your shares in street name, that is through a broker, bank or other nominee, that institution will instruct you as to how your shares may be voted by proxy, including whether telephone or Internet voting options are available.

Question: *How may I revoke or change my vote?*

Answer: If you are the record owner of your shares, you may revoke your proxy at any time before it is voted at the Annual Meeting by:

- Ø submitting a new proxy card,

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- Ø delivering written notice to our Secretary prior to April 15, 2008, stating that you are revoking your proxy, or
- Ø attending the Annual Meeting and voting your shares in person.

Please note that attendance at the Annual Meeting will not, in itself, constitute revocation of your proxy.

Question: *Who is paying for the costs of this proxy solicitation?*

Answer: Our Company will bear the cost of preparing, printing and mailing the materials in connection with this solicitation of proxies. In addition to mailing these materials, officers and regular employees of our Company may, without being additionally compensated, solicit proxies personally and by mail, telephone, facsimile or electronic communication. Our Company will reimburse banks and brokers for their reasonable out-of-pocket expenses related to forwarding proxy materials to beneficial owners of stock or otherwise in connection with this solicitation. We have retained MacKenzie Partners, Inc. and Georgeson Inc. to assist in the solicitation at a cost of approximately \$25,000 and \$12,500, respectively, plus in each case payment of reasonable out-of-pocket expenses.

Question: *Who will count the votes?*

Answer: Broadridge Financial Solutions, Inc., our inspector of elections for the Annual Meeting, will receive and tabulate the ballots and voting instruction forms.

Question: *What happens if the Annual Meeting is postponed or adjourned?*

Answer: Your proxy will still be effective and may be voted at the rescheduled meeting. You will still be able to change or revoke your proxy until it is voted.

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INFORMATION ABOUT THE MEETING

Our Annual Meeting will be held at 1:00 p.m. (local time) on Tuesday, April 15, 2008, at Benaroya Hall, 200 University Street, Seattle, Washington 98101. We will provide listening devices at the Annual Meeting for shareholders with impaired hearing.

We plan to webcast the Annual Meeting on our website at www.wamu.com/ir during the Annual Meeting and it will be archived on our website for 30 days after the meeting.

ITEM 1. ELECTION OF DIRECTORS

Board Nominees

Our Board of Directors has nominated each of the following persons for election as a director. Each nominee is currently a director and has indicated that he or she is willing and able to continue to serve as a director. We have provided biographical and other information on each of the nominees beginning at page 5 of this Proxy Statement.

**Stephen I. Chazen
Stephen E. Frank
Kerry K. Killinger
Thomas C. Leppert**

**Charles M. Lillis
Phillip D. Matthews
Regina T. Montoya
Michael K. Murphy
Margaret Osmer McQuade**

**Mary E. Pugh
William G. Reed, Jr.
Orin C. Smith
James H. Stever**

If any nominee becomes unable or unwilling to serve, which is not anticipated, the accompanying proxy may be voted for the election of such other person as shall be designated by the Governance Committee of the Board. Proxies granted may not be voted for a greater number of nominees than the 13 named above. Unless instructions to the contrary are specified in a proxy properly voted and returned through available channels, the proxies will be voted **FOR** each of the nominees listed above. Our bylaws currently provide for 14 directors. However, one current director, Anne V. Farrell, is not standing for re-election because she has reached the Board's mandatory retirement age. We expect to amend our bylaws to decrease the size of the Board to 13 promptly following the Annual Meeting.

Majority Voting for Directors

In February 2007, we amended our bylaws to add majority voting procedures for director elections. The procedures apply to all uncontested director elections, which are elections in which the number of nominees does not exceed the number of directors to be elected. In an uncontested election, any nominee who does not receive the vote of a majority of the shares cast shall promptly offer his or her resignation to the Board following the meeting at which the election occurred. A vote of the majority of shares cast means that the number of shares voted for a director exceeds the number of votes affirmatively voted as withheld from that director. The Governance Committee of our Board of Directors will promptly consider the resignation offer and make a recommendation to the Board. The Board will then act on the Governance Committee's recommendation within 90 days following the shareholder meeting at which the election occurred. Thereafter, the Board will promptly disclose publicly its decision whether to accept the director's resignation offer. The director who tenders his or her resignation pursuant to this provision will not participate in the Governance Committee's recommendation or the Board's decision on whether to accept his or her resignation offer. Our Corporate Governance Guidelines contain additional procedures that the Board adopted to implement our majority voting bylaw provisions.

Declassified Board

During 2006, we amended our articles of incorporation and bylaws to declassify our Board of Directors. As a result, each of our directors is eligible to serve for a one-year term.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS
VOTE FOR EACH OF THE NOMINEES.**

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Current Directors

Below is information regarding each of our current directors who have been nominated for re-election at the Annual Meeting. Anne V. Farrell, who has served as a director since 1994, is not standing for re-election because she has reached the mandatory retirement age of 72 under our Corporate Governance Guidelines. Except as otherwise indicated, each director has been engaged in the principal occupation described below for at least five years.

Stephen I. Chazen

Director since 2008

Mr. Chazen, age 61, has served as President and Chief Financial Officer of Occidental Petroleum Corporation, an international oil and gas exploration and production company, since December 2007. Mr. Chazen has served as Occidental Petroleum's Chief Financial Officer since 1999, also holding the titles of Senior Executive Vice President from 2004 to 2007 and Executive Vice President, Corporate Development from 1999 to 2004.

Stephen E. Frank

Director since 1997

Mr. Frank, age 66, is a director of Aegis Insurance Services, Inc., Puget Energy, Inc. and Northrop Grumman Corporation. On January 1, 2002, Mr. Frank retired as Chairman, President and Chief Executive Officer of Southern California Edison, the largest subsidiary of Edison International, a power company, where he had served since June 1995. From 1990 until 1995, Mr. Frank served as the President, Chief Operating Officer and a director of Florida Power & Light Company. Prior to that, he served as an Executive Vice President and Chief Financial Officer of TRW, Inc. and the Vice President, Controller and Treasurer of GTE Corporation.

Kerry K. Killinger

Director since 1988

Mr. Killinger, age 58, is our Chairman and Chief Executive Officer, and was our President until 2005. Mr. Killinger became our President and a director in 1988, our Chief Executive Officer in 1990 and our Chairman of the Board of Directors in 1991. Mr. Killinger also serves as a director of Safeco Corporation and Green Diamond Resource Company.

Thomas C. Leppert

Director since 2005

Mr. Leppert, age 53, is the Mayor of Dallas, Texas. Mr. Leppert retired as the Chairman and Chief Executive Officer of The Turner Corporation on December 31, 2006. He held those positions since September 1999. Turner is one of the nation's largest general construction companies with its headquarters in Dallas, Texas. Before joining Turner, Mr. Leppert served as

the Trustee of the Estate of James Campbell from 1998-1999. From 1996 through 1997, Mr. Leppert served as the Vice Chairman of the Bank of Hawaii and Pacific Century Financial Corp. Mr. Leppert began his career with McKinsey & Company and was later elected a Principal, where he specialized in the financial services industry. In 1984, he was appointed by President Reagan as a White House fellow and was assigned to the Department of the Treasury and the White House staff, where he worked primarily on banking, finance and international trade issues.

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Charles M. Lillis

Director since 2005

Mr. Lillis, age 66, is a co-founder and principal of LoneTree Partners, a private equity investing group with headquarters in Denver, Colorado. He is also a Managing Partner of Castle Pines Capital, a provider of channel finance solutions, with its headquarters in Denver Colorado. Mr. Lillis served as the Chairman of the Board and Chief Executive Officer of MediaOne Group, Inc. from its inception in 1995 through the acquisition of MediaOne by AT&T Corp., which was completed in 2000. Mr. Lillis is a director of SUPERVALU Inc., Williams Companies, Medco Health Solutions, and SomaLogic Inc.

Phillip D. Matthews

Director since 1998

Mr. Matthews, age 69, is currently the Chairman of Zodiac Marine Holdings, a worldwide supplier in marine and pool products. Mr. Matthews served as Chairman of WaterPik Technologies, Inc., a leading developer, manufacturer and marketer of innovative pool products and personal health care products until it merged with Zodiac Marine Holdings in 2007. From 1996 through 2005 he was the Chairman of Worldwide Restaurant Concepts, Inc., a company that operates, franchises or joint ventures restaurants worldwide. From 1981 to 1991, he was owner and Chief Executive Officer of Bell Helmets, Inc. and prior to that he was Executive Vice President and Chief Financial Officer of Dart Industries and its successor, Dart and Kraft, Inc. He is a director of Zodiac Marine Holdings, Wolverine World Wide, Inc., Orco Construction Supply, Inc. and Trojan Battery Company.

Regina T. Montoya

Director since 2006

Ms. Montoya, age 54, has been the Chief Executive Officer of New America Alliance since September 2005, where her responsibilities include developing strategic and tactical plans to fulfill the Alliance's mission of promoting the advancement of the Latino community with a focus on economic empowerment. From 1996 until 2005, Ms. Montoya was the Founder and President of WORKRules, a Texas-based workforce training and media and community relations company, and from August 2002 until February 2005, Ms. Montoya was the Southwest Regional Director for AARP. A Harvard-trained attorney, Ms. Montoya has served in the White House as an Assistant to the President and Director of the Office of Intergovernmental Affairs.

Michael K. Murphy

Director since 1985

Mr. Murphy, age 71, is the retired Chairman and Chief Executive Officer of CPM Development Corporation, a construction materials manufacturer and the parent company of Central Pre-Mix

Concrete Company and Inland Asphalt Company. If he is re-elected, we expect Mr. Murphy not to stand for re-election at the 2009 Annual Meeting of Shareholders in accordance with our director retirement policy described at page 11.

Margaret Osmer McQuade

Director since 2002

Ms. Osmer McQuade, age 69, has been President of Qualitas International, an international consulting firm, since 1993. She also serves as a director of River Capital International LLC.

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Mary E. Pugh

Director since 1999

Ms. Pugh, age 48, is founder, President and Chief Executive Officer of Pugh Capital Management, Inc. a fixed income money management company. Ms. Pugh is a trustee of The Seattle Foundation.

William G. Reed, Jr.

Director since 1970

Mr. Reed, age 69, was Chairman of Simpson Timber Company and Simpson Investment Company from 1971 to 1996. He serves as a director for PACCAR Inc. and Safeco Corporation. He was Chairman of the Board of Safeco Corporation from January 2001 through December 2002 and lead independent director from 2002 through 2004.

Orin C. Smith

Director since 2005

Mr. Smith, age 65, was President and Chief Executive Officer of Starbucks Corporation, a coffee retailer, from June 2000 until March 31, 2005. From June 1994 to May 2000, Mr. Smith served as Starbucks President and Chief Operating Officer, and from March 1990 to June 1994, he was Starbucks Vice President and Chief Financial Officer and later its Executive Vice President and Chief Financial Officer. Mr. Smith also serves on the board of directors of NIKE, Inc. and The Walt Disney Company.

James H. Stever

Director since 1991

Mr. Stever, age 64, retired as Executive Vice President, Public Policy, of US WEST, Inc., a telecommunications company, on December 31, 1996, a position he held since January 1996. He was Executive Vice President, Public Policy and Human Resources, of US WEST, Inc. from November 1994 to January 1996, and Executive Vice President, Public Policy, of US WEST, Inc. and US WEST Communication, Inc. from 1993 until 1994. He was President, Public Policy, of US WEST Communications, Inc. from 1990 until 1993 and President, Business Division, from 1988 until 1990.

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Corporate Governance

We value strong corporate governance principles and adhere to the highest ethical standards. These principles and standards, along with our core values of fairness, caring, human, dynamic and driven, help us achieve our corporate mission. To foster strong corporate governance and business ethics, our Board of Directors continues to take many steps to strengthen and enhance our corporate governance practices and principles. To that end, we have adopted Corporate Governance Guidelines to achieve the following goals:

- to promote the effective functioning of the Board;
- to ensure that we conduct our business in accordance with the highest legal and ethical standards; and
- to enhance shareholder value.

The following is a summary of some of our most significant governance principles as embodied in our Corporate Governance Guidelines, and our current practices with respect to many other aspects of strong corporate governance. The full text of our Corporate Governance Guidelines is available on our website at www.wamu.com/ir. Our shareholders may also obtain a written copy of the guidelines at no cost by writing to us at 1301 Second Avenue, Seattle, Washington, 98101, Attention: Investor Relations Department, or by calling (206) 500-1005.

The Governance Committee of our Board of Directors administers our Corporate Governance Guidelines, reviews performance under the guidelines and the content of the guidelines annually and, when appropriate, recommends updates and revisions to our Board of Directors.

Board of Directors Independence

We currently have 14 directors including Anne V. Farrell, who is not standing for re-election because she is retiring from the Board. Our Corporate Governance Guidelines require that the Board consist predominantly of non-employee directors. This means directors who are not currently, and have not been, employed by us during the most recent three years. Currently, our Chief Executive Officer is our only director who is also a member of management.

Our Corporate Governance Guidelines also require that a substantial majority of the Board consist of independent directors. A director is independent for this purpose when our Board affirmatively determines that he or she has no material relationship with us, other than as a director. Our Board makes this determination in accordance with our Corporate Governance Guidelines, which are consistent with the applicable rules of the New York Stock Exchange (the NYSE) and federal securities laws.

Our Governance Committee is responsible for reviewing with the Board annually the appropriate criteria and standards for determining director independence consistent with all applicable legal requirements, including the NYSE rules and applicable Securities and Exchange Commission (SEC) rules and regulations. In accordance with applicable NYSE rules, we have established categories of immaterial relationships that are deemed not to have any bearing on a director's independence. Accordingly, our Corporate Governance Guidelines provide that a Company director will not be considered to lack independence solely as a result of any of the following relationships:

- if currently or at any time during the preceding three years the director was an employee or executive officer of, or a member of his or her immediate family was an employee or an executive officer of another company that makes payments to or receives payments from us for property or services in an

amount which is less than \$1 million *and* less than two percent (2%) of the annual consolidated gross revenues of the other company, determined for the most recent completed fiscal year;

if currently or at any time during the preceding three years the director or a member of his or her immediate family was a director of another company that makes payments to or receives payments from us for property or services in an amount which is less than the greater of \$1 million *and* two percent (2%) of the annual consolidated gross revenues of the other company, determined for the most recent completed fiscal year;

if the director or a member of his or her immediate family is an executive officer of another company which is indebted to us, or to which we are indebted, and the total amount of indebtedness either of them owes to the other is less than one percent (1%) of the total consolidated assets of the other company;

if the director or a member of his or her immediate family serves as an officer, director or trustee of a tax exempt organization, and our discretionary contributions to the organization during the most recent calendar year are no greater than the greater of \$250,000 or one percent (1%) of that organization's total annual

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consolidated gross revenues (determined for the most recent completed fiscal year). Our automatic matching of employee charitable contributions will not be included in the amount of our contributions for this purpose;

if the director or a member of his or her immediate family serves as a non-employee director of another company (and has not been determined by such other company to be non-independent), on whose board one or more other Washington Mutual directors sit as non-employee directors;

if the director or a member of his or her immediate family maintains one or more deposit accounts with us, provided that there is no obligation or requirement to maintain the existence of such accounts and such accounts exist on terms and conditions that are no more favorable than those offered to the general public; or

if the director maintains a credit card with us or a subsidiary pursuant to our Employee Card program for employees and directors, or if a member of his or her immediate family maintains a credit card account with us or a subsidiary where there is no obligation or requirement to maintain the existence of such account and such account exists on terms and conditions that are generally no more favorable than those widely offered to our employees in the program.

In February 2008, our Board determined that Stephen I. Chazen, Anne V. Farrell, Stephen E. Frank, Thomas C. Leppert, Charles M. Lillis, Phillip D. Matthews, Regina T. Montoya, Michael K. Murphy, Margaret Osmer McQuade, William G. Reed, Jr., Orin C. Smith and James H. Stever are independent directors in accordance with our Corporate Governance Guidelines because they have no relationships with us that are outside of the categorical standards listed above. In addition, the Board found that Kerry K. Killinger and Mary E. Pugh are not independent because of the following:

Mr. Killinger is one of our executive officers.

Ms. Pugh is the founder and President of Pugh Capital Management, a company with which we transacted business in 2006 and prior years. Our Board has determined that this relationship was a material relationship, and that Ms. Pugh will not be independent until three years after our relationship with Pugh Capital Management ended.

For the Company directors determined to be independent in 2008, the Board considered the following relationships:

Each of Messrs. Reed, Smith and Lillis is a member of the board of directors of one or more companies with which our Company transacted business in the ordinary course in 2007. In each instance, the amount of 2007 payments to or by us was significantly below our categorically immaterial amount, as contained in our Corporate Governance Guidelines. In addition, Mr. Leppert is the Mayor of the City of Dallas. We paid immaterial amounts to the City of Dallas in 2007 in the ordinary course of business.

Messrs. Stever and Reed, and Mss. Montoya and Farrell, each has one or more deposit accounts with our Company; Mss. Farrell and Osmer McQuade, and Messrs. Frank, Leppert, Lillis, Murphy, Reed and Stever each has a credit card account with our Company pursuant to our Company card program for employees and directors; and Mrs. Farrell's home mortgage is serviced by our Company.

Our donations (or our foundation's donations) to charitable entities of which a Company director is a trustee or an officer, in amounts that were categorically immaterial under our Corporate Governance Guidelines. For 2007, these included donations to entities affiliated with Mss. Farrell, Montoya and

Osmer McQuade and Messrs. Frank, Leppert and Smith.

Our Board also determined in February 2008 that all of the members of our Audit Committee are independent in accordance with our Corporate Governance Guidelines and applicable SEC rules and regulations.

Responsibilities of the Board of Directors

Each director has basic duties of care and loyalty under Washington law. Our Corporate Governance Guidelines also enumerate certain obligations for our directors. Among other things, these obligations require directors to effectively monitor management's capabilities, compensation, leadership and performance, without undermining management's ability to successfully operate the business. In addition, our Board and its committees have the authority to retain and establish the fees of outside legal, accounting or other advisors, as necessary, to carry out their responsibilities.

Our directors are expected to avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of a conflict. As a result, our directors must disclose all business relationships with us and with any other person doing business with us to the entire Board and recuse themselves from discussions and decisions affecting

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those relationships. We periodically solicit information from directors in order to monitor potential conflicts of interest and to confirm director independence.

Communication With Directors

Individuals may submit communications to any individual director, including our Lead Independent Director, our Board as a group, or a specified Board committee or group of directors, including our non-employee directors, by sending the communications in writing to the following address: Washington Mutual, Inc., 1301 Second Avenue, Seattle, Washington 98101. All correspondence should indicate to whom it is addressed. A member of our Office of the Corporate Secretary will sort the Board correspondence to classify it based on the following categories into which it falls: shareholder correspondence, commercial correspondence, regulator correspondence or customer correspondence. Each classification of correspondence will be handled in accordance with a policy unanimously approved by the Board.

Director Education and Evaluation

All directors are expected to be knowledgeable about our Company and industry and to understand their duties and responsibilities as directors. They may gain this knowledge by attending Board meetings; periodic director training sessions; educational seminars; and regular meetings with management; and by reading appropriate industry, corporate governance and directorship literature. We periodically conduct in-house director education programs on relevant topics. In addition, our directors are encouraged to attend education sessions provided by third-party groups, and we reimburse them for their reasonable costs of attendance. In 2007, we conducted in-house director education sessions on two occasions.

All of our new directors are required to attend orientation sessions conducted by our management and educational programs intended to satisfy the special qualification requirements for membership on committees of our Board.

Our Board, acting through the Governance Committee, annually evaluates the effectiveness of the Board collectively, and the performance of each standing Board committee. Our Governance Committee determines the appropriate means for this evaluation, which may include surveying the Board and committee membership.

Director Nomination Process

Our Governance Committee is responsible for reviewing with the Board annually the appropriate skills and characteristics required of our Board members, and for selecting, evaluating and recommending nominees for election by our shareholders. The Governance Committee may use one or more third party search firms to assist in this purpose. During 2007 and 2008, an executive search firm assisted the committee in identifying our newest director, Mr. Chazen.

The following are the General Criteria for Nomination to the Board, as adopted by our Board. These General Criteria set forth the traits, abilities and experience that, at a minimum, our Board looks for in determining candidates for election to the Board:

Directors should possess personal and professional ethics, integrity and values, and be committed to representing the long-term interests of our shareholders and other constituencies.

Directors should have reputations, both personal and professional, consistent with the image and reputation of Washington Mutual.

Each director should have relevant experience and expertise and be able to add value and offer advice and guidance to our Chief Executive Officer based on that experience and expertise.

Other important factors to be considered in seeking directors include current knowledge and contacts in our industry and other industries relevant to our business, ability to work with others as an effective group and ability to commit adequate time as a director.

A substantial majority of directors on our Board should be independent, not only as that term may be legally defined, but also without the appearance of any conflict in serving as a director. In addition, directors should be independent of any particular constituency and be able to represent the interests of our shareholders and other constituencies.

Each director should have the ability to exercise sound business judgment.

Directors should be selected so that our Board of Directors is a diverse body reflecting gender, ethnic background, professional experience, current responsibilities and community involvement.

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The Chair of the Governance Committee may authorize our Chairman of the Board or any other representative of our Board, speaking on behalf of the Board, to extend invitations to new director candidates to join the Board. The Board is responsible for making interim appointments of directors to fill Board vacancies, including those created by the resignation or retirement of directors in accordanc