WASHINGTON MUTUAL, INC
Form DEF 14A
March 19, 2007

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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 þ
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials

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):

þ Fee not required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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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):

(4) Proposed maximum aggregate value of transaction:

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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1301 Second Avenue
Seattle, Washington 98101

March 19, 2007

Dear Shareholder:

You are cordially invited to attend the Washington Mutual, Inc. Annual Meeting of Shareholders that will be held on Tuesday, April 17, 2007, at 1:00 p.m., local time, at the 5th Avenue Theatre, 1308 Fifth Avenue, 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 2007;
- Ø three 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 upon which you are being asked to consider and vote. In addition to these specific matters, at the meeting there will be a report on the progress of Washington Mutual and an opportunity to ask questions of general interest to shareholders.

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

WASHINGTON MUTUAL, INC.

1301 Second Avenue
Seattle, Washington 98101

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held April 17, 2007

Meeting Date:	Tuesday, April 17, 2007
Meeting Time:	1:00 p.m. (local time)
Record Date:	February 28, 2007
Location:	5th Avenue Theatre 1308 Fifth Avenue 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 the independent auditor of Washington Mutual, Inc. (the Company) for 2007;
3. To consider a shareholder proposal regarding the Company s executive retirement plan policies if it is properly presented by the shareholder proponent at the meeting;
4. To consider a shareholder proposal regarding the Company s director election process if it is properly presented by the shareholder proponent at the meeting;
5. To consider a shareholder proposal regarding the Company s director nominee qualification requirements 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 and 2, and AGAINST Items 3 through 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.

By order of the Board of Directors,

William L. Lynch
Secretary

Seattle, Washington
March 19, 2007

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 Washington Mutual 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 2007 Annual Meeting of Shareholders
To Be Held On Tuesday, April 17, 2007

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 17, 2007, 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 19, 2007. 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 17, 2007. As a shareholder, 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 2007 Annual Meeting.

Question: ***Who is entitled to vote?***

Answer: Only shareholders of record at the close of business on February 28, 2007 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 28, 2007, we had 887,922,268 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 Anne V. Farrell, 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 by our Board s Audit Committee of Deloitte & Touche LLP as the Company s independent auditor for 2007.

- Ø To consider three 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 Audit Committee s appointment of Deloitte & Touche as independent auditor, 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 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 443,961,135 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 in February 2007, we amended our bylaws to add majority voting procedures for all uncontested director elections, including the 2007 Annual Meeting (see page 11 of this Proxy Statement).

- Ø *Ratification of Independent Auditors 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 12, 2007.

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 16, 2007. 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 16, 2007. 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,
- Ø delivering written notice to our Secretary prior to April 17, 2007, stating that you are revoking your proxy, or
- Ø attending the Annual Meeting and voting your shares in person.

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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 Georgeson Shareholder Communications Inc. to assist in the solicitation at a cost of approximately $12,500, plus payment of reasonable out-of-pocket expenses incurred by Georgeson.

Question: ***Who will count the votes?***

Answer: Automated Data Processing, 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 17, 2007, at the 5th Avenue Theatre, 1308 Fifth Avenue, 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 for 30 days after the meeting.

ITEM 1. ELECTION OF DIRECTORS

Board Nominees

The Company s Board of Directors has nominated each of the following persons for election as a director. Each nominee is currently a director of the Company and each 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 on page 5 of this Proxy Statement.

Anne V. Farrell
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

In February 2007, the Company amended its bylaws to add majority voting procedures for director elections. The new 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. Beginning with the 2007 Annual Meeting, 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 Company s Governance Committee 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.

During 2006, the Company amended its articles of incorporation and bylaws to declassify our Board of Directors. As a result, each of our directors will be eligible to serve for a one-year term beginning with the 2007 Annual Meeting, rather than a three-year term under our prior procedures. To facilitate the transition from classified three-year terms to one-year terms, each director whose current term would not otherwise expire at the Annual Meeting will tender his or her resignation to our Company effective immediately before the Annual Meeting. Consequently, all 13 of our directors are standing for re-election at the Annual Meeting.

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 our Board of Directors. 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 BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR EACH OF THE NOMINEES.

Current Directors

Below is information regarding each of our current directors, all of whom have been nominated for re-election at the Annual Meeting. Except as otherwise indicated, each director has been engaged in the principal occupation described below for at least five years.

Anne V. Farrell

Director since 1994

Mrs. Farrell, age 71, served as President and Chief Executive Officer of The Seattle Foundation, a charitable and educational corporate foundation, from 1984 until 2003, and currently serves as its President Emeritus. She also serves as a director of Recreational Equipment, Inc. (R.E.I.).

Stephen E. Frank

Director since 1997

Mr. Frank, age 65, is a director of Aegis Insurance Services, Inc., Puget Energy, Inc., Intermec, Inc. and Northrup 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 57, 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 52, 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 65, 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 67, is currently the Chairman of WaterPik Technologies, Inc. and lead director of Wolverine World Wide, Inc., where he was Chairman from 1993 through 1996. From 1996 through 2005 he was the Chairman of Worldwide Restaurant Concepts, Inc. 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 WaterPik Technologies, Inc., Wolverine World Wide, Inc., Orco Construction Supply, Inc. and Trojan Battery Company.

Regina T. Montoya

Director since 2006

Ms. Montoya, age 53, 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 69, 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.

Margaret Osmer McQuade

Director since 2002

Ms. Osmer McQuade, age 68, has been President of Qualitas International, an international consulting firm, since 1993. She also serves as a director of River Capital International LLC.

Mary E. Pugh

Director since 1999

Ms. Pugh, age 47, 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 68, was Chairman of Simpson Timber Company and Simpson Investment Company from 1971 to 1996. He serves as a director for Green Diamond Resource Company, PACCAR Inc., Safeco Corporation and The Seattle Times. 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 64, 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 63, 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, assist us in achieving 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 the Company conducts its 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 13 directors. Our Corporate Governance Guidelines require that the Board consist predominantly of non-management 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 the Company, 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 (the 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 the 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 the Company or a Company subsidiary pursuant to the Company s Employee Card program for employees and directors, or if a member of his or her immediate family maintains a credit card account with the Company or a Company 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 the Company employees in the program.

In February 2007, the Company s Board determined that Anne Farrell, Stephen Frank, Thomas Leppert, Charles Lillis, Phillip Matthews, Regina Montoya, Michael Murphy, Margaret Osmer McQuade, William Reed, Jr., Orin Smith and James 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. Willis B. Wood, Jr., a director of our Company until April 18, 2006, was found to be an independent director in February 2006. In addition, the Board found that Kerry Killinger and Mary 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. We have more fully discussed this relationship in Related Transactions and Other Matters on page 49 of this Proxy Statement.

For the Company directors determined to be independent in 2007, the Board considered the following relationships:

- Each of Messrs. Frank, Reed and Smith is a member of the board of directors of one or more companies with which our Company transacted business in the ordinary course in 2006. In each instance, the amount of 2006 payments to or by our Company was significantly below the Company s categorically immaterial amount, as contained in the Company s Corporate Governance Guidelines.

- Messrs. Stever and Reed, and Ms. Montoya and Mrs. Farrell each has one or more deposit accounts with our Company, and Mss. Farrell and Osmer McQuade, and Messrs. Frank, Lillis, Leppert, Murphy, Reed and Stever each have a credit card account with our Company, in each case pursuant to our Company card program for employees and directors.

- Mrs. Farrell and Messrs. Frank and Smith each is a member of the board of trustees of one or more charitable entities to which the Company s foundation made a cash donation during 2006. In each case, the amount contributed was significantly below the Company s categorically immaterial amount, as contained in the Company s Corporate Governance Guidelines.

The Company s Board also determined in February 2007 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

In addition to each director s basic duties of care and loyalty, the Company s Board of Directors has separate and specific obligations enumerated in our Corporate Governance Guidelines. 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 the Company and with any other person doing business with us to the entire Board and to recuse themselves from discussions and decisions

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affecting 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 presiding director, our Board as a group, or a specified Board committee or group of directors, including our non-management 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 the Company s 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 the Company and our 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 frequently 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 2006, we conducted in-house director education sessions on three 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 2006, an executive search firm assisted the committee in identifying the Company s newest director, Ms. Motoya.

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 Company s 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 accordance with our bylaws.

Our shareholders may propose director candidates for consideration by the Company s Governance Committee by submitting the individual s name and qualifications to our Secretary at 1301 Second Avenue, Seattle, WA 98101. Our Governance Committee will consider all director candidates properly submitted by our shareholders in accordance with our Corporate Governance Guidelines. Shareholders who wish to nominate candidates for election to our Board at our Annual Meeting of Shareholders must follow the procedures outlined in Shareholder Proposals for the 2008 Annual Meeting set forth on page 60 of this Proxy Statement.

Majority Voting for Directors

In February 2007, the Company amended its bylaws to add majority voting procedures for director elections. Our new 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. Beginning with the 2007 Annual Meeting, 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 our 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 Company s Governance Committee 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 whether to accept his or her resignation offer. Our Corporate Governance Guidelines contain additional procedures that the Company adopted to implement our new majority voting bylaws.

Director Retirement

When our directors reach age 72, they must tender their resignation to our Chairman of the Board before the next occurring annual meeting of shareholders. Our Chairman will refer the resignation to the Board s Governance Committee for review. Our Board will decide, in light of the circumstances and the recommendation of the Governance Committee, the date on which the resignation will become effective. A majority of the Company s remaining directors may fill a vacancy created by a director s retirement in accordance with our bylaws. A director so appointed to fill the vacancy will serve until the first annual meeting of shareholders following that director s appointment to the Board, at which time, he or she may be nominated for re-election by our shareholders. In addition, we require that directors tender their resignation when their present position or job responsibility changes significantly. Our Board then decides, in light of the circumstances and the recommendation of the Governance Committee, whether to accept such resignation.

Board Meetings and Executive Sessions

Our Board of Directors currently holds eight full Board meetings each year. All of our directors are encouraged to attend each meeting in person. Our management provides all directors with an agenda and appropriate written materials sufficiently in advance of the meetings to permit meaningful review. Any director may submit topics or request changes to the preliminary agenda as he or she deems appropriate in order to ensure that the interests and needs of non-management directors are appropriately addressed. To ensure active and effective participation, all of our directors are expected to arrive at each Board and committee meeting having reviewed and analyzed the materials for the meeting.

All of our non-management directors generally meet in executive session at every regularly scheduled Board meeting, both with and without our Chief Executive Officer present. All directors who are determined to be independent meet in executive session once per year. Our non-management directors will annually select one of their own to be the presiding director at executive sessions. In December 2006, Mr. Frank was selected as the presiding director at all executive sessions.

Director Attendance at Company Annual Meetings

All of our directors are encouraged to attend every Company annual meeting of shareholders. To help ensure that our directors are available at the time of the annual meeting, we typically schedule Board and Board committee meetings on the

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day of and the day before the annual meeting. All of our directors attended our annual meeting of shareholders held on April 18, 2006.

Director Contact with Management

All of our directors are invited to contact our Chief Executive Officer at any time to discuss any aspect of our business. In addition, there generally are frequent opportunities for directors to meet with other members of our management team.

Investment Expectations of Directors and Executives and Senior Employees

Each of our non-employee directors are expected to maintain stock ownership in our Company in an amount that is meaningful and which should have a value of at least three times the annual director cash retainer. New directors may achieve this requirement over a three-year period.

To encourage our executives and other senior officers to hold our stock, our Human Resources Committee has adopted stock ownership guidelines that apply to those positions. The target ownership guidelines are as follows:

Chief Executive Officer	WaMu stock ownership with a value of at least ten times base salary.
Other Executives and Certain Senior Officers	WaMu stock ownership with a value of at least three or four times base salary, depending on position level.

For purposes of the above guidelines, WaMu stock ownership includes shares of our common stock held outright, Company common stock held in our 401(k) Plan, phantom stock held in our Deferred Compensation Plan, and unvested shares of restricted stock. The Company s Human Resources Committee receives a report at each meeting indicating the stock ownership of each executive officer, and the Governance Committee receives a report at each meeting indicating the stock ownership of each non-employee director.

Code of Ethics for Senior Financial Officers and Code of Conduct

We have implemented a Code of Ethics applicable to our Chief Executive Officer, President, Chief Financial Officer, Principal Accounting Officer, and our other senior financial officers, and a Company Code of Conduct applicable to all of our officers, employees and directors. Our Code of Ethics provides fundamental ethical principles to which these senior financial officers are expected to adhere. Our Code of Conduct operates as a tool to help our officers, employees and directors understand and adhere to the high ethical standards required for employment by, or association with, Washington Mutual. Both our Code of Ethics and our Code of Conduct are available on our Investor Relations website at *www.wamu.com/ir*. Our shareholders may also obtain written copies at no cost by writing to us at 1301 Second Avenue, Seattle, Washington 98101, Attention: Investor Relations Department, or by calling (206) 500-5200. Any future changes or amendments to our Code of Ethics or Code of Conduct and any waiver that applies to one of our senior financial officers or a member of our Board of Directors will be posted to our Investor Relations website.

Board Meetings and Attendance

During 2006, our Board of Directors met eight times. All of our directors attended at least 75% of the aggregate of the total number of meetings of our Board and the total number of all meetings held by committees on which he or she served.

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Committees of the Board of Directors

A description of the general functions of each Board committee and the composition of each committee is below.

Committees	*2006 Meetings and General Committee Functions*
AUDIT Stephen E. Frank (Chair) Thomas C. Leppert Phillip D. Matthews Michael K. Murphy William G. Reed, Jr. Orin C. Smith	Meetings in 2006: 9 - Assists with the oversight of the integrity of our financial reporting process and financial statements and systems of internal controls; - Assists with the oversight of our compliance with legal and regulatory requirements; - Selects and retains the independent auditor, and reviews its qualifications, independence and performance; and - Selects the general auditor, and assists with the oversight of the performance of our internal audit function.
HUMAN RESOURCES James H. Stever (Chair) Stephen E. Frank Charles M. Lillis Phillip D. Matthews Margaret Osmer McQuade	Meetings in 2006: 5 - Develops and administers our executive and senior officer compensation programs and oversees our talent management process for senior management, including succession planning; - Establishes and administers annual and long-term incentive compensation plans for executives and senior management; - Oversees the administration of our officer and employee benefit plans and any associated plan trust funds; and - Annually evaluates our Chief Executive Officer s performance and sets our Chief Executive Officer s compensation level based on such evaluation.
GOVERNANCE William G. Reed, Jr. (Chair) Anne V. Farrell Thomas C. Leppert Phillip D. Matthews Margaret Osmer McQuade Orin C. Smith James H. Stever	Meetings in 2006: 4 - Develops and recommends to our Board of Directors governance guidelines and principles for our Company and takes a leadership role in shaping our corporate governance; - Identifies individuals qualified to become directors consistent with criteria confirmed by the Board, and recommends to our Board candidates for directorship; - Reviews and makes recommendations to our Board concerning the strategic planning process of the Company developed by management; and

- Assists in the operation of the Company s majority voting director election procedures.

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Committees	*2006 Meetings and General Committee Functions*
FINANCE Mary E. Pugh (Chair) Anne V. Farrell Stephen E. Frank Charles M. Lillis Regina T. Montoya Margaret Osmer McQuade Michael K. Murphy William G. Reed, Jr.	Meetings in 2006: 5 - Approves and monitors the administration of policies addressing the Company s allocation of capital and the Company s management of market and credit risk; - Monitors the development and implementation of strategies that guide the Company s financial management activities; and - Reviews and makes recommendations with respect to the payment of dividends, the issuance and repurchase of equity, and the issuance and retirement of debt.
CORPORATE DEVELOPMENT Kerry K. Killinger (Chair) Stephen E. Frank Charles M. Lillis Phillip D. Matthews James H. Stever	Meetings in 2006: 1 - Reviews, on a case-by-case basis, with our management, all transactions not in the ordinary course of business.
CORPORATE RELATIONS Anne V. Farrell (Chair) Thomas C. Leppert Regina T. Montoya Michael K. Murphy Mary E. Pugh James H. Stever	Meetings in 2006: 3 - Monitors our charitable giving and community service activities, including implementation of our ten-year $375 billion Community Commitment initiated in 2001; and - Monitors the Company s public policy and political activities, including political contributions.

Committee Independence and Additional Information

The Company s Audit Committee, Governance Committee and Human Resources Committee are currently composed entirely of independent directors, as defined by our Corporate Governance Guidelines and applicable NYSE and SEC rules and regulations. Each of our committees has a written charter, which may be obtained on our website at *www.wamu.com/ir*. Company shareholders may also obtain written copies of the charters 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 chair of each committee is responsible for establishing committee agendas. The agenda, meeting materials and the minutes of each committee meeting are furnished in advance to all of our directors, and each committee chair reports on his or her committee s activities to the full Board.

Audit Committee Financial Expertise

The Company s Board determined in February 2007 that Mr. Frank qualifies as our audit committee financial expert, as defined by the rules and regulations of the SEC. The Board further determined that each member of our Audit Committee is financially literate and has accounting or related financial management expertise, as such qualifications are defined pursuant to the rules of the NYSE.

Human Resources Committee Processes and Procedures

Overview

Our Human Resources Committee is comprised of five outside directors, each of whom has been determined by our Board to be independent as that term is defined by the NYSE. Members are nominated by the Governance Committee and approved by the Board. The current members of the Committee are:

James Stever, Chair
Stephen Frank
Charles Lillis
Phillip Matthews
Margaret Osmer McQuade

How the Human Resources Committee Operates

The Human Resources Committee operates under a written charter that specifies that the Committee is responsible for the general oversight of the Company s compensation policies and practices, including those that relate to the Company executives listed in the Summary Compensation Table on page 30 of this Proxy Statement. In this Proxy Statement we refer to those executives as our Named Executives. The Human Resources Committee reviews its charter annually and may recommend changes it considers appropriate to the Governance Committee and with that committee s approval, to the full Board. In December of each year, the Human Resources Committee also conducts an annual self-evaluation to assess its performance for the year. The Human Resources Committee has regularly scheduled meetings in January, July, October and December, and has special meetings whenever necessary to fulfill its responsibilities. In 2006, the Human Resources Committee met five times. It may act by unanimous written consent or by delegating its authority to one or more officers of the Company, although it does not delegate to officers the authority to determine the form or amount of an executive officer s compensation. During most meetings, the members meet in executive session to discuss a variety of matters; the Committee also meets with various members of management, outside counsel and outside consultants to gain additional insight and perspective with respect to such matters as management succession, the CEO evaluation, legal matters, pension plan performance and compensation and benefits issues generally.

The Human Resources Committee s Responsibilities

The Human Resources Committee assists the Board in fulfilling the following responsibilities:

- Establishing, developing and administering our executive officer compensation programs and long-term incentive plans;
- Overseeing and administering our benefit plans;
- Annually evaluating our CEO s performance and setting his compensation amounts accordingly with input from the full Board;
- Reviewing and coordinating the full Board s approval of the CEO s goals; and
- Reviewing the CEO s succession planning.

Specifically, the Human Resources Committee is responsible for annually reviewing and approving the base salary, the target annual bonus, and any long-term incentive awards for the CEO and the other Named Executives. In this regard, the Human Resources Committee approves the performance measures to be used in executive, management, and broad-based employee incentive plans and the levels of performance for which incentive compensation is to be paid. With respect to the compensation of our CEO, the Human Resources Committee annually approves financial and leadership goals and objectives relevant to the CEO s compensation and evaluates the CEO s performance in light of those goals. The Human Resources Committee is also responsible for approving the base salary, annual target bonus and any long-term incentive awards for our senior executives with a corporate title of Executive Vice President, and certain of our executives with a corporate title of Senior Vice President. In addition, the Human Resources Committee meets annually to review the Company s performance for purposes of determining the annual bonus paid to Named Executives and other officers by certifying the results under our Company s Leadership Bonus Plan.

The Human Resources Committee is also responsible for establishing base salary, target annual bonus and long-term incentive awards for newly-hired executives who will be members of our Executive Committee in their role with the Company. To facilitate negotiations with talented executive candidates, the Committee has approved a standard offer letter and guidelines for base salary, target annual bonus, and long-term incentive awards for newly hired executives who will be

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members of our Executive Committee, and has delegated authority to the Committee s chair to approve employment offer letters that fall within the guidelines. Offers that do not fall within the guidelines must be approved by the Human Resources Committee.

The Human Resources Committee is authorized to directly engage its own outside consultants, and for 2006 the Human Resources Committee directly retained Towers Perrin to assist in collecting and analyzing competitive compensation data, advising the Human Resources Committee regarding compensation best practices and trends, and assisting in the design and development of the Company s executive compensation program. The Committee meets in executive session annually to review the performance of the outside compensation consultant, assess the firm s objectivity, and generally assess the quality of the services Towers Perrin provides. Based on this assessment, the Committee decides whether to retain the outside compensation consultant for the upcoming year, or to conduct a search for a new compensation consultant.

The Company s CEO provides recommendations to the Human Resources Committee regarding Named Executives compensation and is responsible for conducting the performance evaluations for them. The Company s Chief Human Resources Officer, and members of his department, also support the Human Resources Committee and provide recommendations regarding the amount and form of compensation paid to executive officers.

The Human Resources Committee also administers the Company s Amended and Restated 2003 Equity Incentive Plan, and has delegated the authority to the Chief Human Resources Officer to grant stock options, restricted stock and performance shares under that plan to executives who are not executive officers of the Company.

While Towers Perrin has been engaged by, and directly reports to the Committee, the Committee has authorized Towers Perrin to interact with the Company s management on behalf of the Committee, as necessary. There are a number of reasons for this interaction with Company management. Before regularly scheduled Human Resources Committee meetings, Towers Perrin meets with management to review the materials that will be presented to and discussed by the Committee and, when relevant, any proposals on which management will ask the Committee to act. At other times, Towers Perrin may contact management to obtain or confirm information that is necessary for the consultant to effectively advise the Committee on a variety of ad-hoc requests and inquiries made by the Committee. The parameters for this interaction were established when the Committee originally retained Towers Perrin as its advisor.

PRINCIPAL HOLDERS OF COMMON STOCK

This table shows information regarding beneficial ownership of the Company s common stock by the only entities known by us to have owned more than 5% of the outstanding shares of our common stock on December 31, 2006.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Class[1]
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	124,702,550[2]	13.2%
Barclays Global Investors, NA 45 Fremont Street San Francisco, CA 94105	63,098,000[3]	6.67
Capital Group International, Inc. 11100 Santa Monica Boulevard, 15th Floor Los Angeles, CA 90025	53,522,900[4]	5.7

(1) Based on 944,478,961 shares outstanding (including 6,000,000 shares of Company common stock held in escrow) as of December 31, 2006.

(2) Based solely on a review of the Schedule 13G/A filed by Capital Research and Management Company with the SEC on February 12, 2007. As reported on the Schedule 13G/A, Capital Research is an investment advisor registered under the Investment Advisors Act of 1940 and has sole voting power with respect to 27,268,550 shares and sole dispositive power with respect to 124,702,550 shares, and has disclaimed beneficial ownership of the shares pursuant to Rule 13d-4 of the Securities Exchange Act of 1934.

(3) Based solely on a review of the Schedule 13G filed by Barclays Global Investors, NA and its affiliate funds with the SEC on January 23, 2007. As reported in the Schedule 13G, Barclays holds the shares in trust accounts for the economic benefit of the beneficiaries of those accounts and has sole voting power with respect to 55,455,621 shares and sole dispositive power with respect to 63,098,000 shares.

(4) Based solely on a review of the Schedule 13G/A filed by Capital Group International, Inc. with the SEC on February 12, 2007. As reported on the Schedule 13G/A, Capital Group is the parent holding company of a group of investment management companies that provide investment advisory and management services for their respective clients, which includes registered investment companies and institutional accounts. As further reported in the Schedule 13G/A, Capital Group has sole voting power with respect to 42,594,570 shares and sole dispositive power with respect to 53,522,900 shares, and has disclaimed beneficial ownership of the shares pursuant to Rule 13d-4 of the Securities Exchange Act of 1934.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

This table and the accompanying footnotes provide a summary of the beneficial ownership of our common stock as of February 28, 2007, by (i) our directors, (ii) our Chief Executive Officer, (iii) our Chief Financial Officer, (iv) our other Named Executives and (v) all of our current directors and executive officers as a group. The following summary is based on information furnished by the respective directors and officers.

Each listed person individually owns less than 1% of the outstanding shares and voting power of our common stock, and our directors and executive officers as a group hold approximately 1.2%. Except as indicated in the footnotes to the table below, each person has sole voting and investment power with respect to the shares he or she beneficially owns.

Name	Common Stock[1] A	Options Exercisable[2] B	Total Beneficial Ownership[3] C	Phantom Stock[4] D	Total Stock-Based Ownership[5] E
Thomas W. Casey	179,784(6)	622,066	801,850		801,850
James B. Corcoran	35,408(7)		35,408		35,408
Anne V. Farrell	17,224(8)	46,333	63,557	2,916	66,473
Stephen E. Frank	34,472(9)	46,333	80,805	2,916	83,721
Kerry K. Killinger	1,468,476(10)	5,668,596	7,137,072	480,396	7,617,468
Thomas C. Leppert	3,280(11)	3,333	6,613	2,125	8,738
Charles M. Lillis	8,280(12)	3,333	11,613	1,059	12,672
Phillip D. Matthews	28,679(13)	48,708	77,387	2,916	80,303
Regina T. Montoya	1,587(14)		1,587	285	1,872
Michael K. Murphy	30,177(15)	46,333	76,510	9,457	85,967
Margaret Osmer McQuade	25,768(16)	21,018	46,786	2,916	49,702
Mary E. Pugh	7,431(17)	37,333	44,764	2,916	47,680
William G. Reed, Jr.	176,799(18)	8,333	185,132	23,098	208,230
Stephen J. Rotella	386,981(19)	241,432	628,413		628,413
Joseph Saunders[20]	171,470(21)	215,457	386,927		386,927
Orin C. Smith	7,280(22)	3,333	10,613	442	11,055
James H. Stever	38,507(23)	46,333	84,840	2,916	87,756
All directors and current executive officers as a group (23 persons)[24]	3,006,680	8,099,867	11,106,547	534,394	11,640,941

(1) All fractional shares in this table have been rounded to the closest whole share.

(2) In accordance with applicable SEC rules, only options that are exercisable within 60 days after February 28, 2007 are included in this column.

(3) The amounts in this column are derived by adding shares and options listed in columns A and B of the table.

(4) This column includes shares of phantom stock attributable to the account of the executive or director based on such individual s deferral of compensation into the Company s Deferred Compensation Plan. These shares are not shares of Company common stock and confer no voting rights.

(5) The amounts contained in this column are derived by adding the amounts in columns C and D of the table.

(6) Includes 177,253 shares of restricted stock.

(7) Includes 35,408 shares of restricted stock.

(8) Includes 3,264 shares of restricted stock.

(9) Includes 3,263 shares of restricted stock.

(10) Includes 155,943 shares held by grantor retained annuity trust and 411,438 shares of restricted stock.

(11) Includes 1,587 shares of restricted stock.

(12) Includes 1,587 shares of restricted stock.

(13) Includes 10,000 shares held in a family trust and 2,887 shares of restricted stock.

(14) Includes 1,587 shares of restricted stock.

(15) Includes 3,264 shares of restricted stock.

(16) Includes 1,587 shares of restricted stock.

(17) Includes 2,629 shares of restricted stock.

(18) Includes 3,264 shares of restricted stock.

(19) Includes 288,373 shares of restricted stock.

(20) Mr. Saunders employment with the Company ended on February 28, 2007.

(21) Includes 138,679 shares held by trust and 31,031 shares of restricted stock.

(22) Includes 1,587 shares of restricted stock.

(23) Includes 1,800 shares held by a family foundation and 3,264 shares of restricted stock.

(24) Does not include Mr. Saunders, whose employment ended on February 28, 2007. Includes 2,385 shares held in the WaMu Savings (401(k)) Plan, 1,022 shares held in personal retirement accounts, and 1,456,298 shares of restricted stock.

Compensation of Non-Employee Directors

The Company s Board of Directors, acting upon a recommendation from the Governance Committee, annually determines the non-employee directors compensation for serving on the Board and its committees. In establishing director compensation, the Board and the Governance Committee are guided by the following goals:

n Compensation should consist of a combination of cash and equity awards that are designed to fairly pay the directors for work required for a company of our Company s size and scope;

n Compensation should align the directors interests with the long-term interests of shareholders; and

n Compensation should assist with attracting and retaining qualified directors.

In making its recommendation, the Governance Committee considers information received from Towers Perrin, the compensation consulting firm, regarding competitive information on outside director compensation for Fortune 500 companies generally and for individual peer banks. Towers Perrin also provides recommendations for the Company s program. The chair of the Governance Committee engages Towers Perrin to perform the analysis provided to the Committee. The Governance Committee and Board most recently completed this process in December 2006, and determined that our director compensation for 2007 should remain unchanged from 2006. The Company does not pay director compensation to directors who are also our employees. Below are the elements of compensation paid to non-employee directors for their service on our Board:

Cash Compensation

Company non-employee directors receive the following cash payments for their service on our Board of Directors and Board committees:

- an annual cash retainer of $60,000;
- $750 for attendance at each purely telephonic Board meeting or committee meeting;
- $1,500 for attendance in person or by telephone at each other Board meeting or committee meeting;
- an annual retainer of $10,000 to the chair of each of the Finance, Human Resources and Governance Committees;
- an annual retainer of $7,500 to the chair of the Corporate Relations Committee;
- an annual retainer of $15,000 to the chair of the Audit Committee; and
- an annual cash retainer of $5,000 for the non-management director who is selected to be the presiding director at executive sessions of the Board.
- Each Corporate Development Committee member receives an annual cash retainer of $6,000 in lieu of any fees for committee meeting attendance.

Directors who resign or retire from the Company s Board receive a prorated portion of the applicable cash retainers based upon their service on the Board and Board committees during the year. During 2006, the Company did not provide perquisites to any director in an amount that is reportable under applicable SEC rules and regulations. The Company directly pays or reimburses all non-employee directors for parking, travel and accommodation expenses in connection with attendance at Board and committee meetings. When a director retires from our Board, it is our practice to make a $10,000 cash donation in the retiring director s name to a charitable entity selected by the director.

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Stock Compensation

Each non-employee director is eligible for an annual grant of either options to purchase Company common stock or shares of restricted stock issued from our Amended and Restated 2003 Equity Incentive Plan, as recommended by our Governance Committee. The options and restricted stock that the Company awards to our directors vest on the first anniversary of the date of grant, subject to earlier vesting on termination of service in certain circumstances. Shares of restricted stock for directors accrue regularly-declared Company dividends in the form of additional shares of restricted stock.

Deferred Compensation

Company directors are also eligible to participate in the Company s Deferred Compensation Plan, which is described in greater detail on page 40 of this Proxy Statement. The Deferred Compensation Plan allows eligible directors to defer their vested restricted stock and their fees and retainers payable for their service on the Board and Board committees.

In accordance with applicable SEC rules and regulations, the following table reports all compensation the Company paid to non-employee directors during 2006.

Director Compensation in 2006

Name	Fees Earned or Paid in Cash ($)(2)	Stock Awards ($)(3)	Option Awards ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
Anne V. Farrell	93,000	66,185	30,427	8		189,620
Stephen E. Frank	122,750	66,185	30,427	4,822	46,600	270,784
Thomas C. Leppert	91,500	66,185	27,345	4		185,034
Charles M. Lillis	90,750	66,185	27,345			184,280
Phillip D. Matthews	99,000	66,185	30,427			195,612
Regina T. Montoya	53,500			2		53,502
Michael K. Murphy	94,500	66,185	30,427			191,112
Margaret Osmer McQuade	91,500	66,185	30,427	4		188,116
Mary E. Pugh	94,000	66,185	30,427			190,612
William G. Reed Jr.	104,500	66,185	30,427	120		201,232
Orin C. Smith	85,000	66,185	27,345	10		178,540
James H. Stever	104,500	66,185	30,427			201,112
Willis B. Wood, Jr.(1)	35,500	124,149	32,012	5,464	56,600	253,725

(1) Mr. Wood retired from our Board of Directors on April 18, 2006.

(2) The amounts in this column represent the annual cash retainers and cash meeting fees paid to our non-employee directors for service during 2006.

(3) This column reflects the dollar amount recognized for financial statement reporting purposes for 2006 in accordance with FAS 123R for awards of unvested restricted stock. The fair value of Company restricted stock is based on the market value of our common stock on the applicable measurement date for accounting purposes. For additional information, see Note 20 to the Washington Mutual, Inc. and Subsidiaries Consolidated Financial Statements contained in the Company s Form 10-K for the year-ended December 31, 2006. Mr. Wood s amount includes stock awards that, pursuant to their terms, vested upon his retirement from the Company s Board. As of December 31, 2006, each then current director held the following number of shares of unvested restricted stock (including dividend shares) issued as stock awards: Mrs. Farrell: 3,351, Mr. Frank: 3,349, Mr. Leppert: 1,693, Mr. Lillis: 1,693, Mr. Matthews: 2,977, Ms. Montoya: 0, Mr. Murphy: 3,351, Ms. Osmer McQuade: 1,693, Ms. Pugh: 2,723, Mr. Reed: 3,351, Mr. Smith: 1,693, and Mr. Stever: 3,351. The grant date fair value computed in accordance with FAS 123R for each restricted stock award reported in this column was $70,021. In addition, Mr. Wood s amount reported in this column also includes 11 separate awards granted in different years before 2006, totaling 1,270 shares that vested upon his retirement.

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(4) This column reflects the dollar amount recognized for financial statement reporting purposes for 2006 in accordance with FAS 123R for stock option awards. For information regarding significant factors, assumptions and methodologies used in determining the fair value of our stock options, see Note 20 to the Washington Mutual, Inc. and Subsidiaries Consolidated Financial Statements contained in the Company s Form 10-K for the year-ended December 31, 2006, as supplemented by the table on page 33 of this Proxy Statement. The grant date fair value computed in accordance with FAS 123R for each stock option reported in this column, except Mr. Wood s, was $28,930. The aggregate grant date fair value of Mr. Wood s stock options in this column was $82,480. As of December 31, 2006, each then current non-employee director held the following number of shares of vested and unvested Company stock options granted as option awards:

Name	Vested Stock Options	Unvested Stock Options
Anne V. Farrell	45,250	3,333
Stephen E. Frank	43,000	3,333
Thomas C. Leppert		3,333
Charles M. Lillis		3,333
Phillip D. Matthews	50,415	3,333
Regina T. Montoya		
Michael K. Murphy	45,250	3,333
Margaret Osmer McQuade	17,685	3,333
Mary E. Pugh	34,000	3,333
William G. Reed Jr.	5,000	3,333
Orin C. Smith		3,333
James H. Stever	43,000	3,333

(5) The amounts reported in this column for Messrs. Leppert, Reed and Smith, and Mss. Farrell, Montoya and Osmer McQuade consisted of above-market interest paid pursuant to the Company s Deferred Compensation Plan. The plan is described in greater detail on page 40 of this Proxy Statement. In accordance with applicable SEC regulations, the reported above-market interest consists of earnings in the interest method of accrual in our Deferred Compensation Plan to the extent that the interest rate exceeded 120% of the applicable federal long-term rate (the Benchmark Rate). The annual interest rate under the interest method of earnings in the plan was 5.48%, which was slightly higher than the Benchmark Rate of 5.43%. Messrs. Frank and Wood also have vested balances in an unfunded deferred compensation plan for certain former directors of Great Western Financial Corporation for which our Company has assumed responsibility as successor to Great Western. No additional compensation may be deferred under this plan. Interest accrues on fund balances outstanding within the plan at enhanced rates. Pursuant to the Great Western plan, Messrs. Frank and Wood each receive a crediting rate enhanced by 125%. This resulted in a 2006 plan interest rate of 6.51%, which exceeded the Benchmark Rate of 5.43%. As a result, this column reports above-market interest under the Great Western plan for Messrs. Frank and Wood.

(6) For Messrs. Frank and Wood, this column includes certain retirement benefits to which they are entitled under an unfunded directors retirement plan for which our Company assumed responsibility as successor to Great Western Financial Corporation. Upon termination of service on Great Western s board of directors, each eligible director became entitled under the plan to an annual retirement benefit equal to the sum of the annual retainer previously paid to members of the Great Western board plus 12 times the monthly meeting fee, both as in effect at the time of the director s termination. Benefits are payable for a period equal to the number of years that the eligible

director served as a Great Western director and will be provided to the surviving spouse or other designated beneficiary following an eligible director s death. Pursuant to the plan, Messrs. Frank and Wood are each entitled to receive quarterly payments of $11,650. Mr. Frank is entitled to receive these payments until October 2008 and Mr. Wood s payments end in October 2011. In addition, Mr. Wood s amount reported in this column includes a $10,000 donation that we made in his name to a charitable entity selected by Mr. Wood upon his retirement from our Board.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction: Overview and Process

The Human Resources Committee of the Company s Board of Directors, sometimes referred to in this Proxy Statement as the Committee, is responsible for designing and maintaining the Company s compensation programs consistent with the objectives below. The Committee establishes all forms of compensation, including the base salary, target bonus, and both the value of the equity award and the mix of equity vehicles for the Company s executives, including the Named Executives. (Whenever we refer to executives in this Compensation Discussion and Analysis, we mean to include the Named Executives, unless we specifically say otherwise.)

The Committee begins by considering benchmarking data from peer companies and individual performance and potential, along with overall Company performance, in setting all elements of compensation for Named Executives. The Committee has engaged an outside compensation consultant, Towers Perrin, to assist it in gathering the necessary benchmarking data and to provide it with information about trends in compensation within the Company s industry. Towers Perrin reports directly to the Committee through its chair, but at the direction of the Committee chair, Towers Perrin also works with the Company s management to develop materials and proposals with respect to executive officer compensation.

Objectives of Our Compensation Programs

The Company s compensation programs have been designed with the following objectives in mind:

- The majority of each executive s pay should be performance-based compensation that is variable based on the Company s annual and long-term operating performance and long-term shareholder returns, and should be aligned with the Company s business strategy.
- Total compensation amounts should be sufficiently competitive with industry peer companies to enable the Company to attract and retain top executive talent, while also being consistent with the Company s objective of maintaining a competitive and efficient cost structure.
- Compensation should be commensurate with the role, scope, and complexity of each executive s position relative to other executives and employees.

The Company s compensation programs reflect its position as a leading company in the highly competitive, dynamic and consolidating financial services industry. The Company uses a variety of in-service and post-employment compensation elements, and overall, the elements support the objective of making compensation sufficiently competitive to attract and retain top talent, provide incentives and rewards to executives, and ensure that management s interests are aligned with shareholder interests.

Setting Compensation Levels

Each year, with the assistance of its outside compensation consultant, the Human Resources Committee surveys the compensation practices of the Company s peers to help establish compensation for the Named Executives. The Committee evaluates the list of peers every year and adjusts the list as appropriate. For compensation awarded in

2006, the Company s selected peers were the companies listed below. The Committee determined that these were the Company s primary competitors in its major business lines and for executive talent:

- n Bank of America
- n Bank of New York
- n Capital One Financial Corp.
- n Citigroup
- n Countrywide Financial
- n Fifth Third Bancorp
- n JPMorgan Chase & Co.
- n KeyCorp
- n National City Corporation
- n PNC Financial Services Group
- n Suntrust Banks
- n U.S. Bancorp
- n Wachovia
- n Wells Fargo & Company

Washington Mutual is a leading financial services company that has grown significantly over the last decade, and it competes on a national basis in all business lines with traditional money-center institutions included in the above peer group. Given these realities, the Company seeks to attract, develop and retain a roster of high-quality executive officers selected from a national, and in some cases, international, talent pool. To help achieve these goals, as a guideline, the Company targets Named Executive cash compensation (salary and annual bonus) at the median (50th percentile) compared to its peers, and long-term equity incentive compensation at the 75th percentile compared to the peer group. This process only establishes targets; actual compensation can vary from the targeted amounts based on Company and individual performance. This approach allows the Company to attract and retain top executive talent and align Named Executives compensation more closely with the Company s strategic goals and shareholders interests.

The Company assigns Named Executives and other executives to pay-levels. These levels are determined by analyzing position-specific responsibilities, market data, and internal reporting relationships. Each pay-level has an assigned salary range and an associated range for annual bonus and long-term incentive compensation, which reflect our targeted percentile for compensation. The Committee may in its discretion approve compensation that is beyond these ranges to recruit and retain top talent.

Although the Company s pay-levels and guidelines establish general targeted compensation levels, the Committee considers a number of other factors in establishing each Named Executive s compensation, including external market and peer group practices, individual performance, the Company s financial performance, individual executive pay summaries and certain internal pay equity considerations. The Committee determines the compensation elements for our Chief Executive Officer (the CEO), reports this information to the full Board, and considers whether adjustments to the CEO s compensation are appropriate based on input from the full Board. For other Named Executives, the CEO submits compensation recommendations to the Committee. The Committee reviews the CEO s recommendations and sets the compensation for each Named Executive based on its evaluation of the executive s performance. The Committee also considers the tax and accounting treatment of the various components of compensation, and although these considerations do not generally drive its decisions, the Committee generally strives to put the Company in the best position with respect to tax and accounting treatment. In particular, the Committee attempts to ensure that compensation to Named Executives is deductible under Section 162(m) of the Internal Revenue Code, although the Committee has reserved the right to provide compensation to Named Executives that is not deductible for income tax purposes as circumstances warrant.

To assist it in establishing compensation, long-term incentives, and other benefits, the Human Resources Committee receives and reviews reports that summarize each executive officer s total compensation. The reports are provided at each regular meeting of the Committee. Based upon a review of the compensation arrangements discussed below, peer group compensation levels, and an assessment of individual and Company performance, the Company believes that the value and design of its Named Executive compensation programs are appropriate and create the proper incentives for each Named Executive.

Primary Components of Compensation

The Company believes that a majority of each Named Executive s compensation and a significant portion of other executives compensation should be dependent on our performance as a company. This helps to provide proper financial incentives to the executive and to aid in aligning the executive s interests with those of our Company and shareholders. On average, approximately 85% of the Named Executives 2006 total direct compensation, including approximately 94% of our CEO s total direct compensation, was variable and dependent on the Company s performance. Direct compensation includes base salary, annual bonus opportunity, and long-term equity incentive compensation.

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The following table summarizes the primary elements of the Company s direct compensation arrangements and how they support the Company s other compensation objectives in the short and long-term:

Components of Direct Compensation

Element	Character	How Objectives Are Met
Base Salary	Short Term	Helps ensure that compensation is commensurate with the role, scope and complexity of each executive s position relative to other executives and employees.
Annual Non-Equity Incentive Plan Compensation (Cash Bonus)	Short Term	Varies based on the Company s attainment of annual performance measures that are aligned with the business strategy and shareholders interests.
Stock Options	Long-Term	Varies based on long-term stock price performance and promotes shareholders interests.
Restricted Stock	Long-Term	Varies based on long-term total shareholder return and promotes shareholders interests.
Performance Shares	Long-Term	Varies based on long-term performance, and aligns executives interests with the Company s business strategy by tying payouts to the Company s performance relative to its peers.

Salary and Annual Incentive Compensation

The Company provides each Named Executive with a base salary that is commensurate with the role, scope, and complexity of his position relative to other executives and employees. The Company sets an annual target cash bonus for each Named Executive based on annual Company performance measures established by the Committee pursuant to the Company s Leadership Bonus Plan. The amount payable to any one Named Executive under the Leadership Bonus Plan is subject to a formula based on the Company s net income as determined under the shareholder-approved Executive Incentive Compensation Plan, which is designed to enable the Company to claim income tax deductions for bonus payments.

The actual bonuses paid to Named Executives are determined based on a pre-established formula measuring the Company s performance against criteria that we believe are drivers for creating shareholder value and achieving the Company s strategic goals. The amount of bonuses that the Company paid in January 2007 for 2006 performance was determined based on the Company s performance against the following three measures, which were established by the Committee in January 2006:

- An earnings-per-share measure adjusted to account for the interest rate environment within which our business operated in 2006. This measure formulaically adjusted based on the interest rate conditions that existed over the course of the year, as indicated by the applicable short-term interest rates and the spread between short-term and long-term rates. The Company s 2006 earnings-per-share, given the above conditions, resulted in an achievement level of 109% for this measure.

- A non-interest expense measure aligned with the Company s strategic goal of reducing expenses and increasing efficiency to remain competitive. The Company s 2006 non-interest expense was $8.807 billion, which resulted in an achievement level of 118.4% for this measure.

- A customer satisfaction measure based on a customer satisfaction rating system designed by an outside vendor. High levels of customer service remain an important aspect of the Company s consumer-oriented business philosophy. The Company s customer satisfaction performance against this measure resulted in an achievement level of 130%.

For 2006, the Committee established the following weights for each of the Leadership Bonus Plan performance measures: EPS: 40%, non-interest expense: 45%, and customer satisfaction: 15%. The Committee establishes performance measures that are challenging but realistic given the expected operating environment at the time they are established. Because the Company targets Named Executive cash compensation (salary and cash bonus) at the median compared to the Company s peers, the Leadership Bonus Plan performance measures, including the measures for 2006 performance, are usually set at challenging, yet achievable levels that, with a few exceptions, have generally resulted in payouts close to 100% of targeted amounts. Based on the Company s performance in 2003 and 2004, the Company paid bonuses to its then-current Named Executives at 98.1% and 64.2% of target levels, respectively. In 2005 and 2006, the Company s performance against the applicable measures exceeded expectations and resulted in bonus payouts at 118.5% and 116.4% of the respective target amounts.

The Committee varies the performance measures and the weights assigned to each performance measure from year to year, based on what we believe needs to be accomplished each year in order to drive long-term shareholder value. For 2007 bonuses the Committee selected the following performance measures and relative weights: EPS: 40%, non-interest expense: 25%, non-interest income: 25%, and customer loyalty: 10%. For each of these performance measures, the Committee established individual achievement levels that are challenging and realistic, given the Company s business plan and the expected environment within which the Company s business will operate. The 2007 Leadership Bonus Plan bonus payout targets range up to 365% of 2007 base salary, depending on position with the Company.

Executives, including the Named Executives, may elect to exchange 10%, 20% or 331/3% of their target bonus for the upcoming year for a grant of non-qualified stock options under the Company s Incentive Target Replacement Option program. Options granted under the program vest one year from the date of grant if the Named Executive remains employed by the Company, and the option exercise price is the closing price of the Company s common stock reported on the NYSE on the date preceding the date of the grant. The number of options granted is determined by dividing 150% of the target bonus exchanged by the estimated value of an option to account for additional risk associated with the volatility of stock option values. For 2006, none of the Named Executives participated in this program.

Long-Term Equity Incentive Compensation

The Company has designed its various long-term equity incentive compensation programs with a focus on aligning Named Executive incentives with long-term shareholder value. Specifically, the various components of our long-term equity incentive compensation programs are linked to changes in one or more of the following:

n the price of the Company s common stock,

n the rate of the Company s earnings growth,

n the Company s return on tangible common equity, and/or

n the Company s total shareholder return.

A combination of stock options, restricted stock and performance share awards are used by the Company to create a long-term incentive program that is a balanced reflection of its objectives. Each equity vehicle has its own characteristics and helps achieve some of the objectives of the compensation program. Restricted stock that vests over time enhances retention and focuses executives on total shareholder return, while stock options also include the potential for significant value appreciation tied to the Company s stock price. Performance shares measure the Company s performance relative to a group of its peers and reward executives for outperforming the Company s peers. By changing the mix of equity vehicles, the Committee can emphasize one or more of its compensation objectives each year based on market conditions and trends, as well as the particular needs of the Company.

Prior to finalizing grants, the Committee offers Named Executives the ability to express a preference, among three choices, for a heavier weighting of either restricted stock or stock options. The percentage of performance shares for each Named Executive is fixed at 30%. For 2006, Named Executives were asked to express a preference between stock options and restricted stock by choosing among the following:

	Choice 1	**Choice 2**	**Choice 3**
Restricted Stock	35%	45%	25%
Stock Options	35%	25%	45%
Performance Shares	30%	30%	30%

After taking into account the Named Executive s indicated preference, the Committee finalizes the number of shares subject to each type of equity award to be granted to each Named Executive, and grants the awards in January of each year.

When establishing each Named Executive s total long-term equity incentive award, the Committee first sets a dollar amount for each Named Executive s aggregate equity award. The Company s philosophy is to pay its employees competitively, and as a result the Committee does not consider the amount of stock owned by our Named Executives from prior awards when determining the amount of their annual equity awards. The aggregate dollar amount established by the Committee for each Named Executive s equity award is then converted into a number of shares of restricted stock, performance share awards and stock options. The conversion into the number of shares underlying the Named Executive s stock option award is done using a valuation model, and the conversion of the award into the number of shares of restricted stock and performance shares is done using a representative Company stock price over a 60 to 90 day period prior to the grant date, with a discount factor applied to reflect the risk associated with any applicable performance criteria. This allows the Company to determine the number of shares subject to the total award before seeking Committee approval, and also allows the Company to avoid the effects of events impacting our stock price around the actual time of grant.

The Company further aligns the interests of the Named Executives with the Company s shareholder interests through Company stock ownership guidelines that apply to each executive officer, including the Named Executives. Under the guidelines, our CEO must hold a number of the Company s shares of common stock with a value of at least ten times his base salary, and our other Named Executives must hold shares worth at least four times their base salary. Shares of unvested restricted stock can be used to satisfy the ownership guidelines, as can amounts deferred under the Company s Deferred Compensation Plan to the extent that those balances are invested in the plan s earnings method based on the Company s stock price. Newly hired executives are given a period of time to satisfy the guidelines.

Stock Options and Restricted Stock

Company stock options granted before November 2006 had an exercise price equal to the NYSE-reported closing price of our common stock on the trading day immediately preceding the date of grant. All Company stock options granted during and after November 2006 will have an exercise price equal to the NYSE-reported closing price of our common stock on the date of grant. Given recent developments among other companies during the past year, the Company recently conducted a review of its option pricing practices since 1999. This review found no indication that our Company has engaged in a practice of backdating stock options.

The Committee has implemented a number of changes to its restricted stock grants for executives, including the Named Executives. Beginning with awards granted after January 1, 2007, dividends will be reinvested in additional shares that will be subject to the same restrictions as the underlying shares. For previously granted awards, other than employment sign-on awards, dividends are paid out in cash on a quarterly basis. Also commencing with awards after January 1, 2007, restricted stock issued to Named Executives will also contain one or more Company performance measures that must be satisfied as a condition to vesting. For awards made in 2007, the applicable performance measures are the same Company performance measures used to determine the Company s 2007 annual cash bonus payouts under the Leadership Bonus Plan. These awards will vest over three years, but only to the extent of the payout under the Leadership Bonus Plan. For example, if the Leadership Bonus Plan pays out at 90% of target amounts, only 90% of one-third of each Named Executive s 2007 restricted stock award will vest on the first, second and third anniversary of the award. The maximum number of shares that may vest under each award equals 100% of the number of shares issued.

Performance Shares

Performance shares are another important component of the Company s long-term equity incentive compensation awarded to the Named Executives, with 30% of each Named Executive s total award being in the form of performance shares. Performance share awards are stated in terms of a target payout, and the actual payout can range from 0 to 250% of target, depending on the Company s performance versus the performance of its peers. The target payout is at the 60th percentile of the peer group companies, and is payable at 100% of the contingent award. The threshold payout is at the 30th percentile of the peer group companies, and is payable at 25% of the contingent award. There is no payout if the Company s performance is below the 30th percentile of peer group companies. The Company s peer group for this purpose consists of the financial services companies comprising the Standard & Poors Financial Index, excluding real estate investment trusts.

Performance shares pay out at the end of a three-year period, called a performance cycle. At the end of the performance cycle, earned awards together with dividends on the earned shares that are reinvested in Company common stock are paid out in unrestricted shares of our common stock (or cash at the discretion of the Committee). For any performance share awards that pay out, a participant may instead defer the payout value into the Company s Deferred Compensation Plan. For awards made in 2006, the performance cycle is 2006-2008. Over the performance cycle, the Company measures its performance against that of its peers with respect to earnings-per-share growth, total shareholder return, and average return on tangible common equity. Each of the performance measures has equal weight in determining the payout. The following schedule sets forth the payout amounts for the Company s relative performance:

Percentile Rank Among Peers for: Earnings-Per-Share Growth, Total Shareholder Return, and Average Return on Tangible Common Equity	**Payout as a Percentage of Target (%)**
90th or Above	250
85th	225
80th	200
75th	175
70th	150
60th	100
50th	75
40th	50
30th	25
Below 30th	0

If the Company s relative ranking falls between stated percentiles, the Committee interpolates to determine the payout percentage. For example, if the Company ranks in the 55th percentile for all three performance measures, the payout would be 87.5% of target.

The Committee believes that the ranking performance measures are appropriate measures of the Company s relative performance and are sufficiently difficult to attain, as evidenced by the expected payout of 0% for the 2004-2006 performance cycle. The Company s performance share award payouts for the last four performance cycles varied based on its performance against its peers follows:

Cycle	**Payout as a Percentage of Target (%)**
2004-2006	0
2003-2005	0
2002-2004	87.5
2001-2003	250

2005 Five-Year Performance-Based Restricted Stock Award

In 2005, in connection with the Board s approval of the Company s five-year strategic plan designed to meet our goal of becoming a premier provider of financial services in the United States, the Committee made a special restricted stock award to certain Company executives. This award was a performance-based restricted stock award to certain executive officers, including Messrs. Killinger, Rotella and Casey, and it was intended to align executives interests with the new strategic plan and to assist the Company in retention of key employees. In determining the number of shares of performance-based restricted stock to award to Messrs. Killinger, Rotella and Casey, the Committee considered the total compensation package of each of them and how critical their efforts were expected to be in achieving the five-year plan. Messrs. Saunders and Corcoran did not receive these awards because they were not

Company employees at the beginning of 2005. Between 0% and 100% of these awards will vest shortly after December 31, 2009, depending upon the Company s performance, as measured by its average return on tangible common equity over the period beginning on July 1, 2005 and ending on December 31, 2009. Dividends payable on these shares are reinvested in shares of Company common stock that have the same restrictions as the underlying restricted shares. The Committee established the performance measure to give the share recipients, including Messrs. Killinger, Rotella and Casey, an incentive to create long-term shareholder value by executing our five-year strategic plan. The Company has no current plans to make similar awards in the future; however, it may elect to do so.

Perquisites

During 2006, the Company provided the Named Executives, other than Mr. Killinger, with the following perquisites: Company-paid parking, a monthly car allowance, installation of home security systems and ongoing monitoring, health examinations, and an allowance for certain expenses related to financial, estate and tax planning. Mr. Killinger received none of these perquisites during 2006. In accordance with his arrangement with Providian National Bancorp., which the Company acquired in 2005, Mr. Saunders was also entitled to the services of a Company-provided driver. Effective January 1, 2007, the Company will no longer provide any of these perquisites to the Named Executives.

Mr. Killinger s sole 2006 Company-provided perquisite was his personal usage of the Company s air transportation. The Company owns a partial interest in several aircraft that are operated by a third party service and which the Company uses primarily for business-related transportation. As reported in the Summary Compensation Table on page 30 of this Proxy Statement, the Company s incremental costs incurred for this personal use is reported as 2006 compensation to Mr. Killinger. In addition, for federal income taxation purposes, the personal usage is treated as income that is imputed to Mr. Killinger in accordance with Internal Revenue Service rules. For security reasons and to increase his efficiency, the Board of Directors continues to encourage Mr. Killinger to use the Company s air transportation for business-related and personal transportation. However, effective January 1, 2007, Mr. Killinger will reimburse the Company for any personal use by him of the Company s air transportation. The Committee took this change into consideration when it established and finalized his total compensation for 2007.

Post-Employment Arrangements

The Company provides several post-employment arrangements that reflect its goal to provide competitive retirement packages and post-termination arrangements that help the Company attract and retain top executive talent and to focus its executives on long-term performance by mitigating possible concerns over industry consolidation.

The Company maintains several retirement plans in addition to its tax-qualified, broadly-based WaMu Pension Plan and WaMu Savings (401(k)) Plan. The other retirement plans the Company offers to executives are the Supplemental Employees Retirement Plan (the SERP), the Supplemental Executive Retirement Accumulation Plan (the SERAP), and the Executive Target Replacement Income Plan (the ETRIP). In addition, the Company maintains a deferred compensation plan that is available to the Named Executives and other highly compensated employees. Each of the Company s retirement plans is described in detail beginning on page 37 of this Proxy Statement.

Retirement Plans

As the Company has grown, it has increased the level of benefits provided under its retirement plans and has changed plan design in order to remain competitive with an increasingly higher caliber of peer companies in the financial services sector. As a result, executive officers continue to participate in one or more executive retirement plans, in addition to the broad-based WaMu Pension Plan and WaMu Savings (401(k)) Plan.

The Company s SERP is an excess plan that makes up for WaMu Pension Plan limitations imposed by the Code. In general, the provisions contained in this plan mirror the WaMu Pension Plan, including vesting and benefit accrual rates. The Company s SERAP was an existing executive program that was limited to lower-level executives when the Company implemented the ETRIP on January 1, 2004. Because participants had vested contractual rights under the SERAP, the Company did not eliminate current balances for those eligible to participate in the SERAP at that time. However, to prevent plan participants from receiving duplicate retirement benefits, the ETRIP provides for an offset for benefits under the WaMu Pension Plan, the SERP and the SERAP, and the Company s contributions under the WaMu Savings (401(k)) Plan. As a result, the ETRIP generally establishes the maximum retirement benefit payable to the Named Executives, although that benefit amount may be paid in part through the earlier generation plans.

The ETRIP provides an executive who has 25 years of executive service with a retirement benefit that, if paid as a lump-sum, would equal 6.5 times the executive s average salary and cash bonus for last five calendar years (excluding compensation for years during which the executive was ineligible under the plan). This benefit formula is designed to equate, on an actuarial basis, to annual retirement payments for a participant s life equal to 55% of a participant s final average pay.

The ETRIP has a number of features designed to promote retention. The benefits under the plan vest over five years, and the first year in which Named Executives could receive credit for vesting service was 2004. In addition, the benefits are proportionally reduced to the extent the Named Executive has less than 25 years of executive service with the Company. For this purpose, only executive service beginning with 1995 and beyond is considered.

Deferred Compensation Plan

The Company also sponsors an unsecured non-qualified plan known as the Deferred Compensation Plan, which allows Named Executives and certain other highly compensated employees to defer all or a portion of their base salary, bonus, stock option gain, performance shares once they are paid out, and restricted stock after it vests. Balances in the plan receive earnings accrual credits from among several plan options, all of which are described on page 40 of this Proxy Statement. Other than earnings accruals, all credits to the Deferred Compensation Plan represent a Named Executive s compensation previously earned and deferred; the Company does not provide any matching or similar credits. The plan was designed to allow Named Executives to defer some of their current income to help them with tax planning, and to assist the Company in attracting and retaining top executives by providing retirement benefits that are competitive within the Company s peer group.

Employment and Change-in-Control Arrangements

The Company provides Named Executives with agreements that provide for certain specified benefits upon a change-in-control of the Company. These agreements are very useful tools that help the Company retain its key employees, including the Named Executives. Such agreements are particularly necessary in an industry, such as ours, where there has been considerable consolidation over the last ten years. Given the state of our industry and their unique positions with the Company, Messrs. Killinger and Rotella each have a Company employment agreement that provides them with benefits if they are terminated under certain circumstances before and after a change-in-control of the Company. Each of the other Named Executives is a party to the Company s standard change-in-control agreement that does not provide any benefits before a change-in-control occurs. Detailed information about these agreements, including a description of payout amounts under a hypothetical change-in-control of the Company or termination of the Named Executives as of the last business day of 2006 is included in this Proxy Statement beginning at page 41.

Post-Employment Recoupment of Equity Awards

The Company maintains claw-back provisions within its form agreements for stock options and restricted stock awards made in 2006 and beyond. These agreements also contain provisions assigning intellectual property rights to the Company. In accordance with these provisions, Named Executives who violate non-solicitation agreements (with respect to customers and employees) will forfeit all of their outstanding equity awards whether or not they have vested, as of the date of the violation or the date of the Company s discovery of the violation. In addition, the Named Executives would be required to return to the Company any gains realized on Company stock or options obtained under these awards if the gain is realized during the 12 months preceding the violation. The Company first implemented these provisions in 2006 to protect its intellectual property and human capital and to help ensure that the Named Executives act in the Company s best interests and the best interests of its shareholders.

Report of the Human Resources Committee

The Company s Human Resources Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with Company management. Based on such review and discussions, the Human Resources Committee recommended to the Company s Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

HUMAN RESOURCES COMMITTEE
James H. Stever, Chair
Stephen E. Frank
Charles M. Lillis

Margaret Osmer McQuade
Phillip D. Matthews

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Summary Compensation Table

The following table shows all 2006 compensation paid by the Company to our Chief Executive Officer, Chief Financial Officer, and other three most highly paid executive officers based on 2006 compensation. All individuals listed in the following table are referred to in this Proxy Statement as the Named Executives. Annual Compensation includes amounts deferred at the Named Executive s election.

on	Year	Salary($)[2]	Bonus($)	Stock Awards($)[3]	Option Awards($)[4]	Non-Equity Incentive Plan Compensation ($)[5]	Change in Pension Value and Nonqual. Deferred Comp. Earnings ($)[6]	All Other Compensatio ($)[7]
ger	2006	1,000,000		2,251,139	5,148,464	4,074,000	1,270,684	501,5
ey hief r	2006	620,000		878,838	1,517,087	1,356,060	97,613	95,9
la hief er	2006	900,000		2,126,040	1,514,458	3,142,800	639,692	130,0
s[1] ve nd	2006	800,000		1,152,954	459,670	1,862,400	468,720	200,4
ran	2006	345,769(8)	1,500,000(9)	136,183	135,691	931,200	149,174	102,4

(1) Mr. Saunders resigned from the Company, effective February 28, 2007.

(2) Salaries for our Named Executives 2006 performance were established by our Human Resources Committee on January 17, 2006. Messrs. Killinger, Rotella and Saunders did not receive increases from their 2005 base salaries, while Mr. Casey received a 3.3% increase. Pursuant to his employment agreement with the Company, dated June 5, 2005, Mr. Saunders base salary was not to be less than $800,000 per year during the term of the agreement. Mr. Corcoran became a Company employee on May 22, 2006.

(3) This column reflects the dollar amount recognized for financial statement reporting purposes for 2006 in accordance with the applicable SEC rule and FAS 123R for shares of unvested restricted stock and outstanding performance share awards held by the Named Executives, which may include amounts from awards made in and prior to 2006. The fair value of our restricted stock is based on the market value of our common stock on the applicable measurement date for accounting purposes. For additional information on the valuation of our

restricted stock and performance share awards, see Note 20 to the Washington Mutual, Inc. and Subsidiaries Consolidated Financial Statements contained in the Company s Form 10-K for the year-ended December 31, 2006. Because Mr. Corcoran joined our Company in 2006, the amount reported for him in this column reflects only a partial year s value calculated in accordance with FAS 123R.

(4) This column reflects the dollar amount recognized for financial statement reporting purposes for 2006 in accordance with FAS 123R for stock options held by our Named Executives, which may include amounts from awards granted in and prior to 2006. For information regarding significant factors, assumptions and methodologies used in determining the fair value of our stock options, see Note 20 to the Washington Mutual, Inc. and Subsidiaries Consolidated Financial Statements contained in the Company s Form 10-K for the year-ended December 31, 2006, as supplemented by the table on page 33 of this Proxy Statement. Because Mr. Corcoran joined our Company in 2006, the amount reported for him in this column reflects only a partial year s value calculated in accordance with FAS 123R. Any amounts realized by the Named Executives on the awards in this column will depend upon whether the options vest and our Company s stock price at the time of exercise.

(5) This column represents the cash bonuses paid to the Named Executives for 2006 performance pursuant to our Leadership Bonus Plan, which operates in conjunction with the Company s Executive Incentive Compensation Plan. Under his employment agreement, Mr. Saunders Leadership Bonus Plan annual target bonus was set at 200% of his base salary during the term of the agreement.

(6) As indicated in the following table, this column represents (a) the actuarial increase in the present value of the Named Executives benefits under the WaMu Pension Plan and the ETRIP determined using interest rate and mortality rate assumptions consistent with those used in our financial statements; and (b) above-market interest for 2006 on balances in our Deferred Compensation Plan and Mr. Killinger s SERAP benefit. In accordance with applicable SEC regulations, interest is above market if it is paid at a rate that exceeds the Benchmark Rate, which is 120% of the applicable federal long-term rate. The annual interest rate the Company paid under these plans, including the Deferred Compensation Plan s interest method of earnings, was 5.48%, which in each case was slightly higher than the Benchmark Rate of 5.43%. During 2006, the Deferred Compensation Plan s earnings rate for the interest

method of earnings and the interest rate paid under the SERAP was based on a rate comparable to the Company s unsecured junior debt with a ten-year maturity.

Name	WaMu Pension Plan Actuarial Increase($)	ETRIP Actuarial Increase($)	Deferred Compensation Plan Above-Market Interest	SERAP Above-Market Interest	Total
Kerry K. Killinger	31,303	1,237,647	494	1,240	1,270,684
Thomas W. Casey	8,605	88,281	727		97,613
Stephen J. Rotella	8,216	631,476			639,692
Joseph Saunders	8,654	459,935	131		468,720
James B. Corcoran		149,174			149,174

(7) This column represents the amount of all compensation paid to the Named Executives that is not reported in any other column of the table, as detailed in the table below.

(8) Pursuant to the terms of his offer letter, dated April 3, 2006, Mr. Corcoran became an at-will employee of the Company on May 22, 2006. The offer letter provided that Mr. Corcoran s annualized salary rate for 2006 was $600,000 and his Leadership Bonus Plan bonus target was established at 133.5% of his annualized base salary.

(9) This amount was a cash signing bonus paid to Mr. Corcoran when he was hired in 2006.

All Other Compensation:

The amount of All Other Compensation reported for each Named Executive in the Summary Compensation Table above consisted of the following:

Name	Perquisites and Other Personal Benefits(1)	Relocation(2)	Tax Payments(3)	Company Contributions to SERP(4)	Other	Total
Kerry K. Killinger	143,972			346,800	10,800	501,572
Thomas W. Casey	19,041			68,142	8,800	95,983
Stephen J. Rotella	56,069	40,052	6,883	18,200	8,800	130,004
Joseph Saunders	68,170			123,508	8,800	200,478
James B. Corcoran	13,800	57,558	31,125			102,483

(1) Perquisites and Other Personal Benefits. All perquisites and personal benefits outlined below were eliminated by our Company as of January 1, 2007. For all of our Named Executives, other than Mr. Killinger, this column includes the costs of Company-provided parking, executive medical examinations, and tax and financial planning and automobile allowances. In addition, Mr. Casey s amount includes his home security monitoring costs, and $37,327 of Mr. Rotella s amount relates to his home security system installation and monitoring costs.

All of Mr. Killinger s perquisites amount represents the incremental costs incurred by our Company for Mr. Killinger s use of our air transportation for personal purposes during 2006. We own partial interests in corporate jets, which we primarily use for the Company s business-related transportation. The jets are operated on our behalf by a third-party service and the Company is entitled to a limited use of the jets. We have calculated our Company s incremental costs for each personal flight to include an hourly rate, fuel charges, applicable taxes and segment and miscellaneous fees. Mr. Killinger is taxed on the imputed income attributable to such personal flights and we do not provide him with tax assistance or a tax gross-up with respect to those amounts. In addition, Mr. Killinger s family and guests sometimes accompany him on flights. Under our arrangements with the operator of the jets, travel by guests in these circumstances generally does not increase our incremental costs of the flights. While the Board continues to encourage Mr. Killinger to use the Company s air transportation for security reasons and to increase his efficiency, effective January 1, 2007, Mr. Killinger will reimburse the Company for any use by him of the Company s air transportation for personal purposes.

$56,503 of Mr. Saunders amount represents the incremental costs incurred by our Company for Mr. Saunders Company-provided drivers for personal-related trips under his arrangement with Providian Financial Corporation, which the Company acquired in October 2005. We have calculated our Company s incremental costs to include a percentage of the total annual compensation and benefits expenses of the drivers and the car s fuel, maintenance and insurance costs. Because the drivers also provided our Company with transportation for business-related trips and other business-related functions, we calculated Mr. Saunders personal usage based on the percentage of time spent by the drivers for Mr. Saunders non-business trips (including commuting to work).

(2) The amounts in this column represent Company-paid moving and relocation expenses. This includes the Company s direct payment of costs incurred for travel, temporary housing and shipment of household goods. These payments were made pursuant to the Company s management-level relocation plan and related procedures.

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(3) The amounts in this column represent Company payments for taxes related to the relocation expenses disclosed in the table.

(4) The amounts in this column represent amounts credited to the accounts of each Named Executive during 2006 pursuant to the Company s SERP. This plan is more fully described on page 40 of this Proxy Statement.

Grants of Plan-Based Awards in 2006

The table below shows all plan-based awards that the Company made during 2006 to the Named Executives.

	HR Committee Approval Date	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[1] Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards[2] Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Numbers of Shares of Stock or Units(#)[3]	All Other Option Awards: Numbers of Securities Underlying Options(#)[4]	Exercis or Bas Price c Optior Award ($/Sh.
			1,750,000	3,500,000	5,250,000						
	1/17/06	1/20/06				23,100	92,400	231,000			
	1/17/06	1/20/06							98,300		
	1/17/06	1/20/06								458,900	43.33
			582,500	1,165,000	1,747,500						
	1/17/06	1/20/06				7,825	31,300	78,250			
	1/17/06	1/20/06							42,900		
	1/17/06	1/20/06								111,100	43.33
			1,350,000	2,700,000	4,050,000						
	1/17/06	1/20/06				11,750	47,000	117,500			
	1/17/06	1/20/06							50,000		
	1/17/06	1/20/06								233,300	43.33
s			800,000	1,600,000	2,400,000						
	1/17/06	1/20/06				1,950	7,800	19,500			
	1/17/06	1/20/06							8,300		
	1/17/06	1/20/06								38,900	43.33
			400,000	800,000	1,200,000						
	3/30/06	6/15/06							17,175		
	3/30/06	6/15/06								83,333	43.67

(1) Cash Bonus. The amounts reported in these columns represent the threshold (50%), target (100%) and maximum (150%) amounts of cash bonuses that were payable to our Named Executives for 2006 performance under the

Company s Leadership Bonus Plan, which operates in conjunction with the Company s Executive Incentive Compensation Plan. The 2006 Leadership Bonus Plan is described in greater detail in the narrative below. Awards for 2006 performance paid out in January 2007 at 116.4% of the target amounts reported in the table, and the cash payout for each Named Executive based on this percentage is reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 30 of this Proxy Statement.

(2) Performance Share Awards. The amounts reported in these columns represent threshold (25%), target (100%) and maximum (250%) number of shares of our Company s common stock potentially issuable as future payouts for the performance shares awards made to the Named Executives as part of the Company s 2006 annual equity awards made in January 2006 for the 2006-2008 performance cycle. Performance share awards are described in greater detail in the narrative below.

(3) Restricted Stock Awards. The amounts reported in this column for the Named Executives, other than Mr. Corcoran, represent annual restricted stock awards made to the Named Executives in January 2006 as part of the Company s annual equity awards. Mr. Corcoran s award reported above was a sign-on grant made to him when he joined our Company in 2006. The general terms of the Company s annual restricted stock awards are described in greater detail in the narrative below.

(4) Stock Options. The amounts reported in this column for the Named Executives, other than the Mr. Corcoran, represent annual stock option grants made to the Named Executives in January 2006 as part of the Company s annual equity awards. Mr. Corcoran s grant reported in this column was a sign-on grant made to him when he joined our Company in 2006. Mr. Corcoran s grant was made as part of the Company s regular monthly grants to eligible new employees, which occur on the 15th of the month following the month of hire. For Mr. Corcoran, this resulted in a per-share exercise price higher than the closing price of the Company s common stock on the date the option grant was approved. The options reported in this column for each Named Executive vest in three equal annual installments beginning on the first anniversary of the grant date. The exercise price for the awards reported in the table was equal to the closing price of the Company s common stock reported on the NYSE the day before the date of grant, which resulted in a per-share exercise price higher than the closing price of our stock on the date that the options were granted. The grant date differs from the approval date reported in the table because our Company s practice is to make annual option grants on the second business day after the public release of the Company s year-end financial results.

The plan-based awards compensation reported in the Summary Compensation Table and the Plan-Based Awards Table above consisted of the following types of awards. For additional information on each type of award described below, see the Salary and Annual Incentive Compensation and Long-Term Equity Incentive Compensation sections of the Compensation Discussion and Analysis beginning on page 24 of this Proxy Statement.

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Non-Equity Incentive Plan Compensation:

Non-Equity Incentive Plan Compensation consists of cash bonuses paid to the Named Executives pursuant to the Company s Leadership Bonus Plan. The amount payable to any one Named Executive under the Leadership Bonus Plan is subject to a formula based on net income as determined under our shareholder-approved Executive Incentive Compensation Plan, in order to enable the Company to claim income tax deductions for these payments.

Stock Awards

Our Company s 2006 Stock Awards consisted of the following types of awards:

- Restricted Stock Awards. The 2006 awards to the Named Executives, other than Mr. Corcoran, consisted of annual restricted stock awards. Mr. Corcoran s shares of restricted stock reported in the Stock Awards column in the table above were issued to him as a sign-on grant when he joined our Company in 2006, and under Company practice, quarterly dividends on those shares are reinvested in shares of Company common stock that vest on the same basis as the underlying shares.

- Performance Shares. Performance share awards are contingent performance awards paid out at our Company s discretion in cash or shares of our common stock at the end of a three-year period only to the extent of our Company s achievement of specified performance measures. The awards, which may be paid in cash or our common stock at the end of the three-year cycle, will range from zero to 250% of the contingent award. There is no payout if our Company s performance is below the 30th percentile of peer group companies. Performance share awards earn dividend equivalents that are accrued in the form of additional performance shares paid in our common stock, or cash at our election, when and to the extent the related performance shares are paid.

Option Awards

In 2006, the Company granted stock options to the Named Executives, other than Mr. Corcoran, as part of their annual equity awards. Mr. Corcoran s grant was made in connection with his hiring. The Company s Amended and Restated 2003 Equity Incentive Plan expressly prohibits re-pricing of stock options without shareholder approval. Company stock options generally expire ten years after the grant date, unless they are first exercised. The expiration period is also accelerated if the holder s employment with us terminates under certain circumstances.

Option Awards FAS 123R Valuation

The Option Awards column in the Summary Compensation Table on page 30 of this Proxy Statement includes stock option grants to the Named Executives made on the following dates: December 16, 2003; January 21, 2005; October 3, 2005; January 20, 2006; and June 15, 2006. The Option Awards column in the Director Compensation Table on page 20 of this Proxy Statement includes stock options granted to non-employee directors of the Company on January 21, 2005 and January 20, 2006. The significant factors and assumptions used in determining the fair value of these stock options is reported in the following table:

FAS 123R Significant Factors and Assumptions

Options

Options

	Granted to Messrs. Killinger and Casey on 12/16/03	Granted to Messrs. Killinger, Casey and Rotella on 1/21/05	Options Granted to Mr. Saunders on 10/3/05	Options Granted to Mr. Saunders on 1/20/06[(1)]	Options Granted on 1/20/06 to Directors and to Messrs. Killinger, Casey and Rotella	Options Granted to Mr. Corcoran on 6/15/06
Grant Date Fair Value($)	12.10	10.71	4.74	7.93	8.68	8.96
Dividend Yield(%)	2.53	4.20	4.32	4.70	4.70	4.70
Expected Volatility(%)	32.00	31.00	21.00	24.90	25.50	24.80
Risk Free Interest Rate(%)	3.60	3.84	4.21	4.26	4.28	5.02
Expected Life (in Years)	7.0	7.0	2.5	5.1	6.2	6.2

(1) The significant factors, assumptions and methodologies used in determining the fair value of Mr. Saunders January 20, 2006 option were different from those used for the other Named Executives because Mr. Saunders was not an executive officer of the Company when the option was granted.

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Outstanding Equity Awards at the end of 2006

This table shows the equity awards that have been previously awarded to each of the Named Executives and which remained outstanding as of December 31, 2006.

Option Awards[1]	Stock Awards	
	Equity Incentive Plan	Equity Incentive Plan