

WASHINGTON MUTUAL INC
Form S-3
June 27, 2001

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 27, 2001

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

WASHINGTON MUTUAL, INC.
WASHINGTON MUTUAL CAPITAL TRUST 2001

(Exact Name Of Registrant As Specified In Its Charter)

WASHINGTON
DELAWARE
(STATE OF INCORPORATION)

1201 THIRD AVENUE
SEATTLE, WASHINGTON, 98101
(206) 461-2000

91-1653725
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

(Address, Including Zip Code, And Telephone Number, Including Area Code, Of Registrant's Principal Executive Offices)

FAY L. CHAPMAN
WASHINGTON MUTUAL, INC.
1201 THIRD AVENUE
SEATTLE, WA 98101
(206) 461-2000

(Name, Address, Including Zip Code, And Telephone Number, Including Area Code, Of Agent For Service)

WITH A COPY TO:

DAVID R. WILSON
HELLER EHRMAN WHITE & MCAULIFFE LLP
6100 BANK OF AMERICA TOWER
701 5TH AVENUE
SEATTLE, WA 98104-7098
(206) 447-0900

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to time after the effective date of this registration statement as determined by market conditions.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. //

If the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 of the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /x/

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. //

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. //

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. //

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit(2)	Proposed Maximum Aggregate Offering Price(3)	Amount of Registration Fee
8,713,925 Units(1)	\$435,696,250	\$50	\$435,696,250	\$108,925
Preferred Securities of Washington Mutual Capital Trust 2001				
Warrants to purchase common stock of Washington Mutual, Inc.				
Debentures of Washington Mutual, Inc.		N/A		
Guarantee by Washington Mutual, Inc., of the above referenced preferred securities(4)	(4)	(4)	(4)	
Common Stock, par value \$.01 per share(5)				

- (1) The units consist of one preferred security of Washington Mutual Capital Trust 2001 and a warrant to purchase Washington Mutual Common Stock.
- (2) Estimated solely for the purposes of determining the registration fee pursuant to Rule 457(o) promulgated under the Securities Act.
- (3) Exclusive of accrued interest, if any.
- (4) We are registering the Guarantee of the preferred securities of Washington Mutual Capital Trust 2001. No additional consideration will be received by us for such Guarantee. Pursuant to Rule 457(n) under the Securities Act, no additional filing fee is required in connection with such Guarantee.
- (5) The Common Stock being registered consists of shares underlying warrants. In accordance with Rule 416 under the Securities Act, this registration statement also covers such indeterminate number of additional shares as may become issuable upon exercise of such warrants to prevent dilution from stock splits, stock dividends or similar transactions.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

SUBJECT TO COMPLETION, DATED JUNE 27, 2001

The information in this prospectus is not complete and may be changed. The securities may not be sold nor may offers to buy be accepted until the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

PROSPECTUS

**Trust Preferred Income Equity Redeemable SecuritiesSM
8,713,925 (PIERSSM) Units**

Each unit being offered consists of:

a preferred security issued by Washington Mutual Capital Trust 2001 (the "Trust"), having a stated liquidation amount of \$50, representing an undivided beneficial interest in the assets of the Trust, which assets consist solely of subordinated debentures issued by Washington Mutual, Inc. each of which has a principal amount at maturity of \$50, a stated maturity of July 1, 2041 and, at any time, an accreted value as described in this prospectus; and

a warrant to purchase at any time prior to the close of business on May 3, 2041, 1.2081 shares of common stock of Washington Mutual. The exercise price of each warrant on the initial date of issuance was \$32.33 and will accrete on a daily basis as described in this prospectus to \$50 on the expiration date.

The units, the preferred securities, the warrants and the common stock, issuable upon exercise of the warrants are being offered by the holders of the units. See "Selling Securityholders." Neither the Trust nor Washington Mutual will receive any proceeds from sales of the securities, although Washington Mutual will receive the proceeds upon exercise of the warrants.

At any time after issuance of the units, the preferred security and warrant components of each unit may be separated by the holder and transferred separately. Thereafter, a separated preferred security and warrant may be combined to form a unit.

SEE "Risk Factors" on page 10 of this prospectus for a discussion of certain factors that should be considered by prospective purchasers of the units.

The unit securities may not be redeemed prior to May 3, 2006, except upon the occurrence of certain special events. On any date after May 3, 2006, Washington Mutual may, if certain conditions are satisfied, redeem the warrants in whole but not in part for cash equal to the warrant value (the difference between \$50 and the exercise price of the warrant at the end of the day next preceding the remarketing date) if the closing price of Washington Mutual common stock has exceeded \$49.66 per share, subject to adjustment, for at least 20 trading days within the immediately preceding 30 trading days and on the day on which Washington Mutual makes such election.

As a result, a warrant holder has the choice of:

exercising the warrant at an exercise price equal to the warrant exercise price at the end of the day next preceding the remarketing date; or
receiving redemption proceeds equal to the warrant value.

In connection with a redemption, Washington Mutual is obligated to seek a remarketing of the preferred securities at a price equal to their accreted value. If the warrant holder chooses to exercise the warrant and is a unit holder, the proceeds from a successful contemporaneous remarketing of the related preferred security will be applied to satisfy in full the exercise price of the warrant.

The preferred securities are guaranteed to the extent described in this prospectus by Washington Mutual.

The units described in this prospectus were initially issued by us in a private placement on April 30, 2001 and May 16, 2001. You should read this prospectus and any prospectus supplement carefully before you invest.

The securities may be sold directly to investors, through agents designated from time to time or to or through underwriters or dealers. See "Plan of Distribution" section of this prospectus. If any underwriters are involved in the sale of any securities in respect of which this prospectus is being delivered, the names of such underwriters and any applicable commissions or discounts will be set forth in a prospectus supplement.

Washington Mutual common stock trades on the New York Stock Exchange under the symbol "WM." On June 25, 2001, the closing price of the common stock was \$37.00 per share. Neither the units nor the preferred securities nor the warrants are listed on an exchange. We do not intend to apply for any listing for these securities.

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"Preferred Income Equity Redeemable SecuritiesSM" and "PIERSSM" are service marks owned by Lehman Brothers Inc.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES OFFERED HEREBY ARE NOT SAVINGS ACCOUNTS, DEPOSITS OR OTHER OBLIGATIONS OF ANY BANK OR SAVINGS ASSOCIATION AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE BANK INSURANCE FUND, THE SAVINGS ASSOCIATION INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY.

The date of this prospectus is June , 2001.

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Summary

The following summary contains information about Washington Mutual, the Trust and the offering that we believe is important. You should read the entire prospectus, including the information and financial statements incorporated by reference, for a complete understanding of our business and the offering.

Securities Offered 8,713,925 units consisting of:

a preferred security having a stated liquidation amount of \$50; and

a warrant to purchase at any time prior to May 3, 2041, 1.2081 shares (subject to antidilution adjustments) of our common stock.

To exercise the warrants, a holder must tender the warrant together with its exercise price at such date or, in connection with an exercise in lieu of redemption, at the exercise price described below under " Warrant Exercise Price."

The preferred securities represent an undivided beneficial interest in the assets of Washington Mutual Capital Trust 2001, which consist solely of subordinated debentures issued by Washington Mutual. The debentures will have a principal amount at maturity of \$50.

At any time after the issuance of the units, the preferred security and the warrant components of each unit may be separated by the holder and transferred separately. Thereafter, a separated warrant and preferred security may be combined to form a unit.

Maturity of Debentures

July 1, 2041.

Expiration of Warrants

May 3, 2041.

Distribution Dates

February 1, May 1, August 1 and November 1 of each year, beginning on August 1, 2001. Distributions on the preferred securities will be made to the extent we make corresponding interest payments on the debentures.

Distribution Rate

5.375% per year on the stated liquidation amount of the preferred securities, subject to reset upon a remarketing to the reset rate on the accreted value as of the end of the day next preceding the remarketing date. The distribution rate on the preferred securities corresponds to the interest rate on the debentures.

Deferral of Payments

So long as we are not in default in the payment of interest on the debentures and so long as a failed remarketing has not occurred, we will have the right, at any time, and from time to time during the term of the debentures to defer payments of interest by extending the interest payment period for a period (the "extension period") not exceeding 20 consecutive quarters or extending beyond the stated maturity of the debentures, during which extension period no interest will be due and payable. Prior to the termination of any such extension period, we may further extend such extension period; provided that such extension period, together with all such previous and further extensions, may not exceed 20 consecutive quarters or extend beyond the stated maturity of the debentures. During any extension period, we covenant not to make certain restricted payments.

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Optional Redemption of Warrants and Remarketing of Preferred Securities

If on any date after May 3, 2006 the closing price of Washington Mutual common stock exceeds and has exceeded \$49.66 per share, subject to adjustment, for at least 20 trading days within the immediately preceding 30 consecutive trading days and on the day on which we make the election, we may, at our option, elect to redeem the warrants, in whole but not in part, for cash equal to the warrant value.

In connection with a redemption, each warrant that has not previously been exercised will be redeemed on the remarketing settlement date at the warrant value for such date, which will be a cash price equal to \$50 minus the exercise price of the warrant as of the end of the day next preceding the remarketing date. The exercise price on the initial date of issuance was \$32.33 and will accrete on a daily basis as described in this prospectus to \$50 on the expiration date.

The warrant will be redeemed on the redemption date unless a warrant holder affirmatively elects to exercise its warrants. Washington Mutual is required to give holders of the warrants no more than four business days notice of its election to redeem the warrants. Because of the abbreviated notification period, a warrant holder who intends to exercise its warrant upon an optional redemption of the warrants may want to provide standing instructions for the exercise of the warrants and the delivery of shares. See "Risk Factors You may be required to elect to exercise your warrants within three business days of notification of an election by Washington Mutual to optionally redeem the warrants."

In connection with a redemption, we are also obligated to seek a remarketing of the preferred

securities at a price of no less than 100% of their value. If the warrant holder chooses to exercise the warrant and is a unit holder, the proceeds from a successful contemporaneous remarketing of the related preferred security will be applied to satisfy in full the exercise price of the warrant.

Also in connection with a remarketing,

the adjusted maturity of the debentures (and, as a result, the redemption date of the preferred securities) will become the date which is 60 days following the remarketing date,

the amount due at the adjusted maturity date of the debentures will be the accreted value of the debentures as of the end of the day next preceding the remarketing date (and, as a result, the amount due at the adjusted redemption date of the preferred securities will be the accreted value of the preferred securities at such date),

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upon a remarketing of the preferred securities in connection with an expiration of the warrants at maturity, the preferred securities will be remarketed at their stated liquidation amount, and

on the remarketing date, the debentures will have an interest rate on their accreted value (and, as a result, the preferred securities will have a distribution rate on their accreted value) equal to the rate established in the remarketing.

Redemption of Warrants Upon Tax Event, Regulatory Capital and Investment Company Event

Upon the occurrence of certain tax events, or if there is a substantial risk that the Trust will be considered an investment company and certain requirements are satisfied, or if the preferred securities no longer qualify as Tier 1 capital, we may, at our option, elect to cause the remarketing of the preferred securities at a price no less than 100% of their accreted value, and to redeem the warrants at their warrant value.

Accreted Value

The "accreted value" of a preferred security is equal to the accreted value of a debenture, which is equal to the sum of the initial purchase price of the preferred security component of each unit (i.e. \$32.33) plus accrual of the discount (i.e. the difference between the principal amount of \$50 payable in respect of a debenture on May 1, 2041 and the initial purchase price), calculated from April 30, 2001 to the date of calculation at the all-in-yield of 8.48% per annum on a quarterly bond equivalent yield basis using a 360-day year of twelve 30-day months until such sum equals \$50 on May 1, 2041, less \$0.6719 per quarter.

Exercise of Warrants

A holder may exercise warrants at any time prior to the close of business on May 3, 2041 (the "expiration date"), unless redeemed earlier in connection with a remarketing or a change of control.

The warrants are not exercisable unless, at the time of the exercise (i) in the case of a holder who has received warrants in a transaction exempt from registration requirements under the Securities Act,

the sale of the shares upon exercise of the warrants is exempt from the registration requirements of the Securities Act and

the shares have been registered, qualified or are deemed to be exempt under the securities laws of the state of residence of the exercising holder of the warrants.

or (ii) in the case of a holder who has received warrants transferred pursuant to a shelf registration statement,

a shelf registration statement covering the issuance of the common stock upon exercise of the warrant is then in effect,

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the shares have been registered, qualified or are deemed to be exempt under the securities laws of the state of residence of the exercising holder of the warrants and

a then current prospectus is delivered to exercising holders of the warrants.

Warrant Exercise Price

The warrant exercise price on the initial date of issuance was \$32.33 and the warrant exercise price on the expiration date of the warrants will equal \$50. The warrant exercise price will accrete on a daily basis such that on any given date of calculation it will be equal to \$32.33 plus accretion of the difference between the initial warrant exercise price and the warrant exercise price on the expiration date, calculated from April 30, 2001 to the date of calculation, at the all-in yield of 8.48% per annum (on a quarterly bond equivalent yield basis using a 360-day year of twelve 30-day months) less \$0.6719 per quarter.

In connection with an exercise of the warrants in lieu of redemption, the exercise price of the warrants will be the exercise price as of the day next preceding the remarketing date.

Holders must pay the exercise price of their warrants in cash (including the automatic application of a portion of the proceeds of any remarketing of preferred securities). Accordingly, holders of units may not tender their preferred securities directly toward payment of the exercise price of the warrants.

Following an exercise of warrants by a unit holder other than in connection with a remarketing, the holder may require the Trust to exchange the holder's related preferred securities for debentures and require Washington Mutual to repurchase such debentures at their accreted value on a special distribution date which is no less than 60 days following the exercise of the warrants, and thereby recoup the exercise price within 60 days of payment.

If a unit holder exercises the warrant that is part of the unit in connection with an optional redemption of the warrants by Washington Mutual, the holder will satisfy in full the exercise price by applying the proceeds of the related remarketing of the related preferred securities. See "Description of the Preferred Securities Remarketing" in this prospectus.

If a unit holder exercises the warrant that is part of the unit in connection with the expiration of the warrants, the holder will satisfy in full the \$50 exercise price by applying the proceeds of the related remarketing of the related preferred security, which will equal \$50. See "Description of the Preferred Securities Remarketing" in this prospectus.

Remarketing at Expiration of Warrants

If not previously remarketed, the preferred securities will be remarketed on May 1, 2041. In connection with such a remarketing, the warrants will expire, unless exercised by May 3, 2041.

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If a remarketing of the preferred securities does not occur on May 1, 2041 for any reason,

beginning on such date, interest will accrue on the accreted value of the debentures, and distributions will accumulate on the accreted value of the preferred securities,

the interest rate on the accreted value of the debentures will be 10.48% per annum, and, as a result, the distribution rate on the accreted value of the preferred securities will increase correspondingly,

the accreted value of the debentures (and, as a result, the accreted value of the preferred securities) will become due and payable on the date which is 60 days after the failed remarketing date, and

we will no longer have the option to defer interest payments on the debentures.

Failed Remarketing

If the remarketing agent is unable to remarket all the preferred securities deemed tendered for purchase, a "failed remarketing" will have occurred. If a failed remarketing occurs,

beginning on such date, interest will accrue on the accreted value of the debentures,

and distributions will accumulate on the accreted value of the preferred securities,

the interest rate on the accreted value of debentures will be 10.48% per annum and, as a result, the distribution rate on the accreted value of the preferred securities will increase correspondingly,

the accreted value of the debentures (and, as a result, the accreted value of the preferred securities) will become due and payable on the date which is 60 days after the failed remarketing date, and

we will no longer have the option to defer interest payments on the debentures.

Notwithstanding a failed remarketing, the warrants will be redeemed at the warrant value on the remarketing date and the warrant holder will have the option to exercise its warrants in lieu of such redemption by paying the exercise price in cash.

Guarantee

The following payments or distributions with respect to the preferred securities, to the extent not paid by or on behalf of the Trust, are guaranteed by us:

any accumulated and unpaid distributions required to be paid on the preferred securities, to the extent that the Trust has sufficient funds available therefor at the time,

the redemption price with respect to any preferred securities called for redemption, to the extent that the Trust has sufficient funds available therefor at such time, and

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upon a voluntary or involuntary dissolution, winding up or termination of the Trust (other than in connection with the exchange of all of the preferred securities for debentures and the distribution of the debentures to holders of the preferred securities), the lesser of

the aggregate accreted value of the common and preferred securities of the Trust and all accumulated and unpaid distributions thereon to the date of payment, and

the amount of assets of the Trust remaining available for distribution to holders of preferred securities.

Our obligations under the guarantee are subordinate and junior in right of payment to all of our senior indebtedness.

The Trust

Washington Mutual Capital Trust 2001 is a Delaware statutory business trust. The sole assets of the Trust are the debentures. The Trust issued the preferred securities and the common securities. All of the common securities are owned by Washington Mutual, in an aggregate liquidation amount of 3% of the total capital of the Trust.

Ranking

Payment of distributions on, and the redemption price of, the Trust securities, will generally be made pro rata based on their liquidation amounts. However, if on any payment date, an indenture event of default has occurred and is continuing, no payment on the common securities will be made unless payment in full in cash of all accumulated and unpaid distributions on all of the outstanding preferred securities for all current and prior distribution periods (or in the case of payment of the redemption price, the full amount of such redemption price on all of the outstanding preferred securities then called for redemption), has been made or provided for.

Form and Denomination

The Depository Trust Company ("DTC") acts as securities depository for the units, preferred securities and warrants, each of which will be issued only as fully registered securities registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC. One or more fully registered certificates were issued for each of the units, the preferred securities and the warrants, and were deposited with the property trustee as custodian for DTC. The debentures were issued as fully registered securities registered in the name of the property trustee or its nominee and deposited with the property trustee. The preferred securities will be issued in denominations of \$50 stated liquidation amount and whole

multiples of \$50.

Use of Proceeds

We will not receive any of the proceeds from the sale of the securities by the selling securityholders.

Material United States Federal Income Tax Consequences

Each Unit will be treated for United States federal income tax purposes as consisting of two separate and distinct assets: (1) a preferred security representing an undivided beneficial interest in the debentures, acquired at an original issue for a price of \$32.33, and (2) a warrant to purchase 1.2081 shares of Washington Mutual common stock acquired at an original issue for a price of \$17.67. In the opinion of Heller Ehrman White & McAuliffe LLP, counsel to Washington Mutual, purchasers of preferred securities will be treated as owning an undivided beneficial ownership interest in the debentures and the debentures will be treated as debt for United States federal income tax purposes. If a preferred security and a warrant are purchased together as a unit, the purchase price of such unit will be allocated between the preferred security and the warrant in proportion to their relative fair market values at the time of purchase. Because the debentures were originally issued for an amount less than their face amount, the debentures will be treated as having been issued with original issue discount, and, if you purchase a preferred security and are a United States taxpayer, you will be required to include as ordinary income amounts constituting original issue discount as they accrue. The amount of interest income, including original issue discount, on which you will be taxed will exceed your share of the cash interest payments received by the Trust on the debentures.

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See "Material United States Federal Income Tax Consequences" in this prospectus.

ERISA Considerations

Each purchaser and subsequent transferee of the units (including the underlying debentures, preferred securities and warrants and any shares of common stock of Washington Mutual received upon the exercise or redemption thereof) will be deemed to have represented and warranted that the acquisition and holding of such securities by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

See "ERISA Considerations" in this prospectus.

Absence of a Public Market for the Units

The units, preferred securities and warrants are new securities. We cannot assure you that any active or liquid market will develop for the units, the preferred securities or the warrants.

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RISK FACTORS

You should carefully consider all information included or incorporated by reference in this prospectus. In particular, you should carefully consider the risks described below before purchasing units. For risks concerning our business operations, see "Risk Factors" in our Form 10-K for the year ended December 31, 2000. These are not the only risks and uncertainties we face. Additional risks and uncertainties which we currently consider immaterial or which are not yet known to us may also impair our financial condition, results of operations or prospects.

Trust Preferred Units Risks

The market price for the units may be highly volatile.

The market price for the units may be highly volatile. There may be a significant impact on the market price of the units or our common stock due to:

the announcement of acquisitions by us or our competitors;

variations in anticipated or actual operating results;

market conditions; and

general economic conditions.

The warrants may be redeemed by us, in which event the preferred securities may be remarketed.

If a Tax Event, a Regulatory Capital Event or Investment Company Event (each as defined under "Description of the Warrants Redemption Upon Special Event") occurs, we may:

liquidate the trust and distribute the debentures to the beneficial holders of preferred securities; or

in certain circumstances, cause a remarketing of the preferred securities and a redemption of the warrants. See "Description of the Warrants Redemption Upon Special Event."

In addition, at any time after May 3, 2006, we may cause a remarketing of the preferred securities and a redemption of the warrants if the price of our common stock reaches specified levels.

A Tax Event which permits us to remarket the preferred securities constitutes a taxable event to the beneficial holders of the preferred securities. In connection with a remarketing of the preferred securities, the maturity date of the debentures will change to the date which is 60 days from the remarketing.

Because holders of preferred securities may receive debentures at any time, upon the occurrence of specified events, prospective purchasers of units are also making an investment decision with regard to the debentures and should carefully review all the information regarding the debentures.

In connection with a remarketing of the preferred securities you will only be entitled to the accreted value, and not the stated liquidation amount, of the preferred securities.

You may be required to elect to exercise your warrants within three business days of notification of an election by Washington Mutual to optionally redeem the warrants.

Washington Mutual is required to give holders of the warrants no more than four business days' notice of its election to redeem the warrants. The warrants will be redeemed on the redemption date unless a warrant holder affirmatively elects to exercise its warrants. As a result, upon an election by Washington Mutual to redeem the warrants, a holder may have only three business days to elect to exercise its warrants in lieu of a redemption. If a holder does not receive the redemption notification because of illness, absence or other circumstances the warrants held by that holder will be redeemed.

Because of the abbreviated notification period, a warrant holder who intends to exercise its warrant upon an optional redemption of the warrants may want to provide standing instructions for exercise of the warrants and delivery of the shares to the warrant agent. See "Description of the Warrants Optional Redemption Procedures".

The guarantee and your rights under the guarantee are limited.

Under the guarantee executed by us, we guarantee to the holders of the preferred securities, but only to the extent the trust has funds available for these payments, the payment of:

any accumulated and unpaid distributions required to be paid on the preferred securities;

the redemption price with respect to the preferred securities called for redemption and the repurchase price of preferred securities to be repurchased; and

upon any termination of the trust (other than in connection with the distribution of debentures to the holders of the preferred securities or a redemption of all the preferred securities), the lesser of (a) the aggregate of the accreted value and all accumulated and unpaid distributions on the preferred securities to the date of the payment, to the extent the trust has funds available or (b) the amount of assets of the trust remaining available for distribution to holders of the preferred securities in liquidation of the trust.

The guarantee is qualified as an indenture under the Trust Indenture Act of 1939. The Property Trustee is indenture trustee under the guarantee for the purposes of compliance with the provisions of the Trust Indenture Act. The Guarantee Trustee holds the guarantee for the benefit of the holders of the preferred securities.

The holders of a majority in liquidation amount of the preferred securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee or to exercise any trust or power conferred upon the Guarantee Trustee under the guarantee. If the Guarantee Trustee fails to enforce such guarantee, any holder of preferred securities may sue us directly to enforce such holder's right to receive payment under the guarantee without first suing the trust, the Guarantee Trustee or any other person or entity. If we default on our obligation to pay amounts on the debentures, the trust would lack available funds for the payment of distributions or amounts payable on redemption of the preferred securities or otherwise. The holders of the preferred securities would not be able to rely upon the guarantee for payment of those amounts. A holder of the preferred securities could instead rely on the enforcement by:

the Property Trustee of its rights as registered holder of the debentures against us to the terms of the debentures or

such holder of its right to bring a suit directly against us to enforce payments on the debentures.

The declaration states that each holder of preferred securities agrees to the provisions of the guarantee (including the subordination provisions) and the indenture.

Our obligations under the guarantee and the debentures are subordinated to our obligations to pay senior debt.

Our obligations under the guarantee and the debentures are subordinate and junior in right of payment to all of our present and future senior indebtedness. "Senior indebtedness" includes:

all of our indebtedness for money borrowed (other than trade accounts payable in the ordinary course of business) or incurred in connection with the acquisition of properties or assets;

all of our obligations under leases required or permitted to be capitalized under generally accepted accounting principles;

any indebtedness of others of the kinds described above for which Washington Mutual is liable as guarantor or otherwise; and

amendments, renewals, extensions and refundings of the indebtedness described above,

unless any of the debt described above expressly provides that the indebtedness is not superior in right of payment to the debentures.

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In addition, because we are a holding company, both the guarantee and the debentures are structurally subordinated to all of our subsidiaries' obligations.

No payment of principal of (including redemption) or interest on the debentures may be made:

if any senior indebtedness is not paid when due and any applicable grace period with respect to such default has ended and the default is not cured or waived or has ceased to exist, or

if the maturity of any senior indebtedness has been accelerated because of a default.

The terms of our other debt may preclude us from paying interest on the debentures, or distributions on the preferred securities. As a result, we may defer these payments. As of March 31, 2001, the senior indebtedness of Washington Mutual was approximately \$2.5 billion and the total liabilities of our subsidiaries (excluding deposits) aggregated to approximately \$111.89 billion. There are no terms in the units, the preferred securities, the debentures or the guarantee that limit our or our subsidiaries' ability to incur additional indebtedness, including secured indebtedness and other indebtedness that ranks senior to the debentures and the guarantee.

The debentures do not contain certain restrictive covenants.

The terms of the debentures do not contain several types of restrictive covenants that would protect holders of debentures from transactions that may adversely affect the holders. In particular, the indenture governing the debentures does not contain covenants that limit our ability, absent exercise of our deferral option, to pay dividends or make distributions on, or redeem or repurchase, our capital shares and does not contain provisions that would give holders of the debentures the right to require us to repurchase their debentures in the event of a change of control of Washington Mutual or a decline in the credit rating of us or our debt securities as a result of a takeover, recapitalization or similar restructuring, or any other reason. In addition, the indenture does not limit our ability to incur additional indebtedness and therefore does not contain provisions that afford holders of the debentures protection in the event of a highly leveraged transaction or other similar transaction involving us that may adversely affect the holders.

You must rely on the enforcement rights of the Property Trustee.

If:

the trust fails to pay distributions in full on the preferred securities (other than pursuant to a deferral of interest during an extension period) or

a Trust Enforcement Event (as defined under "Description of the Preferred Securities Trust Enforcement Events"), including a failure by us to make payments on the debentures, occurs and is continuing,

the holders of preferred securities must rely upon the enforcement rights of the Property Trustee, as a holder of the debentures. The holders of a majority in liquidation amount of the preferred securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee or to direct the exercise of any trust or power conferred upon the Property Trustee under the declaration, including the right to direct the Property Trustee to exercise the remedies available to it as a holder of the debentures.

If the Property Trustee fails to enforce its rights under the debentures, a holder of preferred securities may sue us directly to enforce the Property Trustee's rights under the debentures without first suing the Property Trustee. If a Trust Enforcement Event has occurred and is continuing and is attributable to our failure to pay interest, principal or premium on the debentures when due, then the registered holder of the preferred securities may sue directly for enforcement of payment to the holder of the principal, premium or interest on the debentures having a principal amount equal to the aggregate liquidation amount of the preferred securities of such holder. As the holder of the common securities of the trust, we are subrogated to the rights of such holder of preferred securities under the declaration to the extent of any payment made by us to such holder of preferred securities in that suit. The holders of preferred securities will not be able to exercise directly any other remedy available to the holders of the debentures.

Holders of preferred securities have only limited voting rights.

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Holders of preferred securities have limited voting rights and are not entitled to vote to appoint, remove or replace, the trustees. Holders are not able to increase or decrease the number of the trustees. Those voting rights are held exclusively by the holders of the common securities of the trust, which is initially us.

Because of the lack of an established trading market for the units, the preferred securities and the warrants you may not be able to sell your units, preferred securities or warrants at all or at an attractive price.

The units, the preferred securities and the warrants constitute a new issue of securities with no established trading market. There can be no assurance that an active market will develop. In addition, there can be no assurance that any trading market will be liquid. If a market develops, the securities could trade at prices that may be higher or lower than the offering price. This could depend on many factors, including:

prevailing interest rates;

our operating results; and

the market for similar securities.

No assurance can be given that the holders of the units, the preferred securities or the warrants will be able to sell their securities or regarding the prices at which the securities may be sold.

Either satisfaction of the requirements of exemption from registration of the Securities Act or an effective registration statement and delivery of a current prospectus is required for the exercise of warrants.

If a holder of the warrant has received warrants in a transaction exempt from registration requirements under the Securities Act, whether or not the warrant has been separated from a preferred security, they will effectively be able to exercise their warrants only if:

the sale of those shares is exempt from registration requirements under the Securities Act and

those shares have been registered, qualified or are exempt under the securities laws of the state where the exercising holder of warrants resides.

In such circumstances, in order to exercise their warrants, holders of the warrants must furnish to the trustee such certifications, legal opinions or other information as we may reasonably require to confirm that the proposed transfer is being made pursuant to the exemption from registration under the Securities Act.

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If a holder of a warrant has received a warrant transferred pursuant to an effective shelf registration statement, whether or not they have been separated from a preferred security, they will effectively be able to exercise their warrants only if:

such shelf registration statement is effective;

those shares have been registered, qualified or are exempt under the securities laws of the state where the exercising holder of warrants resides; and

a current prospectus is delivered to that holder.

We currently have an effective registration statement covering the common stock issuable upon exercise of the warrants. There can be no assurance that we will:

maintain the effectiveness of that registration statement;

have all the common stock registered or qualified under state securities laws; or

be able to deliver a current prospectus to warrant holders.

The warrant agreement governing the warrants states that the original expiration date of the warrants will be extended to the extent we fail to satisfy any of the foregoing requirements.

We have the option to extend interest payment periods, which may result in adverse tax consequences and adversely affect the market price of the preferred securities.

We have the right to defer payments of interest on the debentures by extending the interest payment period for extension periods not exceeding 20 consecutive quarters with respect to each deferral period, provided that no extension period may extend beyond maturity of the debentures. Prior to the end of an extension period, we may, and at the end of such extension period we shall, pay all interest then accrued and unpaid (together with interest thereon at the stated rate borne thereby, compounded quarterly to the extent permitted by applicable law). Prior to the termination of any extension period we may further extend the extension period, provided that such extension period, together with all previous and further extensions, may not exceed 20 consecutive quarters or extend beyond maturity of the debentures. Upon termination of any extension period and the payment of all amounts then due, including interest on deferred interest payments, we may select a new extension period, subject to the above requirements. If interest payments on the debentures are deferred, distributions on the preferred securities also will be deferred and we, or any of our subsidiaries, will not be permitted, subject to certain exceptions set forth herein, to

declare or pay dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of our capital stock; or

make any payment of principal of, interest or premium, if any, on, or repay, repurchase or redeem any indebtedness that ranks on par with or junior in interest to the debentures or make any guarantee payment with respect to any guarantees by us of the debt securities of any our subsidiaries if such guarantee ranks on a par with or junior in interest to the debentures.

During an extension period, interest on the debentures will continue to accrue and, as a result, distributions on the preferred securities will accumulate. See "Description of the Preferred Securities Distributions" and "Description of the Debentures Option to Extend Interest Payment Period."

Should an extension period occur, you will be required to accrue the stated interest payments (in the form of original issue discount) in income in respect of your pro rata share of the debentures held by you for United States federal income tax purposes. As a result, you will be required to include such interest in gross income for United States federal income tax purposes in advance of receipt of cash, and will not receive cash related to such income from the trust if you dispose of your preferred securities prior to the record date for the payment of distributions. See "Material United States Federal

Income Tax Consequences Preferred Securities Interest Income, Original Issue Discount, Market Discount, and Premium."

We have no current intention of exercising our right to defer payments of interest by extending the interest payment period on the debentures. However, should we elect to exercise such right in the future, the market price of the preferred securities is likely to be adversely affected. If you dispose of your preferred securities during an extension period, you might not receive the same return on your investment that you would if you continue to hold your preferred securities. In addition, as a result of the existence of our right to defer interest payments, the market price of the preferred securities (which represent an undivided beneficial ownership interest in the debentures) may be more volatile than other securities that do not have such rights.

Accrual of original issue discount will have tax consequences for holders of the preferred securities.

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The original purchase price of the units was allocated to the preferred securities and the warrants in proportion to their respective fair market values at the time of the original purchase. This allocation caused the preferred securities to have a stated redemption price at maturity greater than their issue price. As a result, the debentures are being treated as issued with original issue discount. If you purchase a unit or a preferred security, you will be required to accrue an amount of original issue discount in gross income each year in advance of the receipt of cash attributable to that income. See "Material United States Federal Income Tax Consequences Preferred Securities Interest Income, Original Issue Discount, Market Discount, and Premium."

USE OF PROCEEDS

The selling securityholders will receive all of the net proceeds from the sale of the securities pursuant to this prospectus. We will not receive any of the proceeds from the sale of the securities by the selling securityholders.

RATIO OF EARNINGS TO FIXED CHARGES

The following table contains Washington Mutual's ratio of earnings to fixed charges for each of the periods indicated.

Year Ended December 31,					Three Months Ended March 31,	
1996	1997	1998	1999	2000	2000	2001
1.10	1.24	1.34	1.38	1.31	1.32	1.39

For purposes of this ratio, earnings consist of earnings before income taxes plus fixed charges. Fixed charges consist of interest expense and the estimated interest portion of rent expense.

RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS

The following table contains Washington Mutual's ratio of earnings to fixed charges and preferred dividends for each of the periods indicated.

Year Ended December 31,					Three Months Ended March 31,	
1996	1997	1998	1999	2000	2000	2001
1.08	1.24	1.34	1.38	1.31	1.32	1.39

For purposes of this ratio, earnings consist of earnings before income taxes plus fixed charges. Fixed charges consist of interest expense and the estimated interest portion of rent expense.

BUSINESS

With a history dating back to 1889, Washington Mutual, Inc. is a financial services company committed to serving consumers and small to mid-sized businesses. Based on our consolidated assets at December 31, 2000, we were the largest savings institution and the seventh largest banking company in the United States.

Our business operations are conducted by our subsidiaries. Our principal banking subsidiaries are Washington Mutual Bank, FA, Washington Mutual Bank and Washington Mutual Bank fsb. Our other principal subsidiaries are Washington Mutual Finance Corporation, Long Beach Mortgage Company, Washington Mutual Home Loans, Inc. and WM Financial Services, Inc. Our banking subsidiaries accept deposits from the general public, make, buy and sell residential loans, consumer loans, and commercial loans, and engage in certain commercial banking activities. We originate, purchase, sell and service specialty mortgage finance loans through Long Beach Mortgage Company and consumer finance loans

through Washington Mutual Finance Corporation. We market annuities and other insurance products, offer full service securities brokerage operations, and act as the investment advisor to and the distributor of mutual funds through WM Financial Services and its affiliates.

Our assets have grown over the last five years primarily through acquisitions. In 1996, we acquired Keystone Holdings, Inc., the parent of American Savings Bank, F.A. This acquisition gave us our first depository institution in California. In 1997, we acquired Great Western Financial Corporation and in October 1998, we acquired H.F. Ahmanson & Co. In February 1998, Ahmanson had acquired Coast Savings Financial, Inc. On January 31, 2001, we acquired the mortgage operations of The PNC Financial Services Group, Inc. On February 9, 2001, we acquired Texas-based Bank United Corp. As a result of these acquisitions, our company has been transformed into a national financial services company. Although we operate principally in California, Washington, Oregon, Florida, Texas and Utah, we have physical operations in 42 states.

THE TRUST

The Trust is a statutory business trust formed under the Trust Act pursuant to (i) a declaration of trust, dated as of April 23, 2001 executed by Washington Mutual, as sponsor, and Diane L. Kelleher, Craig S. Davis, and William A. Longbrake, as Trustees and (ii) a certificate of trust, dated as of April 23, 2001, filed with the Secretary of State of the State of Delaware. The Trust's business and affairs are conducted by the Trustees: The Bank of New York, as Property Trustee and The Bank of New York (Delaware) as Delaware Trustee, and three individual Administrative Trustees who are employees or officers of or affiliated with Washington Mutual. The Trust exists for the exclusive purpose of (i) issuing and selling the preferred securities and common securities of the Trust (collectively, the "Trust Securities"), (ii) investing the gross proceeds from such sales in the debentures and (iii) engaging in only those other activities necessary or incidental thereto. Accordingly, the debentures are the sole assets of the Trust, and payments under the debentures will be the sole revenue of the Trust. All of the common securities are owned by Washington Mutual. The common securities rank on a par, and payments will be made thereon pro rata, with the preferred securities, except that upon the occurrence and continuance of an event of default under the declaration of Trust resulting from an event of default under the indenture (an "Indenture Event of Default"), the rights of Washington Mutual as holder of the common securities to payment in respect of distributions and payments upon liquidation, redemption or otherwise are subordinated to the rights of the holders of the preferred securities. Washington Mutual acquired common securities in an aggregate liquidation amount equal to 3% of the total capital of the Trust.

The Property Trustee holds title to the debentures for the benefit of the holders of the Trust Securities and, as the holder of the debentures, the Property Trustee has the power to exercise all rights, powers and privileges of a holder of debentures under the indenture. In addition, the Property Trustee maintains exclusive control of a segregated non-interest bearing trust account (the "Property Account") to hold all payments made in respect of the debentures for the benefit of the holders of the Trust Securities. The Guarantee Trustee holds the Guarantee for the benefit of the holders of the Trust Securities. Washington Mutual, as the holder of all the common securities, has the right to appoint, remove or replace any of the Trustees and to increase or decrease the number of Trustees; provided that the number of Trustees will be at least three; and provided further that at least one Trustee will be a Delaware Trustee, at least one Trustee will be the Property Trustee and at least one Trustee will be an Administrative Trustee. Under the indenture, Washington Mutual, as issuer of the debentures, has agreed to pay all fees and expenses related to the organization and operations of the Trust (including any taxes, duties, assessments or governmental charges of whatever nature imposed by the United States, or any other taxing authority upon the Trust or any payment by the Trust to holders of Trust Securities) and the offering of the preferred securities and be responsible for all debts and obligations of the Trust (other than with respect to the preferred securities).

For so long as the preferred securities remain outstanding, Washington Mutual covenants (i) to maintain directly or indirectly ownership of all of the common securities, (ii) to cause the Trust to remain a statutory business trust and not to voluntarily dissolve, wind-up, liquidate or be terminated, except as permitted by the declaration of trust, (iii) to use its commercially reasonable efforts to ensure that the Trust will not be an "investment company" for purposes of the Investment Company Act of 1940, as amended from time to time, or any successor legislation (the "1940 Act") and (iv) to take no action that would be reasonably likely to cause the Trust to be classified as an association or a partnership taxable as a corporation for United States federal income tax purposes.

The rights of the holders of preferred securities, including economic rights, rights to information and voting rights, are set forth in the declaration of trust, the Trust Act and the Trust Indenture Act. The declaration of trust and the Guarantee also incorporate by reference the terms of the Trust Indenture Act.

The office of the Delaware Trustee is 101 Barclay Street, Floor 21 West, New York, New York 10286. The location of the principal executive office of the Trust is 1201 Third Avenue, Seattle, Washington 98101.

It is anticipated that the Trust will not be subject to the reporting requirements under the Securities Exchange Act of 1934.

DESCRIPTION OF THE UNITS

We have summarized the description of the terms of the units and of the warrants, the preferred securities, the debentures and the guarantee under the captions "Description of the Warrants," "Description of the Preferred Securities," "Description of the Debentures," and "Description of the Guarantee" in this prospectus. These summaries are not complete.

The unit agreement was filed as an exhibit to the registration statement. We urge you to read the unit agreement, including the forms of the unit, and the warrant agreement (including definitions of terms) because they, and not this description, define your rights as holder of the units. You may request copies of these documents from us at our address set forth below under "Where You Can Find Additional Information."

General

Each unit consists of:

a preferred security, having a stated liquidation amount of \$50, representing an undivided beneficial ownership interest in the assets of the Trust, which assets consist solely of the debentures; and

a warrant to purchase, at any time prior to May 3, 2041, 1.2081 shares (subject to antidilution adjustments) of common stock of Washington Mutual. The exercise price on the initial date of issuance was \$32.33 and will accrete on a daily basis as described in this prospectus to \$50 on the expiration date.

At any time after issuance, the preferred security and the warrant components of each unit may be separated by the holder thereof and transferred separately, and thereafter, a separated preferred security and warrant may be combined to form a unit. Prior to the registration of unit securities under the Securities Act, preferred securities and warrants that are to be combined to form units must have been transferred pursuant to the same exemption from registration under the Securities Act as the preferred security or warrant, as applicable, with which they are to be combined.

The \$50 purchase price of each unit was allocated between the preferred security and the warrant comprising such unit in proportion to their respective fair market values at the time of issue. At the time of issuance, the fair market value of each preferred security was \$32.33 and the fair market value of each warrant was \$17.67. Such position generally will be binding on each beneficial owner of a unit (but not on the Internal Revenue Service). See "Material United States Federal Income Tax Consequences Allocation of Purchase Price of the Units" in this prospectus.

Distributions

Holders of units are entitled to receive cumulative cash distributions payable on the related preferred securities by the Trust at the rate of 5.375% of the stated liquidation amount per annum, payable quarterly in arrears, subject to reset upon a remarketing as described under "Description of the Debentures Interest." The ability of the Trust to pay the quarterly distributions on the preferred securities will depend solely upon its receipt of corresponding interest payments from Washington Mutual on the debentures. Distributions accumulate from April 30, 2001. Interest on the debentures not paid on the scheduled quarterly interest payment date will accrue and compound quarterly, to the extent permitted by law, at the applicable interest rate, and, as a result, distributions on the preferred securities will continue to accumulate and compound quarterly, to the extent permitted by law, at the applicable distribution rate.

Holders of units are also entitled to receive a pro rata distribution of payments of principal on the debentures, except that payments of principal following an exchange of preferred securities for debentures will be paid to the holder of the debentures.

At all times, the distribution rate, the distribution dates and other payment dates for the units will correspond to the interest rate, interest payment dates and other payment dates on the debentures, which will be the sole assets of the Trust.

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Distributions on the units will be paid only to the extent that payments are made in respect of the debentures and to the extent that the Trust has funds available for the payment of such distributions. See "Description of the Debentures." If Washington Mutual does not make payments on the debentures, the Trust will not have funds available to pay distributions on the units.

So long as Washington Mutual is not in default in the payment of interest on the debentures, and so long as a failed remarketing has not occurred, Washington Mutual has the right under the indenture to defer payments of interest on the debentures by extending the interest payment period at any time, and from time to time, on the debentures. As a consequence of each such extension, distributions on the units would be also deferred (but despite such deferral payments of interest would continue to accrue at the then applicable interest rate per annum compounded quarterly, to the extent permitted by applicable law, and, as a result, distributions would continue to accumulate at the then applicable distribution rate compounded quarterly, to the extent permitted by law) by the Trust for a corresponding period. Such right to extend the interest payment period for the debentures is limited to a period not exceeding 20 consecutive quarters and no extension may extend beyond the stated maturity of the debentures. In the event that Washington Mutual exercises this right to defer payments of interest, then Washington Mutual will not, and will not permit any subsidiary to,

declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of Washington Mutual's capital stock or

make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities of Washington Mutual that rank equally with or junior in interest to the debentures or make any guarantee payments with respect to any guarantee by Washington Mutual of the debt securities of any subsidiary of Washington Mutual if such guarantee ranks equally with or junior in interest to the debentures.

Notwithstanding the foregoing the following will be permitted:

dividends or distributions in common stock or rights to acquire common stock of Washington Mutual,

payments under the Guarantee,

any declaration of a dividend in connection with the implementation of a shareholders' rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto,

purchases of common stock related to the issuance of common stock or rights under any of Washington Mutual's benefit plans and

repurchases of common stock by Washington Mutual in connection with acquisitions of businesses made by Washington Mutual (which repurchases are made in connection with the satisfaction of indemnification obligations of the sellers of such businesses).

Prior to the termination of any extension period, Washington Mutual may further defer payments of interest by extending the interest payment period, provided that such extension period, together with all such previous and further extensions thereof, may not exceed 20 consecutive quarters or extend beyond the stated maturity of the debentures. Upon the termination of any extension period and the

payment of all amounts then due, Washington Mutual may commence a new extension period, subject to the above requirements. Washington Mutual has no current intention of exercising its right to defer payments of interest by extending the interest payment period of the debentures.

Change of Control

If a Change of Control occurs, each holder of a unit will have the right to:

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require Washington Mutual to redeem that holder's related warrant on the date that is 45 days after the date Washington Mutual gives notice at a redemption price in cash equal to 100% of the warrant value on the redemption date; and

exchange that holder's related preferred security for a debenture having an accreted value equal to the accreted value of such preferred security and to require Washington Mutual to repurchase such debenture on the repurchase date at a repurchase price in cash equal to 100% of the accreted value of the debenture on the repurchase date plus accrued and unpaid interest (including deferred interest) on the debentures to, but excluding, the repurchase date.

Within 30 days after the occurrence of a Change of Control, Washington Mutual must give notice to each holder of a unit and the unit agent of the transaction that constitutes the Change of Control and of the resulting redemption right and repurchase right.

To exercise the warrant redemption right, a unit holder must deliver prior to or on the 30th day after the date of Washington Mutual's notice irrevocable written notice to the warrant agent of the holder's exercise of its redemption right.

To exercise the preferred security repurchase right, a holder must deliver no earlier than 60 days and no later than 90 days after the date of Washington Mutual's notice irrevocable written notice to Washington Mutual, the Trust, and the Property Trustee (in its capacity as property trustee and exchange agent) of the holder's exercise of its repurchase right.

The preferred securities will be exchanged for debentures no less than three business days prior to the repurchase date.

A "Change of Control" will be deemed to have occurred when any of the following has occurred:

the acquisition (other than open market purchases on any national securities exchange on which Washington Mutual's capital stock is traded) by any person of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchase, merger or other acquisition transactions of shares of Washington Mutual's capital stock entitling that person to exercise 50% or more of the total voting power of all shares of Washington Mutual's capital stock entitled to vote generally in elections of directors, other than any acquisition by Washington Mutual, any of Washington Mutual's subsidiaries or any of Washington Mutual's employee benefit plans; or

the consolidation or merger of Washington Mutual with or into any other person, any merger of another person into Washington Mutual, or any conveyance, transfer, sale, lease or other disposition of all or substantially all of Washington Mutual's properties and assets to another person, other than:

any transaction

- (1) that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Washington Mutual's capital stock and
- (2) notwithstanding such transaction during any period of two consecutive years after such transaction individuals who at the beginning of such period constituted the board of directors of Washington

Mutual (together with any new directors whose election or appointment by such board or whose nomination for election by the shareholders of Washington Mutual was approved by a vote of not less than two-thirds of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) continue to constitute a majority of the board of directors of Washington Mutual then in office; or

any merger solely for the purpose of changing Washington Mutual's jurisdiction of incorporation and resulting in a reclassification, conversion or exchange of outstanding shares of common stock solely into shares of common stock of the surviving entity.

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The beneficial owner shall be determined in accordance with Rule 13d-3 promulgated by the SEC under the Exchange Act. The term "person" includes any syndicate or group which would be deemed to be a "person" under Section 13(d)(3) of the Exchange Act.

However, a Change of Control will not be deemed to have occurred if:

the closing sale price per share of Washington Mutual's common stock for any five trading days within the period of 10 consecutive trading days ending immediately after the later of the Change of Control or the public announcement of the Change of Control, in the case of a Change of Control under the first clause above, or the period of 10 consecutive trading days ending immediately before the Change of Control, in the case of a Change of Control under the second clause above, equals or exceeds 110% of the exercise price of the warrants at maturity (as adjusted); or

at least 90% of the consideration in the transaction or transactions constituting a Change of Control consists of shares of common stock traded or to be traded immediately following such Change of Control on a national securities exchange or the Nasdaq National Market and, as a result of such transaction or transactions, the warrants become exercisable solely into such common stock (and any rights attached thereto).

Except as described above with respect to a Change of Control, the unit agreement does not contain provisions that permit the holders of units to require that Washington Mutual redeem the warrants or repurchase the debentures in the event of a takeover, recapitalization or similar transaction. In addition, Washington Mutual could enter into certain transactions, including acquisitions, refinancings or other recapitalization, that could affect Washington Mutual's capital structure or the value of Washington Mutual's common stock, but that would not constitute a Change of Control.

Washington Mutual will comply with the requirements of the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the redemption of the warrants or the repurchase of the debentures as a result of a Change of Control.

Washington Mutual's ability to redeem warrants or repurchase debentures upon the occurrence of a Change of Control is subject to important limitations. The occurrence of a Change of Control could cause an event of default under, or be prohibited or limited by, the terms of Washington Mutual's senior debt. As a result, any redemption of the warrants or repurchase of the debentures would, absent a waiver, be prohibited under the indenture until the senior debt is paid in full. Further, there can be no assurance that Washington Mutual would have the financial resources, or would be able to arrange financing, to pay the redemption price or repurchase price for all the warrants and debentures, as the case may be, that might be delivered by holders of the units seeking to exercise the redemption right and repurchase right. Any failure by Washington Mutual to redeem the warrants or repurchase the debentures when required following a Change of Control would result in an event of default under the unit agreement or the declaration of trust, whether or not such redemption or repurchase is permitted by the indenture. Any such default may, in turn, cause a default under senior debt.

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Amendment and Modification of the Unit Agreement

The unit agreement may be amended by Washington Mutual and the unit agent, without consent of the holders, for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision therein or in any other manner which Washington Mutual and the unit agent may deem necessary or desirable and which will not adversely affect the interests of the affected holders.

The unit agreement contains provisions permitting Washington Mutual and the unit agent, with the consent of the holders of a majority of the units at the time outstanding, to modify the rights of the holders of the units and the terms of the unit agreement, except that no modification may, without the consent of the holder of each outstanding unit affected thereby:

materially adversely affect the holders' rights under any unit; or

reduce the aforesaid percentage of outstanding units the consent of holders of which is required for the modification or amendment of the provisions of the unit agreement.

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DESCRIPTION OF THE WARRANTS

We have summarized selected terms of the warrants. The summary is not complete. The warrants, which form a part of the units and which may trade separately from the preferred securities also forming a part of the units, were issued pursuant to the warrant agreement between Washington Mutual and The Bank of New York, as warrant agent.

The warrant agreement was filed as an exhibit to the registration statement. We urge you to read the warrant agreement, including the form of the warrant, (including definitions of terms) because they, and not this description, define your rights as holder of the warrants (including as a component of the units). You may request copies of these documents from us at our address set forth below under "Where You Can Find Additional Information."

General

A warrant, unless exercised, automatically expires on the close of business on May 3, 2041 or earlier as described under "Optional Redemption." A warrant is exercisable at any time, subject to satisfaction of certain conditions set forth below, at the applicable exercise price. The warrant exercise price was initially \$32.33 and the warrant exercise price on the expiration date of the warrants will equal \$50. The warrant exercise price will accrete on a daily basis such that on any given date of calculation it will be equal to \$32.33 plus accretion of the difference between the initial warrant exercise price and the warrant exercise price on the expiration date, calculated from April 30, 2001 to the date of calculation, at the all-in yield of 8.48% per annum (on a quarterly bond equivalent basis using a 360-day year of twelve 30-day months) less \$0.6719 per quarter.

Each warrant, when exercised, will entitle the holder to purchase 1.2081 fully paid and non-assessable shares of Washington Mutual common stock. However, the exercise price and the number of shares of Washington Mutual common stock issuable upon a holder's exercise of a warrant are subject to adjustment in certain circumstances described under "Anti-Dilution Adjustments."

Following an exercise of a warrant which is part of a unit, other than an exercise in connection with a redemption of the warrants as described below under "Optional Redemption," the holder will have a limited right to require the Trust to distribute its pro rata share of debentures in exchange for the preferred securities which had been part of the unit and to require Washington Mutual to repurchase the debentures. See "Description of the Preferred Securities Limited Right to Repurchase."

Washington Mutual's common stock is listed on The New York Stock Exchange under the trading symbol "WM". Prior to December 9, 1998, our common stock traded on The Nasdaq Stock Market under the symbol "WAMU".

Exercise of Warrants

A holder may exercise warrants at any time prior to the close of business on May 3, 2041 (the "expiration date"), unless Washington Mutual has redeemed the warrants on an earlier date in connection with a remarketing as described below under "Optional Redemption." A holder may exercise warrants by giving notice to the warrant agent no later than 5 p.m., New York time, on the business day before the proposed date of exercise. The exercise price on the date of exercise (other than in connection with an exercise in lieu of redemption as described below under "Optional Redemption") will be the accreted value of the related preferred security.

Notwithstanding a warrant holder's desire to exercise its warrants, the warrants are not exercisable unless, at the time of exercise (i) in the case of a holder who received warrants in a transaction exempt from registration requirements under the Securities Act,

the sale of the shares upon exercise of the warrants is exempt from the registration requirements of the Securities Act and

the shares have been registered, qualified or are deemed to be exempt under the securities laws of the state of residence of the exercising holder of the warrants.

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or (ii) in the case of a holder who received warrants transferred pursuant to an effective shelf registration statement,

a shelf registration statement covering the issuance of the common stock upon exercise of the warrant is then in effect;

the shares have been registered, qualified or are deemed to be exempt under the securities laws of the state of residence of the exercising holder of the warrants; and

a then current prospectus is delivered to exercising holders of the warrants.

Washington Mutual has agreed to use its best efforts (and will not be in breach of the warrant agreement for so long as it is exercising its best efforts) to

maintain the effectiveness of a registration statement until the later of (i) if all of the warrants expire unexercised, the expiration date of the warrants and (ii) otherwise, two years following the first date as to which no warrants remain outstanding,

continue to have all the shares of common stock issuable upon exercise of the warrants so registered or qualified and

deliver a then current prospectus to the exercising holders of the warrants, there can be no assurance that it will be able to do so.

The scheduled May 3, 2041 expiration date will be extended if, during the 90 days immediately preceding the scheduled expiration date, Washington Mutual:

was required to but did not maintain an effective registration statement under the Securities Act with respect to the maximum number of shares of Washington Mutual common stock underlying the warrants;

did not maintain the registration or qualification of the shares under the applicable state securities laws; or

was required to but did not deliver a then current prospectus to exercising holders of the warrants.

In any of those events, the expiration date will extend to the first date after the scheduled expiration date after which Washington Mutual has for a 90-day period (1) maintained an effective registration statement under the Securities Act, (2) maintained the registration or qualification under the applicable state securities laws and (3) delivered a then current prospectus to exercising holders of the warrants.

In order to exercise a warrant, a holder must, prior to 5 p.m., New York time, on the date of exercise:

surrender to the warrant agent the certificate representing such warrant (in the case of a definitive warrant);

properly complete and execute a form of election to purchase;

if the warrant to be exercised was received in a transaction exempt from registration requirements under the Securities Act, furnish to the trustee such certifications, legal opinions or

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other information as we may reasonably require to confirm that the proposed transfer is being made pursuant to an exemption from registration; and

pay in full (which may be a remarketing payment as described below) the exercise price for each share of Washington Mutual common stock to be received upon exercise of such warrants.

In order to ensure timely exercise of a warrant, beneficial owners of warrants held in book-entry form should consult their brokers or other intermediaries as to applicable cut-off times they may have for accepting and implementing exercise instructions from their customers and other exercise mechanics. See "Book-Entry Issuance."

In addition, holders who have purchased warrants pursuant to Regulation S of the Securities Act must comply with the restrictions and requirements for certification specified in Regulation S.

Holders must pay the exercise price of their warrants in cash (including the automatic application of the proceeds of any remarketing of preferred securities as discussed under "Optional Redemption"), by certified or official bank check or by wire transfer to an account that Washington Mutual has designated for that purpose. In no circumstances may holders of units tender their preferred securities directly toward payment of the exercise price of the warrants.

Following an exercise of a warrant that is part of a unit other than an exercise in connection with a redemption of the warrants as described below under "Optional Redemption," the holder will have a limited right to require the Trust to exchange the related preferred securities for a corresponding amount of debentures and to require Washington Mutual to repurchase those debentures at their accreted value. See "Description of the Preferred Securities Limited Right to Repurchase" in this prospectus.

A unit holder who exercises the warrant that is part of the unit in connection with an optional redemption of the warrants will satisfy in full the exercise price by applying the proceeds of the related remarketing of the related preferred securities. See "Optional Redemption" and "Description of the Preferred Securities Remarketing," each in this prospectus. In the event of a failed remarketing (as described under "Description of the Preferred Securities Remarketing"):

the warrants will still be redeemed on the redemption date (that is, a successful remarketing of the preferred securities will not be a condition to the redemption of the warrants on the redemption date); and

the holder will still have the option of exercising its warrant in lieu of such redemption by paying the exercise price in cash.

A unit holder who exercises the warrant that is part of the unit in connection with the expiration of the warrant will satisfy in full the exercise price by applying the proceeds of the related remarketing of the related preferred securities. See "Description of the Preferred Securities Remarketing" in this prospectus. In the event of a failed remarketing:

the warrants will still expire on May 3, 2041 (that is, a successful remarketing of the preferred securities on May 1, 2041 will not be a condition to the expiration of the warrants on May 3, 2041); and

the holder will still have the option of exercising its warrant prior to expiration by paying the exercise price in cash.

No service charge will be made for registration of transfer or exchange upon surrender of any warrant certificate at the office of the warrant agent maintained for that purpose. Washington Mutual may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration or transfer or exchange of warrant certificates.

If a holder has satisfied all of the procedures for exercising its warrants, and Washington Mutual has satisfied or caused to be satisfied the conditions to exercise set forth above, on the exercise date, Washington Mutual will deliver or cause to be delivered to such holder, or upon such holder's written order, a certificate representing the requisite number of shares of Washington Mutual common stock to be received upon exercise of such warrants. If a holder exercises less than all of the warrants evidenced by a definitive warrant, a new definitive warrant will be issued to such holder for the remaining number of warrants.

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No fractional shares of Washington Mutual common stock will be issued upon exercise of a warrant. At the time of exercise of a warrant, Washington Mutual will pay the holder of such warrant an amount in cash equal to the then current market price of any such fractional share of Washington Mutual common stock.

Unless the warrants are exercised, the holders thereof will not be entitled to receive dividends or other distributions, to vote, to receive notices for any Washington Mutual shareholders meeting for the election of directors or any other purpose, or to exercise any other rights whatsoever as a Washington Mutual shareholder.

In the event a bankruptcy or reorganization is commenced by or against Washington Mutual, a bankruptcy court may decide that unexercised warrants are executory contracts that may be subject to Washington Mutual's rejection with approval of the bankruptcy court. As a result, a holder of warrants may not, even if sufficient funds are available, be entitled to receive any consideration or may receive an amount less than such holder would be entitled to receive if such holder had exercised its warrants before the commencement of any such bankruptcy or reorganization.

Optional Redemption

Prior to May 3, 2006, Washington Mutual may not redeem the warrants. Subsequently, Washington Mutual may, subject to satisfaction of the conditions set forth under " Conditions to Optional Redemption," redeem the warrants for cash in an amount equal to the warrant value if on any date but prior to May 3, 2041, the closing price of Washington Mutual common stock exceeds and has exceeded \$49.66 per share, subject to adjustment as described under " Anti-Dilution Adjustments," for at least 20 trading days within the immediately preceding 30 consecutive trading days.

We refer to these circumstances under which the price of Washington Mutual reaches a specified level for a specified time period as an "optional redemption event." Washington Mutual may elect to redeem the warrants within ten business days of an optional redemption event.

A "trading day" means any day on which shares of Washington Mutual common stock or other capital stock then issuable upon exercise of the warrants:

are not suspended from trading on any national securities association or exchange or over-the-counter market at the close of business; and

have traded at least once on the national securities association or exchange or over-the-counter market that is the primary market for the trading of Washington Mutual common stock.

If there occurs an optional redemption event and the conditions to an optional redemption have been satisfied (see " Conditions to Optional Redemption" below) and Washington Mutual elects to redeem the warrants, Washington Mutual will be obligated to cause a remarketing of the preferred securities at a price equal to their accreted value. Holders of preferred securities, whether or not holders of units, may elect to participate in the remarketing. See "Description of the Preferred

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Securities Remarketing." The settlement date of the remarketing shall be the redemption date. On the redemption date, a warrant holder will have the choice of:

receiving the warrant value for such date, which will be equal to \$50 minus the exercise price of the warrant as of the end of the day next preceding the remarketing date; or

exercising the warrant by tendering the warrant and the warrant exercise price as of the day next preceding the remarketing date, and following the procedures set forth above under " Exercise of Warrants."

If the warrant holder does not elect to exercise the warrant, the warrant will be redeemed on the redemption date. To exercise the warrant, the warrant holder will be required to tender cash. If, however,

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a holder exercising warrants holds such warrants as part of units on the remarketing date; and

the holder has not opted out of participating in the remarketing of the preferred securities,

then, upon a successful remarketing, the proceeds of such remarketing will be applied by the remarketing agent no later than the remarketing settlement date to pay the exercise price of the warrants (a "remarketing payment"). In the event of a failed remarketing:

the warrants will still be redeemed for cash in an amount equal to the warrant value on the redemption date (which would have also been the remarketing settlement date); and

holders of warrants who have elected to exercise their warrants (which final date for election will occur after the remarketing date) will be obligated to tender the applicable exercise price in cash.

A redemption of the warrants will be conditioned upon a contemporaneous remarketing whether successful or failed of the preferred securities. A warrant will cease to be outstanding upon payment by Washington Mutual of the warrant value on a redemption date or upon exercise of the warrant. **In the absence of an election to the contrary, unit holders will be deemed to have elected to participate in the remarketing.**

Procedures

Washington Mutual must cause written notice of its election to redeem the warrants to be given to the holders of the units and the warrants within four business days of an optional redemption event. As long as the units and warrants are evidenced by one or more global certificates deposited with DTC, Washington Mutual also will request, not less than four nor more than 20 business days prior to the redemption date, that DTC notify its participants holding units or warrants of the redemption. Washington Mutual may select a date, not less than four nor more than 20 business days after the date written notice is given to the holders of units and warrants, on which the redemption shall occur (the "redemption date"). In addition, notice of redemption will be published in a newspaper of general circulation in New York City, New York no less than four business days before the redemption date.

If Washington Mutual gives a notice of redemption in respect of the warrants, then, by 12:00 noon, New York City time, on the redemption date, Washington Mutual will deposit irrevocably with DTC consideration sufficient to pay the warrant value for all warrants registered in the name of DTC's nominee, Cede & Co. (other than warrants held by persons electing to exercise their warrants in lieu of a redemption). See "Book-Entry Issuance." If any warrants are not represented by one or more global certificates, Washington Mutual will irrevocably deposit with the paying agent (as defined herein) for such warrants consideration sufficient to pay the applicable warrant value and will give the paying agent irrevocable instructions and authority to pay the warrant value to the holders thereof upon surrender of their certificates evidencing the warrants.

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If notice of redemption shall have been given and consideration deposited or paid as required, then immediately prior to the close of business on the date of such redemption, all rights of the holders of warrants will cease, except the right of the holders of warrants to receive the warrant value (or Washington Mutual common stock if the holder elected to exercise a warrant on the redemption date), and the warrants will cease to be outstanding.

Subject to applicable law, Washington Mutual or its subsidiaries may at any time and from time to time purchase outstanding warrants by tender, in the open market or by private agreement.

Election to Exercise

At any time prior to 5:00 p.m., New York City time, on the business day prior to the applicable redemption date for the warrants, a warrant holder may elect, at its option, to exercise its warrants in lieu of a redemption by notifying Washington Mutual of such election, provided that Washington Mutual has satisfied or caused to be satisfied, as of the date of exercise of such warrants, the conditions to exercise of warrants set forth above under " Exercise of Warrants." In such event, an electing warrant holder will be required to tender the exercise price (except in the case of a remarketing payment as described above) to Washington Mutual and follow the procedures for exercising warrants specified above under " Exercise of Warrants" in order to effect an exercise on the applicable redemption date. The exercise price in connection with an exercise in lieu of redemption will be the exercise price as of the day next preceding the remarketing date.

The warrants will be redeemed on the redemption date unless a warrant holder has affirmatively elected to exercise its warrants. As a result, upon an election by Washington Mutual to redeem the warrants, a holder may have only three business days to elect to exercise its warrants in lieu of a redemption. If a holder does not receive the redemption notification because of illness, absence or other circumstances the warrants held by that holder will be redeemed. Because of the abbreviated notification period, a warrant holder who intends to exercise its warrant upon an optional redemption of the warrants may want to provide standing instructions for exercise of the warrants and delivery of the shares to the warrant agent. See "Description of the Warrants Optional Redemption Procedures".

Conditions to Optional Redemption

The following are conditions precedent to the right (or obligation) of Washington Mutual to redeem the warrants:

as of the date on which Washington Mutual elects to redeem the warrants and on the redemption date, a registration statement covering the issuance and sale or resale of shares of Washington Mutual common stock to the holders of warrants upon exercise of such warrants shall be effective under the Securities Act or such issuance and sale shall be exempt from the registration requirements of the Securities Act;

as of the date on which Washington Mutual elects to redeem the warrants and on the redemption date, the shares of Washington Mutual common stock shall have been registered, qualified or deemed to be exempt under the securities laws of the state of residence of each holder of the warrants;

as of the redemption date, a then current prospectus shall be delivered to exercising holders of the warrants (other than holders who have received warrants in transactions exempt from the registration requirements under the Securities Act); and

on the redemption date, Washington Mutual shall have complied with all other applicable laws and regulations, if any, including, without limitation, the Securities Act, necessary to permit the redemption of the warrants.

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In addition, the conditions to a contemporaneous remarketing of the preferred securities as described below (see "Description of the Preferred Securities Remarketing Remarketing Procedures") must be satisfied as a condition to the contemporaneous redemption of the warrants. A failed remarketing will not constitute a failure to satisfy the conditions to remarketing.

If a remarketing of preferred securities cannot occur, however, because of an inability to satisfy the applicable conditions precedent, the contemporaneous redemption of the warrants will be canceled.

If a redemption cannot occur because of Washington Mutual's inability to satisfy the four conditions precedent specified above and Washington Mutual is using its best efforts to satisfy such requirements, then Washington Mutual will have the right to redeem the warrants on a subsequent date which is no later than May 3, 2041.

Redemption Upon Special Event

If at any time

a Tax Event or an Investment Company Event occurs and the Administrative Trustees have been informed by an independent law firm that such firm, for substantive reasons, cannot deliver a No Recognition Opinion (as defined in "Description of the Preferred Securities Distribution of Debentures Upon Tax or Investment Company Event") to the Trust, or

a Regulatory Capital Event occurs (any of the foregoing events, a "Special Event"),

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Washington Mutual may elect, at its option, to redeem the warrants for cash in an amount equal to the warrant value, which will be equal to \$50 minus the exercise price of the warrant as of the end of the day next preceding the remarketing date.

If Washington Mutual elects to cause a redemption of the warrants upon the occurrence of a Special Event and the conditions to an optional redemption have been satisfied (see " Conditions to Optional Redemption" below), Washington Mutual will be obligated to cause a remarketing of the preferred securities at a price equal to their accreted value. Holders of preferred securities, whether or not holders of units, may elect to participate in the remarketing. See "Description of the Preferred Securities Remarketing." The settlement date of the remarketing shall be the redemption date. On the redemption date, a warrant holder will have the choice of:

receiving the warrant value for such date or

exercising the warrant by tendering the warrant and the exercise price, which will equal the exercise price as of the day next preceding the remarketing date, and following the procedures set forth above under " Exercise of Warrants."

If the warrant holder does not elect to exercise the warrant, the warrant will be redeemed on the redemption date.

The "accreted value" of a preferred security is equal to the accreted value of a debenture, which is equal to the sum of the initial purchase price of the preferred security component of each unit (i.e. \$32.33) plus accretion of the discount (i.e. the difference between the principal amount of \$50 payable in respect of such debenture on May 1, 2041 and such initial purchase price), calculated from April 30, 2001 to the date of calculation at the all in yield of 8.48% per annum on a quarterly bond equivalent yield basis using a 360-day year of twelve 30-day months until such sum equals \$50 on May 1, 2041, less \$0.6719 per quarter. For example, because the purchase price of the units initially allocable to the preferred securities is \$32.33, the accreted value of a debenture will be equal to \$32.6628 on May 1, 2006 (the interest payment date which is the fifth anniversary of the issuance of the debenture).

"Investment Company Event" means the receipt by the Trust of an opinion of counsel, rendered by an independent law firm having a recognized national securities practice, to the effect that, as a

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result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), there is more than an insubstantial risk that the Trust is or will be considered in an "investment company" that is required to be registered under the 1940 Act, which Change in 1940 Act Law becomes effective on or after the date on which the preferred securities were initially issued and sold.

"Tax Event" means the receipt by the Trust of an opinion of counsel, rendered by an independent law firm experienced in such matters, to the effect that, as a result of (a) any amendment to, change in or announced proposed change in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or (b) any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or proposed change, pronouncement or decision is announced on or after the date on which the preferred securities were initially issued and sold, there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to interest received or accrued on the debentures, or (ii) the Trust is, or will be within 90 days of the date of such opinion, subject to more than a *de minimis* amount of other taxes, duties or other governmental charges.

A "Regulatory Capital Event" means that Washington Mutual shall have become, or pursuant to law or regulation will become within 180 days, subject to capital requirements under which, in the written opinion of independent bank regulatory counsel experienced in such matters, the preferred securities would not constitute Tier 1 Capital applied as if Washington Mutual (or its successor) were a bank holding company (as that concept is used in the guidelines or regulations issued by the Board of Governors of the Federal Reserve System as of the date of this prospectus or its then equivalent).

Conditions to Redemption Upon Special Event

In addition to the four conditions specified under " Optional Redemption Conditions to Redemption" above, the conditions to a contemporaneous remarketing of the preferred securities as described below (see "Description of the Preferred Securities Remarketing Remarketing Procedures") must be satisfied as a condition to the contemporaneous redemption of the warrants. A failed remarketing will not constitute a failure to satisfy the conditions to remarketing. However, if a remarketing of preferred securities following a Special Event cannot occur because of an inability to satisfy the applicable conditions precedent, the contemporaneous redemption of the

warrants will be canceled.

If a redemption of the warrants cannot occur because of an inability to satisfy the four conditions precedent set forth above under " Optional Redemption Conditions to Optional Redemption" and Washington Mutual is using its best efforts to satisfy such requirements; then Washington Mutual will have the right to redeem the warrants on a subsequent date which is no later than May 3, 2041.

Change of Control

If a Change of Control (as defined under "Description of the Units") occurs, each holder of a warrant will have the right to require Washington Mutual to redeem that holder's warrant on the date that is 45 days after the date Washington Mutual gives notice at a redemption price in cash equal to 100% of the warrant value of the warrant on the redemption date.

Within 30 days after the occurrence of a Change of Control, Washington Mutual must give notice to each holder of a warrant and the warrant agent of the transaction that constitutes the Change of Control and of the resulting redemption right. To exercise the redemption right, a warrant holder must deliver on or prior to the 30th day after the date of Washington Mutual's notice irrevocable written notice to the warrant agent of the holder's exercise of its redemption right.

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Except as described above with respect to a Change of Control, the warrant agreement does not contain provisions that permit the holders of warrants to require that Washington Mutual redeem the warrants in the event of a takeover, recapitalization or similar transaction. In addition, Washington Mutual could enter into certain transactions, including acquisitions, refinancings or other recapitalization, that could affect Washington Mutual's capital structure or the value of Washington Mutual's common stock, but that would not constitute a Change of Control.

Washington Mutual will comply with the requirements of the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the redemption of the warrants as a result of a Change of Control.

Washington Mutual's ability to redeem warrants upon the occurrence of a Change of Control is subject to important limitations. The occurrence of a Change of Control could cause an event of default under, or be prohibited or limited by, the terms of Washington Mutual's senior debt. As a result, any redemption of the warrants would, absent a waiver, be prohibited under the indenture until the senior debt is paid in full. Further, there can be no assurance that Washington Mutual would have the financial resources, or would be able to arrange financing, to pay the redemption price for all the warrants that might be delivered by holders of warrants seeking to exercise the redemption right. Any failure by Washington Mutual to redeem the warrants when required following a Change of Control may, in turn, cause a default under its senior debt.

Anti-Dilution Adjustments

The number of shares of Washington Mutual common stock issuable upon the exercise of the warrants will be subject to adjustment in certain circumstances, but subject to certain exceptions, including:

the issuance of Washington Mutual common stock payable as a dividend or distribution on its common stock;

subdivisions and combinations of the common stock of Washington Mutual;

the issuance to all holders of Washington Mutual common stock of certain rights or warrants to purchase Washington Mutual common stock (or securities convertible into Washington Mutual common stock) at less than (or having a conversion price per share less than) the current market price of Washington Mutual common stock;

the dividend or other distribution to all holders of Washington Mutual common stock of shares of Washington Mutual capital stock or evidences of Washington Mutual indebtedness or its assets (including securities, but excluding those rights and warrants referred to above and dividends and distributions in connection with a reclassification, change, consolidation, merger, combination, sale or conveyance resulting in a change in the conversion consideration pursuant to the second succeeding paragraph or distributions or dividends paid exclusively in cash);

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dividends or other distributions consisting exclusively of cash to all holders of Washington Mutual common stock to the extent that such distributions, combined together with (A) all other such all-cash distributions made within the preceding 12 months for which no adjustment has been made plus (B) any cash and the fair market value of other consideration paid for any tender offers by Washington Mutual or any of its subsidiaries for Washington Mutual common stock concluded within the preceding 12 months for which no adjustment has been made, exceeds 10% of Washington Mutual's market capitalization on the record date for such distribution; market capitalization is the product of the then current market price of Washington Mutual common stock times the number of shares of Washington Mutual common stock then outstanding; and

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the purchase of Washington Mutual common stock pursuant to a tender offer made by Washington Mutual or any of its subsidiaries to the extent that the same involves an aggregate consideration that, together with (A) any cash and the fair market value of any other consideration paid in any other tender offer by Washington Mutual or any of its subsidiaries for Washington Mutual common stock expiring within the 12 months preceding such tender offer for which no adjustment has been made plus (B) the aggregate amount of any all-cash distributions referred to in the paragraph above to all holders of Washington Mutual common stock within 12 months preceding the expiration of tender offer for which no adjustments have been made, exceeds 10% of Washington Mutual's market capitalization on the expiration of such tender offer.

No adjustment in the amount of shares of Washington Mutual common stock issuable upon exercise of a warrant will be required unless such adjustment would require a change of at least 1% in the amount of shares of Washington Mutual common stock issuable upon exercise of a warrant then in effect at such time. Any adjustment that would otherwise be required to be made shall be carried forward and taken into account in any subsequent adjustment. Except as stated above, the amount of shares of Washington Mutual common stock issuable upon exercise of a warrant will not be adjusted for the issuance of Washington Mutual common stock or any securities convertible into or exchangeable for Washington Mutual common stock or carrying the right to purchase any of the foregoing.

In the case of:

any reclassification or change of Washington Mutual common stock (other than changes resulting from a subdivision or combination) or

a consolidation, merger or combination involving Washington Mutual or a sale or conveyance to another corporation of all or substantially all of Washington Mutual's property and assets,

in each case as a result of which holders of Washington Mutual common stock are entitled to receive stock, other securities, other property or assets (including cash or any combination thereof) with respect to or in exchange for Washington Mutual common stock, the holders of the warrants then outstanding will be entitled thereafter to exercise those warrants and receive the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof) which they would have owned or been entitled to receive upon such reclassification, change, consolidation, merger, combination, sale or conveyance had such warrants been exercised immediately prior to such reclassification, change, consolidation, merger, combination, sale or conveyance. Washington Mutual will agree not to become a party to any such transaction unless its terms are consistent with the foregoing.

In the event that we distribute shares of common stock of a subsidiary of ours, the number of shares of our common stock issuable upon the exercise of the warrants will be adjusted, if at all, based on the market value of the subsidiary stock so distributed relative to the market value of our common stock, in each case over a measurement period following distribution.

If a taxable distribution to holders of Washington Mutual common stock or other transaction occurs which results in any adjustment of the exercise price or the amount of shares of Washington Mutual common stock issuable upon exercise of a warrant, the holders of warrants may, in certain circumstances, be deemed to have received a distribution subject to U.S. income tax as a dividend. In certain other circumstances, the absence of an adjustment may result in a taxable dividend to the holders of common stock. See "Material United States Federal Income Tax Considerations The Warrants."

Washington Mutual may from time to time, to the extent permitted by law, reduce the exercise price of the warrants by any amount for any period of at least 20 days. In that case Washington Mutual will give at least 15 days' notice of such decrease. Washington Mutual may make such reductions in the

exercise price, in addition to those set forth above, as Washington Mutual's board of directors deems advisable to avoid or diminish any income tax to holders of Washington Mutual common stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

Reservation of Shares

Washington Mutual has authorized and reserved for issuance the maximum number of shares of its common stock as will be issuable upon the exercise of all outstanding warrants. Such shares of common stock, when issued and paid for in accordance with the warrant agreement, will be duly and validly issued, fully paid and nonassessable, free of preemptive rights and free from all taxes, liens, charges and security interests.

Governing Law

The warrants and the warrant agreement are governed by, and construed in accordance with, the laws of the State of New York.

Modifications and Amendments of the Warrant Agreement

Modifications of warrants issued as part of units may only be made in accordance with the terms of the warrant agreement. Washington Mutual and the warrant agent may amend or supplement the terms of the warrant and the warrant agreement without the consent of holders of the warrants in order to:

cure any ambiguity;

cure, correct or supplement any defective or inconsistent provision; or

amend such terms in any other manner that does not adversely affect the interests of any holder of warrants.

Washington Mutual and the warrant agent, with the consent of the holders of a majority of the then outstanding unexercised warrants, may modify or amend the warrants and the warrant agreement. However, Washington Mutual and the warrant agent may not make any of the following modifications or amendments without the consent of each holder of warrants:

change the exercise price of the warrants, except as provided in the warrant agreement;

reduce the number of shares of common stock issuable upon exercise of the warrants other than as specified under " Anti-Dilution Adjustments";

accelerate the expiration date of the warrants;

materially and adversely affect the rights of any holder of warrants; or

reduce the percentage of the outstanding unexercised warrants the consent of whose holders is required for modifications and amendments.

DESCRIPTION OF COMMON STOCK

Washington Mutual's articles of incorporation currently authorize 1,600,000,000 shares of common stock and 10,000,000 shares of preferred stock.

Common Stock

Each share of common stock is entitled to one vote on all matters properly presented at a meeting of shareholders. Shareholders are not entitled to cumulative voting in the election of directors.

The number of directors of Washington Mutual is determined by its bylaws. The bylaws currently set the number of directors at up to eighteen. Washington Mutual's board of directors is divided into three classes of as equal a number of directors as possible. The term of office of each class is three years, with each term expiring in a different year.

Interested Stockholders. Washington Mutual's articles of incorporation prohibit, except under certain circumstances, Washington Mutual (or any subsidiary of Washington Mutual) from engaging in certain significant business transactions with a "major stockholder." A "major stockholder" is a person who, without the prior approval of the Washington Mutual board of directors, acquires beneficial ownership of five percent or more of Washington Mutual's outstanding voting stock. Prohibited transactions include, among others:

any merger with, disposition of assets to, acquisition by Washington Mutual of the assets of, issuance of securities of Washington Mutual to, or acquisition by Washington Mutual of securities of, a major stockholders;

any reclassification of the voting stock of Washington Mutual or of any subsidiary beneficially owned by a major stockholder; or

any partial or complete liquidation, spin off, split off or split up of Washington Mutual or any subsidiary.

The above prohibitions do not apply, in general, if the specific transaction is approved by:

Washington Mutual's board of directors prior to the major stockholder involved having become a major stockholder;

a vote of at least 80% of the "continuing directors" (defined as those members of Washington Mutual's board prior to the involvement of the major stockholder);

a majority of the "continuing directors" if the major stockholder obtained unanimous board approval to become a major stockholder;

a vote of 95% of the outstanding shares of Washington Mutual voting stock other than shares held by the major stockholder;
or

a majority vote of the shares of voting stock and the shares of voting stock owned by stockholders other than any major stockholder if certain other conditions are met.

Washington Mutual's articles of incorporation also provide that during the time a major stockholder exists, Washington Mutual may voluntarily dissolve only upon the unanimous consent of the Washington Mutual stockholders or an affirmative vote of at least two-thirds of Washington Mutual's board of directors and the holders of at least two-thirds of the shares entitled to vote on such a dissolution and of each class of shares entitled to vote on such a dissolution as a class, if any.

Shareholder Rights Plan. Washington Mutual has adopted a shareholder rights plan (the "Washington Mutual Rights Plan") which provides that one right to purchase 1/1,000th of a share of Washington Mutual Preferred Stock, Series RP, (the "Washington Mutual Rights") is attached to each

outstanding share of Washington Mutual Common Stock. The Washington Mutual Rights have certain anti-takeover effects and are intended to discourage coercive or unfair takeover tactics and to encourage any potential acquiror to negotiate a price fair to all shareholders. The Washington Mutual Rights may cause substantial dilution to an acquiring party that attempts to acquire Washington Mutual on terms not approved by the Washington Mutual Board, but they will not interfere with any merger or other business combination that is approved by the Washington Mutual Board.

The Washington Mutual Rights are attached to the shares of Washington Mutual Common Stock. The Rights are not presently exercisable. At the time a party acquires beneficial ownership of 15% or more of the outstanding shares of Washington Mutual Common Stock or commences or publicly announces for the first time a tender offer to do so, the Rights will separate from the Common Stock and will become exercisable. Each Washington Mutual Right entitles the holder to purchase 1/1,000th share of Washington Mutual Preferred Stock, Series RP, for an exercise price that is currently \$200 per share. Once the Rights become exercisable, any Washington Mutual Rights held by the acquiring party will be void and, for the next 60 days, all other holders of Washington Mutual Rights will receive upon exercise of the Right that number of shares of Washington Mutual Common Stock having a market value of two times the exercise price of the Washington Mutual Right. The Washington Mutual Rights, which expire on January 4, 2011, may be redeemed by Washington Mutual for \$0.001 per right prior to becoming exercisable. Until a Washington Mutual Right is exercised, the holder of that Washington Mutual Right will have no rights as a shareholder of Washington Mutual, including, without limitation, the right to vote or receive dividends.

Preferred Stock

Washington Mutual has outstanding 2,000,000 shares of Series H Preferred Stock. The Series H Preferred Stock is senior to the common stock with respect to the payment of dividends and upon liquidation, dissolution or winding up of Washington Mutual. Holders of Series H Preferred Stock are entitled to receive, when and as declared by the Board of Directors of Washington Mutual, dividends at the annual rate of 7.25% of the \$50 per share liquidation preference, equivalent to \$3.625 per share until August 16, 2002 and thereafter at a rate to be set upon the remarketing of the Series H Preferred Stock. Dividends on the common stock may not be paid at any time that the full cumulative dividends on the Series H Preferred Stock have not been paid.

The Series H Preferred Stock may be redeemed by Washington Mutual, in whole or in part, at any time after October 16, 2002 at a redemption price of \$50 per share plus accrued and unpaid dividends. On August 16, 2004, all outstanding shares of Series H Preferred Stock will be redeemed by Washington Mutual at a redemption price of \$50 per share plus accrued and unpaid dividends.

Each share of Series H Preferred Stock carries .10 vote on all matters submitted generally to the shareholders of Washington Mutual, and votes together as a single class with the common stock.

DESCRIPTION OF THE PREFERRED SECURITIES

We have summarized selected terms of the preferred securities. The summary is not complete. The preferred securities, which form a part of the units and which, under certain circumstances, will trade separately from the warrants also forming a part of the units, were issued pursuant to the declaration of trust. The terms of the preferred securities include those stated in the declaration of trust and those made part of the declaration of trust by the Trust Indenture Act.

The declaration of trust was filed as an exhibit to the registration statement. We urge you to read the declaration of trust (including the definitions of terms), the Delaware Business Trust Act, as amended (the "Trust Act"), and the Trust Indenture Act because they, and not this description, define your rights as holder of the preferred securities, including as a component of the units. You may request copies of the declaration of trust from us at our address set forth below under "Where You Can Find Additional Information."

Distributions

Cash distributions on the preferred securities will be fixed at a rate per annum of 5.375% of the stated liquidation amount of \$50 per preferred security, subject to reset in connection with a remarketing as described under "Description of the Debentures Interest," payable quarterly, in arrears, on February 1, May 1, August 1 and November 1 of each year, commencing August 1, 2001, and payable on a remarketing settlement date, when, as and if available for payment, by the Property Trustee. Distributions accumulate from April 30, 2001. Interest on the debentures

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not paid on the scheduled payment date will accrue and compound quarterly, to the extent permitted by law, at the applicable interest rate, and, as a result, distributions will accumulate and compound quarterly, to the extent permitted by law, at the applicable distribution rate ("Compounded Distributions").

The term "distribution" as used herein includes any regular quarterly distributions, together with any Compounded Distribution, unless otherwise stated. The amount of distributions payable for any period will be computed

for any full 90-day quarterly distribution period, on the basis of a 360-day year of twelve 30-day months,

for any period shorter than a full 90-day distribution period, on the basis of a 30-day month and

for periods of less than a month, on the basis of the actual number of days elapsed per 30-day month.

In the event that any date on which distributions are payable on the preferred securities is not a business day, then payment of the distributions payable on such date will be made on the next succeeding day that is a business day (and without any additional distributions or other payment in respect of any such delay), except that, if such business day is in the next succeeding calendar year, such payment will be made on the immediately preceding business day, with the same force and effect as if made on the date such payment was originally payable. A "business day" means any day, other than a Saturday or Sunday, that is not a day on which banking institutions in the Borough of Manhattan, the City of New York, Seattle, Washington or Wilmington, Delaware are authorized or required by law, regulation or executive order to close.

Distributions on the preferred securities (other than distributions on a remarketing settlement date or redemption date) will be payable to the holders thereof as they appear on the register of the Trust as of the close of business on the relevant record dates, which, as long as the preferred securities are represented by one or more global certificated securities, will be the close of business on the business day prior to the relevant distribution dates, unless otherwise provided in the declaration of trust or unless a different regular record date is established or provided for the corresponding interest payment

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date on the debentures. If the preferred securities are no longer represented by one or more global certificates, the Administrative Trustees will have the right to select record dates, which will be at least one business day prior to the relevant distribution dates. See "Book-Entry Issuance." Distributions payable on any preferred securities that are not punctually paid on any distribution date will cease to be payable to the person in whose name such preferred securities are registered on the relevant record date, and such defaulted distribution will instead be payable to the person in whose name such preferred securities are registered on the special record date or other specified date determined in accordance with the declaration of trust.

Holders of units are entitled to receive a pro rata distribution of payments of principal on the debentures, except that payments of principal following an exchange of preferred securities for debentures will be paid to the holders of the debentures.

At all times, the distribution rate, the distribution dates and other payment dates for the preferred securities will correspond to the interest rate, interest payment dates and other payment dates on the debentures, which will be the sole assets of the Trust.

Distributions on the preferred securities will be paid on the dates payable only to the extent that payments are made in respect of the debentures held by the Property Trustee and to the extent that the Trust has funds available for the payment of such distributions. See "Description of the Debentures." If Washington Mutual does not make payments on the debentures, the Property Trustee will not have funds available to make payments (including distributions) on the preferred securities.

So long as Washington Mutual is not in default in the payment of interest on the debentures, and so long as a failed remarketing has not occurred, Washington Mutual has the right under the indenture to defer payments of interest on the debentures as described below under "Description of the Debentures Option to Extend Interest Payment Date." Upon any such extension the Trust will not have funds to make a distribution to the holders of preferred securities.

Remarketing

A "remarketing event" will occur:

in connection with a redemption of the warrants by Washington Mutual; or

on May 1, 2041 in connection with the expiration of the warrants.

Following the occurrence of a remarketing event, all of the preferred securities other than the preferred securities as to which the holders have opted not to participate in the remarketing (**in the absence of an election to the contrary, holders of preferred securities whether or not components of units will be deemed to have elected to participate in the remarketing**) will be remarketed by an entity to be designated by Washington Mutual as remarketing agent, initially Lehman Brothers Inc. Under the remarketing agreement, the remarketing agent will use commercially reasonable efforts to remarket the participating preferred securities at a price equal to 100% of their accreted value as of the end of the day on the day next preceding the remarketing date. If the remarketing is in connection with the expiration of the warrants, the accreted value will equal the principal amount at maturity.

The proceeds from the remarketed preferred securities will be paid to the selling holders, unless the holders are unit holders which have elected to exercise their warrants, in which case the proceeds will be applied to satisfy in full the exercise price of the warrants.

In connection with a remarketing related to a redemption:

the adjusted maturity of the debentures (and, as a result, the redemption date of the preferred securities) will become the date which is 60 days following the remarketing date;

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the amount due at the adjusted maturity date of the debentures will be the accreted value of the debentures as of the end of the day next preceding the remarketing date (and as result, the amount due at the adjusted redemption date of the preferred securities will be a corresponding amount); and

beginning on the remarketing date, the debentures will bear interest on their accreted value at a rate equal to the rate established in the remarketing.

In connection with a remarketing related to the expiration of the warrants:

the debentures notes (and redemption date of the preferred securities) will continue to mature on their scheduled maturity date of July 1, 2041, which will be 60 days following the remarketing date; and

beginning on the remarketing date, the debentures will bear interest on their accreted value, which at that time will equal \$50, at a rate equal to the rate established in the remarketing.

Accordingly, holders of preferred securities whether or not components of units that elect not to participate in the remarketing will receive:

distributions on their preferred securities for 60 days at the rate equal to the rate established in the remarketing; and

the accreted value of their preferred securities (which in connection with the expiration of the warrants is \$50) 60 days following the remarketing date.

Remarketing Procedures

Set forth below is a summary of the procedures to be followed in connection with a remarketing of the preferred securities.

Remarketing in Connection with an Optional Redemption

In the event of a remarketing in connection with an optional redemption, Washington Mutual must cause written notice of the remarketing to be given to the holders of the units and the preferred securities at the same time as notice of the related redemption is given by Washington Mutual to the holders of the units and warrants. See "Description of the Warrants Optional Redemption Procedures." As long as the units or the preferred securities are evidenced by one or more global certificates deposited with DTC, Washington Mutual also will request, not later than four nor more than 20 business days prior to the remarketing date, that DTC notify its participants holding units or preferred securities of the remarketing. The remarketing date will be two business days prior to the redemption date. The remarketing settlement date will be the redemption date.

It is a condition precedent to the remarketing that, as of the date on which Washington Mutual elects to cause a remarketing of the preferred securities and on the remarketing date, no event of default under the declaration of trust or deferral of distributions to holders of the preferred securities shall have occurred and be continuing. It is a further condition that the conditions to a contemporaneous redemption of the warrants shall have been satisfied.

Remarketing in Connection with a Special Event Redemption

In the event of a remarketing in connection with a Special Event, Washington Mutual must cause written notice of the remarketing to be given to the holders of the units and the preferred securities at the same time as notice of the related redemption is given by Washington Mutual to the holders of the units and warrants. See "Description of the Warrants Redemption Upon a Special Event Procedures." As long as the units or the preferred securities are evidenced by one or more global

certificates deposited with DTC, Washington Mutual also will request, not later than four nor more than 20 business days prior to the remarketing date, that DTC notify its participants holding units or preferred securities of the remarketing. The remarketing date will be two business days prior to the redemption date. The remarketing settlement date will be the redemption date.

It is a condition precedent to the remarketing that, as of the date on which Washington Mutual elects to cause a remarketing of the preferred securities and on the remarketing date, no event of default under the declaration of trust or deferral of distributions to holders of the preferred securities shall have occurred and be continuing. It is a further condition that the conditions to a contemporaneous redemption of the warrants shall have been satisfied.

Remarketing in Connection with the Expiration of the Warrants

If not previously remarketed in connection with a redemption of the warrants by Washington Mutual, the preferred securities will be remarketed on May 1, 2041 in connection with the expiration of the warrants. No further action will be required of Washington Mutual to select such date or give notice of such date. As long as the units or the preferred securities are evidenced by one or more global certificates deposited with DTC, Washington Mutual will request, not later than four nor more than 20 business days prior to the remarketing date, that DTC notify its participants holding units or preferred securities of the remarketing.

The warrants will expire on May 3, 2041, the settlement date for a remarketing in connection with the expiration of the warrants.

If a remarketing of the preferred securities does not occur on May 1, 2041 for any reason, the Administrative Trustees will give notice thereof to all holders of preferred securities (whether or not a component of a unit) prior to the close of business on the business day following the remarketing date. In such event:

beginning on such date, interest will accrue on the accreted value of the debentures, and distributions will accumulate on the accreted value of the preferred securities,

the interest rate on the accreted value of the debentures will be equal to 10.48%, and, as a result, the distribution rate on the preferred securities will increase correspondingly; and

the accreted value of the debentures (and, as a result, the accreted value of the preferred securities) will become due and payable on the date which is 60 days after May 1, 2041.

A Failed Remarketing

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If, by 4:00 p.m., New York City time, on the remarketing date, the remarketing agent is unable to remarket all the preferred securities deemed tendered for purchase, a "failed remarketing" will have occurred. The Administrative Trustees will give notice of a failed remarketing to Washington Mutual and all holders of preferred securities (whether or not a component of a unit) prior to the close of business on the business day following the remarketing date.

Upon a failed remarketing,

beginning on such date, interest will accrue on the accreted value of the debentures, and distributions will accumulate on the accreted value of the preferred securities,

the interest rate on the accreted value of debentures will be equal to 10.48%, and, as a result, the distribution rate on the accreted value of preferred securities will increase correspondingly;

the stated maturity of the accreted value of the debentures and the redemption date of the accreted value of the preferred securities will become the date which is 60 days after the failed remarketing date; and

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Washington Mutual will no longer have the option to defer interest payments on the debentures.

A successful remarketing is not a condition to a redemption of the warrants, see "Description of the Warrant Optional Redemption," and the warrant holder will have the option to exercise its warrants in lieu of such redemption.

General

The following common provisions apply to any remarketing.

Unless holders of preferred securities elect not to have their preferred securities remarketed, all preferred securities will be remarketed on the remarketing date. A holder may elect not to have its preferred securities remarketed by notifying the remarketing agent of such election not later than 5:00 p.m., New York City time, on the business day preceding the remarketing date. Any such notice will be irrevocable and may not be conditioned upon the level at which the Reset Rate (as defined below) is established in the remarketing. A holder may elect to exercise its warrants instead of having them redeemed by following the procedures set forth in "Description of the Warrants Redemption Election to Exercise." Not later than 5:00 p.m., New York City time, on the business day preceding the remarketing date, the Property Trustee and the unit agent, as applicable, shall notify the Trust, Washington Mutual and the remarketing agent of the number of preferred securities to be tendered for purchase in the remarketing.

If none of the holders elects to have preferred securities remarketed in the remarketing, the Reset Rate will be the rate determined by the remarketing agent, in its sole discretion, as the rate that would have been established had a remarketing been held on the remarketing date and the modifications to the maturity date of the debentures and the expiration date of the warrants will be effective as of the remarketing date.

If the remarketing agent determines prior to 4:00 p.m., New York City time, on the remarketing date that it will be able to remarket all the preferred securities deemed tendered for purchase at a price of 100% of the accreted value of such preferred securities as of the end of the day on the day next preceding the remarketing date, the remarketing agent will determine the Reset Rate, which will be the rate, rounded to the nearest one-thousandth (0.001) of one percent, per annum that the remarketing agent determines, in its sole judgment, to be the lowest rate per year that will enable it to remarket all the preferred securities deemed tendered for remarketing at that price.

By approximately 4:30 p.m., New York City time, on the remarketing date, so long as there has not been a failed remarketing, the remarketing agent will advise:

DTC, the Property Trustee the Debenture Trustee, the Trust and Washington Mutual of the Reset Rate determined in the remarketing and the number of preferred securities sold in the remarketing;

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each person purchasing preferred securities in the remarketing, or the appropriate DTC participant, of the Reset Rate and the number of preferred securities such person is to purchase; and

each purchaser of preferred securities to give instructions to its DTC participant to pay the purchase price on the settlement date in same day funds against delivery of the preferred securities purchased through the facilities of DTC.

In accordance with DTC's normal procedures, on the settlement date, the transactions described above with respect to each preferred security tendered for purchase and sold in the remarketing will be executed through DTC, and the accounts of the respective DTC participants will be debited and credited and such preferred securities delivered by book entry as necessary to effect purchases and sales of the preferred securities. DTC will make payment in accordance with its normal procedures.

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If any holder selling preferred securities in the remarketing fails to deliver the preferred securities, the direct or indirect DTC participant of the selling holder and of any other person that was to have purchased preferred securities in the remarketing may deliver to that other person a number of preferred securities that is less than the number of preferred securities that otherwise was to be purchased by that person. In that event, the number of preferred securities to be so delivered will be determined by the direct or indirect participant, and delivery of the lesser number of preferred securities will constitute good delivery.

The right of each holder to have preferred securities tendered for purchase will be limited to the extent that:

the remarketing agent conducts a remarketing pursuant to the terms of the remarketing agreement;

the remarketing agent is able to find a purchaser or purchasers for tendered preferred securities; and

the purchaser or purchasers deliver the purchase price therefor to the remarketing agent.

The remarketing agent is not obligated to purchase any preferred securities that would otherwise remain unsold in the remarketing. Neither Washington Mutual nor the remarketing agent will be obligated in any case to provide funds to make payment upon tender of preferred securities for remarketing.

Washington Mutual, as borrower, will be liable for any and all costs and expenses incurred in connection with the remarketing.

In connection with a remarketing of the preferred securities and at any time thereafter, a purchaser may elect to receive a debenture in lieu of preferred securities. See "Exchange."

Remarketing Agent

The remarketing agreement provides that the remarketing agent will act as the exclusive remarketing agent and will use commercially reasonable efforts to remarket preferred securities deemed tendered for purchase in the remarketing at a price of 100% of their accreted value as of the end of the day on the day next preceding the Remarketing Date. Under certain circumstances, some portion of the preferred securities tendered in the remarketing will be able to be purchased by the remarketing agent.

The remarketing agreement also provides that the remarketing agent will incur no liability to Washington Mutual or to any holder of the units or the preferred securities in its individual capacity or as remarketing agent for any action or failure to act in connection with a remarketing or otherwise, except as a result of negligence or willful misconduct on its part. Washington Mutual will pay the fee of the remarketing agent.

Washington Mutual agreed to indemnify the remarketing agent against certain liabilities, including liabilities under the Securities Act, arising out of or in connection with its duties under the remarketing agreement.

The remarketing agreement also provides that the remarketing agent may resign and be discharged from its duties and obligations thereunder. However, no resignation will become effective unless a nationally recognized broker-dealer has been appointed by Washington Mutual as successor remarketing agent and the successor remarketing agent has entered into a remarketing agreement with Washington Mutual. In that case, Washington Mutual will use reasonable efforts to appoint a successor remarketing agent and enter into a remarketing agreement with that

person as soon as reasonably practicable.

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Limited Right to Repurchase

If a holder of units exercises its warrants, other than an exercise in lieu of a redemption of the warrants (see "Description of the Warrants Optional Redemption" and "Description of the Warrants Exercise of Warrants"), such holder will have the right, on the next special distribution date which is no less than 60 days following the exercise date of its warrants, to require the Trust to exchange the preferred securities related to such exercised warrants for debentures having accreted value equal to the accreted value of such preferred securities plus accumulated and unpaid distributions (including deferred distributions) to such date and to require Washington Mutual to contemporaneously repurchase the exchanged debentures at their accreted value (on the repurchase date) plus accrued and unpaid interest (including deferred interest) to, but excluding, the repurchase date. In order to effect a repurchase of debentures, a unit holder must:

provide the Administrative Trustees and Washington Mutual with notice of its election to require an exchange of preferred securities and repurchase of debentures to the Trust no less than 30 days prior to the applicable special distribution date on which such repurchase is to be effected,

specify the number of the preferred securities to be exchanged for debentures by the Trust and

certify to the Trust and Washington Mutual that such holder has exercised warrants having an exercise price no less than the accreted value of the preferred securities sought to be exchanged and that such holder is the beneficial owner of the preferred securities to be exchanged.

On the applicable special distribution date, Washington Mutual will pay to the holders in redemption of an aggregate principal amount of debentures having an accreted value equal to the accreted value of preferred securities that were exchanged, such accreted value together with accrued and unpaid interest (including deferred interest) on such debentures to, but excluding, the repurchase date. The fifteenth day of each calendar month will be a "special distribution date."

Redemption

Upon the repayment of the debentures held by the Trust, whether at stated maturity (as adjusted in connection with a remarketing described below) or otherwise, the proceeds from such repayment will be applied by the Property Trustee to redeem a like aggregate liquidation amount of the Trust Securities. If less than all of the debentures held by the Trust are to be repaid, then, except as described under " Subordination of Common Securities of the Trust," and in the next paragraph, the proceeds from such repayment will be allocated pro rata to the redemption of the Trust Securities.

Under certain circumstances, a holder of preferred securities may elect to exchange the preferred securities for an equivalent amount of debentures. See " Limited Right to Repurchase" and " Exchange." Also, in connection with a liquidation of the Trust, the debentures will be distributed to the holders of preferred securities. See " Distribution of Debentures Upon Tax or Investment Company Event" and " Liquidation Distribution Upon Dissolution." In any such event, payments after an exchange made by Washington Mutual on account of the debentures will be paid to the holders of the debentures.

Redemption Procedures

Preferred securities will be redeemed at the redemption price in respect of the debentures which will include an amount equal to accumulated and unpaid distributions thereon through the date of redemption (the "Redemption Price") with the applicable proceeds from the contemporaneous payment of the debentures. Redemptions of the preferred securities will be made and the Redemption Price will be payable on the redemption date only to the extent that the Trust has sufficient

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consideration available for the payment of such Redemption Price. See " Subordination of Common Securities of the Trust."

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Notice of any redemption will be given in the manner and at the times specified above under " Remarketing." On the redemption date, to the extent funds are available, the Property Trustee will deposit irrevocably with DTC consideration sufficient to pay the applicable Redemption Price for all securities held at DTC and will give DTC irrevocable instructions and authority to pay the Redemption Price to the holders of the preferred securities. See "Book-Entry Issuance." If any preferred securities are not represented by one or more global certificates, the Trust, to the extent consideration is available, will irrevocably deposit with the Paying Agent (as defined herein) for such preferred securities consideration sufficient to pay the applicable Redemption Price and will give the Paying Agent irrevocable instructions and authority to pay the Redemption Price to the holders thereof upon surrender of their certificates evidencing the preferred securities. Notwithstanding the foregoing, distributions payable on or prior to the redemption date for any preferred securities will be payable to the holders of record of such preferred securities who are holders on the relevant record dates for the related distribution dates. If notice of redemption shall have been given and consideration deposited as required, then immediately prior to the close of business on the date of such redemption, all rights of the holders of preferred securities called for redemption will cease, except the right of the holders of preferred securities to receive the Redemption Price, but without interest on such Redemption Price, and preferred securities which are called for redemption will cease to be outstanding. In the event that any date set for redemption of preferred securities is not a business day, then payment of the Redemption Price payable on such date will be made on the next succeeding day which is a business day (and without any interest or other payment in respect of any, such delay), except that if such business day falls in the next calendar year, such payment will be made on the immediately preceding business day, in each case with the same force and effect as if made on the date such payment was originally payable.

In the event that payment of the Redemption Price in respect of preferred securities called for redemption is improperly withheld or refused and not paid either by the Trust or by Washington Mutual pursuant to the Guarantee as described under "Description of the Guarantee," distributions on such preferred securities will continue to accumulate at the applicable rate per annum, from the redemption date originally established by the Trust for the preferred securities to the date such Redemption Price is actually paid, in which case the actual payment date will be the date fixed for redemption for purposes of calculating the Redemption Price. See " Distributions."

Subject to applicable law, Washington Mutual or its subsidiaries may at any time and from time to time purchase outstanding preferred securities by tender, in the open market or by private agreement.

If preferred securities are represented by one or more global certificates, they will be redeemed as described below under "Book-Entry Issuance."

Change of Control

If a Change of Control (as defined under "Description of the Units") occurs, each holder of a preferred security will have the right to exchange any or all of that holder's preferred securities for debentures having an accreted value equal to the accreted value of such preferred securities and to require Washington Mutual to repurchase such debentures on the repurchase date at a repurchase price in cash equal to 100% of the accreted value on the repurchase date of the debentures that are exchanged for such holder's preferred securities, plus accrued and unpaid interest (including deferred interest) on such debentures to, but excluding, the repurchase date.

Within 30 days after the occurrence of a Change of Control, Washington Mutual must give notice to each holder of a preferred security and the property trustee of the transaction that constitutes the Change of Control and of the resulting repurchase right. To exercise the repurchase right, a preferred

security holder must deliver no earlier than 60 days and no later than 90 days after the date of Washington Mutual's notice irrevocable written notice to Washington Mutual, the Trust, the property trustee (in its capacity as property trustee and exchange agent) of the holder's exercise of its repurchase right. The preferred securities shall be exchanged for debentures no less than three business days prior to the repurchase date.

Except as described above with respect to a Change of Control, the declaration of trust does not contain provisions that permit the holders of preferred securities to require the Trust to exchange preferred securities for debentures and Washington Mutual to repurchase the debentures in the event of a takeover, recapitalization or similar transaction. In addition, Washington Mutual could enter into certain transactions, including acquisitions, refinancings or other recapitalization, that could affect Washington Mutual's capital structure or the value of Washington Mutual's common stock, but that would not constitute a Change of Control.

Washington Mutual will comply with the requirements of the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the debentures as a result of a Change of Control.

Washington Mutual's ability to repurchase debentures upon the occurrence of a Change of Control is subject to important limitations. The occurrence of a Change in Control could cause an event of default under, or be prohibited or limited by, the terms of Washington Mutual's senior

debt. As a result, any repurchase of the debentures would, absent a waiver, be prohibited under the indenture until the senior debt is paid in full. Further, there can be no assurance that Washington Mutual would have the financial resources, or would be able to arrange financing, to pay the repurchase price for all the debentures that might be delivered by holders of debentures seeking to exercise the repurchase right. Any failure by Washington Mutual to repurchase the debentures when required following a Change of Control would result in an event of default under the declaration of trust, whether or not such repurchase is permitted by the indenture. Any such default may, in turn, cause a default under senior debt.

Exchange

In connection with a remarketing of the preferred securities and at any time thereafter, a purchaser may exchange its preferred securities for debentures, assuming compliance with applicable securities laws. In such event, the Administrative Trustees will cause debentures held by the Property Trustee, having an aggregate accreted value equal to the aggregate accreted value of the preferred securities purchased by such purchaser and with accrued and unpaid interest equal to accumulated and unpaid distributions on the preferred securities purchased by such purchaser, and having the same record date for payment as the preferred securities, to be distributed to such purchaser in exchange for such holders' pro rata interest in the Trust. In such event, the debentures held by the Trust will decrease by the amount of debentures delivered to the purchaser of preferred securities.

Distribution of Debentures Upon Tax or Investment Company Event

If, at any time, either a Tax Event or an Investment Company Event occurs, the Administrative Trustees may, with the consent of Washington Mutual except in certain limited circumstances, dissolve the Trust and, after satisfaction of liabilities to creditors, cause debentures held by the Property Trustee, having an aggregate principal amount equal to the aggregate liquidation amount of the Trust Securities, with an interest rate identical to the distribution rate of the Trust Securities, and accrued and unpaid interest equal to accumulated and unpaid distributions on the Trust Securities, and having the same record date for payment as the Trust Securities, to be distributed to the holders of the preferred securities and the common securities of the Trust in liquidation of such holders' interests in the Trust

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on a pro rata basis within 90 days following the occurrence of such event; provided, however, that such dissolution and distribution shall be conditioned on:

the Administrative Trustees' receipt of an opinion of independent counsel to the effect that the holders of the preferred securities will not recognize any gain or loss for United States federal income tax purposes as a result of the dissolution of the Trust and the distribution of debentures (a "No Recognition Opinion"); and

Washington Mutual or the Trust being unable to eliminate, which elimination shall be complete within a 90-day period, such event by taking some ministerial action (such as filing a form or making an election, or pursuing some other reasonable measure) that has no material adverse effect on the Trust, Washington Mutual or the holders of the preferred securities or does not subject any of them to more than *de minimis* regulatory requirements

If a Tax Event or an Investment Company Event occurs and the Administrative Trustees shall have been informed by an independent law firm that such firm cannot deliver a No Recognition Opinion to the Trust, Washington Mutual shall have the right to cause a remarketing of the preferred securities as described above under " Remarketing" within 90 days following the occurrence of such event.

Under current United States federal income tax law, and interpretations thereof and assuming that, as expected, the Trust is treated as a grantor trust, a distribution of the debentures will not be a taxable event to the Trust and/or to holders of the preferred securities. Should there be a change in law, a change in legal interpretation, certain Tax Events or other circumstances, however, the distribution of debentures could be a taxable event to holders of the preferred securities in which event Washington Mutual could, as provided above, cause a remarketing of the preferred securities, and would not be permitted to distribute the debentures at such time.

If Washington Mutual does not elect any of the options described above, the preferred securities will remain outstanding until the repayment of the debentures. In the event a Tax Event has occurred and is continuing, under the indenture, Washington Mutual, as borrower, will be obligated to pay any taxes, duties, assessments and other governmental charges to which the Trust has become subject as a result of a Tax Event. See "Description of the Debentures Payment of Expenses of the Trust."

Subordination of Common Securities of the Trust

Payment of distributions on, and the Redemption Price of, the Trust Securities, as applicable, shall be made pro rata based on the liquidation amount of such Trust Securities; provided, however, that if on any distribution date an Indenture Event of Default shall have occurred and be continuing, no payment of any distribution on, or Redemption Price of, any of the common securities of the Trust, and no other payment on account of the redemption, liquidation or other acquisition of the common securities of the Trust, shall be made unless payment in full in cash of all accumulated and unpaid distributions on all of the outstanding preferred securities for all distribution periods terminating on or prior thereto, or in the case of payment of the Redemption Price the full amount of such Redemption Price on all of the outstanding preferred securities then called for redemption, shall have been made or provided for, and all funds available to the Property Trustee shall first be applied to the payment in full in cash of all distributions on, or Redemption Price of, the preferred securities then due and payable.

Liquidation Distribution Upon Dissolution

Pursuant to the declaration of trust, the Trust shall automatically dissolve on the first to occur of: (i) certain events of bankruptcy, dissolution or liquidation of Washington Mutual, (ii) the distribution of the debentures to the holders of the trust securities, (iii) the redemption of all of the preferred securities in connection with the maturity of all of the debentures and (iv) the entry by a court of competent jurisdiction of an order for the dissolution of the Trust.

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In the event of any voluntary or involuntary liquidation, dissolution, or winding-up of the Trust (each a "Liquidation"), the holders of the preferred securities on the date of the Liquidation will be entitled to receive, out of the assets of the Trust available for distribution to holders of trust securities after satisfaction of the Trust's liabilities to creditors, if any, distributions in cash or other immediately available funds in an amount equal to the accreted value of the preferred securities plus accumulated and unpaid distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless, in connection with such Liquidation, debentures in an aggregate stated principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the distribution rate of, and accrued and unpaid interest equal to accumulated and unpaid distributions on, such trust securities shall be distributed on a pro rata basis to the holders of the trust securities in exchange for the trust securities. If Liquidation Distributions can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Trust Securities shall be paid on a pro rata basis so that the holders of the common securities of the Trust will be entitled to receive distributions upon any such liquidation pro rata with the holders of the preferred securities, except that if an Indenture Event of Default has occurred and is continuing, the preferred securities shall have a preference over the common securities of the Trust with regard to Liquidation Distributions.

After the liquidation date is fixed for any distribution of debentures to holders of the preferred securities:

the preferred securities will no longer be deemed to be outstanding,

if the preferred securities are represented by one or more global certificates, DTC or its nominee, as a record holder of preferred securities, will receive a registered global certificate or certificates representing the debentures to be delivered upon such distribution, and

any certificates representing preferred securities not held by DTC or its nominee will be deemed to represent debentures having a principal amount equal to the liquidation amount of such preferred securities, and bearing accrued and unpaid interest in an amount equal to the accumulated and unpaid distributions on such preferred securities, until such certificates are presented for cancellation whereupon Washington Mutual will issue to such holder, and the Debenture Trustee will authenticate, a certificate representing such debentures.

Trust Enforcement Events

An event of default under the indenture (an "Indenture Event of Default") constitutes an event of default under the declaration of trust with respect to the Trust Securities (a "Trust Enforcement Event"). See "Description of Debentures Indenture Events of Default."

Upon the occurrence and continuance of a Trust Enforcement Event, the Property Trustee as the sole holder of the debentures will have the right under the indenture to declare the principal amount of the debentures due and payable. Washington Mutual and the Trust are each required to file annually with the Property Trustee an officer's certificate as to its compliance with all conditions and covenants under the declaration of trust.

If the Property Trustee fails to enforce its rights under the debentures, any holder of preferred securities may institute a legal proceeding against Washington Mutual to enforce the Property Trustee's rights under the debentures. Notwithstanding the foregoing, if a Trust Enforcement Event has occurred and is continuing and such event is attributable to the failure of Washington Mutual to pay interest or principal on the debentures on the date such interest or principal is otherwise payable (or in connection with a repurchase of preferred securities, the repurchase date), then a registered holder of preferred securities may institute a direct action for payment after the respective due date specified in

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the debentures. Except as provided in this paragraph, the holders of preferred securities will not be able to exercise directly any other remedy available to the holders of the debentures.

Pursuant to the declaration of trust, the holder of the common securities of the Trust will be deemed to have waived any Trust Enforcement Event with respect to the common securities of the Trust until all Trust Enforcement Events with respect to the preferred securities have been cured, waived or otherwise eliminated. Until all Trust Enforcement Events with respect to the preferred securities have been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the holders of the preferred securities and only the holders of the preferred securities will have the right to direct the Property Trustee in accordance with the terms of the preferred securities.

Voting Rights, Amendment of the Declaration

Except as provided below and other than as required by law and the declaration of trust, the holders of the preferred securities will have no voting rights.

So long as any debentures are held by the Property Trustee, the holders of a majority in liquidation amount of the preferred securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or to direct the exercise of any trust or power conferred upon the Property Trustee under the declaration of trust, including the right to direct the Property Trustee, as holder of the debentures, to:

exercise the remedies available to it under the indenture as a holder of the debentures,

consent to any amendment or modification of the indenture or the debentures where such consent shall be required or

wave any past default and its consequences that is available under the indenture;

provided, however, that if an Indenture Event of Default has occurred and is continuing, then the holders of at least 25% of the aggregate liquidation amount of the preferred securities may direct the Property Trustee to declare the principal of and premium, if any, and interest on the debentures due and payable; provided, further, that where a consent or action under the indenture would require the consent or act of the holders of more than a majority of the aggregate principal amount of debentures affected thereby, only the holders of the percentage of the aggregate stated liquidation amount of the preferred securities which is at least equal to the percentage required under the indenture may direct the Property Trustee to give such consent or to take such action.

The Property Trustee shall notify each holder of the preferred securities of any notice of any Indenture Event of Default which it receives from Washington Mutual with respect to the debentures. Except with respect to directing the time, method, and place of conducting a proceeding for a remedy, the Property Trustee shall be under no obligation to take any of the actions described above unless the Property Trustee has obtained an opinion of counsel, rendered by an independent law firm experienced in such matters, to the effect that the Trust will not fail to be classified as a grantor trust for United States federal income tax purposes as a result of such action, and each holder will be treated as owning an undivided beneficial ownership interest in the debentures.

The declaration of trust may be amended from time to time by Washington Mutual and a majority of the Administrative Trustees (and in certain circumstances the Property Trustee and the Delaware Trustee), without the consent of the holders of the preferred securities,

to cure any ambiguity or correct or supplement any provisions in the declaration of trust that may be defective or inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the declaration of trust that shall not be inconsistent with the other provisions of the declaration of trust,

to add to the covenants, restrictions or obligations of Washington Mutual in its capacity as sponsor of the Trust,

to conform to any change in Rule 3a-5 under the 1940 Act or written change in interpretation or application of Rule 3a-5 under the 1940 Act by any legislative body, court, government agency or regulatory authority which amendment does not have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities, or

to modify, eliminate or add to any provisions of the declaration of trust to the extent necessary to ensure that the Trust will be classified for United States federal income tax purposes as a grantor trust at all times that any Trust Securities are outstanding or to ensure that the Trust will not be required to register as an "investment company" under the 1940 Act;

provided, however, that none of the foregoing actions shall adversely affect in any material respect the interests of any holder of Trust Securities, and any amendments of the declaration of trust shall become effective when notice thereof is given to the holders of Trust Securities.

The declaration of trust may be amended by Washington Mutual, a majority of the Administrative Trustees and the consent of holders representing not less than 66-²/₃% in liquidation amount of the outstanding preferred securities if such amendment would adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the declaration of trust or otherwise, provided that, if any amendment or proposal would adversely affect only the preferred securities or the common securities of the Trust, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of 66-²/₃% in liquidation amount of such class of Trust Securities affected thereby.

In any event, without the consent of each holder of Trust Securities affected thereby, the declaration of trust may not be amended to

change the amount or timing of any distribution on the Trust Securities or otherwise adversely affect the amount of any distribution required to be made in respect of the Trust Securities as of a specified date

restrict the right of a holder of Trust Securities to institute suit for the enforcement of any such payment on or after such date or

change the right of any unit holder to exchange its preferred securities for debentures and to require repurchase of such debentures as described under " Limited Right to Repurchase."

Any required approval or direction of holders of preferred securities may be given at a meeting of holders of preferred securities convened for such purpose or pursuant to written consent. The Administrative Trustees will cause a notice of any meeting at which holders of preferred securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be given to each holder of record of preferred securities in the manner set forth in the declaration of trust.

No vote or consent of the holders of preferred securities will be required for the Trust to redeem and cancel the preferred securities in accordance with the declaration of trust or to distribute the debentures in accordance with the indenture.

Notwithstanding that holders of preferred securities are entitled to vote or consent under any of the circumstances described above, any of the preferred securities that are owned by Washington Mutual, the Trustees or any affiliate of Washington Mutual or any Trustees, shall, for purposes of such vote or consent, be treated as if they were not outstanding.

Registrar and Transfer Agent

The Bank of New York, the Property Trustee, will also act as registrar and transfer agent for the preferred securities.

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Registration of transfers or exchanges of preferred securities will be effected without charge by or on behalf of the Trust, but upon payment of any tax or other governmental charges that may be imposed in connection with any transfer or exchange, the Trust may charge a sum sufficient to cover any such payment. If the preferred securities are to be redeemed in part, the Trust will not be required to:

issue, register the transfer of or exchange any preferred securities during a period beginning at the opening of business 15 days before the day of the mailing of the relevant notice of redemption and ending at the close of business on the day of such mailing or

register the transfer or exchange of any preferred securities so selected for redemption, except in the case of any preferred securities being redeemed in part, any portion thereof not to be redeemed.

Information Concerning the Property Trustee

The Property Trustee, other than during the occurrence and continuance of a Trust Enforcement Event, undertakes to perform only such duties as are specifically set forth in the declaration of trust and, after such Trust Enforcement Event (which has not been cured or waived), must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the Property Trustee is under no obligation to exercise any of the powers vested in it by the declaration of trust at the request of any holder of preferred securities unless it is offered security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities that might be incurred thereby.

Payment and Paying Agency

Payments in respect of the global certificates shall be made to DTC, which shall credit the relevant accounts at DTC on the applicable distribution dates or, if the preferred securities are not represented by one or more global certificates, such payments shall be made by check mailed to the address of the holder entitled thereto as such address shall appear on the register in respect of the registrar. The paying agent (the "preferred securities Paying Agent") shall initially be the Property Trustee and any co-paying agent chosen by the Property Trustee and acceptable to the Administrative Trustees and Washington Mutual. The preferred securities Paying Agent shall be permitted to resign as preferred securities Paying Agent upon 30 days' written notice to the Administrative Trustees. In the event that the Property Trustee shall no longer be the preferred securities Paying Agent, the Administrative Trustees shall appoint a successor (which shall be a bank or trust company acceptable to Washington Mutual) to act as preferred securities Paying Agent.

Mergers, Consolidations, Amalgamations or Replacements of the Trust

The Trust may not merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to any corporation or other person, except as described below. The Trust may, at the request of Washington Mutual, with the consent of the Administrative Trustees and without the consent of the holders of the preferred securities, the Delaware Trustee or the Property Trustee merge with or into, consolidate, amalgamate, be replaced by or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to a trust organized as such under the laws of any State, provided that

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such successor entity (if not the Trust) either expressly assumes all of the obligations of the Trust with respect to the preferred securities and the common securities of the Trust or substitutes for the preferred securities other securities having substantially the same terms as the preferred securities (the "Successor Securities") so long as the Successor Securities rank the same as the preferred securities rank in priority with respect to distributions and payments upon liquidation, redemption and otherwise,

if the Trust is not the successor entity, Washington Mutual expressly appoints a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the debentures,

any Successor Securities are listed (or eligible for trading), or any Successor Securities will be listed (or eligible for trading) upon notification of issuance, on any national securities exchange or with any other organization on which the preferred securities were listed or quoted or eligible for trading prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease,

such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the preferred securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization,

such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the preferred securities (including any Successor Securities) in any material respect,

such successor entity (if not the Trust) has a purpose identical in all material respects to that of the Trust,

prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, Washington Mutual has received an opinion of counsel to the Trust, rendered by an independent law firm experienced in such matters, to the effect that (a) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the preferred securities (including any Successor Securities) in any material respect and (b) following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, (1) neither the Trust nor such successor entity will be required to register as an investment company under the 1940 Act and (2) the Trust or the successor entity, as the case may be, will continue to be classified as a grantor trust for United States federal income tax purposes,

Washington Mutual or any permitted successor or assignee owns all of the common securities of the Trust or such successor entity and guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee and

such successor entity expressly assumes all of the obligations of the Trust.

Notwithstanding the foregoing, the Trust shall not, except with the consent of holders of 100% in aggregate liquidation amount of the preferred securities, consolidate, amalgamate, merge with or into, be replaced by or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it or acquire by conveyance, transfer or lease its properties and assets as an entirety or substantially as an entirety if such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease would cause the Trust or the successor entity to be classified as other than a grantor trust for United States federal income tax purposes and each holder of the preferred securities not to be treated as owning an undivided beneficial ownership interest in the debentures.

Merger or Consolidation of Trustees

Any corporation into which the Property Trustee, the Delaware Trustee or any Administrative Trustee that is not a natural person may be merged or converted or with which such Trustee may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of such Trustee, shall be the successor of such Trustee under the declaration of trust, provided such corporation shall be otherwise qualified and eligible.

Miscellaneous

The Administrative Trustees are authorized and directed to conduct the affairs of and to operate the Trust in such a way that the Trust will not be deemed to be an "investment company" required to be registered under the 1940 Act or classified as other than a grantor trust for United States federal income tax purposes and so that the debentures will be treated as indebtedness of Washington Mutual for United States federal income tax purposes. Washington Mutual and the Administrative Trustees are authorized to take any action, not inconsistent with applicable law, the Certificate of Trust or the declaration of trust, that Washington Mutual and the Administrative Trustees determine in their discretion to be necessary or desirable for such purposes, as long as such action does not materially adversely affect the interests of the holders of the preferred securities.

The Trust may not borrow money, issue debt, reinvest proceeds derived from investments, or mortgage or pledge any of its assets. In addition, the Trust may not undertake any activity that would cause the Trust not to be classified as a grantor trust for United States federal income tax purposes.

DESCRIPTION OF THE DEBENTURES

We have summarized selected terms of the debentures. The summary is not complete. The following description is subject to, and is qualified in its entirety by reference to, the First Supplemental Indenture (the "Supplemental Indenture") and the indenture (the "Base Indenture" and, together with the Supplemental Indenture, the "Indenture"), by and between Washington Mutual and The Bank of New York, as Trustee (the "Debenture Trustee"). Certain capitalized terms used herein are defined in the indenture.

The Indenture was filed as an exhibit to the registration statement. We urge you to read the Indenture (including definitions of terms used therein) because it, and not this description, defines your rights as beneficial holder of the debentures. You may request copies of these documents from us at our address set forth below under "Where You Can Find Additional Information."

General

The debentures were issued under the indenture. The debentures are limited in aggregate principal amount to the aggregate liquidation amount of all Trust Securities as set forth in the declaration of trust.

The debentures are not subject to a sinking fund provision. The entire principal amount of the debentures will mature and become due and payable, together with any accrued and unpaid interest thereon, including Compounded Interest (as defined herein), if any, on July 1, 2041, unless such maturity date is earlier in connection with a remarketing of the preferred securities as described under "Description of the Preferred Securities Remarketing," in which event the accreted value of the debentures will be due and payable on such earlier maturity date, together with any acc