

METWEST

To: MetWest Clients
From: Metropolitan West Asset Management
Date: September 26, 2008
Re: Federal Regulators Seize Washington Mutual - J.P. Morgan to Acquire Operations

Last night, the Office of Thrift Supervision (OTS) announced the seizure of Washington Mutual and made arrangements for the bulk of its operations to be assumed by J.P. Morgan Chase & Co. At reported assets of more than \$300 billion, the closure of Washington Mutual represents the largest bank collapse in US history and now brings to twelve the number of FDIC-supervised bank failures in 2008. This follows the July closure of IndyMac which, at \$32 billion in assets, was previously the largest thrift failure.

The action was spurred by the withdrawal of nearly \$17 billion in customer deposits in the last ten days, precipitating multiple rating agency downgrades, and no sources of fresh capital to improve the balance sheet. In a statement released by OTS, Washington Mutual was left "with insufficient liquidity" and in "unsound condition". With its stock price already down more than 95% this year, shareholders can expect nothing to be left to them in this action. It is also anticipated that creditors will receive little to no recovery to their holdings as the banking operation is assumed by J.P. Morgan.

Importantly, MetWest maintains NO Washington Mutual obligations across its discretionary client portfolios and mutual funds.

MetWest does have allocations in mortgage-backed securities that were originated and sold by Washington Mutual. These securities are secured and have no credit exposure to the failed bank, but if held in client portfolios they will appear with a "WaMu" moniker. Such mortgage-backed holdings are collateralized by underlying home loans and are subject to significant credit enhancement standards such that MetWest's current investment expectations are that each will receive full principal repayment and ongoing interest payments while outstanding. To this end, it is expected that J.P. Morgan will assume the servicing obligation associated with these mortgages, passing on monthly principal and interest payments as they are received.

With this development, it is clear that the condition of the US financial system remains fragile and markets can be expected to respond with fits of volatility. MetWest remains committed to a prudent and disciplined process through these difficult circumstances, and to being accessible to our clients to detail our perspective and outlook.

MetWest offers fixed income investment management services for institutions, financial advisors and individual mutual fund investors.

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Additional information can be provided upon request.

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