

**WMI LIQUIDATING TRUST**  
**FREQUENTLY ASKED QUESTIONS (“FAQS”) REGARDING TAX RELATED MATTERS**  
**(Please read carefully.)**

*PLEASE NOTE THAT THESE FAQS PROVIDE A SUMMARY OF CERTAIN FEATURES OF WMI LIQUIDATING TRUST AND ARE INTENDED FOR INFORMATIONAL PURPOSES ONLY. TO THE EXTENT THAT THERE IS ANY CONFLICT BETWEEN THESE FAQS AND THE CONFIRMATION ORDER (AS DEFINED BELOW), THE PLAN (AS DEFINED BELOW), OR THE LIQUIDATING TRUST AGREEMENT (AS DEFINED BELOW), THE PLAN, THE CONFIRMATION ORDER AND THE LIQUIDATING TRUST AGREEMENT, AS APPLICABLE, SHALL PREVAIL. THESE FAQS ARE SUBJECT TO CHANGE FROM TIME TO TIME, WITHOUT PRIOR NOTICE. PLEASE CONSULT THE LATEST VERSION OF THESE FAQS (AVAILABLE AT [www.wmitrust.com](http://www.wmitrust.com)) IF YOU HAVE ANY QUESTIONS.*

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**1. What is the WMI Liquidating Trust?**

WMI Liquidating Trust (the “Liquidating Trust”) serves as a mechanism for liquidating, converting to cash and distributing the Liquidating Trust Assets (as further described in Section 0 of these FAQs) to the holders of beneficial interests in the Liquidating Trust (the “Liquidating Trust Beneficiaries”). The Liquidating Trust will not continue, nor engage in at any time, the conduct of any trade or business other than the liquidation and distribution of the Liquidating Trust Assets, and is intended to qualify as a “liquidating trust” for federal income tax purposes under applicable Treasury regulations.

The Liquidating Trust was established pursuant to:

- (a) the Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated December 12, 2011 (as modified, the “Plan”);
- (b) the order that was entered by the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) on February 24, 2012, (the “Confirmation Order”) confirming the Plan, which was declared effective on March 19, 2012; and
- (c) WMI Liquidating Trust Agreement, dated March 6, 2012, by and among Washington Mutual, Inc., WMI Investment Corp., William C. Kosturos as liquidating trustee (together with any successor, the “Liquidating Trustee”), and

CSC Trust Company of Delaware as the Delaware resident trustee (as amended, modified or supplemented from time to time, the “Liquidating Trust Agreement”).

Copies of the Plan, the Confirmation Order and the Liquidating Trust Agreement are available on the Liquidating Trust’s website at [www.wmitrust.com](http://www.wmitrust.com). Capitalized terms that are used but not defined in these FAQs shall have the meanings that are given to such terms in the Plan.

## **2. What are the Liquidating Trust Assets?**

The assets that are to be held and distributed by the Liquidating Trust (the “Liquidating Trust Assets”) comprise all of the assets of Washington Mutual, Inc. (“WMI”) and WMI Investment Corp. (“WMI Investment” and together with WMI, the “Debtors”) as of March 19, 2012 (the “Effective Date”), *other than*:

- (a) Cash to be distributed by the Reorganized Debtors (i.e., the Debtors on and from the Effective Date) pursuant to the Plan as Disbursing Agent to holders of Allowed Administrative Expense Claims, Allowed Priority Tax Claims (to the extent applicable), Allowed Priority Non-Tax Claims, Allowed Convenience Claims, Allowed WMI Vendor Claims, and Allowed Trustee Claims;
- (b) Cash necessary to pay the fees and expenses owed to certain Creditors’ professionals pursuant to Section 41.15 of the Plan;
- (c) Cash necessary to reimburse the Reorganized Debtors for fees and expenses incurred in connection with initial distributions made by the Reorganized Debtors as Disbursing Agent;
- (d) Creditor Cash on the Effective Date; and
- (e) the equity interests in (i) WMI Investment (all the assets of which shall be contributed to the Liquidating Trust, including any Intercompany Claims), (ii) WM Mortgage Reinsurance Company (“WMMRC”), and (iii) Washington Mutual Bank (the stock in Washington Mutual Bank was worthless and was abandoned by WMI shortly before the Effective Date).

We refer you to Part II, Item 7 of the Liquidating Trust’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (the “2013 10-K”) for a description of the Liquidating Trust Assets.

## **3. How much are the Liquidating Trust Assets worth?**

An initial valuation of the Liquidating Trust Assets and each class of Liquidating Trust was determined for tax reporting purposes on the Effective Date. The initial valuation of Liquidating Trust Interest can be found in the disclosure titled “Value Worksheet for Liquidating Trust Interest Holders” under the “Beneficiary Tax Information” link on the Liquidating Trust’s

website at [www.wmitrust.com](http://www.wmitrust.com). Additionally, valuations will be performed periodically as needed for ongoing tax reporting.

#### **4. What is a Liquidating Trust Interest?**

##### **a. Overview**

The interest that a Liquidating Trust Beneficiary holds in the Liquidating Trust is referred to as a “Liquidating Trust Interest” or “LTI”. LTIs are recorded in the name of the corresponding Liquidating Trust Beneficiary via an electronic book-entry system (the “Book Entry System”) managed by the Liquidating Trustee. LTI’s are not transferable or assignable (refer to Section 5 of these FAQs).

When an LTI was first issued to an eligible claimant pursuant to the Plan, the face amount of the LTI (other than an LTI that is issued with respect to an Allowed General Unsecured Claim, as further described below) showed:

- (a) the amount of the unsatisfied claim, interest or right (including any interest, penalties or late charges that relate to the period prior to September 26, 2008 (the “Petition Date”)) that had been allowed by the Bankruptcy Court and in relation to which the LTI was issued pursuant to the Plan;

*plus*

- (b) any interest that had accrued with respect to such unsatisfied claim, interest or right since the Petition Date as permitted by the Plan and Confirmation Order that remained unpaid as of the Effective Date.

The aggregate of (a) plus (b) (the “Face Amount”) was reflected on the initial ownership statement provided to each Liquidating Trust Beneficiary when the LTIs were issued (the “Ownership Statement”).

##### **b. Accretion of interest**

Other than the General Unsecured Creditor Prepetition LTIs and the General Unsecured Creditor Postpetition LTIs, each LTI will accrete after the Effective Date at the rate (if any) that has been approved by the Bankruptcy Court with respect to the particular CUSIP or Class of Claim in exchange for which the LTI was issued (“Post Effective Date Accrual”) until such LTI is cancelled (refer to Section 11 of these FAQs). Under no circumstances will the holder of an LTI be entitled to recover more than the Face Amount, plus Post Effective Date Accrual (if applicable).

##### **c. Information to be provided before an LTI is issued**

If you were entitled to vote on the Plan and submitted a properly completed Ballot to Kurtzman Carson Consultants, LLC (“KCC”) in connection therewith, you will not

have to take any further action before your LTI(s) can be issued because a properly completed Ballot includes all requisite information. Otherwise, before an LTI can be issued to an eligible claimant pursuant to the Plan, such claimant must provide certain information to the Debtors' claims agent, KCC, who will then validate the information and provide it to the Trustee. Such information includes the name and contact details of the claimant who shall be the beneficial holder of the LTI when issued and tax certifications. Further information regarding the information that must be provided before an LTI can be issued is available on KCC's website at <http://www.kccllc.net/>. If such information is not provided, the applicable LTI cannot be issued by the Liquidating Trust.

**5. Can an LTI be transferred?**

LTIs are not transferable or assignable except by will, intestate succession or operation of law pursuant to Section 2.4(a) of the Liquidating Trust Agreement.

**6. Can an LTI be held in a Liquidating Trust Beneficiary's brokerage account?**

In order to satisfy applicable U.S. federal withholding tax requirements, all LTIs must be held in the name of the beneficial holder and cannot be held in the name of a broker (or other nominee).

**7. My LTI originated from a position in my IRA account - but has my name on it and does not designate my IRA account as the beneficiary. Is there anything I need to do?**

In order to have an LTI re-deposited into your account, you will need to remit any cash disbursements received to date on account of such LTI to your brokerage firm and have such brokerage firm re-deposit such cash into the relevant account. Also, please have your brokerage firm call or email KCC so that KCC can update your account information so that future distributions on account of your LTI holdings are distributed to your designated account (rather than you personally). KCC can be reached at [wmitrust@kccllc.com](mailto:wmitrust@kccllc.com) or (888) 830-4644.

**8. I believe I am entitled to an LTI, but never received one**

Beneficial holders in Classes 2, 3, 12, 14, 15, 16 and 21, who provided releases and correct W-8 or W-9 tax information, were issued LTIs. Those beneficial holders who held claims in classes where LTIs were distributed may not have received LTIs due to reasons including the following:

(a) KCC may have not yet received correct W-8 or W-9 tax information on behalf of the beneficial holder. Brokerage firms have been asked to provide this information on behalf of their clients. If you believe you have not received an LTI due to insufficient tax information being provided to KCC, please call or email your brokerage firm and ensure that they have received confirmation from KCC that your tax information is certified and on file.

(b) In accordance with Section 31.4 of the Plan, LTIs were not issued for LTIs deemed to have a face amount of \$8.90 or less after the initial distribution that occurred on or about March 26, 2012.

## **9. What is the Liquidating Trust Claims Reserve?**

From and after the Effective Date, and until such time as a Claim against the Debtors which is disputed by the Debtors<sup>1</sup> (each such Claim, a “Disputed Claim”) has been compromised and settled, estimated by the Bankruptcy Court in an amount constituting the allowed amount, or allowed or disallowed, as the case may be, by a Final Order of the Bankruptcy Court, the Liquidating Trustee shall retain, for the benefit of each holder of a Disputed Claim, Creditor Cash, LTIs and, to the extent elected by such holder, Runoff Notes and any gains or income attributable thereto, in an amount equal to the Pro Rata Share of distributions that would have been made to the holder of such Disputed Claim if it were an Allowed Claim in an amount equal to the lesser of (i) the liquidated amount set forth in the filed proof of Claim relating to such Disputed Claim, (ii) the amount in which the Disputed Claim shall be estimated by the Bankruptcy Court pursuant to section 502 of the Bankruptcy Code constitutes and represents the maximum amount in which such Claim may ultimately become an Allowed Claim, or (iii) such other amount as may be agreed upon by the holder of such Disputed Claim and the Liquidating Trustee. Such Creditor Cash and any gains or income paid on account of the LTIs and the Runoff Notes (if any) retained for the benefit of holders of Disputed Claims shall be retained by the Liquidating Trust for the benefit of such holders pending determination of their entitlement thereto under the terms of the Plan and shall comprise the Liquidating Trust Claims Reserve.

## **10. How do changes in the Liquidating Trust Claims Reserve affect my LTIs?**

Holders of LTIs may, from time to time, be entitled to an increased interest in the underlying assets of the Liquidating Trust if a Disputed Claim is subsequently disallowed. In such event, Liquidating Trust Assets that were originally allocated to such Disputed Claims, and thus formed part of the Liquidating Trust Claims Reserve, will be reallocated for the benefit of the holders of other LTIs. For U.S. federal tax purposes, the holders of LTIs that are expected to benefit from such disallowance will be treated as receiving an additional distribution from the Debtors with respect to the original claim or equity interest in respect of which the LTI was distributed (and taxed accordingly, regardless of whether a contemporaneous or commensurate cash distribution is made to the holders).

## **11. When are LTIs deemed cancelled?**

An LTI will be automatically cancelled when (a) the Face Amount of such LTI has been paid in full and all Post Effective Date Accrual (if applicable) with respect to such LTI prior to that date has also been paid, (b) the Liquidating Trust is dissolved in accordance with the Liquidating Trust Agreement, (c) any holder fails to claim their undeliverable distribution as

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<sup>1</sup>Pursuant to Section 26.1 of the Plan, the Liquidating Trustee shall file and serve all objections to Claims and Equity Interests as soon as practicable, but not later than 180 days following the Effective Date or such later date as may be approved by the Bankruptcy Court.

provided under Section 31.6(b) of the Plan, or (d) any holder fails to provide the required third party release prior to the one year anniversary of the Effective Date provided under Section 31.6(c) of the Plan.

LTIs issued on account of claims arising in Tranches 2 and 3 have been paid in full. As a result, these LTIs have been cancelled.

## **12. Who is responsible for administrating the Liquidating Trust?**

### **a. The Liquidating Trustee**

William C. Kosturos, in his capacity as the Liquidating Trustee, is responsible for the day-to-day administration of the Liquidating Trust. Subject to the terms of the Confirmation Order, the Plan and the Liquidating Trust Agreement, and the oversight of the Trust Advisory Board (as further described below) and the Bankruptcy Court.

### **b. The Trust Advisory Board**

The Trust Advisory Board has oversight function with respect to the Liquidating Trust. The Trust Advisory Board shall have the following rights, powers and duties (a) to oversee the liquidation and distribution of the Liquidating Trust Assets by the Liquidating Trustee in accordance with the Liquidating Trust Agreement, the Plan and the Confirmation Order, (b) to approve (or withhold approval) of those matters submitted to it for approval in accordance with the terms of the Liquidating Trust Agreement, and (c) to remove and appoint any successor to the Liquidating Trustee as provided for in the Liquidating Trust Agreement. See the 2013 10-K for additional information regarding the Trust Advisory Board including its composition.

### **c. The Litigation Subcommittee**

The Litigation Subcommittee shall oversee (i) the prosecution of, subject to the exculpation and release provisions of the Plan, (A) claims against present and former officers and directors of the Debtors for actions arising during the period prior to the Petition Date (the “D&O Claims”), (B) claims against professionals and representatives retained by the Debtors with respect to conduct that occurred prior to the Petition Date; and (C) claims based on conduct that occurred prior to the commencement of the Debtors’ bankruptcy cases against third-parties for any non-contractual breach of duty to WMI, including, but not limited to, antitrust claims and business tort claims (collectively categories (A), (B), and (C) are the “Recovery Claims”) and (ii) the defense of Junior Disputed Claims including Disputed Claims of WMB Noteholders for misrepresentation, which Disputed Claims are classified in Class 18 (Subordinated Claims) pursuant to the Plan (the “WMB Claims”); provided, however, that the Litigation Subcommittee shall not pursue business tort Claims that were released against JPMC and its Related Persons pursuant to the Global

Settlement Agreement. See the 2013 10-K for additional information regarding the Litigation Subcommittee including its composition.

**13. When will the Liquidating Trust make distributions?**

After initial distributions have been made on or after the Effective Date, in general, the Liquidating Trustee is required to make quarterly distributions during the term of the Liquidating Trust. Subject to the exceptions that are described in Section 14 of these FAQs, the Liquidating Trustee is required to make distributions to Liquidating Trust Beneficiaries in accordance with the terms of their LTIs and the distribution priorities on the first (1st) day of the second month in each fiscal quarter during the term of the Liquidating Trust or such other dates that the Liquidating Trustee determines, in consultation with the Trust Advisory Board, are appropriate from time to time.

**14. What form will distributions take?**

On each Distribution Date, the Liquidating Trustee is required to distribute to the Liquidating Trust Beneficiaries, in accordance with the terms of their LTIs and the distribution priorities, all unrestricted cash then on hand (including any cash received from the Debtors on the Effective Date), except such amounts:

- (a) as are reasonably necessary to fund the activities of the Liquidating Trust;
- (b) as are allocable to, or retained on account of, Disputed Claims in accordance with Section 26.3 of the Plan (refer to Section 9 of these FAQs);
- (c) as are reasonably necessary to meet contingent liabilities and to maintain the value of the Liquidating Trust Assets during liquidation;
- (d) as are necessary to pay reasonable incurred or anticipated expenses (including, but not limited to, any taxes imposed on or payable by the Debtors or the Liquidating Trust or in respect of the Liquidating Trust Assets); or
- (e) as are necessary to satisfy other liabilities incurred or anticipated by the Liquidating Trust in accordance with the Plan, the Global Settlement Agreement, or the Liquidating Trust Agreement.

Notwithstanding the foregoing:

- (f) the Liquidating Trustee is *not* required to make a distribution if the aggregate net amount of unrestricted cash available for distribution on any given Distribution Date (taking into account the above listed exclusions) is such as would make the distribution impracticable as reasonably determined by the Liquidating Trustee, with the consent of the Trust Advisory Board, in accordance with applicable law, but only so long as such aggregate amount is less than Twenty-Five Million Dollars (\$25,000,000.00);

- (g) no cash payment shall be made to any holder of an LTI until such time, if ever, as the amount payable thereto, in any distribution from the Liquidating Trust, is equal to or greater than ten dollars (\$10.00).

When a distribution is made, it will be processed by KCC on behalf of the Liquidating Trust and will be paid by check. The check will be posted to the address of each Liquidating Trust Beneficiary that is specified on the books and records of the Liquidating Trust as maintained by KCC.

## **15. Runoff Note Distribution**

### **a. When did the Runoff Note Distribution occur?**

May 1, 2014.

### **b. What are Runoff Notes?**

As defined in the Plan, Runoff Notes are two series of non-recourse notes, in the aggregate original principal amount of \$130,000,000, which accrue interest at 13.0% per annum and mature in 2030. The Runoff Notes were issued on the Effective Date by Reorganized WMI and were either (a) distributed to Entities electing distributions of Runoff Notes in lieu of Creditor Cash on the Effective Date or (b) to the extent unavailable for distribution to Entities in accordance with such elections, constituting Liquidating Trust Assets. Interest on the Runoff Notes is payable either in (a) in cash to the extent available or (b) payable in kind through capitalization of accrued interest. Repayment of the Runoff Notes is secured by a securities or deposit account into which Reorganized WMI deposits distributions of Runoff Proceeds, from time to time as available.

### **c. Why did I receive Runoff Notes?**

In accordance with the Plan, Runoff Notes must be distributed to holders of Tranche 4 claims once Tranche 3 claims have been paid in full.

### **d. Who received Runoff Notes?**

Claimants with an unsatisfied Tranche 4 LTIs, as referenced in Exhibit H Waterfall Recovery Matrix of the Plan, originating from any Allowed PIERS Claims, Allowed General Unsecured Claims, and Allowed Senior Note Claims (specifically, those from Floating Rate Notes).

### **e. Where are my Runoff Notes?**

Runoff Notes were deposited to individual brokerage accounts to the extent possible. To the extent no brokerage account is on file with the Bankruptcy Court



appointed claims agent, Kurtzman Carson Consultants, LLC (“KCC”), Runoff Notes were certificated and sent directly to claimants. KCC had brokerage account information from the initial distribution at or around the Effective Date and to the extent no brokerage account was on file, KCC reached out to claimants requesting they provide brokerage information specifically for the distribution of these Runoff Notes.

**f. Why did I receive two Runoff Notes?**

Runoff Notes are comprised of two separate securities, Senior First Lien Notes and Senior Second Lien Notes with CUSIP numbers 92936P AA8 and 92936P AB6, respectively.

**g. Who are the indenture trustees for the Runoff Notes?**

Wilmington Trust, National Association is the indenture trustee for the Senior First Lien Notes and Law Debenture Trust Company of New York is the indenture trustee for the Senior Second Lien Notes.

**h. What happens if I did not receive Runoff Notes in my brokerage account?**

Please contact your broker.

**i. What happens if I changed brokerage accounts?**

Please contact your broker where you had your account at around the Effective Date to ensure the Runoff Note distribution was properly made into your most current brokerage account.

**j. If I received certificated Runoff Notes, can I deposit into my brokerage account?**

Yes. Please contact your broker directly as each broker may have a different process.

**k. Why are the amounts of Runoff Notes I received different from what is shown on my LTI quarterly statement?**

Per the Plan, in the event of a Runoff Note distribution, the amount of the remaining claim or LTI will be reduced on a dollar-for-dollar basis by the original outstanding principal amount of the Runoff Notes. The quarterly LTI statement shows a reduction of the original issued principal amounts while the actual amount you received is a greater dollar amount. The actual amount you received also includes paid-in-kind interest which is not reflected in your quarterly LTI statement.

**l. Can I trade the Runoff Notes?**

A liquid market for the Runoff Notes does not currently exist and may not develop, and the Trust is unaware of any plans to list the Runoff Notes on a national securities exchange. In addition, the Senior Second Lien Notes include certain restrictions on accumulation of 4.75% or more of the aggregate principal amount of such notes. In addition, such restrictions may represent significant impediments to a holder of Senior Second Lien Runoff Notes to dispose of or otherwise transfer Senior Second Lien Runoff Notes held by such holder.

## 16. General tax considerations

*PLEASE NOTE THAT THE LIQUIDATING TRUST, THE LIQUIDATING TRUSTEE AND KCC CANNOT GIVE TAX ADVICE TO LIQUIDATING TRUST BENEFICIARIES OR ANY OTHER PERSON. TAX MATTERS ARE COMPLICATED AND THE TAX CONSEQUENCES OF HOLDING A LIQUIDATING TRUST INTEREST AND THE RELATED DISTRIBUTIONS TO YOU WILL DEPEND ON YOUR PARTICULAR TAX SITUATION. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR TO FULLY UNDERSTAND THE TAX CONSEQUENCES THEREOF TO YOU.*

*FOR FURTHER INFORMATION, PLEASE REVIEW “TAX TREATMENT OF THE LIQUIDATING TRUST AND HOLDERS OF BENEFICIAL INTEREST” ON PAGES 238 – 241 (INCLUSIVE) OF THE DEBTOR’S DISCLOSURE STATEMENT DATED JANUARY 12, 2012.*

### **a. What is the nature of an LTI for U.S. federal income tax purposes?**

An LTI is *not* like stock in a corporation for tax purposes. Rather, for U.S. federal income tax purposes, a holder of an LTI is treated as receiving in exchange (in whole or in part) for its claim or equity interest a *direct* ownership interest in the underlying assets of the Liquidating Trust, and continues to be treated thereafter as a *direct* owner of an indivisible portion of the underlying assets of the Liquidating Trust.

An LTI may also represent, in part, the original claim or equity interest in respect of which the LTI was distributed. This is due to the fact that certain holders of LTIs may, from time to time, be entitled to an increased interest in the underlying assets of the Liquidating Trust if Disputed Claims are subsequently disallowed. In such event, Liquidating Trust Assets that were originally allocated to such Disputed Claims, and thus formed part of the Liquidating Trust Claims Reserve, will be reallocated for the benefit of the holders of other LTIs. For U.S. federal tax purposes, the holders of LTIs that are expected to benefit from such disallowance will be treated as receiving an additional distribution from the Debtors with respect to the original claim or equity interest in respect of which the LTI was distributed (and taxed accordingly, regardless of whether a contemporaneous or commensurate cash distribution is made to the holders).

### **b. How is a holder taxed on its LTI?**

Very generally, a holder is taxed as if directly receiving the income, gain, deduction or loss on its portion of the underlying assets of the Liquidating Trust. Therefore, a holder must take into account in the determination of its own taxable income for U.S. federal income tax purposes its allocable share of any income earned by the Liquidating Trust (other than with respect to the Liquidating Trust Claims Reserve), regardless of whether a contemporaneous or commensurate cash distribution is made to the holder by the Liquidating Trust. In addition, any cash or other property that is no longer part of the Liquidating Trust Claims Reserve due to

the disallowance of one or more Disputed Claims will be reallocated among the holders of LTIs that are expected to benefit from such disallowance and treated as distributed in respect of the claim or equity interest with respect to which such LTI was initially distributed and taxed, for U.S. federal income tax purposes, as a distribution with respect to such claim or equity interest.

**c. Why is a LTI holder receiving tax forms from more than one entity?**

Initial payments made to beneficial LTI holders were made at around the Effective Date from Washington Mutual, Inc., which now operates under the name WMI Holdings Corp. These initial payments were made prior to the issuance of any LTIs and were made to Tranche 2 claimants, which included claimants in Classes 2, 3 and 12 and 21. These payments did not satisfy any Tranche 2 claims in full. Pursuant to Section 27.3 of the Plan, remaining assets available to creditors not distributed in the initial distribution were placed in WMI Liquidating Trust. LTIs were simultaneously issued to all holders and Tranche 2 claimants received basis, for tax reporting purposes, as a result of the contributions of assets to WMI Liquidating Trust (claimants in other tranches received LTIs but no basis). As a result, WMI Holdings Corp. issued tax forms for any payments made to Tranche 2 claimants in the initial distribution and for any initial basis received when issued LTIs. Any claimant that was allowed on the effective date but released his claim after the Effective Date also received tax form(s) from WMI Holdings Corp. Subsequently, any payments made to LTI holders after the Effective Date were made from WMI Liquidating Trust or WMI LT Disputed Claims Reserve, entities separate from WMI Holdings Corp.

**d. For tax information purposes, what should LTI holders have received at the end of 2012?**

Each holder of an LTI received an annual statement of receipts and expenditures of the Liquidating Trust as relevant for U.S. federal income tax purposes in the form of a beneficiary tax information letter. In addition, each holder may also have received Form(s) 1099 from WMI Holdings Corp as well as the Liquidating Trust Disputed Claims Reserve. Year-end tax forms distributed included Form 1099-MISC (miscellaneous income), 1099-B (equity and debt related claims), 1099-INT (interest income) and 1042-S (non-U.S. recipients), depending on the original nature of the claim. Employee claimants may also have received Form W-2.

The following chart demonstrates the possible tax forms distributed by the various entities that an LTI holder may have received.

<b>Form</b>	<b>WMI Holdings Corp</b>	<b>WMI Liquidating Trust</b>	<b>WMI LT Disputed Claims Reserve</b>
Form W-2	X	X	X
Form 1099-B	X		X

Form 1099-MISC	X	X	X
Form 1099-OID	X		
Form 1099-INT	X		X
Form 1042-S		X	X
Beneficiary Tax Information Letter		X	

**e. For tax information purposes, what should LTI holders receive at the end of 2013?**

Each holder of an LTI will receive an annual statement of receipts and expenditures of the Liquidating Trust as relevant for U.S. federal income tax purposes in the form of a beneficiary tax information letter. In addition, each holder may also receive Form(s) 1099 from the Liquidating Trust Disputed Claims Reserve. Year-end tax forms distributed included Form 1099-B (equity and debt related claims), 1099-INT (interest income) and 1042-S (non-U.S. recipients), depending on the original nature of the claim. Employee claimants may also have received Form W-2.

The following chart demonstrates the possible tax forms distributed by the various entities that an LTI holder may have received.

<b>Form</b>	<b>WMI Liquidating Trust</b>	<b>WMI LT Disputed Claims Reserve</b>
Form W-2	X	X
Form 1099-B	X	X
Form 1099-MISC	X	X
Form 1099-OID	X	X
Form 1099-INT	X	X
Form 1042-S	X	X
Beneficiary Tax Information Letter	X	

**f. Why did I receive a Form W-2?**

A W-2 was issued for the amount of the claim that was deemed to be employee wages. This was capped at the allowed claim amount. Any additional payment or basis would be reflected in a beneficiary tax information letter or Form 1099-INT.

**g. Why did I receive a Form 1099-B?**

Form 1099-B reported the amount distributed on account of the securities held by claimants. This was capped at the allowed claim amount. Any additional payment or basis would be reflected in a beneficiary tax information letter or Form 1099-INT.

**h. Why did I receive a Form 1099-MISC?**

Form 1099-MISC was issued for the amount distributed to Class 12 non-employee claimants. This was capped at the allowed claim amount. Any additional payment or basis would be reflected in a beneficiary tax information letter or Form 1099-INT.

Form 1099-MISC was also issued for professional fees paid by the Liquidating Trust.

**i. Why did I receive a 1099-OID?**

Form 1099-OID reported the amount of Original Issue Discount distributed to claimants arising from debt securities.

**j. Why did I receive a 1099-INT?**

Form 1099-INT was issued for the amount of prepetition or post-petition accrued interest distributed in excess of the principal amount for securities claims or the post-petition accrued interest for general unsecured claims.

**k. Why did I receive a 1042-S?**

Form 1042-S reported amounts subject to reporting for non-U.S. persons.

**l. Why did I receive a Beneficiary Tax Information Letter?**

The Beneficiary Tax Information Letter provides an annual statement of receipts and expenditures of the Liquidating Trust allocable to a LTI holder as relevant for U.S. federal income tax reporting purposes.

**m. Why did I receive a 1099-B but not a payment?**

Claimants in Class 16, PIERS, received an LTI at around the Effective Date. These LTIs initially did not have basis for tax reporting purposes. As LTIs in the more senior classes of claims were satisfied by distributions from the WMI LT Disputed Claims Reserve, basis in WMI LT shifted pursuant to the waterfall. As of September 30, 2013, PIERS claimants have basis in WMI LT.

**n. Why have I received a Form 1099 in my name when the original position came from my IRA account?**

WMI Liquidating Trust currently has your personal information on record from the data originally submitted to KCC by your broker on your behalf. Discuss with your tax advisor and broker if a change to your account information is necessary.

If you wish to have your account information changed, have your brokerage firm call or email KCC. KCC will update your information for future distributions and tax reporting so that your LTI holdings are distributed to your designated account (rather than you personally). KCC can be reached at [wmitrust@kcellc.com](mailto:wmitrust@kcellc.com) or (888) 830-4644. See also discussion in FAQ #7.

**o. Is income that is paid with respect to an LTI subject to Foreign Withholding Tax?**

Generally, non-U.S. Persons who own LTIs will be subject to a 30% U.S. federal withholding tax on the interest component of Tax Refunds received by the Liquidating Trust at the time such non-U.S. Person holds LTIs (and possibly certain

other Liquidating Trust income or receipts) unless such amounts are (a) effectively connected with the conduct of a trade or business within the United States or (b) entitled to a reduced withholding rate (or exemption) under an income tax treaty. A non-U.S. Person that is eligible for a reduced rate of withholding (or exemption) pursuant to a U.S. income tax treaty must certify that fact to the Liquidating Trust by providing a properly executed IRS Form W-8BEN or other appropriate form. To obtain an exemption from withholding based on the grounds that the subject income or receipts is effectively connected with the conduct of a trade or business within the United States, the owner of an LTI who is a non-U.S. Person must furnish a properly executed IRS Form W-8ECI. These forms can be obtained from the IRS's website (<http://www.irs.gov>).

*Non-U.S. Persons are encouraged to consult their tax advisors regarding the application of U.S. federal income tax withholding, including eligibility for a withholding tax reduction or exemption.*

**p. If an LTI was originally distributed with respect to an employment claim, are subsequent distributions from the Liquidating Trust subject to employment tax withholding? If so, will an IRS Form W-2 be issued reflecting the withholding, and to whom?**

It depends on whether any Liquidating Trust Assets that were originally allocated to Disputed Claims (and thus part of the Liquidating Trust Claims Reserve) have been reallocated for the benefit of the holder of such LTI. As described above, for U.S. federal income tax purposes, an LTI represents, in part, a direct interest in underlying assets of the Liquidating Trust and in the original claim in respect of which the LTI was distributed: see Section 0(a) of these FAQs. If there has been a reallocation (which potentially can occur quarterly, generally depending on whether any Disputed Claims are disallowed during such quarter), the value of any interest in the underlying assets (cash and other property) reallocated for the benefit of the holder of such LTI will be treated for U.S. federal tax purposes as an additional distribution from the Debtors with respect to the original employment tax claim in respect of which the LTI was distributed, whether or not any amounts are actually distributed to the holder of the LTI at such time. Accordingly, at the time of reallocation such amounts may be subject to employment tax withholding. In such event, any subsequent distributions to the holder of such LTI will be reduced for the amount of the withholding (but only to the extent prior distributions have not been so reduced).

Notably, the original employee (regardless of whether the employee ever was or still is the holder of the LTI) will annually receive an IRS Form W-2 from the Liquidating Trust with respect to any amounts treated as payment of the original employment tax claim for which the LTI was issued, just as if such amounts were paid by the Debtors to the employee. The Form W-2 will reflect the amount treated as wages and the amount of the withholding.



## **17. Runoff Note distribution tax considerations**

*THE FOLLOWING IS INTENDED AS A GENERAL SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSIDERATIONS ONLY. IT IS ONLY APPLICABLE TO LIQUIDATING TRUST BENEFICIARIES THAT ACQUIRED RUNOFF NOTES IN THE RUNOFF NOTE DISTRIBUTION AND IS NOT APPLICABLE TO SUBSEQUENT BUYERS OR OTHER TRANSFEREES OF THE RUNOFF NOTES. PLEASE NOTE THAT THE LIQUIDATING TRUST, THE LIQUIDATING TRUSTEE AND KCC CANNOT GIVE TAX ADVICE TO LIQUIDATING TRUST BENEFICIARIES OR ANY OTHER PERSON. TAX MATTERS ARE COMPLICATED AND THE TAX CONSEQUENCES TO YOU OF YOUR RECEIPT AND OWNERSHIP OF RUNOFF NOTES WILL DEPEND ON YOUR PARTICULAR TAX SITUATION. YOU SHOULD CONSULT WITH YOUR OWN TAX ADVISOR TO FULLY UNDERSTAND THE TAX CONSEQUENCES THEREOF TO YOU.*

*FOR FURTHER INFORMATION, PLEASE REVIEW (I) THE ANSWER TO QUESTION 16, "GENERAL TAX CONSIDERATIONS" AND (II) THE DISCUSSION IN "OWNERSHIP AND DISPOSITION OF RUNOFF NOTES" ON PAGES 230-236 (INCLUSIVE) AND "TAX TREATMENT OF THE LIQUIDATING TRUST AND HOLDERS OF BENEFICIAL INTEREST" ON PAGES 238-241 (INCLUSIVE) OF THE DEBTOR'S COURT-APPROVED DISCLOSURE STATEMENT DATED JANUARY 12, 2012 (THE "DISCLOSURE STATEMENT"). THE RUNOFF NOTES HAVE BEEN TREATED BY THEIR ISSUER, REORGANIZED WMI, AS HAVING AN "ISSUE PRICE" EQUAL TO THEIR FACE AMOUNT AND AS NOT "CONTINGENT PAYMENT DEBT INSTRUMENTS" FOR FEDERAL INCOME TAX PURPOSES.*

### **a. Is the distribution of the Runoff Notes taxable to a holder?**

As a Liquidating Trust Beneficiary, you have been treated for U.S. federal income tax purposes as a direct owner of an indivisible portion of the underlying assets of the Liquidating Trust. Accordingly, in general, the distribution of the Runoff Notes by the Liquidating Trust to you should not have resulted in the recognition of income or gain to you.

### **b. What will be a holder's basis and holding period in the Runoff Notes?**

Your basis with respect to the Runoff Notes received should equal the basis of the portion of your LTI allocable to the Runoff Notes and your holding period with respect to such Runoff Notes should include the period you held your LTI. Your Beneficiary Tax Information Letter for the 2014 taxable year will include a statement of the tax basis that the Liquidating Trust would have if it were treated as the original tax owner of the distributed Runoff Notes (assuming it had an original "cost" tax basis in the Runoff Notes). You should review this statement carefully with your tax advisor because adjustments to the Liquidating Trust's calculations may be required by your particular circumstances (especially if you are not the original holder of your LTI).

**c. Are individual holders taxed currently on interest as it accrues on the Runoff Notes?**

Yes, because cash interest is payable on the Runoff Notes only to the extent of available cash (under the indenture waterfall), all interest on the Runoff Notes is treated as original issue discount (“OID”) for federal income tax purposes. Each holder is required to include in gross income, as interest for federal income tax purposes, the OID as it accrues on the Runoff Notes in accordance with a constant yield method based on compounding of interest, before the receipt of cash attributable to this income. For this purpose, the payment of PIK interest is not treated as the payment of interest for federal income tax purposes. See the discussion in “Ownership and Disposition of Runoff Notes—Runoff Notes Not Subject to Contingent Payment Regulations—OID Calculations and Inclusions” in the Disclosure Statement. As indicated above, the Runoff Notes have been treated by their issuer, Reorganized WMI, as having an “issue price” equal to their face amount and as not “contingent payment debt instruments” for federal income tax purposes.

**d. How are payments on the Runoff Notes taxed?**

Each payment on the First Lien Runoff Notes or the Second Lien Runoff Notes is first treated as a payment of accrued OID; second, as a payment of accrued market discount (discussed below); third, as a return of basis; and fourth, as gain from the retirement with respect to such class of Runoff Notes. See the discussion in “Ownership and Disposition of Runoff Notes—Runoff Notes Not Subject to Contingent Payment Regulations” in the Disclosure Statement.

**e. Are the Runoff Notes subject to the market discount rules?**

Yes, because the initial basis reported by the Liquidating Trust in each class of the Runoff Notes was less than their respective issue price (by more than a statutory *de minimis* amount), the Liquidating Trust has treated the Runoff Notes as being subject to the market discount rules. Although the application of the accrual provisions of the market discount rules to the Runoff Notes is uncertain, the Liquidating Trust has accrued market discount on the First Lien Runoff Notes on a straight-line basis over seven (7) years based on the projected pay off of the First Lien Runoff Notes as of the Effective Date (rather than over the stated maturity of the First Lien Runoff Notes) and, as applicable, reported market discount income on that basis. The statement described above will include certain OID and market discount information with respect to the First Lien Runoff Notes and the Second Lien Runoff Notes distributed to you. As indicated above, you should review this statement carefully with your tax advisor because adjustments to the Liquidating Trust’s calculations may be required by your particular circumstances.

**f. What are the tax consequences of being treated as market discount notes?**

Under the market discount rules, a holder is required to treat any principal payment on, or any gain recognized on the sale, exchange, retirement or other disposition of, a Runoff Note as ordinary income to the extent of the accrued market discount that has not previously been included in income with respect to such Runoff Note. See the discussion in “Ownership and Disposition of Runoff Notes—Runoff Notes Not Subject to Contingent Payment Regulations—Acquisition Premium/Market Discount” in the Disclosure Statement.

**g. Will my brokerage account have available or maintain tax basis information with respect to my Runoff Notes?**

No, the Runoff Notes are not currently subject to the cost basis reporting rules. Consequently, individual brokers or indenture trustees have not been provided cost basis information for your Runoff Notes. Please refer to the discussion above with respect to tax basis.

**18. Where can I obtain more information about the Liquidating Trust and my LTIs?**

You can obtain further information regarding the Liquidating Trust and your LTIs by visiting the Liquidating Trust’s website at [www.wmitrust.com](http://www.wmitrust.com). Further information regarding the Debtors may also be obtained by visiting the website of the Debtors’ claims agent, KCC, at <http://www.kccllc.net/>.