

WMIH CORP.
Form 10-K
March 14, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
Commission File No. 001-14667

WMIH Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization) 91-1653725
(I.R.S. Employer
Identification No.)
800 FIFTH AVENUE, SUITE 4100

SEATTLE, WASHINGTON 98104

(Address of principal executive offices) (Zip Code)

(206) 922-2957

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(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:

Common Stock, par value \$0.00001 per share

Name of each exchange on which registered:

The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates, computed by reference to the last sales price (\$2.22) as reported by NASDAQ as of the last business day of the most recently completed second fiscal quarter (June 30, 2016) was \$458.2 million.

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of March 1, 2017, 206,380,800 shares of the registrant's common stock, \$0.00001 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant has incorporated into Part III of Form 10-K, by reference, portions of its Proxy Statement for its 2017 Annual Meeting of Stockholders.

WMIH CORP.

2016 FORM 10-K ANNUAL REPORT

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Forward-Looking Statements

Certain information included in this Annual Report on Form 10-K and the documents incorporated herein by reference contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact included in this Annual Report on Form 10-K that address activities, events, conditions or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business and these statements are not guarantees of future performance. These statements can be identified by the fact that they do not relate strictly to historical or current facts.

Forward-looking statements may include the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “future,” “opportunity,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements. Some of these risks are identified and discussed under Risk Factors in Part I, Item 1A of this Annual Report on Form 10-K. These risk factors will be important to consider in determining future results and should be reviewed in their entirety. These forward-looking statements are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that the events, results or trends identified in these forward-looking statements will occur or be achieved. Forward-looking statements speak only as of the date they are made, and we do not undertake to update any forward-looking statement, except as required by law.

* * * * *

As used in this Annual Report on Form 10-K, unless the context requires otherwise, (i) the terms “Company,” “we,” “us,” or “our,” refer collectively to WMIH Corp. (formerly WMI Holdings Corp.) and its subsidiaries on a consolidated basis; (ii) “WMIH” refers only to WMIH Corp., without regard to its subsidiaries; (iii) “WMIHC” refers only to WMI Holdings Corp., without regard to its subsidiaries; (iv) “WMMRC” means WM Mortgage Reinsurance Company, Inc. (a wholly-owned subsidiary of WMIH); and (v) “WMIIC” means WMI Investment Corp. (a wholly-owned subsidiary of WMIH).

As used in this Annual Report on Form 10-K, unless the context requires otherwise, the terms “First Lien Notes,” “Second Lien Notes,” “Runoff Notes,” “Runoff Proceeds,” “First Lien Indenture,” “Second Lien Indenture,” and “Indentures” the meanings set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Notes Payable” in Part II, Item 7 of this Annual Report on Form 10-K.

PART I

Item 1. Business.

WMIH Corp.

WMIH Corp. (“WMIH”) is a corporation duly organized and existing under the laws of the State of Delaware. On May 11, 2015, WMIH merged with its parent corporation, WMI Holdings Corp., a Washington corporation (“WMIHC”), with WMIH as the surviving corporation in the merger (the “Merger”). The Merger occurred as part of the reincorporation of WMIHC from the State of Washington to the State of Delaware effective May 11, 2015 (the “Reincorporation Date”).

WMIH, formerly known as WMIHC and Washington Mutual, Inc. (“WMI”), is the direct parent of WM Mortgage Reinsurance Company, Inc., a Hawaii corporation (“WMMRC”), and WMI Investment Corp., a Delaware corporation (“WMIIC”). Since emergence from bankruptcy on March 19, 2012 (the “Effective Date”), our business activities consist of operating WMMRC’s legacy reinsurance business in runoff mode. In addition, we are actively seeking acquisition opportunities across a broad array of industries with a specific focus in the financial services industry, including targets with consumer finance, specialty finance, leasing and insurance operations. Although our focus remains in the financial services industry, we also consider opportunities in other industries.

Our management team meets regularly with the Corporate Strategy and Development Committee (the “CS&D Committee”) of WMIH’s Board of Directors (the “Board” or “Board of Directors”) to discuss and evaluate potential acquisition targets. During the year ended December 31, 2016, the CS&D Committee met formally and informally numerous times to assess various opportunities.

On January 5, 2015, WMIH announced the completion of an offering (the “Series B Preferred Stock Financing”) of 600,000 shares of its 3% Series B Convertible Preferred Stock, par value \$0.00001, liquidation preference \$1,000 per share (the “Series B Preferred Stock”), in the amount of aggregate gross proceeds equal to \$600.0 million, pursuant to a Purchase Agreement with Citigroup Global Markets Inc. and KKR Capital Markets LLC (“KCM”), an affiliate of KKR Fund Holdings L.P. and KKR Management Holdings L.P. (“KKR Management”). The net proceeds from the Series B Preferred Stock Financing in the amount of \$598.5 million were deposited into an escrow account and invested in United States government securities having a maturity of 180 days or less, in certain money market funds, or cash items. The net proceeds of the Series B Preferred Stock Financing have been, and will be, released from escrow to us from time to time in amounts needed to finance our efforts to explore and fund, in whole or in part, certain acquisitions, whether completed or not, including reasonable attorney fees and expenses, accounting expenses, due diligence and financial advisor fees and expenses. For further information on the Series B Preferred Stock Financing, see Note 9: Capital Stock and Derivative Instruments, to the consolidated financial information in Part II, Item 8 of this Annual Report on Form 10-K.

During the year ended December 31, 2016, we continued to review opportunities and spend considerable time analyzing a number of different opportunities, none of which resulted in an agreement to acquire a business. WMIH will continue to evaluate acquisition opportunities and work with our strategic partner, an affiliate of KKR & CO. L.P. (together with its affiliates, “KKR”), to identify, consider and evaluate potential mergers, acquisitions, business combinations and other strategic opportunities in a variety of industries. As of December 31, 2016, WMIH had not consummated an acquisition and we can provide no assurances that we will successfully consummate a transaction and, if so, on what terms.

In connection with our stated objective to consummate one or more acquisitions of an operating business, we may explore various financing alternatives to fund our external growth strategy, including further improving our capital structure, which may include increasing, reducing and/or refinancing debt, amending the terms of outstanding preferred stock, pursuing capital raising activities, such as the issuance of new preferred or common equity and/or a rights offering to our existing stockholders, launching an exchange offer, and pursuing other transactions involving our outstanding securities.

WMMRC

WMMRC is a wholly-owned subsidiary of WMIH. Prior to August 2008 (at which time WMMRC became a direct subsidiary of WMI), WMMRC was a wholly-owned subsidiary of FA Out-of-State Holdings, Inc., a second-tier subsidiary of Washington Mutual Bank (“WMB”) and third-tier subsidiary of WMI. WMMRC is a pure captive insurance company domiciled in the State of Hawaii. WMMRC was incorporated on February 25, 2000, and received a Certificate of Authority, dated March 2, 2000, from the Insurance Division of the State of Hawaii.

WMMRC was originally organized to reinsure private mortgage insurance risk for seven primary mortgage insurers then offering private mortgage insurance on loans originated or purchased by certain former subsidiaries of WMI. The seven primary mortgage insurers are United Guaranty Residential Insurance Company (“UGRIC”), Genworth Mortgage Insurance Corporation (“GMIC”), Mortgage Guaranty Insurance Corporation (“MGIC”), PMI Mortgage Insurance Company (“PMI”), Radian Guaranty Incorporated (“Radian”), Republic Mortgage Insurance Company (“RMIC”) and Triad Guaranty Insurance Company (“Triad”).

All of WMMRC’s reinsurance agreements are on an excess of loss basis, except for certain reinsurance treaties with GMIC and Radian during 2007 and 2008, which are reinsured on a 50% quota share basis. Pursuant to the excess of loss reinsurance agreements, WMMRC reinsures a second loss layer which ranges from 5% to 10% of the risk in force in excess of the primary mortgage insurer’s first loss percentages which range from 4% to 5%. Each calendar year, or book year, is treated separately from other years when calculating losses. In return for accepting a portion of the risk, WMMRC receives, net of ceding commission, a percentage of the premium that ranges from 25% to 40%.

Beginning in 2006, the U.S. housing market and related credit markets experienced a multi-year downturn. During that period, housing prices declined materially, credit guidelines tightened, delays in mortgage servicing and foreclosure activities occurred, and deterioration in the credit performance of mortgage loans occurred. In addition, the macro-economic environment during that period demonstrated limited economic growth, stubbornly high unemployment, and limited median wage gains. Beginning in 2012, home prices began to rise again. The current outlook for the housing market is optimistic with low interest rates, steady employment growth, higher household formation rates and less restrictive credit conditions. Nevertheless, WMMRC’s operating environment remains somewhat uncertain, as much of its results over the next few years will be directly affected by the inventory of pending defaulted mortgages at its ceding companies arising primarily from mortgages originated in calendar years 2007 through 2008. However, its financial exposure to that environment has been steadily reduced as the remaining net aggregate risk exposure has decreased due to the runoff nature of its operations and the improved condition of the housing market.

Due to the then deteriorating performance in the mortgage guarantee markets and the closure and receivership of WMB, a former subsidiary of WMIH, the reinsurance agreements with each of the primary mortgage insurers were terminated or placed into runoff effective May 31, 2008. As a result, effective September 26, 2008 (the “Petition Date”), WMMRC ceased assuming new mortgage risks from the primary carriers. Consequently, WMMRC’s continuing operations consisted solely of the runoff of coverage associated with mortgages placed with the primary mortgage carriers prior to the Petition Date. In runoff, an insurer generally writes no new business but continues to service its obligations under in-force policies and otherwise continues as a licensed insurer.

The reinsurance agreements with Triad, PMI and UGRIC were commuted (each, a one-time transaction) on August 31, 2009, October 2, 2012 and April 3, 2014, respectively, and the related trust assets were distributed in accordance with the commutation agreements. As a result, WMMRC’s current continuing operations consist solely of the runoff of coverage associated with mortgages placed with the following four remaining carriers, GMIC, MGIC, Radian and RMIC.

The PMI transaction resulted in a loss from contract termination of \$6.2 million during the year ended December 31, 2012. In accordance with the commutation agreement between WMMRC and PMI, the trust assets were distributed in a manner such that PMI received \$49.0 million in cash and WMMRC received all remaining trust assets equal to approximately \$30.7 million. The UGRIC transaction resulted in a loss from contract termination of \$6.6 million during the year ended December 31, 2014. In accordance with the terms of the commutation agreement between WMMRC and UGRIC, the trust assets were distributed in a manner such that UGRIC was paid \$17.7 million in cash and WMMRC was paid all remaining cash and assets in the trust account, which totaled \$65.4 million from the commutation. The proceeds from the PMI and UGRIC commutations were ultimately used to pay principal and interest and fees related to the Runoff Notes to the extent such proceeds were Runoff Proceeds as defined under the Indentures.

WMMRC may seek opportunities to commute one or more of its remaining reinsurance agreements, with a view toward accelerating the distribution of trust assets in excess of the amount needed to pay claims. Any such distributions would be applied first to principal and interest payments on the Second Lien Notes. There can be no assurance that any such commutations will be consummated, or if so, on what terms.

WMIIC

WMIIC does not currently have any assets or operations and is fully eliminated upon consolidation. Prior to September 26, 2008, WMIIC held a variety of securities and investments; however, such securities and investments were liquidated and the value thereof distributed in connection with implementing the Company's Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code (as modified, the "Plan").

Competition

With respect to our current operations, the Company operates a single business, WMMRC, whose sole activity is the reinsurance of mortgage insurance policies. WMMRC has been operated in runoff mode since September 26, 2008. Since that date, WMMRC has not underwritten any new policies (and by extension any new risk). WMMRC, through predecessor companies, began reinsuring risks in 1997 and continued reinsuring risks through September 25, 2008.

Because WMMRC's business is in runoff mode, we currently have no competitors in that line of business. However, because we are pursuing an acquisition strategy and competition for acquisitions generally has increased, we will compete for acquisition opportunities, and some of those potential competitors for such opportunities are substantially larger and have considerably greater financial, technical, marketing and management resources than we do.

Government Regulation

We are subject to the regulations of the Securities and Exchange Commission ("SEC") and the Insurance Division of the State of Hawaii. We are also subject to the accounting rules and regulations of the SEC and the Financial Accounting Standards Board. Any of these laws or regulations may be modified or changed from time to time, and there is no assurance that such modifications or changes will not adversely affect us.

Compliance with laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, and new regulations enacted by the SEC, are resulting in increased compliance costs. In addition, during the bankruptcy, WMI relied on the so-called "Modified Exchange Act Reporting" concepts set forth in the SEC Staff's Legal Bulletin No. 2

("SLB 2"). WMIH continues to rely upon SLB 2, for our reporting during the bankruptcy period, and we have filed and will continue to file the Exchange Act periodic reports for all periods that begin after the Effective Date of the Plan. Compliance with different or evolving standards could result in increased general and administrative expenses and may cause a diversion of our time and attention from revenue-generating activities to compliance activities and could subject WMIH to sanctions or investigation by regulatory authorities.

Employees

As of December 31, 2016, we employed four full-time employees. We also have retained the services of two individuals on a non-exclusive basis to serve as executive officers of WMIH. None of our employees is covered by a collective-bargaining agreement. We consider our relations with our employees to be good.

On March 22, 2012, WMIH entered into employment agreements with two of our employees. On May 15, 2015, WMIH entered into employment agreements with two additional employees who serve as directors on the Board of Directors in addition to their respective roles as Chief Executive Officer and President, Chief Operating Officer. These agreements have been filed with the SEC on Form 8-K, dated March 23, 2012, and on Form 8-K12G3, dated May 13, 2015, respectively. WMIH has two additional executive officers, Charles Edward Smith, Chief Legal Officer and Secretary, and Timothy F. Jaeger, Interim Chief Financial Officer, who are independent contractors.

Executive Officers of the Registrant

WMIH has four executive officers: William C. Gallagher, its Chief Executive Officer, Thomas L. Fairfield, its President and Chief Operating Officer, Charles Edward Smith, its Chief Legal Officer and Secretary and Timothy F. Jaeger, its Interim Chief Financial Officer and Interim Chief Accounting Officer. Mr. Gallagher and Mr. Fairfield provide services under employment agreements dated May 15, 2015. Mr. Smith provides services to WMIH under the Transition Services Agreement, dated March 22, 2012, as amended (the "TSA"), entered into between WMIH and the WMI Liquidating Trust (the "Trust"), under which Mr. Smith provides chief legal officer and other services to WMIH

on a non-exclusive basis. Mr. Jaeger provides non-exclusive services to WMIH under an Engagement Agreement with CXO Consulting Group, LLC, under which Mr. Jaeger acts as Interim Chief Accounting Officer and Interim Chief Financial Officer to WMIH. Subject to the terms of the agreements, the executive officers are elected by and serve at the discretion of the Board of Directors. There are no arrangements or understandings between the executive officers and any other person pursuant to which he was or is to be selected as an officer, other than the designated agreements, which agreements designate the service or positions to be held by the executive officer. None of the executive officers is related to one another or to any of our other members of the Board of Directors. Mr. Gallagher and Mr. Fairfield serve as directors on the Board.

William C. Gallagher, age 58, has served as Chief Executive Officer and as a member of the Board since May 15, 2015. Mr. Gallagher served as a consultant to WMIH from November 21, 2014 to May 15, 2015. Mr. Gallagher was previously an Executive Vice President and member of the Board of Directors at Capmark Financial Group Inc. (now known as Bluestem Group Inc. and referred to herein as “Capmark”). Mr. Gallagher served as President and CEO of Capmark from February 2011 to November 2014. He was Executive Vice President and Chief Risk Officer of Capmark from March 2009 to February 2011. Prior to joining Capmark, Mr. Gallagher was the Chief Credit Officer of RBS Greenwich Capital from September 1989 to February 2009.

Thomas L. Fairfield, age 58, has served as President, Chief Operating Officer and as a member of the Board since May 15, 2015. Mr. Fairfield served as a consultant to WMIH from November 21, 2014 to May 15, 2015. Mr. Fairfield was previously an Executive Vice President and member of the Board of Directors at Capmark. Mr. Fairfield was Chief Operating Officer of Capmark from February 2011 to November 2014. From March 2006 to February 2012, Mr. Fairfield served as Executive Vice President, Secretary and General Counsel of Capmark. Prior to joining Capmark, Mr. Fairfield was a partner at the law firm of Reed Smith LLP from September 2005 to March 2006 and prior to that at Paul, Hastings, Janofsky & Walker LLP from February 2000 to August 2005 and LeBoeuf, Lamb, Greene & MacRae, LLP from January 1991 to February 2000, where his practice focused primarily on general corporate and securities law, mergers and acquisitions, corporate finance and financial services.

Charles Edward Smith, age 47, has served as Chief Legal Officer and Secretary since the Effective Date and President and Interim Chief Executive Officer from the Effective Date through May 15, 2015. In addition, since the Effective Date, Mr. Smith has served as the Executive Vice President, General Counsel and Secretary of the Trust. During the significant portion of WMI’s Chapter 11 proceedings, Mr. Smith served as the Executive Vice President, General Counsel and Secretary of WMI. Prior to the closure of WMB on September 25, 2008, Mr. Smith was a First Vice President, Assistant General Counsel and Team Lead (Corporate Finance) for WMB, where he supported the Treasury Group and led a team of lawyers and other professionals who supported the Company’s capital, liquidity, mergers and acquisitions and structured finance activities.

Timothy F. Jaeger, age 58, has served as Interim Chief Financial Officer since June 25, 2012 and Interim Chief Accounting Officer since May 28, 2012. He is a Certified Public Accountant with over 30 years of accounting experience. Most recently, from December 2006 to March 2012, Mr. Jaeger served as Senior Vice President-Chief Accounting Officer/CFO of Macquarie AirFinance, Ltd., a global aviation lessor providing aircraft and capital to the world’s airlines. From November 2006 to December 2009, Mr. Jaeger was a partner at Tatum Partners, LLC, an executive services and consulting firm in the United States.

Available Information

We file annual, quarterly and other reports, proxy statements and other information with the SEC under the Exchange Act. You may obtain copies of these reports and filings, without charge, through our corporate website located at www.wmih-corp.com. The information on our corporate website is not incorporated into this report or into any other communication delivered to security holders or furnished to the SEC. You can also inspect and copy our reports, proxy statements and other information filed with the SEC at the offices of the SEC’s Public Reference Room located at 100 F Street, N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of its Public Reference Rooms. The SEC also maintains an Internet website at <http://www.sec.gov/> where you can obtain our SEC filings.

Upon written request, we will furnish to you without charge a paper copy of our Annual Report on Form 10-K for fiscal year ended December 31, 2016 (including financial statements and schedules, but without exhibits). Copies of exhibits to our Annual Report on Form 10-K, and copies of our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, will be furnished for a payment of a fee of \$0.50 per page upon written request directed to Secretary, WMIH Corp., 800 Fifth Avenue, Suite 4100, Seattle, WA 98104.

Item 1A. Risk Factors.

The risks described below could materially and adversely affect our business, financial condition, and results of operations. These risks are not the only risks that we face. Our business operations could also be affected by additional factors that apply to all companies operating in the United States and globally, as well as other risks that are not presently known to us or that we currently consider to be immaterial.

Risks Related to Our Business

WMIH and its subsidiaries have limited operations; WMIH is a holding company, and its only material assets are cash on hand, cash held in trust and its equity interests in its operating subsidiary and its other investments, and WMIH's principal source of revenue and cash flow are distributions and certain payments from our wholly-owned subsidiary, WMMRC, which is operating in runoff mode and is subject to restrictions from paying us dividends and investment income from our investment portfolio.

As a holding company, our only material assets are our cash on hand, cash held in trust, the equity interests in our subsidiaries (WMMRC and WMIIC) and other investments. As of December 31, 2016, WMIH had no operations other than WMMRC's legacy reinsurance business with respect to mortgage insurance which is being operated in runoff mode. WMMRC has not written any new business since the Petition Date. As of December 31, 2016, excluding restricted cash and assets held in trust, we had approximately \$50.1 million in cash, cash equivalents, and investments, which includes \$3.0 million held by our wholly-owned subsidiary, WMMRC; WMIIC holds no assets and generates no revenues. For the foreseeable future, our principal source of revenue and cash flow will be investment income from our investment portfolio, if any, cash and cash equivalents on hand, distributions from our operating subsidiary, if any, and certain payments made to us by WMMRC pursuant to the Administrative Services Agreement, dated as of March 19, 2012, between WMIH and WMMRC (the "Administrative Services Agreement") and the Investment Management Agreement, dated as of March 19, 2012, between WMIH and WMMRC (the "Investment Management Agreement"). The use of funds received from WMMRC as distributions to WMIH are restricted by the Second Lien Indenture until the Second Lien Notes are paid in full and WMMRC is restricted by insurance law from making distributions to WMIH unless prior approval is obtained from the Insurance Division of the State of Hawaii. Thus, our ability to service our debt, finance acquisitions and pay dividends to our stockholders in the future is dependent on (i) the ability of our operating subsidiary to generate sufficient net income and cash flows to make upstream cash distributions to us, and (ii) our ability to obtain access to the funds held in escrow from the Series B Preferred Stock Financing. Our subsidiaries are and will be separate legal entities, and although they may be wholly-owned or controlled by us, they have no obligation to make any funds available to us, whether in the form of loans, dividends, distributions or otherwise except for distributions of Runoff Proceeds (as defined in the Indentures) to pay the holders of the Runoff Notes under the Indentures. The ability of our operating subsidiary to distribute cash to us will also be subject to, among other things, restrictions that are contained in our Second Lien Indenture, availability of sufficient funds and applicable state laws and regulatory restrictions. Claims of creditors of our subsidiaries generally will have priority as to the assets of such subsidiaries over our claims and claims of our creditors and stockholders. To the extent the ability of our operating subsidiary to distribute dividends or other payments to us could be limited in any way, this could materially limit our ability to grow, pursue business opportunities or make acquisitions that could be beneficial to our businesses, fund and conduct our business or fund dividends, redemptions or repurchases.

Future acquisitions or business opportunities could involve unknown risks that could harm our business and adversely affect our financial condition.

We are a holding company that holds all of the equity interests of WMMRC and WMIIC. In the future, we intend to acquire other businesses or make other acquisitions that may involve unknown risks, some of which will be particular to the industry in which the business or acquisition target or targets operate. Although we intend to conduct business, financial and legal due diligence in connection with the evaluation of future business or acquisition opportunities, there can be no assurance our due diligence investigations will identify every matter that could have a material adverse effect on us. As a result of these factors, WMIH may be forced to later write-down or write-off assets, restructure

operations or incur impairment or other charges that could result in reporting losses. The realization of any new or unknown risks could prevent or limit us from realizing the projected benefits of the businesses or acquisitions, which could adversely affect our financial condition and liquidity. In addition, our financial condition, results of operations and the ability to service our debt will be subject to the specific risks applicable to any business or company we acquire.

A mandatory redemption of the Series B Preferred Stock would likely have a material adverse effect on our financial condition and business operations.

If we do not consummate a Qualified Acquisition, or take other actions to extend the redemption date applicable to, or to refinance or modify the terms of, the Series B Preferred Stock, then we are obligated to redeem the Series B Preferred Stock on January 5, 2018 (the "Series B Redemption Date"). Our management team remains focused on identifying and consummating a Qualified Acquisition before the Series B Redemption Date. However, there can be no assurances that we will be able to consummate a Qualified Acquisition prior to the Series B Redemption Date, on terms favorable to us, or at all. A mandatory redemption of the Series B Preferred Stock will substantially deplete our cash on hand to continue seeking acquisitions and would likely have a material adverse effect on our financial condition and business operations. Relatedly, under those circumstances, we also may not have access to alternative sources of capital or liquidity.

Under the Amended and Restated Certificate of Incorporation (“Certificate of Incorporation”), we will be obligated to redeem any outstanding Series B Preferred Stock on the Series B Redemption Date in the event we have not consummated a Qualified Acquisition. All or a portion of the Series B Preferred Stock automatically converts into WMIH’s common stock upon a Qualified Acquisition or an Acquisition, as the case may be. If a Qualified Acquisition or an Acquisition does not occur, none of the Series B Preferred Stock will convert into WMIH’s common stock. If an Acquisition occurs but a Qualified Acquisition does not occur, only a portion of the Series B Preferred Stock will convert into WMIH’s common stock.

“Acquisition” means any acquisition by WMIH (or any of its direct or indirect wholly-owned subsidiaries), in a single transaction or a series of transactions, whether by purchase, merger or otherwise, of all or substantially all of the assets of, all the equity interests in, or a business line, unit or division of, any person. “Qualified Acquisition” means an Acquisition that, taken together with prior Acquisitions (if any), collectively utilizes aggregate net proceeds of the Series B Preferred Stock Financing of \$450.0 million.

The nature of certain of our assets is volatile and their value may fluctuate or change over short periods of time.

As of December 31, 2016, we had \$654.8 million cash, cash equivalents and securities, of which approximately \$620.4 million was held directly by WMIH and approximately \$34.4 million was held by WMMRC. The WMIH cash balance includes \$572.9 million of cash held in escrow under the terms of the Series B Preferred Stock escrow agreement. Under most circumstances, WMMRC’s cash will not be available for use by WMIH until the Second Lien Notes are paid in full. Investing in securities other than U.S. government instruments will likely result in a higher risk of loss to us, particularly in light of uncertain domestic and global political, credit and financial market conditions. We value these securities for various purposes based on a number of factors, including, without limitation, third-party independent valuations. Because valuations, and particularly valuations of private securities and illiquid securities, are inherently uncertain, such valuations may fluctuate significantly over short periods of time and may differ materially from the values that would have been obtained if an active market existed for these securities.

WMIH, together with its subsidiaries, may not be able to fully utilize our net operating loss (“NOL”) and other tax carry forwards.

As of December 31, 2012, WMIH and its subsidiaries had U.S. federal NOLs of approximately \$7.54 billion, of which approximately \$5.97 billion was allocated to that portion of 2012 after the ownership change described below, that, if unused, will begin to expire in 2031. We believe that, as of December 31, 2016, WMIH and its subsidiaries had NOLs not subject to limitation under Section 382 (“Section 382”) of the United States Internal Revenue Code of 1986, as amended (the “Code”), of approximately \$6.0 billion. Both WMIH and WMMRC caused 100% valuation allowances to be recorded against these deferred tax assets.

On the Effective Date, we believe that we experienced an “ownership change” within the meaning of Sections 382 and 383 of the Code. An ownership change is generally defined as a more than 50 percentage point collective increase in equity ownership by

“5-percent shareholders” (as that term is defined for purposes of Sections 382 and 383 of the Code) in any rolling three-year period or since the last ownership change if such prior ownership change occurred within the prior three-year period. As a result of such ownership change on the Effective Date, the limitations on the use of pre-change losses and other carry forward tax attributes in Sections 382 and 383 of the Code apply and we will be able to utilize only a small portion of the NOL carry forwards from the years prior to 2012 and the portion of the NOL for 2012 allocable to the portion of the year prior to March 20, 2012. The utilization of the NOL for 2012 allocable to the portion of the year after the Effective Date and the NOLs from subsequent years should not be affected by the ownership change on the Effective Date.

Our ability, including the ability of any subsidiary or subsidiaries acquired in any Acquisition (as defined in Article VI of WMIH's Certificate of Incorporation), to utilize NOLs and other tax carry forwards to reduce taxable income in future years could be limited for various reasons, including if projected future taxable income is insufficient to recognize the full benefit of such NOL carry forwards prior to their expiration and/or the Internal Revenue Service ("IRS") challenges that a transaction or transactions were concluded with the principal purpose of evasion or avoidance of Federal income tax. There can be no assurance that we will have sufficient taxable income in later years to enable us to use the NOLs before they expire, or that the IRS will not challenge the use of all or any portion of the NOLs. Additionally, our ability (and the ability of any future subsidiary or subsidiaries) to fully use these tax assets could also be adversely affected if the respective companies were deemed to have another "ownership change" within the meaning of Sections 382 and 383 of the Code. Although we have certain transfer restrictions in place under the Certificate of Incorporation, our Board of Directors could issue additional shares of stock or permit future conversions or redemptions of our stock, which, depending on their magnitude, could result in ownership changes that would trigger the imposition of additional limitations on the utilization of our NOLs under Sections 382 and 383 of the Code. Accordingly, there can be no assurance that, in the future, WMIH and/or its subsidiaries (and any future subsidiary) will be able to utilize its NOLs or not experience additional limitations on utilizing the tax benefits of their NOLs and other tax carry forwards. Such limitations could have a material adverse effect on WMIH and/or its subsidiaries' results of operations, cash flows or financial condition.

In an attempt to minimize the likelihood of an additional ownership change occurring, our Certificate of Incorporation contains transfer restrictions limiting the acquisition (and disposition) of our stock or any other instrument treated as stock for purposes of Section 382 by persons or group of persons treated as a single entity under Treasury Regulation Section 1.382-3 owning (actually or constructively), or who would own as a result of the transaction, 4.75% of the total value of our stock (including any other interests treated as stock for purposes of Section 382). Nevertheless, it is possible that we could undergo an additional ownership change, either by events within or outside of the control of our Board, e.g., indirect changes in the ownership of persons owning 5% of our stock.

Also, in the event that the Second Lien Notes are re-characterized as equity, transfers of Second Lien Notes might be taken into account for purposes of Section 382. Moreover, approximately 1.5 million shares of WMIH's common stock are held in escrow in the Disputed Equity Escrow (as defined in the Plan). A subsequent release or transfer of the stock potentially could result in an ownership change of WMIH at that time. In the event of a subsequent ownership change, all or part of the NOLs from 2012 and subsequent years that were not previously subject to limitations under Section 382 could also become subject to an annual limitation.

The IRS could challenge the amount, timing and/or use of our NOL carry forwards.

The amount of our NOL carry forwards has not been audited or otherwise validated by the IRS. Among other things, the IRS could challenge whether an ownership change occurred on the Effective Date, as well as the amount, the timing and/or our use of our NOLs. Any such challenge, if successful, could significantly limit our ability to utilize a portion or all of our NOL carry forwards. In addition, calculating whether an ownership change has occurred within the meaning of Section 382 is subject to inherent uncertainty, both because of the complexity of applying Section 382 and because of limitations on a publicly-traded company's knowledge as to the ownership of, and transactions in, its securities. Therefore, the calculation of the amount of our utilizable NOL carry forwards could be changed as a result of a successful challenge by the IRS or as a result of new information about the ownership of, and transactions in, our securities.

Possible changes in legislation could negatively affect our ability to use the tax benefits associated with our NOL carry forwards.

The rules relating to U.S. federal income taxation are periodically under review by persons involved in the legislative and administrative rulemaking processes, by the IRS and by the U.S. Department of the Treasury, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. Future revisions in U.S. federal tax laws and interpretations thereof could adversely impact our ability to use some or all of the tax benefits associated with our NOL carry forwards.

If we are unable to identify and/or make acquisitions or there are delays in finding suitable acquisition targets or we make acquisitions that are not successful, WMIH will likely never achieve sustained profitability, which would adversely affect the value of the Company.

Our ability to successfully execute an acquisition strategy will impact our ability to achieve profitability and grow our business. There can be no assurances that we will be successful in this endeavor. We may need additional capital to complete an acquisition, but there can be no assurances that we will be able to raise sufficient additional capital at all or on commercially reasonable terms. Furthermore, uncertainties regarding the form of any financial and tax reforms under the Trump administration may inhibit our ability to complete an acquisition. WMIH's inability to make one or more acquisitions will impair WMIH's ability to be profitable. WMIH may not be able to achieve profitability on a sustained basis. There may be a substantial period of time before we are able to invest and make suitable acquisitions. Delays we encounter in the selection, acquisition and/or development of targets could adversely affect the value of the Company.

While we continue to work diligently to identify suitable acquisition targets, there can be no assurance that (a) we will be able to identify any such acquisition targets, or (b) we will be able to consummate an acquisition if and when an acquisition target is identified.

Our Board may change our investment strategy without stockholder approval, which could alter the nature of your investment.

Our Board continues to develop and review the strategic and investment strategy for the Company and determine what is in the best interest of our stockholders. This strategy may change over time. The methods of implementing our

strategy may vary, as trends emerge and new investment opportunities develop. Our strategy, the methods for its implementation, and our other objectives, may be altered by our Board without the approval of our stockholders. As a result, the nature of your investment could change without your consent.

Changes in disclosure laws or interpretations resulting in higher compliance costs are likely to adversely affect WMIH's future consolidated results of operations, financial position and cash flows.

Compliance with laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, and new regulations enacted by the SEC, are resulting in increased compliance costs. WMIH, like all other public companies, is incurring expenses and diverting employees' time in an effort to comply with such laws. WMIH is an accelerated filer reporting company, and has completed the process of documenting and evaluating its systems of internal control. We expect to continue to devote the necessary resources, including internal and external resources, to support WMIH's assessment and compliance with its disclosure obligations as these disclosure obligations evolve and change. In addition, during the bankruptcy, WMIHC adopted so-called "Modified Exchange Act Reporting" under SLB 2. WMIH continues to rely upon the guidance set forth in SLB 2 and we have filed and will continue to file the Exchange Act periodic reports for all periods that begin after the Effective Date of the Plan. If the SEC determines that WMIH is not able to follow or rely on Modified Exchange Act Reporting under SLB 2, much more extensive historical disclosure requirements could be imposed on WMIH which we may not be able to satisfy and which would have a material adverse effect on the Company, including but not limited to, substantial compliance costs and sanctions. Compliance with different or evolving standards will result in increased general and administrative expenses and may cause a significant diversion of our time and attention from revenue-generating activities to compliance activities and could subject WMIH to sanctions or investigation by regulatory authorities.

Litigation against us could be costly and time consuming to defend.

We may from time to time be subject to legal proceedings and claims from third parties. Litigation may result in substantial costs and may divert our attention and WMIH resources, which may seriously harm our business, consolidated results of operations and consolidated financial condition.

An unfavorable judgment against us in any legal proceeding or claim could require us to pay monetary damages. In addition, an unfavorable judgment in which the counterparty is awarded equitable relief, such as an injunction, could have an adverse impact on our business, consolidated results of operations and consolidated financial condition.

Because our operations and acquisition strategy are highly dependent on key executives and employees, our inability to recruit and retain capable management could hinder our current operations and business plans.

Although we appointed William C. Gallagher as our Chief Executive Officer and Thomas L. Fairfield as our President and Chief Operating Officer in 2015, we have very limited staffing and management resources and are highly dependent on consultants and certain key employees. WMIH's Chief Legal Officer and Secretary, Charles Edward Smith, is an employee of the Trust, and our Interim Chief Financial Officer, Timothy F. Jaeger, is a self-employed consultant engaged by WMIH to provide financial reporting services. As of December 31, 2016, in addition to Messrs. Gallagher and Fairfield, the Company had two additional employees. However, minimal staffing and any inability we may have to engage new executive officers or key employees in the event any of our executive officers or key employees terminates employment could have a material adverse impact on our operations or delay or curtail the attainment of WMIH's objectives.

Business interruptions could limit our ability to operate our business.

Our operations, as well as others on which we depend, are vulnerable to damage or interruption from fire; natural disasters, including earthquakes; computer viruses; human error; power shortages; telecommunication failures; international acts of terror; and similar events. Our offices are located in Seattle, Washington and we currently obtain certain key services from the Trust pursuant to the TSA. The TSA, as amended, is currently in effect through April 30, 2017, with automatic renewals thereafter for successive additional three-month terms, subject to non-renewal at the end of any additional term upon written notice by either party at least 30 days prior to the expiration of the additional term.

Although we have certain business continuity plans in place, we have not established a formal comprehensive disaster recovery plan, and our back-up operations and business interruption insurance may not be adequate to compensate for losses we may suffer. A significant business interruption, including an unexpected non-renewal or termination of the TSA, could result in losses or damages incurred by us and require that we cease or curtail our operations at our current location.

We are subject to regulation by various federal and state entities.

We are subject to the regulations of the SEC and the Insurance Division of the State of Hawaii. New regulations issued by these agencies may adversely affect our ability to carry on our business activities. We are subject to various federal and state laws and certain changes in these laws and regulations may adversely affect our operations. Noncompliance with certain of these regulations may impact our business plans.

We are also subject to the accounting rules and regulations of the SEC and the Financial Accounting Standards Board. Changes in accounting rules could adversely affect the reported financial statements or our results of operations and may also require extraordinary efforts or additional costs to implement. Any of these laws or regulations may be modified or changed from time to time, and there is no assurance that such modifications or changes will not adversely affect us.

Due to the increased number of holders of our Second Lien Notes, any future actions, including, but not limited to, commutations, that require the consent of the holders of our Second Lien Notes are likely to be more time consuming and expensive, and there can be no assurance that the requisite consent will be obtained.

In connection with, and as a condition to, the completion of the transactions contemplated by the commutation agreement between WMMRC and UGRIC, we obtained the consent of the Trust, at the time the beneficial owner of at least two-thirds in aggregate principal amount of the notes outstanding under the Indentures, to certain limited waiver agreements. On May 1, 2014, the Trust distributed the Runoff Notes held by the Trust to certain beneficiaries, and as a result is no longer the beneficial owner of at least two-thirds in aggregate principal amount of the Runoff Notes. A majority of these Runoff Notes were distributed to individual beneficiary brokerage accounts, and certain of the Runoff Notes were certificated and sent to other holders. Subsequent to such distribution, we paid in full our First Lien Notes, but our Second Lien Notes remain held by multiple holders. Consequently, due to the increased number of holders, any future actions, including, but not limited to, commutations, that require the consent of the holders of our Second Lien Notes are likely to be more time consuming and expensive, and there can be no assurance that the requisite consent will be obtained.

Risks Related to Owning WMIH's Stock

WMIH's common stock, and any other instruments treated as stock for purposes of Section 382 (including WMIH's Series A Convertible Preferred Stock (the "Series A Preferred Stock") and the Series B Preferred Stock), are subject to transfer restrictions under the Certificate of Incorporation, which if not complied with, could result in the forfeiture of such stock and related distributions.

WMIH's Certificate of Incorporation contains significant transfer restrictions in relation to the transfer of WMIH's common stock and any other instruments treated as stock for purposes of Section 382 (including the Series A Preferred Stock and the Series B Preferred Stock). These court-approved transfer restrictions have been adopted in order to minimize the likelihood that we will be deemed to have an "ownership change" within the meaning of Section 382 that could limit our ability to utilize WMIH's NOL carry forwards under and in accordance with regulations promulgated by the IRS.

In particular, without the approval of our Board, (i) no person or group of persons treated as a single entity under Treasury Regulation Section 1.382-3 will be permitted to acquire, whether directly or indirectly, and whether in one transaction or a series of related transactions, any of WMIH's common stock or any other instrument treated as stock for purposes of Section 382, to the extent that after giving effect to such purported acquisition (a) the purported acquirer or any other person by reason of the purported acquirer's acquisition would become a Substantial Holder (as defined below), or (b) the percentage stock ownership of a person that, prior to giving effect to the purported acquisition, is already a Substantial Holder would be increased; and (ii) no Substantial Holder may dispose, directly or indirectly, of any class of stock or any other instrument treated as stock for purposes of Section 382. A "Substantial Holder" is a person that owns (as determined for purposes of Section 382) at least 4.75% of the total value of our stock, including any instrument treated as stock for purposes of Section 382.

Because of the complexity of applying Section 382, and because the determination of ownership for purposes of Section 382 does not correspond to SEC beneficial ownership reporting on Schedules 13D and 13G, holders and potential acquirers of WMIH securities should consult with their legal and tax advisors prior to making any acquisition or disposition of WMIH securities. Pursuant to Article VIII of WMIH's Certificate of Incorporation, the Board has the sole power to determine compliance with the transfer restrictions and we cannot assure you that the Board will concur with any conclusions reached by any holder of WMIH securities or their respective advisors, and/or approve or ratify any proposed acquisitions or dispositions of WMIH securities. Under Article VIII, Section 3(b), of the Certificate of Incorporation, if the Board determines that a Prohibited Transfer (as defined in the Certificate of Incorporation) has occurred, such Prohibited Transfer shall, to the fullest extent permitted by law, be void ab initio and have no legal effect, and upon written demand by WMIH, the Purported Transferee (as defined in the Certificate of Incorporation) shall disgorge or cause to be disgorged WMIH securities, together with any dividends or distributions received, with respect to such securities.

WMIH's common stock is currently listed on The Nasdaq Capital Market ("NASDAQ"). If we do not comply with NASDAQ's continued listing requirements, these shares may be delisted from NASDAQ, which would likely result in WMIH's shares being traded on the OTC Markets OTCQB electronic quotation system (or the lesser tier OTC Pink), and negatively affect the liquidity and trading prices of WMIH's common stock.

WMIH's common stock is currently listed on NASDAQ. In order to maintain eligibility for continued listing on NASDAQ, we must fulfill certain minimum listing requirements, including specified financial and corporate governance criteria. There can be no assurance that we can maintain such minimum listing requirements, and in the event that we cannot, such failure would likely result in WMIH's shares being traded on the OTC Markets OTCQB electronic quotation system (or the lesser tier OTC Pink). If WMIH is not able to maintain the listing of its common stock on NASDAQ, WMIH could face material adverse consequences, including:

- limited availability of market quotations for its common stock;

• reduced liquidity for its common stock;

• a determination that its common stock is a “penny stock” which will require brokers trading in such common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for WMIH’s common stock; and

• a decreased ability to issue additional securities or obtain additional financing in the future.

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Despite WMIH's common stock being listed on NASDAQ, an active market for its common stock may not be sustained, and the market price of its common stock may be volatile.

Despite WMIH's common stock being listed on NASDAQ, we cannot assure you as to (a) whether or not a public trading market for WMIH common stock can be sustained, (b) the liquidity of any public trading market, (c) the ability of WMIH shareholders to sell their shares of common stock, or (d) the price that WMIH shareholders may obtain for their shares of common stock. The market price for shares of WMIH common stock may be highly volatile and could be subject to wide fluctuations. We cannot predict how the shares of WMIH common stock will trade in the future. Some of the factors that could affect the share price of WMIH common stock include: (i) our financial condition; (ii) actual or anticipated variations in our operating results; (iii) publication of research reports and recommendations by financial analysts; (iv) fluctuations in the stock price and operating results of our competitors; (v) our ability to execute our business plan, or the perception in the market regarding our ability to execute our business plan; (vi) additions or departures of key management personnel; (vii) proposed or adopted regulatory or tax law changes or developments; (viii) speculations reported in the press or investment community; (ix) issuances of new equity pursuant to future offerings; (x) general market and economic conditions; and (xi) any required redemption or repurchase of our Series B Preferred Stock. In some cases, U.S. stock markets have produced downward pressure on stock prices for some issuers without regard to those issuers' underlying financial strength. A significant decline in our stock price could result in substantial losses for individual shareholders.

Anti-takeover provisions in our Certificate of Incorporation and Amended and Restated Bylaws ("Bylaws") and under Delaware law could make a third-party acquisition of WMIH difficult.

WMIH's Certificate of Incorporation and Bylaws currently contain provisions that could make it more difficult for a third party to acquire WMIH, even if doing so might be deemed beneficial by WMIH's stockholders. These provisions could limit the price that investors might be willing to pay in the future for shares of WMIH's common stock. WMIH is also subject to certain provisions of Delaware law that could delay, deter or prevent a change in control of WMIH.

We may need to sell additional shares of WMIH's common stock or other securities in the future to meet WMIH's capital requirements. In such circumstances, the ownership interests of WMIH's stockholders prior to such sale could be substantially diluted.

WMIH has 3,500,000,000 shares of common stock authorized for issuance and 10,000,000 shares of preferred stock authorized for issuance. As of March 1, 2017, WMIH had 206,380,800 shares of its common stock issued and outstanding. The possibility of dilution posed by shares available for future sale could reduce the market price of WMIH's common stock and could make it more difficult for WMIH to raise funds through equity offerings in the future. In fact, WMIH has consummated two corporate financing transactions that are, on an as-converted basis, dilutive to stockholders. Specifically, in connection with our Series A Preferred Stock offering, effective January 30, 2014, WMIH issued 1,000,000 shares of Series A Preferred Stock, which may be converted into 10,065,629 shares of WMIH's common stock, and Warrants to purchase 61,400,000 shares of WMIH's common stock; and on January 5, 2015, in connection with the Series B Preferred Stock Financing, WMIH issued 600,000 shares of Series B Preferred Stock, which may be converted into between 266,666,667 and 342,857,143 shares of WMIH's common stock.

The value of WMIH's common stock may be affected by terms and conditions of the Series B Preferred Stock, which is senior in priority to WMIH's common stock. See "Risk Related to the Series B Preferred Stock".

The redemption or repurchase of our Series B Preferred Stock may have a material adverse effect on holders of WMIH's common stock.

We have limited business operations and assets. If we are obligated to redeem or repurchase some or all of our Series B Preferred Stock on the Series B Redemption Date because we have not completed an Acquisition or Qualified Acquisition prior to such date, it is likely that our business and financial prospects will be adversely affected and the

holders of WMIH's common stock are likely to lose a significant part or all of their investment. While we would expect to seek alternative financing under those circumstances, there can be no assurance such financing would be available at terms we would determine to be acceptable, or at all.

Risks Related to the Embedded Conversion Feature of the Series B Preferred Stock

The embedded conversion feature of the Series B Preferred Stock has caused wide fluctuations in our earnings and on our balance sheet and is likely to continue to do so due to the requirement to reflect the fair value of the embedded conversion feature in our financial statements.

The Series B Preferred Stock is a hybrid financial instrument that contains a mandatory conversion into WMIH's common stock under certain circumstances. Under applicable accounting rules, the fair value of this embedded conversion feature must be determined at the end of each reporting period. Upon any conversion of the Series B Preferred Stock in accordance with its terms, the Series B Preferred Stock will convert into common stock based on the outstanding principal and accrued interest, subject to a floor of \$1.75 per share of WMIH's common stock and a ceiling of \$2.25 per share. The embedded conversion feature results in a derivative liability primarily when WMIH's average stock price exceeds the conversion price and a derivative asset primarily when WMIH's average stock price is less than the conversion price. Any change in the fair value of the embedded conversion feature will constitute other income or expense, as the case may be, in the applicable reporting period. Upon conversion or redemption of the Series B Preferred Stock, any asset or liability related to the embedded conversion would be eliminated. Although a non-cash item, the valuation of the embedded conversion feature has fluctuated widely during the reporting periods and significantly impacted our balance sheet and operating statement.

Risks Related to the Series B Preferred Stock

The Series B Preferred Stock ranks junior to all of our indebtedness and other liabilities.

In the event of our bankruptcy, liquidation, reorganization or other winding-up, our assets will be available to pay obligations on the Series B Preferred Stock only after all of our indebtedness and other liabilities have been paid. The rights of holders of the Series B Preferred Stock to participate in the distribution of our assets will rank pari passu with our Series A Preferred Stock and any parity stock we issue in the future. In addition, we are a holding company and the Series B Preferred Stock effectively ranks junior to all existing and future indebtedness and other liabilities of our subsidiaries and any capital stock of our subsidiaries not held by us. The rights of holders of the Series B Preferred Stock to participate in the distribution of assets of our subsidiaries ranks junior to the prior claims of that subsidiary's creditors and any other equity holders. Consequently, if we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets remaining to pay amounts due on any or all of the Series B Preferred Stock then outstanding. We and our subsidiaries may incur substantial amounts of additional debt and other obligations that will rank senior to the Series B Preferred Stock.

We are obligated to pay dividends on the Series B Preferred Stock under certain circumstances, and we are subject to restrictions on the payment of dividends on, and the redemption or repurchase of, the Series B Preferred Stock.

Dividends on the Series B Preferred Stock are payable only when, as and if declared by our Board or an authorized committee thereof, out of funds legally available therefor. Our Board is not legally obligated to declare dividends.

In addition, under our Certificate of Incorporation, we will be obligated to redeem the Series B Preferred Stock (if not previously converted) on January 5, 2018, and to repurchase the Series B Preferred Stock tendered for repurchase upon certain events. However, we may be unable to redeem or repurchase the Series B Preferred Stock under applicable law or due to contractual restrictions.

Delaware law provides that dividends on the Series B Preferred Stock, or a redemption or repurchase payment on capital stock, may only be paid from "surplus" or, if there is no "surplus," from the corporation's net profits for the then-current or the preceding fiscal year. Unless we operate profitably, our ability to pay dividends on, or redeem or repurchase, the Series B Preferred Stock, would require the availability of adequate "surplus," which is defined as the excess, if any, of our net assets (total assets less total liabilities) over our capital. Since the Effective Date, we have

often not achieved profitability, and when profitable, did not achieve significant profitability. We do not expect to achieve significant profits in the future unless we consummate an acquisition.

We may also enter into debt or other agreements in the future that may restrict us from paying dividends on, or redeeming or repurchasing, the Series B Preferred Stock.

Further, even if we are permitted under our contractual obligations and Delaware law, as applicable, to pay dividends on, or redeem or repurchase, the shares of Series B Preferred Stock, we may not have sufficient cash to do so. See “—We may not have sufficient funds to redeem or repurchase the Series B Preferred Stock or pay dividends.”

We may not consummate an Acquisition or a Qualified Acquisition.

We may not consummate an Acquisition or a Qualified Acquisition due to inability to find an appropriate target company or companies, an inability to obtain appropriate financing, an inability to agree to the terms of an acquisition(s) or for any other reason. Furthermore, uncertainties regarding the form of any financial and federal corporate income tax reforms may inhibit our ability to complete an Acquisition or a Qualified Acquisition. We anticipate that the assessment of each specific target business, and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments relevant to the acquisition of any such target business, will require substantial time and attention on the part of our management and substantial costs for accountants, attorneys and others. If we decide not to complete a proposed Acquisition or Qualified Acquisition that is being pursued, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, if we reach an agreement relating to a specific target business, we may fail to complete our initial business combination for any number of reasons, including those beyond our control. Any such event will result in a loss to us of the related costs incurred which could materially and adversely affect subsequent attempts to locate and acquire or merge with another business.

Furthermore, we expect to encounter intense competition from other entities having a business objective similar to ours, including private investors (which may be individuals or investment partnerships) and other entities, domestic and international, competing for the types of businesses we may consider for acquisition. Many of these individuals and entities are well-established and have extensive experience in identifying and effecting, directly or indirectly, acquisitions of companies operating in or providing services to various industries. Many of these competitors possess greater technical, human and other resources or more local industry knowledge than we do and our financial resources will be relatively limited when contrasted with those of many of these competitors. While we believe there are numerous target businesses we could potentially acquire, our ability to compete with respect to the acquisition of certain target businesses that are sizable may be limited by our available financial resources. This inherent competitive limitation may give others an advantage in pursuing the acquisition of certain target businesses. Furthermore, because we are required to redeem the Series B Preferred Stock (if not previously converted) on January 5, 2018 if we have not consummated a Qualified Acquisition, target companies will be aware of this, which may place us at a competitive disadvantage in successfully negotiating a business combination.

We may also consummate an acquisition or acquisitions that do not constitute a Qualified Acquisition.

We may not have sufficient funds to pay the “Mandatory Redemption Price” which is a price equal to \$1,000 per share of Series B Preferred Stock, plus an amount equal to accrued and unpaid dividends, if any, whether or not declared, in the event we use some of the proceeds from the Series B Preferred Stock Financing to consummate one or more acquisitions that do not constitute a Qualified Acquisition and we may be unable to obtain additional financing to fund such Mandatory Redemption Price. All or a portion of the Series B Preferred Stock automatically converts into WMIH’s common stock upon a Qualified Acquisition or an Acquisition, as the case may be. If a Qualified Acquisition or an Acquisition does not occur, none of the Series B Preferred Stock will convert into WMIH’s common stock. If an Acquisition occurs but a Qualified Acquisition does not occur, only a portion of the Series B Preferred Stock will convert into WMIH’s common stock. See “—We may not have sufficient funds to redeem or repurchase the Series B Preferred Stock or pay dividends.”

The Series B Preferred Stock is not convertible at the option of holders.

All or a portion of the Series B Preferred Stock automatically converts into WMIH’s common stock upon an Acquisition or a Qualified Acquisition, as the case may be. If an Acquisition does not occur, none of the Series B Preferred Stock will convert into WMIH’s common stock. If an Acquisition occurs but a Qualified Acquisition does not occur, only a portion of the Series B Preferred Stock will convert into WMIH’s common stock. Holders of the Series B Preferred Stock have no right to convert their shares of Series B Preferred Stock at their option into WMIH’s common stock. Furthermore, if an Acquisition or a Qualified Acquisition does occur, all or a portion, as the case may

be, of the Series B Preferred Stock will automatically convert into WMIH's common stock at a conversion price no less than the Floor Price (as defined in the Certificate of Incorporation) even if such conversion is unfavorable because WMIH's common stock is trading below the Floor Price.

The price of WMIH's common stock, and therefore of the Series B Preferred Stock, may fluctuate significantly, which may make it difficult for a holder to resell the Series B Preferred Stock or WMIH common stock issuable upon mandatory conversion thereof when a holder wants or at prices a holder may find attractive.

The market price of WMIH's common stock may continue to fluctuate due to a variety of factors, many of which are beyond our control. In addition, financial markets in general (including the stock market) have, of late, experienced extreme volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of WMIH's common stock. Because the Series B Preferred Stock is mandatorily convertible into shares of WMIH's common stock upon the consummation of an Acquisition or a Qualified Acquisition, volatility or depressed prices for WMIH's common stock could have a similar effect on the trading price of the Series B Preferred Stock. Holders who have received shares of WMIH's common stock upon mandatory conversion of their shares of Series B Preferred Stock will also be subject to the risk of volatility and depressed prices.

In addition, the market price of WMIH's common stock could also be affected by possible sales of WMIH's common stock by investors who view the Series B Preferred Stock as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving WMIH's common stock. The hedging or arbitrage could, in turn, affect the trading price of the Series B Preferred Stock or any WMIH common stock that holders receive upon conversion of the Series B Preferred Stock.

The conversion price of the Series B Preferred Stock may not be adjusted for all dilutive events that may adversely affect the market price of the Series B Preferred Stock or the WMIH common stock issuable upon mandatory conversion of the Series B Preferred Stock.

The number of shares of WMIH's common stock that holders of Series B Preferred Stock are entitled to receive upon mandatory conversion of the Series B Preferred Stock is subject to adjustment for certain specified events, including, but not limited to, stock splits, stock recombinations, or tender or exchange offers for common stock of WMIH (which events are more limited than customary for convertible securities because the holders of Series B Preferred Stock participate in dividends on WMIH's common stock on an as converted basis). However, other events, which may adversely affect the market price of WMIH's common stock, may not result in any adjustment, such as the issuance of WMIH's common stock in an acquisition or for cash. Further, if any of these other events adversely affects the market price of WMIH's common stock, we expect it to also adversely affect the market price of our Series B Preferred Stock. In addition, the terms of our Series B Preferred Stock do not restrict our ability to offer WMIH's common stock or securities convertible into WMIH's common stock in the future or to engage in other transactions that could dilute WMIH's common stock. We have no obligation to consider the interests of the holders of our Series B Preferred Stock in engaging in any such offering or transaction.

We may issue additional series of preferred stock that rank equally to the Series B Preferred Stock as to dividend payments and liquidation preference.

Neither our Certificate of Incorporation nor the terms governing the Series B Preferred Stock prohibits us from issuing additional series of preferred stock that would rank equally to the Series B Preferred Stock as to dividend payments and liquidation preference. Our Certificate of Incorporation provides that we have the authority to issue 10,000,000 shares of preferred stock, including the 600,000 shares of Series B Preferred Stock and the 1,000,000 shares of Series A Preferred Stock. The issuances of other series of preferred stock could have the effect of reducing the amounts available to the Series B Preferred Stock in the event of our liquidation, winding-up or dissolution. It may also reduce dividend payments on the Series B Preferred Stock if we do not have sufficient funds to pay dividends on all Series B Preferred Stock outstanding and outstanding parity preferred stock.

Holdings of Series B Preferred Stock will have limited rights with respect to the shares of WMIH common stock issuable upon mandatory conversion of the Series B Preferred Stock until the Series B Preferred Stock is converted,

but may be adversely affected by certain changes made with respect to WMIH's common stock.

Holders of Series B Preferred Stock will have limited rights with respect to the shares of WMIH's common stock issuable upon mandatory conversion of Series B Preferred Stock, including rights to respond to WMIH's common stock tender offers, if any, prior to the issuance of shares of WMIH's common stock upon mandatory conversion, if any, but an investment in our Series B Preferred Stock may be negatively affected by these events. Upon mandatory conversion, a holder of Series B Preferred Stock will be entitled to exercise the rights of a holder of WMIH's common stock only as to matters for which the relevant record date occurs on or after the applicable mandatory conversion date.

Future issuances of preferred stock may adversely affect the market price for WMIH's common stock.

Additional issuances and sales of preferred stock, or the perception that such issuances and sales could occur, may cause prevailing market prices for WMIH's common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us.

We may not have sufficient funds to redeem or repurchase the Series B Preferred Stock or pay dividends.

We are required to redeem the Series B Preferred Stock (if not previously converted) on January 5, 2018 in the event we have not consummated a Qualified Acquisition. The aggregate redemption costs, assuming all 600,000 shares remain outstanding, of all of the Series B Preferred Stock is \$600.0 million, plus accrued and unpaid dividends, if any, whether or not declared. In addition, we are required to offer to repurchase (if not previously converted) the Series B Preferred Stock upon a Change of Control (as such term is defined in Article VI of the Certificate of Incorporation). Furthermore, if and when declared by our Board and until the Series B Preferred Stock is converted, we are required to pay cumulative regular dividends out of funds legally available therefor at an annual rate of 3% per share of the liquidation preference of \$1,000 per share of Series B Preferred Stock. However, we may not have sufficient funds, and we may be unable to obtain additional financing, to make such a redemption, repurchase or pay dividends as required, each of which could have a material adverse effect on the Company and the value of our capital stock. This risk is increased by the fact that we (i) have very limited operations, (ii) in the past have not generated significant cash flows, (iii) may use net proceeds that have been deposited into the escrow account in connection with the Series B Preferred Stock Financing to explore and fund, in whole or in part, acquisitions whether completed or not, including reasonable attorney fees and expenses, accounting expenses, due diligence and financial advisor fees and expenses, and (iv) may consummate an acquisition or acquisitions that do not constitute a Qualified Acquisition (and accordingly may use net proceeds that have been deposited into the escrow account), which may cause us to have insufficient funds to redeem or repurchase the remaining outstanding Series B Preferred Stock as required or pay dividends. The Company will periodically assess our ability to redeem or repurchase the Series B Preferred Stock. If the Company determines that conditions exist that raise substantial doubt about our ability to continue as a going concern within one year after the financial statements are issued or available to be issued, due to our inability to redeem or repurchase the Series B Preferred Stock, and we are unable to demonstrate our ability to refinance or obtain access to additional funding, our auditors could issue a going concern qualification to our financial statements. A "going concern" opinion could impair our ability to finance our operations through the sale of equity, incurrence of debt or other financing alternatives and could have a material adverse effect on the Company and the value of our capital stock.

We may not have sufficient earnings and profits in order for dividends on the Series B Preferred Stock to be treated as dividends for U.S. federal income tax purposes.

The dividends payable by us on the Series B Preferred Stock may exceed our current and accumulated earnings and profits, as calculated for U.S. federal income tax purposes. If that occurs, it will result in the amount of the dividends that exceed such earnings and profits being treated for U.S. federal income tax purposes first as a return of capital to the extent of the holder's adjusted tax basis in the Series B Preferred Stock, and the excess, if any, over such adjusted tax basis as capital gain. Such treatment will generally be unfavorable for corporate holders and may also be unfavorable to certain other holders.

Holders of Series B Preferred Stock may be subject to tax if we make or fail to make certain adjustments to the conversion price of the Series B Preferred Stock even though a holder of Series B Preferred Stock does not receive a corresponding cash distribution.

The conversion price of the Series B Preferred Stock is subject to adjustment in certain circumstances. If the conversion price is adjusted as a result of a distribution that is taxable to WMIH's common stockholders, a holder of Series B Preferred Stock may be deemed to have received a dividend subject to U.S. federal income tax to the extent

of our current and accumulated earnings and profits without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the conversion price after an event that increases a Series B Preferred Stockholder's proportionate interest in us could be treated as a deemed taxable dividend to such holder. If a holder of Series B Preferred Stock is a non-U.S. holder, any deemed dividend may be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable treaty, which may be set off against subsequent payments on the Series B Preferred Stock. A non-U.S. holder is a beneficial owner of Series B Preferred Stock or WMIH's common stock received in respect thereof (other than a partnership or entity treated as a partnership for U.S. federal income tax purposes) and that is not a U.S. holder.

Affiliates of KKR own a substantial amount of equity interests in us, and have other substantial interests in us and agreements with us, and may have conflicts of interest with us or the other holders of our capital stock.

As of March 1, 2017, affiliates of KKR held between 29.4% and 29.9% of WMIH's common stock (after giving effect to the exercise of outstanding Warrants and the conversion of each of the Series A Preferred Stock and the Series B Preferred Stock which have a variable conversion price). Affiliates of KKR are parties to the Investment Agreement and the Investor Rights Agreement (as such terms are defined in Note 8: Financing Arrangements to the consolidated financial information in Part II, Item 8 of this Annual Report on Form 10-K).

As a result, affiliates of KKR may have substantial influence over our decisions to enter into any corporate transaction and may have the ability to prevent any transaction that requires the approval of stockholders regardless of whether other holders of our capital stock believe that any such transactions are in their own best interests. For example, affiliates of KKR could potentially cause us to refrain from making acquisitions in a manner that is not in the best interests of holders of the Series B Preferred Stock, whether or not such acquisitions are in the best interests of holders of WMIH common stock. KKR will not provide oversight of or have control over or be involved with the investment activities or other operations of the Company.

Neither KKR nor its director appointees are required to present us with investment opportunities and may pursue them separately or otherwise compete with us.

Neither KKR nor its director appointees are obligated to present us with investment opportunities. Moreover, each of KKR, our officers and our directors presently has, and any of them in the future may have, additional fiduciary or contractual obligations to another entity pursuant to which KKR, such officer or such director is required to present an acquisition opportunity to such entity. Accordingly, if any of KKR, our officers or our directors becomes aware of an acquisition opportunity which is suitable for an entity to which he or she has then current fiduciary or contractual obligations, it, he or she will honor its, his or her fiduciary or contractual obligations to present such acquisition opportunity to such other entity, and only present it to us if such entity rejects the opportunity. Our Certificate of Incorporation provides that we renounce our interest or expectancy in any corporate opportunity in which KKR or its director appointees seek to participate unless such opportunity (i) was first presented to KKR's director appointees solely in their capacity as directors of WMIH or (ii) is identified by KKR or its director appointees solely through the disclosure of information by or on behalf of us. We will not be prohibited from pursuing an investment opportunity with respect to which we have renounced our interest or expectancy.

Additionally, KKR is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us or that compete with us for acquisitions. KKR may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. In addition, KKR's interest in its portfolio companies could impact our ability to pursue acquisition opportunities.

KKR is not our investment advisor and owes no fiduciary duty to us or to holders of WMIH's common stock, Series A Preferred Stock or Series B Preferred Stock.

KKR is not our investment adviser and otherwise has no advisory, fiduciary or similar relationship with us or with holders of WMIH's common stock or Series B Preferred Stock. KKR is not our sponsor, and the Company is not an investment product offered by KKR. KKR has no obligations (contractual, fiduciary or otherwise) to us, disclaims having any liability for our performance, investments or activities, and will not be responsible for any action or inaction of our management.

Risks Related to WMMRC's Business

General economic conditions that negatively affect housing prices may continue to negatively affect the credit performance of WMMRC's underlying portfolio of mortgage loans and could continue to have an adverse effect on our future performance.

The outlook for the macroeconomic environment remains uncertain and there can be no assurances that recent signs of improvement in the housing and credit markets will continue or improve. Prolonged high unemployment and further deterioration in the housing markets could negatively impact the performance of WMMRC's underlying mortgage assets leading to a potential increase in defaults and losses.

The negative financial performance of the primary mortgage insurers with whom WMMRC does business is likely to negatively affect our financial performance and results.

One or more of the primary mortgage insurers with whom we do business may be vulnerable to adverse market conditions and because of that uncertainty there can be no assurances that such insurers can withstand the current market and financial pressures they may face from time to time. In fact, at least one counterparty is currently operating subject to state supervision. These factors could have negative consequences for WMMRC's cash flows and WMMRC's ability to pay dividends to WMIH in the future, which in turn could adversely affect WMIH's ability to service the Runoff Notes.

WMMRC is dependent on primary mortgage insurers to provide it with services. A disruption in the provision of such services could negatively affect WMMRC's operations and financial performance.

WMMRC depends upon our primary mortgage insurers to provide us with several services, including providing us with the monthly cession statements that provides the basis for our accounting and financial records, information regarding applicable minimum capital thresholds, the establishment of ceded loss reserves, the payment of ceded premium (i.e., revenue) and the withdrawal of funds for paid losses. If our counterparties are unable to provide such services or if such services are otherwise interrupted or modified as a result of actions beyond our control (e.g., the placement of a counterparty into receivership or conservatorship), then such actions may be detrimental to our future financial performance.

Because loss reserve estimates are subject to uncertainties and are based on assumptions that are currently volatile, ceded paid losses may be substantially different from our ceded loss reserves.

The establishment of loss reserves is complex and requires judgment by management about the effect of matters that is inherently uncertain. In addition, establishing such loss reserves requires management to make various assumptions and judgments based on a variety of factors, including frequency of losses, severity of losses and timing of losses. As a result, WMMRC periodically monitors and adjusts its assumptions based on actual loan performance information, market indicators and other factors. Nevertheless, factors outside of WMMRC's control, such as the overall performance of the economy, volatile housing prices, public policy considerations and borrower behavior all influence its assumptions and are subject to considerable change over time.

Loan loss mitigation efforts (including efforts to modify loans, effect short sales, loan rescissions and claim denials) by the firms servicing our underlying reinsured mortgage loans may not be effective.

WMMRC relies on the servicers of the mortgage loans to provide surveillance, loss mitigation and salvage efforts to ensure that the mortgage loans it reinsures are serviced according to the appropriate guidelines and significant efforts are made to ensure a beneficial outcome. Nevertheless, there can be no assurances that such efforts will be successful or have any effect on the ultimate ability of a borrower to satisfy such borrower's obligations under a mortgage WMMRC has reinsured.

Low interest rates can negatively affect WMMRC's financial performance.

A low interest rate environment can negatively affect WMMRC's financial performance. Low interest rates provide an opportunity for generally well-qualified borrowers to refinance their mortgage loans. This typically results in a cancelation of the mortgage insurance policy applicable to such loans and terminates any future premium ceded we would expect from those loans. As a result, the portfolio of mortgage loans WMMRC reinsures could experience a larger percentage in the number of borrowers who are less creditworthy. Additionally, a low-interest rate environment generally results in lower yields on WMMRC's investment portfolio, as maturing investments are generally reinvested at lower yields thereby reducing investment income.

WMMRC is subject to comprehensive regulations, including minimum capital standards, which are subject to change and may harm our business.

WMMRC is domiciled in the State of Hawaii and is subject to the rules and regulations as promulgated by the State of Hawaii and its Insurance Division, its primary state regulator. Foremost among those rules and regulations are minimum capital standards. Management believes that as of December 31, 2016, WMMRC satisfied such minimum capital standards and other applicable rules and regulations. Nevertheless, there can be no assurances of WMMRC's future ability to meet those standards, or as they may be revised.

In addition, WMMRC's business may be affected by legislative or regulatory reforms of the U.S. housing finance system, as well as the application of certain public or private sector programs designed to assist homeowners avoid foreclosure. In each case, these reforms and programs could change the economic behavior of either the mortgage insurance policyholders or the mortgage insurance companies to the detriment of WMMRC. Following the severe financial dislocations of 2008, new, sweeping rules and regulations were promulgated by federal, state and local regulatory authorities, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Because WMMRC is currently operating its business in runoff mode, it has not, to date, needed to materially change any of its business practices in response to various regulatory initiatives, including the Dodd-Frank Act. Nevertheless, there can be no assurances that WMMRC will not be required to undertake changes to its business practices in the future in response to one or more regulatory initiatives.

In addition, WMMRC's reinsurance counterparties with active underwriting and other businesses have disclosed heightened regulatory oversight of their operations, including by the Consumer Financial Protection Bureau ("CFPB") and we cannot predict the extent to which such heightened scrutiny may affect how those counterparties do business with WMMRC. Likewise, neither WMMRC nor its counterparties can predict the full impact various regulatory initiatives currently pending or being considered may have on their respective businesses or operations.

Risks Related to the Runoff Notes

Any trading market that develops for the Runoff Notes may not be liquid; there are restrictions on transfers on the Second Lien Notes and the Runoff Notes are non-recourse.

A liquid market for the Runoff Notes may not develop and we do not currently intend to list the Runoff Notes on any national securities exchange or to seek their quotation on any automated dealer quotation system. If any of the Runoff Notes are traded after their initial issuance, they may trade at a discount from the initial offering price, depending upon prevailing interest rates, the market for similar securities, and other factors, including general economic conditions and our financial condition, performance and prospects.

In addition, the market for non-investment grade debt securities has historically been subject to disruptions that have caused price volatility independent of the operating and financial performance of the issuers of these securities. It is possible that any market for the Runoff Notes will be subject to these kinds of disruptions. Accordingly, declines in the liquidity and market price of the Runoff Notes may occur independent of operating and financial performance. The Second Lien Notes include certain restrictions on accumulation of 4.75% or more of the aggregate principal amount of such notes thereby potentially and significantly limiting a liquid trading market for these notes.

Except in very limited circumstances, holders of the Runoff Notes will have no recourse against WMIH or its subsidiaries for payments due on the Runoff Notes other than against Runoff Proceeds, and there can be no assurance that the runoff proceeds and other recourse assets will be sufficient in amount to cause any unpaid interest and the outstanding principal amount of the Runoff Notes to be paid in full. The Runoff Notes will not be guaranteed by any current or future subsidiaries of WMIH, including WMMRC, and will be effectively subordinate to the liabilities of WMMRC.

Risks Related to WMIH's Emergence from Bankruptcy

Despite having emerged from bankruptcy, WMIH continues to be subject to the risks and uncertainties associated with residual Chapter 11 bankruptcy proceedings.

WMI emerged from bankruptcy on the Effective Date and changed its name to WMI Holdings Corp. and subsequently changed its name to WMIH Corp. as part of its reincorporation in the State of Delaware. Because of the residual risks and uncertainties associated with Chapter 11 bankruptcy proceedings, the ultimate impact of events that occurred during, or that may occur subsequent to, these proceedings will have on WMIH's business, financial condition and results of operations cannot be accurately predicted or quantified. We cannot assure you that having been subject to bankruptcy protection will not adversely affect WMIH's operations going forward.

Because our historical consolidated financial statements reflect fresh start reporting adjustments following emergence from bankruptcy, as well as effects of the transactions contemplated by the Plan, financial information in our future financial statements will not be comparable to WMI's financial information prior to our emergence from bankruptcy.

Following emergence from Chapter 11, we adopted fresh start reporting in accordance with Accounting Standards Codification ("ASC") 852 (Reorganizations), pursuant to which the reorganization value of the entity was assigned to the entity's assets and liabilities in conformity with the procedures specified by ASC 805 (Business Combinations), which requires that the entity measure the identifiable assets and liabilities at their acquisition-date fair values. Adopting fresh start reporting resulted in a new reporting entity with no beginning retained earnings or deficit. In addition to the adoption of fresh start reporting, our post-emergence consolidated financial statements reflect effects of the transactions contemplated by the Plan. Thus, our future balance sheets and results of operations may not be entirely comparable in certain respects to balance sheets and consolidated statements of operations data for periods prior to the adoption of fresh start reporting and prior to accounting for the effects of the reorganization. Our historical financial information may not be indicative of future financial information.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters are located in Seattle, Washington. We lease office space for our Company personnel.

Item 3. Legal Proceedings.

As of December 31, 2016, the Company was not a party to, or aware of, any pending legal proceedings or investigations requiring disclosure at this time.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Since September 28, 2015, WMIH’s common stock has traded on The Nasdaq Capital Market under the trading symbol “WMIH.” From the Effective Date until September 25, 2015, WMIH’s common stock was quoted on the over-the-counter market under the symbol “WMIH.”

The following table shows the range of reported high and low daily closing prices for WMIH’s common stock for each full quarterly period during the years ended December 31, 2016 and December 31, 2015, from the relevant exchange. Relevant over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Period	High	Low
Fourth Quarter – 2016	\$2.28	\$1.30
Third Quarter – 2016	\$2.49	\$2.22
Second Quarter – 2016	\$2.39	\$2.11
First Quarter – 2016	\$2.58	\$2.14
Fourth Quarter – 2015	\$2.94	\$2.25
Third Quarter – 2015	\$2.98	\$2.12
Second Quarter – 2015	\$3.13	\$2.16
First Quarter – 2015	\$2.64	\$2.10

On March 1, 2017, the price of WMIH’s common stock traded on NASDAQ ranged from a high of \$1.35 per share to a low of \$1.25 per share.

Holders

As of March 1, 2017, there were approximately 7,989 stockholders of record of WMIH’s common stock. This does not reflect holders who beneficially own WMIH’s common stock held in nominee or street name.

Dividends

We have not declared or paid any dividends on WMIH’s common stock since the Effective Date. So long as any share of Series B Preferred Stock remains outstanding, no dividend shall be paid on WMIH’s common stock unless and until all accrued and unpaid regular dividends on all outstanding shares of Series B Preferred Stock have been declared and paid in full. Except for dividend payments on the Series B Preferred Stock, we do not anticipate paying any dividends on WMIH’s capital stock at this time or for the foreseeable future. See Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations. See also “Dividend Policy” under Note 2: Significant Accounting Policies, to the consolidated financial information in Item 8 of this Annual Report on Form 10-K and Note 8: Financing Arrangements, to the consolidated financial information in Item 8 of this Annual Report on Form 10-K.

Securities Authorized for Issuance under Equity Compensation Plans

Information regarding securities authorized for issuance under equity compensation plans is included in Item 12 of this Annual Report on Form 10-K.

Sales of Unregistered Equity Securities

On March 19, 2012, pursuant to the Plan, WMIH issued 200,000,000 shares of its common stock. The Company relied on Section 1145(a)(1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act the issuance of the new securities.

On October 18, 2012, WMIH issued a total of 1,156,078 restricted shares of its common stock under the Company's 2012 Long-Term Incentive Plan (the "2012 Plan") to outside directors. On August 13, 2013, 686,273 restricted shares of WMIH's common stock were issued under the 2012 Plan to outside directors. The restricted shares vest in three equal installments commencing on the date of grant over a three year period (subject to continued service as a director through each vesting date and subject to certain stock ownership guidelines in which the director must at all times during service on the Board hold shares of WMIH's common stock equal to 50% of the aggregate number of shares awarded to the director as director compensation and that have vested, and such shares may not be sold without the prior approval of the Compensation Committee). Effective February 10, 2014, we increased the number of shares reserved and available for awards under our 2012 Plan from 2.0 million to 3.0 million shares of WMIH's common stock and issued 250,000 restricted shares to members of our Corporate Strategy and Development Committee and Michael Willingham, the current Chairman of the Board's Audit Committee and former Chairman of the Board. On June 4, 2014, 250,894 restricted shares of WMIH's common stock were issued under the 2012 Plan to our outside directors. Effective February 25, 2015, we increased the number of shares authorized and available for awards under the 2012 Plan from 3.0 million to 12.0 million shares of WMIH's common stock, subject to approval of stockholders of WMIH, which approval was subsequently received on April 28, 2015 at our annual meeting. On April 28, 2015, 269,234 restricted shares of WMIH's common stock were issued under the 2012 Plan to outside directors. On May 15, 2015, WMIH issued a total of 3,555,556 restricted shares (1,777,778 restricted stock grants each) to William C. Gallagher and Thomas L. Fairfield under the 2012 Plan. On June 1, 2016, 212,765 restricted shares of WMIH's common stock were issued under the 2012 Plan to outside directors. We issued these shares relying on Section 4(a)(2) of the Securities Act, and Rule 506 of Regulation D thereunder.

1,000,000 shares of Series A Preferred Stock, and warrants to purchase 61,400,000 shares of WMIH's common stock were issued effective January 30, 2014, in reliance on Section 4(a)(2) of the Securities Act, and Rule 506 of Regulation D thereunder.

In connection with the Series B Preferred Stock Financing, 600,000 shares of Series B Preferred Stock were issued effective January 5, 2015 in reliance on Section 4(a)(2) of the Securities Act, and Rule 506 of Regulation D thereunder.

Performance Graph

The following graph shows the cumulative total stockholder return for WMIH's common stock during the period from the Effective Date to December 31, 2016. Five-year historical data is not present