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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-K**

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**ANNUAL REPORT PURSUANT TO SECTION 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 Number: 000-54922

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**WMI LIQUIDATING TRUST**

(Exact name of Registrant as specified in its charter)

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Delaware  
(State or other jurisdiction  
of incorporation)

45-6794330  
(I.R.S. Employer  
Identification No.)

800 Fifth Avenue, Suite 4100, Seattle, Washington  
(Address of principal executive offices)

98104  
(Zip Code)

Registrant's telephone number, including area code: 206-922-2956

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

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

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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 Exchange 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



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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 (§229.405 of this chapter) 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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2016:

Not applicable. Interests in the WMI Liquidating Trust are not transferable or assignable except by will, intestate succession or operation of law.

**DOCUMENTS INCORPORATED BY REFERENCE**

NONE

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**WMI LIQUIDATING TRUST  
2016 FORM 10-K**

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## INTRODUCTORY NOTE

As used in this Annual Report on Form 10-K, unless the context otherwise requires, the terms “we,” “us,” “our,” and “the Trust” refer to WMI Liquidating Trust; the use of “WMI” refers to Washington Mutual, Inc.; and the use of “Reorganized WMI” refers to WMIH Corp, formerly known as WMI Holdings Corp.

The Trust is following the modified reporting methodology under the Securities Exchange Act of 1934, as amended (“Exchange Act”), that is described in the REMEC Liquidating Trust no-action letter, issued by the Division of Corporation Finance of the Securities and Exchange Commission (“SEC”) on March 28, 2011 (the “REMEC No-Action Letter”). In accordance with the approach outlined in the REMEC No-Action Letter and the accompanying request, during the life of the Trust, the Trust will not file Quarterly Reports on Form 10-Q with the SEC, but will timely file (i) Annual Reports on Form 10-K containing unaudited financial statements, and (ii) Current Reports on Form 8-K to report material events as they occur. The Trust, created on March 6, 2012, when WMI and WMI’s wholly-owned subsidiary, WMI Investment Corp. (“Investment” and collectively with WMI, the “Debtors”), entered into a liquidating trust agreement (as amended, the “Trust Agreement”) with William C. Kosturos, as the liquidating trustee (the “Liquidating Trustee”), and Delaware Trust Company (formerly known as CSC Trust Company of Delaware) as the Delaware resident trustee (the “Resident Trustee”), has a calendar fiscal year. The Trust did not own or otherwise hold title to any assets or otherwise engage in any activity until March 19, 2012, the effective date of the Debtors’ chapter 11 plan (the “Effective Date”) as described below in Item 1 of Part 1 of this Form 10-K.

### Forward-Looking Statements

This Annual Report on Form 10-K may contain certain estimates, statements of belief and assumptions that may be deemed to be “forward-looking statements” within the meaning of Section 21E of the Exchange Act, and/or may be covered by the “Bespeaks Caution” doctrine applied by the courts under the antifraud provisions of the federal securities laws. Such forward-looking statements represent our current expectations, assumptions, estimates and projections about the Trust and include, but are not limited to, the following:

- any statements regarding the execution and timing of any future actions by the Trust (including the amount and timing of any proposed distributions to the Trust’s beneficiaries);
- any statements regarding future expenses associated with the Trust;
- any statements regarding the disposition of our remaining assets; and
- any statements regarding the resolution of any outstanding claims and liabilities.

Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates” or variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future payments to holders of beneficial interests in the Trust and are subject to risks and uncertainties that are difficult to predict. Our actual results could differ materially from those anticipated in such forward looking statements as a result of certain factors, as more fully described elsewhere in this report. Readers are urged to carefully review and consider the various disclosures we make, which advise them of the factors that may affect the Trust, including without limitation, the disclosures made under Part I, Item 1A, “Risk Factors,” and Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included herein, and throughout this Annual Report on Form 10-K for 2016. The important factors listed in these disclosures, which could cause our actual results to differ materially from the forward-looking statements contained herein, include, but are not limited to, the following:

- the Trust’s ability to obtain the approval of the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) with respect to motions in the chapter 11 case of the Debtors prosecuted by the Trust from time to time;
- the Trust’s ability to resolve disputed claims and liabilities;
- risks associated with any lawsuits and other claims that might be brought against the Debtors or by or against the Trust in the future during the remaining term of the Trust;
- the variability in the actual value to be realized from monetizing many of the Trust’s assets, including the resolution of tax litigation and refunds;
- the limited liquidity available for the beneficial interests in the Trust (referred to herein as “Liquidating Trust Interests” or “LTIs”), which interests are non-certificated and non-transferable other than by will, intestate succession or operation of law; and

- the risk that an LTI holder will be subject to tax notwithstanding that such LTI holder did not actually receive cash from the Trust as described more fully herein (LTI holders are taxed as if they directly receive their allocable portion of any Trust income, gain, deduction or loss associated with the Trust's activities regardless of whether a contemporaneous or commensurate cash distribution is actually made to such LTI holder).

In light of these risks, uncertainties and assumptions, readers are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements represent beliefs and assumptions only as of the date of this report. We do not intend to update publicly any forward-looking statements, even if new information becomes available or other events occur in the future, except as otherwise required pursuant to our on-going reporting obligations under the Exchange Act.

## PART I

### Item 1. Business.

Our principal executive office is located at 800 Fifth Avenue, Suite 4100, Seattle, Washington 98104, and our telephone number is (206) 922-2956. Our annual reports on Form 10-K, current reports on Form 8-K and any amendments to those reports and other SEC filings are electronically filed with, or furnished to, the SEC. All reports filed by the Trust with the SEC are available free of charge via EDGAR through the SEC website at [www.sec.gov](http://www.sec.gov). In addition, the public may read and copy materials filed by the Trust with the SEC at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549 or by calling the SEC at (202) 551-8090. The Trust also provides access to its most recently filed reports through the Trust's website at [www.wmitrust.com](http://www.wmitrust.com) after filing such material with the SEC.

### Overview of Chapter 11 Bankruptcy of the Debtors and Liquidating Trust Agreement

On September 26, 2008 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the Bankruptcy Court (Case No.08-12229 (MFW)) after the Director of the Office of Thrift Supervision appointed the Federal Deposit Insurance Corporation (the "FDIC") as receiver for Washington Mutual Bank ("WMB"), a subsidiary of WMI, and advised WMI that the receiver was immediately taking possession of WMB's assets. Immediately after its appointment as receiver, the FDIC sold substantially all the assets of WMB, including the stock of WMB fsb, to JPMorgan Chase Bank, National Association ("JPMC"), pursuant to that certain Purchase and Assumption Agreement, Whole Bank, dated September 25, 2008 (the "Purchase and Assumption Agreement").

On December 12, 2011, the Debtors filed with the Bankruptcy Court the Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code (the "Filed Plan") and a related disclosure statement (the "Disclosure Statement"). The Filed Plan was subsequently amended by the Modification of Seventh Amended Plan, dated January 9, 2012, the Second Modification of Seventh Amended Plan, dated January 12, 2012, and the Third Modification of Seventh Amended Plan, dated February 16, 2012 (the Filed Plan, along with all modifications, the "Plan"). The Plan provides for, among other things, the formation of the Trust.

On February 24, 2012, the Bankruptcy Court entered an order confirming the Plan (the "Confirmation Order"). The Plan, the Disclosure Statement and the Confirmation Order have previously been filed with the SEC and are incorporated herein by reference.

On March 6, 2012, (a) the Trust was formed when, pursuant to the Plan, the Debtors entered into the Trust Agreement with the Liquidating Trustee and the Resident Trustee, and (b) the initial members of the Trust's advisory board (the "Trust Advisory Board" or "TAB") were appointed. The TAB is responsible for approving certain decisions of the Liquidating Trustee subject to and as further described in the Trust Agreement. The Trust Agreement has previously been filed with the SEC and is incorporated herein by reference.

On the Effective Date, the Plan became effective and a notice of the Effective Date of the Plan was filed with the Bankruptcy Court. Reorganized WMI, as a successor of WMI, filed a Form 8-K with the SEC on March 23, 2012 disclosing, among other things, (a) the occurrence of the Effective Date and the emergence of Reorganized WMI from the Debtors' chapter 11 case, (b) the transfer of certain of the Debtors' assets to the Trust, as further described below (which assets are referred to herein as the "Liquidating Trust Assets"), (c) the cancellation of WMI's existing equity interests, (d) the amendment of Reorganized WMI's articles of incorporation and bylaws, and (e) the issuance by Reorganized WMI of 200,000,000 shares of new common stock to (A) holders of certain allowed claims against, or former equity interests in, the Debtors, and (B) a disputed equity escrow that is administered by the Liquidating Trustee as escrow agent (the "Disputed Equity Escrow").

The Trust is a successor-in-interest to the Debtors for certain limited purposes and, as such, is responsible for future reporting to the Bankruptcy Court with respect to the Debtors' chapter 11 cases. Such reporting obligations include the filing of quarterly summary reports ("QSRs") with the Bankruptcy Court, which reports are prepared by the Trust for the purpose of complying with the quarterly operating guidelines as described in the Chapter 11 Trustee Handbook, United States Department of Justice, May 2004, in accordance with 28 U.S.C. §1746(2). The QSRs are also filed by the Trust with the SEC under cover of Form 8-K. In addition to the foregoing, from and after the Effective Date, the Trust has reported other material events on a timely basis as they occurred pursuant to Form 8-Ks filed with the SEC.

On or shortly after the Effective Date, the Liquidating Trust Assets were transferred to the Trust pursuant to the Plan for the benefit of certain holders of claims against, or equity interests in, the Debtors (the "Trust Beneficiaries"). Trust Beneficiaries who were projected to receive value on account of their Allowed Claims (as defined in the Plan) against the Debtors have been issued LTIs evidencing their right to receive distributions from the Trust if and to the extent sufficient cash is available with respect thereto. If and when

distributions from the Trust become available to Trust Beneficiaries who have not received LTIs to date, additional LTIs will be issued to such Trust Beneficiaries in accordance with the Plan and the distribution priorities that are summarized in Annex C of the Trust Agreement.

The Liquidating Trust Assets consisted of all of the assets of the Debtors as of the Effective Date (for a current description of the assets, see Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included herein), *other than*:

- assets distributed to JPMC pursuant to that certain Second Amended and Restated Settlement Agreement, dated February 7, 2011, by and among the Debtors, the FDIC, JPMC, and the other parties thereto (the “Global Settlement Agreement”);
- WMI’s equity interests in (i) Investment (all the assets of which were contributed to the Trust or were transferred to JPMC pursuant to the Global Settlement Agreement), (ii) WM Mortgage Reinsurance Company, Inc. (“WMMRC”), a wholly-owned subsidiary of Reorganized WMI, and (iii) WMB (substantially all of whose assets were sold to JPMC on September 25, 2008, pursuant to the Purchase and Assumption Agreement, and whose stock was abandoned by WMI shortly before the Effective Date);
- \$4.7 billion (as of the Effective Date) of net operating losses of the Debtors;
- cash to be distributed on the Effective Date pursuant to the Plan to holders of certain Allowed Claims against the Debtors;
- cash necessary to pay the fees and expenses owed to certain creditors’ professionals;
- cash necessary to reimburse the Debtors for fees and expenses incurred in connection with initial distributions made by the Debtors as disbursing agent under the Plan;
- the economic interest retained by the Debtors in certain litigation proceeds; and
- Creditor Cash (as defined in the Plan) on the Effective Date.

Unless stated otherwise, any financial information contained in this Form 10-K uses approximate dollar amounts due to rounding.

The sole purpose of the Trust is to hold, manage and administer the Liquidating Trust Assets and distribute the proceeds thereof, if any, to LTI holders. The Trust will not, at any time, engage in the conduct of any trade or business other than the liquidation and distribution of the Liquidating Trust Assets, and is intended to qualify as a “liquidating trust” for U.S. federal income tax purposes as further discussed below under “U.S. Federal Income Tax Treatment.”

Pursuant to an order of the Bankruptcy Court dated, January 23, 2015, the Trust’s initial term of three (3) years was extended for up to three (3) additional years. As a result, the term of the Trust may run through March 19, 2018 (unless dissolved earlier or otherwise extended).

LTIs are not transferable except by will, intestate succession or operation of law.

## **Period from Effective Date through December 31, 2016 and Recent Developments**

### *Initial Distribution*

The Plan and Global Settlement Agreement became effective on the Effective Date. On or about the Effective Date, the Debtors distributed \$6.5 billion of cash to creditors with Allowed Claims (“Initial Distribution”). The assets transferred to the Trust on or about the Effective Date included \$725.8 million of cash and cash equivalents for the Disputed Claims Reserve (as defined below), which represented cash that would have been distributed to holders of claims as part of the Initial Distribution had such claims been allowed as of the Effective Date.

### *Distributions*

The proceeds in excess of expenses and liabilities that are obtained during the life of the Trust will be distributed to LTI holders in accordance with the distribution procedures and priorities set forth in the Plan and Annex C of the Trust Agreement. These distribution procedures include a reserve mechanism (the “Disputed Claims Reserve” or “DCR”) to allow for the resolution of claims that are disputed, in whole or in part, as of the Effective Date (or as amended and reinstated after the Effective Date by order of the Bankruptcy Court) and the issuance of LTIs and distribution of Runoff Notes (as defined herein) in respect thereof if and when such claims are allowed.

Subject to certain limited exceptions as set forth in the Trust Agreement, the Liquidating Trustee is required to distribute to LTI holders on account of their LTIs, on each Distribution Date (as defined below), all cash then on hand, except (i) an amount of the Liquidating Trust Assets set aside to fund the Trust's activities (the "Funding"), which amount was \$60 million as of the Effective

Date, and, out of which, \$20 million as of the Effective Date (the “Litigation Funding”) was allocated to, and set aside in a reserve (the “Litigation Reserve”), the Litigation Subcommittee (the “Litigation Subcommittee”), a subcommittee of the TAB, to be used for the prosecution of Recovery Claims (as defined below), (ii) such other amounts as are retained on account of any remaining disputed claims in the Disputed Claims Reserve, and (iii) after taking into account the Funding, such additional amounts (A) as are reasonably necessary to meet contingent liabilities and to maintain the value of the Liquidating Trust Assets pending their liquidation during the term of the Trust, (B) as are necessary to pay reasonably incurred or anticipated expenses (including, but not limited to, any taxes imposed on or payable by the Debtors or the Trust or in respect of the Liquidating Trust Assets), or (C) as are necessary to satisfy other liabilities incurred or anticipated by the Trust in accordance with the Plan, the Global Settlement Agreement, or the Trust Agreement. Provided the applicable conditions as set forth in the Trust Agreement with respect to the making of a distribution have been satisfied, “Distribution Date” is defined in the Trust Agreement to mean the first day of the second month in each fiscal quarter during the term of the Trust or such other dates that the Liquidating Trustee determines, in consultation with the TAB, are appropriate from time to time provided that there is at least one such date in each fiscal quarter during the term of the Trust. Subject to the exculpation and release provisions of the Plan, the term “Recovery Claims” is defined collectively in the Trust Agreement to mean (x) claims against present and former officers and directors of the Debtors for actions arising during the period prior to the Petition Date, (y) claims against professionals and representatives retained by the Debtors with respect to conduct that occurred prior to the Petition Date, and (z) claims based on conduct that occurred prior to the Petition Date against third-parties for any non-contractual breach of duty to WMI, including, but not limited to, antitrust claims and business tort claims. For a discussion of current legal proceedings, see Part I, Item 3 (a) “Material Legal Proceedings.”

The chart below summarizes the distributions made to LTI holders subsequent to the Initial Distribution (in millions):

Distribution Date	Paid to LTI holders	Paid to Disputed Claims Reserve	Total	Notes	Date on which notice of distribution was filed with SEC under cover of Form 8-K
Total – 2012	\$570.4	\$ 49.8	\$620.2		
Total – 2013	\$ 44.5	\$ 1.1	\$ 45.6		
May 1, 2014	\$106.6	\$ 2.3	\$108.9	Runoff Notes distributed to Tranche 4a and 4b. Tranche 4a LTIs have been paid in full. (Amount represents estimated fair market value of distribution. LTIs were reduced by a lesser amount calculated pursuant to the Plan, or \$93.1 million).	April 29, 2014
August 1, 2014	77.2	1.2	78.4	Paid to Tranche 4b	July 30, 2014
Total – 2014	\$183.8	\$ 3.5	\$187.3		
August 1, 2015	\$ 52.9	\$ 0.7	\$ 53.6	In addition to the amount paid to LTI holders, LTIs held by creditors that made an election to receive Reorganized WMI stock, as and when stock is distributed, if ever, were reduced by a pro rata share of amounts paid to Reorganized WMI, in June 2015, based on Directors & Officers Litigation Settlement. See discussion of Directors & Officers Litigation.	July 31, 2015
Total – 2015	\$ 52.9	\$ 0.7	\$ 53.6		
Total – 2016	\$ 0.0	\$ 0.0	\$ 0.0	No distributions to LTIs in 2016.	
Total – Cumulative	\$851.6	\$ 55.1	\$906.7		

Subsequent to the periods set forth in the chart above, on February 1, 2017, the Trust distributed \$18.8 million to LTI holders. Such distribution was comprised of \$17.3 million of cash and \$1.5 million of foreign withholding taxes paid on behalf of certain LTI holders earlier in the year. The principal source of funds for the February 1 distribution was a distribution of \$27.0 million from the Tax Refund Escrow on December 23, 2016.

In addition to the distributions set forth above, the Trust made the following distributions with respect to Allowed Claims which became payable subsequent to the Initial Distribution:

Date Allowed Claim deemed allowed	Distribution Date	Amount (in millions)
Total 2012		\$ 35.2
Total 2013		\$ 4.1
March 31, 2014	April 11, 2014	\$ 12.9
September 30, 2014	August 21, 2014	\$ 0.2
Total – 2014		\$ 13.1
June 30, 2015	August 1, 2015	\$ 7.3
Total – 2015		\$ 7.3
Total – 2016		\$ 0.0
Total – Cumulative		\$ 59.7

### *U.S. Federal Income Tax Treatment*

The Trust, as a liquidating trust, is intended to qualify as a “grantor trust” for U.S. federal income tax purposes other than as discussed below with respect to the DCR portion of the Trust. A grantor trust, as a pass-thru entity, is generally not treated as a separate taxpaying entity and, as such, it is not anticipated that the Trust will be subject to U.S. federal income taxation other than as discussed below with respect to the DCR portion of the Trust.

Instead, each LTI holder is treated for U.S. federal income tax purposes as a direct owner of an indivisible portion of the underlying assets of the Trust (other than those held on account of disputed claims in the DCR) reflective of its relative economic interest in the Trust. Accordingly, each LTI holder is taxed as if directly receiving any income, gain, deduction or loss with respect to its portion of the underlying assets of the Trust, regardless of whether a contemporaneous or commensurate cash distribution is made to the holder by the Trust.

The Trust will provide a beneficiary tax information letter to LTI holders with tax information for their 2016 tax returns on or about April 1, 2017. LTI holders are urged to consult their own tax advisors as to their own filing requirements and the appropriate tax reporting of this information on their returns.

Pursuant to the Plan and the Trust Agreement, the Liquidating Trustee (A) treats the DCR as a “disputed ownership fund” governed by Treasury Regulation section 1.468B-9, and (B) to the extent permitted by applicable law, reports consistently with the foregoing for state and local income tax purposes. Accordingly, the DCR is a separate taxable entity for U.S. federal income tax purposes, and all distributions from such reserve are taxable to such reserve as if sold at fair market value. Any distributions from the DCR will be treated for U.S. federal income tax purposes as if received directly by the recipient from the Debtors on the original claim or equity interest of such recipient.

Further information regarding certain U.S. federal income tax considerations associated with the Liquidating Trust and the implementation of the Plan is set forth in Part IX of the Disclosure Statement.

### **Segment Information**

We do not report segment information because the Trust is a liquidating trust that has no ongoing operating business.

### **Employees**

The Liquidating Trustee, William C. Kosturos, in his capacity as the trustee of the Trust, is responsible for administering the Trust. Mr. Kosturos is an employee of Alvarez & Marsal and, in his capacity as the Liquidating Trustee, is paid a monthly fee for the provision of his services during the term of the Trust, as further described in this Form 10-K under Item 11.

The Trust Agreement also provides for the establishment of the TAB, which is responsible for approving certain decisions of the Liquidating Trustee and is currently comprised of seven (7) members. The members of the TAB are paid an annual fee and are entitled to receive additional incentive compensation based on the achievement of certain performance thresholds as further detailed in the Trust Agreement. For further information regarding the TAB, please refer to Items 10 and 11 of this Form 10-K.

The Trust Agreement also provides for a subcommittee of the TAB, the Litigation Subcommittee, to oversee prosecution of Recovery Claims and the defense of proposed settlements, abandonments or dispositions of claims asserted against the Trust (other than *de*

*minimis* GUC Claims (as defined in the Plan) or claims previously asserted against the Debtors or the Debtors' estates within Class 17A (WMB Senior Notes Claims), Class 17B (WMB Subordinated Notes Claims) and Class 18 (Subordinated Claims)). The Litigation Subcommittee was comprised of four (4) members, each of whom was entitled to receive \$10,000 of additional annual base compensation for their services. The Litigation Subcommittee was suspended on January 1, 2016, but may be reestablished should the need arise, as determined by the TAB. For further information regarding the Litigation Subcommittee, please refer to Items 10 and 11 of this Form 10-K.

Pursuant to the Trust Agreement, the Trust may, but is not be required to, from time to time enter into contracts with, consult with and retain additional employees, officers and independent contractors, including attorneys, accountants, appraisers, disbursing agents or other parties deemed by the Liquidating Trustee to have qualifications necessary or desirable to assist in the proper administration of the Trust (collectively, the "Trust Professionals"), on such terms as the Liquidating Trustee deems appropriate.

In addition to the foregoing, the following individuals are currently executive officers and/or employees of the Trust as specified below:

Name	Title
John Maciel*	Executive Vice President, Chief Financial Officer
Charles Edward Smith	Executive Vice President, General Counsel & Secretary
Doreen Logan	Executive Vice President, Controller and Treasurer

\* Trust Professional

#### **Item 1A. Risk Factors.**

The following risk factors should be carefully reviewed because such factors may have a significant impact on the timing and amount of future distributions, if any, to the Trust Beneficiaries. As a result of the risk factors set forth below and elsewhere in this Form 10-K, and the risks discussed in our other filings with the SEC, actual results could differ materially from those projected in any forward-looking statements.

#### ***The Trust cannot be assured of the exact amount or timing of any future distribution to Trust Beneficiaries.***

The administration of the Trust is subject to numerous uncertainties and may result in less than anticipated or no remaining assets available for future distribution to Trust Beneficiaries. The precise nature, amount and timing of any future distribution to the Trust Beneficiaries will depend on and could be delayed by, among other things, (i) the Trust's ability to obtain Bankruptcy Court approval with respect to motions in the Debtors' chapter 11 cases prosecuted by the Trust from time to time; (ii) the Trust's ability to resolve disputed claims; (iii) risks associated with any litigation and other claims that might be brought against the Debtors or by or against the Trust in the future during the term of the Trust; and (iv) risks associated with the illiquid nature of the LTIs issued by the Trust, which are non-certificated and non-transferable other than by will, intestate succession or operation of law. The estimates provided are based on currently available information, and actual distributions, if any, could be less than or more than the range we have estimated.

#### ***Amount of claims could be more than projected.***

The allowed amount of certain claims that are currently disputed could be more than projected in the Disclosure Statement, which in turn, could cause the value of distributions to certain Trust Beneficiaries to be reduced substantially or in whole. In addition, certain claims may continue to accrue post-Petition Date interest such that delays in distributions are likely to reduce distributions available for other Trust Beneficiaries.

#### ***Subordinated claims will be paid prior to any distribution to former holders of equity interests in WMI.***

Trust Beneficiaries who were projected to receive value on account of their Allowed Claims against the Debtors have been issued LTIs evidencing their right to receive distributions from the Trust if, and to the extent, sufficient cash is available with respect thereto. If and when distributions from the Trust become available to Trust Beneficiaries who have not received LTIs to date, additional LTIs will be issued to such Trust Beneficiaries in accordance with the Plan and the distribution priorities that are summarized in Annex C of the Trust Agreement.

Pursuant to the Plan, holders of claims in Class 18 (“Subordinated Claims”) will receive distributions before the holders of claims in Classes 19, 21 and 22 (the former holders of equity interests in WMI (“Equity Interests”). As of December 31, 2016, outstanding allowed Subordinated Claims totaled \$38.2 million. In addition, during the Debtor’s bankruptcy proceedings, the Bankruptcy Court ordered that certain Class 17B claims (defined in the Plan as WMB Subordinated Notes Claims) be subordinated to the level of Class 18.

Such Class 17B claims remain disputed and unliquidated. The allowance of any Subordinated Claims (including WMB Subordinated Notes Claims) would affect the amount, if any, of distributions that would otherwise be available to the former holders of Equity Interests. For additional information regarding these matters, see Item 3 of this Form 10-K under “WMB Subordinated Debt Misrepresentation Claims.”

Furthermore, and as discussed in more detail in Item 3 of this Form 10-K under “Mortgage Pass-Through Litigation”, the Bankruptcy Court has indicated that it will allow one Claimant to re-file its proof of claim as either a General Unsecured Claim (as defined in the Plan) or a Subordinated Claim, as determined by the Court, when recoveries become available to holders of Subordinated Claims. Such re-filing, and the ultimate resolution of any such claim may affect the amount, if any, of distributions that would otherwise be available to former holders of Equity Interests.

***Liquidation basis accounting requires certain assumptions that may result in actual results being materially different from those that have been estimated.***

The Trust presents its financial statements in accordance with liquidation basis accounting, which requires the reporting entity to report its assets and liabilities based on net realizable values, or the cash the Trust expects to receive for its assets and the estimated settlement amounts for its liabilities. For purposes of the QSRs that the Trust has filed with the Bankruptcy Court and the SEC under cover of Form 8-K on a quarterly basis since the Effective Date, management has used the fair market values assigned to the Trust’s assets for federal tax reporting purposes. Valuation of assets requires management to make difficult estimates and judgments. Management uses the services of an independent valuation firm in connection with estimating the value of certain of the Trust’s assets. Estimates necessarily require assumptions, and changes in such assumptions over time could materially affect the reported results. Due to the inherently uncertain nature of estimates and the underlying assumptions, the actual net cash to be received by the Trust from the actual liquidation of assets and settlement of liabilities likely will be different than reported by the Trust from time to time. Ongoing adjustments and reconciliations will be reflected in future QSRs filed with the Bankruptcy Court and the SEC under cover of Form 8-K and future annual reports filed on Form 10-K.

***The amount of cash realized from monetizing the Liquidating Trust Assets could be less than projected.***

The amounts recorded on the Consolidated Statement of Net Assets in Liquidation as of December 31, 2016 that forms part of this Form 10-K reflect the estimated net realizable value of the Liquidating Trust Assets. In the event that the net realizable value thereof is less than projected, the Trust will have less cash to distribute to Trust Beneficiaries.

***The Trust will continue to incur liabilities and expenses that will reduce the amount available for distribution to Trust Beneficiaries.***

The Bankruptcy Court entered an order in January 2015 extending the term of the Trust through March 19, 2018 (unless dissolved earlier or otherwise extended). As a result, liabilities and expenses associated with the operation and administration of the Trust, such as employee compensation, fees paid to members of the TAB, office space expenses, insurance, legal, accounting and consulting fees and other expenses incurred in the liquidation process, will continue to be incurred as the Liquidating Trustee administers the Trust and provides for the distribution of the Liquidating Trust Assets to Trust Beneficiaries. These expenses and liabilities will reduce the amount of Liquidating Trust Assets available for future distribution to Trust Beneficiaries. The Trust has accrued a liability that reflects its estimate of the expenses that will be incurred during the liquidation of the Liquidating Trust Assets. As mentioned elsewhere in this Form 10-K, due to the inherently uncertain nature of estimates and certain underlying assumptions, actual cash spent on such expenses is likely to be different than the liability for expenses recorded by the Trust for the period ended December 31, 2016. The Trust believes such estimates and assumptions are reasonable under the Trust’s currently existing facts and circumstances. Nevertheless, the Trust’s operational facts and circumstances are subject to change and amounts required to operate and administer the Trust could be significantly higher than estimates and assumptions made by the Trust as of December 31, 2016.

***An increase in operating expenses beyond the current estimate could result in liquidity issues for the Trust.***

If the Trust’s actual expenses exceed the Funding, the Trust could experience significant illiquidity unless other assets are liquidated or otherwise available to be monetized. If liquidity issues arise, there is no assurance that the Trust will be able to liquidate or monetize any assets in a timely manner or that such liquidation or monetization will result in sufficient cash to fund the Trust’s activities.

***Subject to certain limited exceptions, the Liquidating Trust Interests are not transferable or assignable.***

LTIs are not transferable or assignable except by will, intestate succession or operation of law. Accordingly, there is no liquid trading market in the LTIs.

***A new Liquidating Trustee may need to be appointed to complete the distribution of the Liquidating Trust Assets, which could delay the final distribution of Liquidating Trust Assets and dissolution of the Trust.***

The Trust Agreement provides, that in the event of the resignation, removal, incapacity or other reason for the Liquidating Trustee's inability to continue to serve as Liquidating Trustee, a successor Liquidating Trustee will be appointed by a majority of the TAB or, if a successor Liquidating Trustee is not appointed by the TAB within 30 days after the Liquidating Trustee ceases to serve in that role, then by the Bankruptcy Court. In such event, there may be a delay in the administration of the Trust while the successor trustee is appointed and takes office, which may delay the final distribution of the Liquidating Trust Assets and the dissolution of the Trust.

***The Trust has limited personnel resources which could adversely affect its operations.***

The Trust has very limited staffing and management resources and is highly dependent on Trust Professionals and a limited number of employees to carry out its operations and manage its affairs. While Trust Professionals and the Trust's employees are engaged or employed, as the case may be, pursuant to currently effective engagement letters or employment agreements, such engagement letters or employment agreements can be terminated in accordance with their terms and one or more of such terminations, if effected prior to the expiration of the term of the Trust, could materially and adversely affect the Trust's operations, delay completion of the recovery and liquidation of Liquidating Trust Assets, and/or delay and/or reduce distributions of Liquidating Trust Assets to Trust Beneficiaries.

***An LTI holder is taxed as if directly receiving any income, gain, deduction or loss with respect to its underlying portion of the underlying assets of the Trust.***

An LTI holder is taxed as if directly receiving any income, gain, deduction or loss with respect to the holder's portion of the underlying assets of the Trust, regardless of whether a contemporaneous or commensurate cash distribution is actually made to such holder by the Trust. Accordingly, there is a risk that an LTI holder will be taxed without receiving cash or other property from the Trust.

***Trust Beneficiaries have no direct or indirect authority with respect to the administration of the Trust.***

Subject to the Plan, the Global Settlement Agreement and the provisions of the Trust Agreement, including the oversight and approval rights that are set forth in the Trust Agreement with respect to the TAB, the Litigation Subcommittee and the Bankruptcy Court, the Liquidating Trustee has primary control over the day-to-day administration of the Trust, and the Trust Beneficiaries have no direct or indirect authority with respect to such administration.

***Undeliverable distributions will result in the cancellation of a holder's entitlement to a distribution.***

A distribution may be undeliverable (or deemed to be undeliverable) to a holder of an Allowed Claim where (i) such holder does not negotiate a check received by such holder on account of an Allowed Claim and the check is cancelled, (ii) such holder does not provide documentation required under the Plan, including releases and relevant tax forms or (iii) such holder does not advise the Trust of a change of address or other relevant delivery information. Such undeliverable distributions will result in the cancellation of such holder's entitlement to a distribution.

#### **Item 1B. Unresolved Staff Comments.**

None.

#### **Item 2. Properties.**

The Trust's office is located at 800 Fifth Avenue, Suite 4100, Seattle, WA, 98104. The Trust occupies approximately 600 square feet pursuant to a lease with a fixed term through the end of June 2017. After that date, the lease may be extended automatically for successive periods equal to the current term but not less than 3 months until terminated by either party. Either party to the lease can terminate at will with 3 months' notice.

#### **Item 3. Legal Proceedings.**

##### ***(a) Material Pending Legal Proceedings***

The material pending legal proceedings to which the Trust is currently a party, or in relation to which any Liquidating Trust Assets are subject, are summarized below.

## *Disputed Claims*

As of December 31, components of the Disputed Claims Reserve were:

<i>(in millions)</i>	2016	2015
Net Assets in Disputed Claims Reserve	\$76.3	\$76.1
LTI balance in Disputed Claims Reserve	\$ 0.7	\$ 0.7

Any release of net assets or the cancellation of an LTI balance from the Disputed Claims Reserve would increase the net asset value per LTI that is available for the holders of Allowed Claims. The following discussion relates to the status of current legal proceedings related to material disputed claims.

### *Employee Claims Litigation*

Certain former employees of WMI and WMB filed proofs of claim in the Debtors' chapter 11 cases asserting claims (the "Employee Claims") for payments pursuant to various employment contracts and employee benefit plans, including, without limitation, claims for "change in control" benefits and other severance benefits as a result of the termination of the employees' employment following the seizure of WMB's assets and the sale of substantially all of such assets to JPMC. Between June 2009 and September 2012, in connection with the Debtors' reconciliation of asserted claims, the Debtors and the Trust filed omnibus objections that objected to the Employee Claims on the bases that, among other things: (i) no "change in control," as defined in the respective contracts, occurred; and (ii) in some instances, WMI was not a party to the contracts or benefit plans giving rise to the claims, and, therefore, WMI has no liability with respect thereto. A significant number of employee-claimants filed responses to such omnibus objections, and the Trust continues to litigate with 70 claimants who have asserted Employee Claims. Over time, several of the remaining claimants filed motions to amend their proofs of claim to either assert alternative theories of recovery or to seek additional amounts and the Bankruptcy Court has granted or denied such motions from time to time. In February 2013, the Trust filed a motion to amend its omnibus objections to set forth additional grounds to disallow the employee claims pursuant to certain regulations promulgated under the Federal Deposit Insurance Act and Home Owners' Act of 1933. Following a hearing in August, 2013, the Bankruptcy Court denied the Trust's motion, but the Bankruptcy Court ordered the Trust to file a "declaratory judgment action" (naming the FDIC, Board of Governors of the Federal Reserve System ("FRB") and all claimants in the underlying Employee Claims litigation) seeking a determination as to whether the Trust is precluded by certain federal regulations, including the golden parachute regulations (as defined in the regulation), from paying any of the claimants if their Employee Claims are allowed (the "Bankruptcy Court Order").

As of December 31, 2016, the DCR held \$65.0 million of cash and \$195,000 of Runoff Notes in reserve on account of Employee Claims, with the aggregate remaining amount of those claims totaling approximately \$62.0 million after the application of the Section 502(b)(7) cap.

As of December 31, 2015, the DCR held \$64.8 million of cash and \$224,000 of Runoff Notes in reserve on account of Employee Claims, with the aggregate remaining amount of those claims totaling approximately \$62.0 million after the application of the Section 502(b)(7) cap.

In accordance with the order entered by the Bankruptcy Court, on September 20, 2013, the Trust filed a complaint in the United States District Court for the Western District of Washington (the "Washington District Court") against the FDIC, FRB and certain employee claimants (the "Individual Defendants") seeking certain declaratory relief regarding the applicability of the golden parachute regulations and "automatic termination" regulations to the employee related claims (the "Declaratory Judgment Action"). On November 5, 2013, the Trust filed an amended complaint (the "Amended Complaint"). Pursuant to an order of the Washington District Court, responses to the Amended Complaint were due on or before January 21, 2014 and several defendants filed motions to dismiss and/or to transfer venue of the proceeding. The Trust filed its responses to such motions on March 6, 2014. On July 3, 2014, United States District Court Judge Richard A. Jones, the then-presiding judge in the Declaratory Judgment Action, issued a decision and order granting certain defendants' motion to transfer venue from the Washington District Court to the Bankruptcy Court (the "Decision Order"). Additionally, the Decision Order terminated all other motions pending before the Washington District Court. On July 30, 2014, the FDIC filed a motion to withdraw the reference of the Declaratory Judgment Action to the Bankruptcy Court and a motion seeking a determination of whether the Declaratory Judgment Action was core or non-core (the "FDIC Determination Motion"). On August 22, 2014, certain of the employee claimants and the Trust entered into a stipulation with the FDIC and the FRB agreeing that the reference of the Declaratory Judgment Action to the Bankruptcy Court should be withdrawn and that, upon such reference withdrawal, the FDIC's Determination Motion should be deemed withdrawn as moot. Subsequently, and because the Washington District Court had terminated previously-filed motions without a ruling, the FDIC and the FRB each filed a motion to dismiss the Amended Complaint, for inter alia, failure to state a claim and lack of subject matter jurisdiction. Additionally, several individual Defendants also filed and/or joined two (2) separate motions to dismiss the Amended Complaint for, inter alia, failure to

state a claim. The Trust opposed each of these motions to dismiss. By order of the United States District Court for the District of Delaware (the "Delaware District Order"), dated March 19, 2015, the reference to the Bankruptcy Court with respect to the Declaratory Judgment Action was withdrawn, and the action is now pending in the Delaware District Court, with United States District Court Judge Gregory M. Sleet presiding. On August 24, 2016, Judge Sleet granted in part, and denied in part, the Individual Defendants' motions to dismiss. On October 12, 2016, Judge Sleet granted the motions to dismiss filed by the FDIC and FRB, thereby dismissing all counts the Trust brought against the FDIC and FRB in the Amended Complaint. The Judge's order granting those dismissals was amended on October 19, 2016. The Delaware District Court granted the FDIC's motion largely on jurisdictional grounds, concluding that judicial review of the FDIC's regulatory actions must be brought under the APA. The Automatic Termination Regulation ("ATR") claims were dismissed for failure to state a claim because the FDIC had not taken any action reviewable by the court concerning the ATR. The Delaware District Court's dismissal of the Amended Complaint as to the FRB was based on the court's conclusion that the Trust had failed to establish a waiver of sovereign immunity by the FRB.

The FDIC and FRB had directed the Trust to submit a letter request seeking a determination as to the applicability of the so-called golden parachute regulations with respect to certain benefits for which these claimants are seeking payment. By letter, the FDIC informed the Trust that such regulations were applicable. Therefore, as a result of the FDIC's determination, thirty-two (32) claimants (representing \$19 million in claims) entered into stipulations with the Trust and agreed to participate in the interagency approval process. In response to the Trust's subsequent letter request on behalf of the 32 claimants, by letter, dated July 16, 2013, the FDIC notified the Trust that payments on account of such settlements (other than one *de minimis* settlement) are subject to such golden parachute regulations and can be paid to claimants only if and when the FDIC and FRB approve payment following a duly submitted application. The Trust filed such application on August 14, 2013 (the "First Application"). On the same day, the Trust also filed a second letter request with the FDIC requesting a determination as to whether such golden parachute regulations are applicable with respect to payments that would be payable to non-settling claimants (or claimants with settlements in principle who declined to finalize and execute stipulations with the Trust) if such claimants prevail on their claims before the Bankruptcy Court. On April 22, 2014 (the "April Letter"), the Trust received a response to its August 14, 2013 letter stating that all but a small number of the agreements related to the remaining non-settled claims are subject to such "golden parachute" regulations and can be paid to claimants only if and when the FDIC and FRB approve payment following a duly submitted application. During the pendency of the First Application, of the thirty-two (32) claimants who entered into stipulations with the Trust and agreed to participate in the interagency approval process: (1) one was paid due to the *de minimis* amount of such settlement; (2) one withdrew his claim; (3) one claimant was added to the Application in light of a subsequent settlement; (4) upon discussion with the FDIC, one claimant was paid and consequently withdrawn from the Application; and (5) several claimants have notified the Trust of their termination of their respective stipulations. By letter, dated October 15, 2014, the FDIC denied the Application in its entirety (the "Final FDIC Determination"). On March 23, 2015, and consistent with the April Letter determination, the Trust filed a second application (the "Second Application") with the FDIC and the FRB requesting authorization to make payments to both the settling claimants and the non-settling claimants and a determination as to whether payment, *in any amount*, to any of such claims would be appropriate. By letter, dated May 1, 2015, the FDIC denied the Second Application.

As noted above, on October 15, 2014, the FDIC rendered the Final FDIC Determination denying the First Application. On October 29, 2014, the Trust commenced an action against the FDIC, in its corporate capacity, pursuant to the Administrative Procedure Act and the Declaratory Judgment Act in the United States District Court for the District of Columbia (the "D.C. District Court"), seeking, *inter alia*, judicial review of the Final FDIC Determination in which the FDIC declined to exercise its discretion and thereby denied the Trust the required regulatory approval to make payments pursuant to the Trust's settlements with certain employee claimants (the "APA Action"). The Trust asserted that, while the Trust is subject to the "golden parachute" regulations, the Final FDIC Determination did not sufficiently consider and weigh the First Application pursuant to the so-called "permissibility exception." In the APA Action, the Trust submitted that, among other things, due consideration of the relevant factors enumerated in the "permissibility exception" warranted permitting the payments contemplated by the settlement agreements. Both the FDIC and the Trust submitted motions for summary judgment and opposition papers. On May 29, 2015, the D.C. District Court granted in part and denied in part each of the Trust's and the FDIC's motions for summary judgment. As set forth in the subsequent Memorandum Opinion issued on June 9, 2015, the D.C. District Court upheld the Final FDIC Determination, but remanded certain issues to the FDIC for clarification. By letter, dated July 30, 2015, the FDIC clarified its decision regarding, among other things, the absence of supporting certifications in connection with the First Application. On August 12, 2015, the Trust and the FDIC, agreeing that no further action was required in the APA Action, jointly moved the D.C. District Court for entry of a final order and judgment. By Final Order and Judgment entered August 19, 2015, the D.C. District Court entered final judgment and closed the APA Action.

As noted above, the Trust filed the Second Application with the FDIC regarding the claims of both settling and non-settling employee claimants. By letter, dated May 1, 2015, the FDIC denied payment in any amount to any settling or non-settling employee claimants covered by the Second Application. Thereafter, the Trust filed a second action with the D.C. District Court seeking a review with respect to the Second Application ("APA2", and together with the APA Action, the "APA Actions"), asserting that the wholesale denial of payments in any amount was arbitrary and capricious. The FDIC answered the complaint and, based upon an agreed scheduling order, as of October 16, 2015, the Trust and the FDIC fully briefed and submitted cross-motions for summary judgment. Pursuant to a

memorandum opinion, dated April 15, 2016, the D.C. District Court affirmed the FDIC's determination and entered a Final Order and Judgment.

Based on the pendency of the respective APA Actions, on November 6, 2014, the FDIC moved to stay the Declaratory Judgment Action pending resolution of the APA Action (the “Stay Motion”). While various parties supported and opposed the Stay Motion, the Delaware District Court informally stayed the Declaratory Judgment Action pending determination of the APA Actions. Such stay was lifted on May 16, 2016. Since the lifting of the informal stay, various motions have been filed. On June 28, 2016, the Trust filed a Motion for Judgment on the Pleadings seeking a determination that the Trust is a “covered company” under 12 U.S.C. § 1828(k). As of July 19, 2016, the motion was fully briefed. It remains pending before the Delaware District Court. On November 7, 2016, the Board of Governors of the FRB filed a Motion to Dismiss for lack of Subject-Matter Jurisdiction and Failure to State a Claim. On December 5, 2016, the FDIC filed a Motion for Judgment on the Pleadings. On February 15, 2017, the Delaware District Court granted the FRB’s motion, concluding that it lacked subject-matter jurisdiction over certain of the cross-claimants’ claims against the FRB. In its February 15, 2017 order, the Delaware District Court also granted the FDIC’s Motion, concluding that the claimants had no private right of action under the Declaratory Judgment Act and that the claimants had failed to pursue an APA action.

The Trust and counsel to certain employee claimants have agreed to amend the existing scheduling orders in the claims reconciliation litigation on several occasions to provide that all outstanding discovery deadlines would be adjourned, with the “change in control” hearing to be held in February 2018. As of the date hereof, the Trust has responded to 23 sets of requests for production of documents and 14 sets of interrogatories, has reviewed over 850,000 documents from approximately 120 custodians, and has produced more than 84,000 documents.

#### *Avoidance Actions*

Additionally, the Trust is the plaintiff in 14 filed adversary proceedings against a total of 22 former employees. These actions seek to avoid payments made and/or obligations incurred to those defendants, on the grounds that the payments and/or the obligations may be avoided and/or reduced in amount as fraudulent conveyances and/or preferences under the Bankruptcy Code and applicable state laws. Most of the defendants are also remaining claimants against the Trust in the Employee Claims Litigation described above. Additionally, the Trust has entered into tolling agreements with numerous other potential defendants regarding payments made and/or obligations incurred. The filed avoidance actions are subject to a scheduling order, dated November 12, 2012, as amended by the agreed amended order, dated January 7, 2013, which provides for discovery on a track parallel to that of the Employee Claims Litigation described above, and a joint order, dated January 18, 2017, further amending the prior scheduling orders (the “January 18, 2017 Order”), which set a trial date on the change-in-control issues raised in the Trust’s omnibus objections for February 26, 2018 but left undetermined the date of a trial on the avoidance actions. In connection with the January 18, 2017 Order, the Court extended the deadline for the completion of non-expert discovery related to the Employee Claims to November 6, 2017 and the deadline for the completion of expert discovery related to the Employee Claims to November 12, 2017.

#### *Mortgage Pass-Through Litigation*

On August 4, 2008, New Orleans Employees’ Retirement System and MARTA/ATU Local 732 Employees Retirement Plan (together, the “Mortgage Pass-Through Claimants”), on their own behalf and on behalf of a class of persons and entities who purchased certain mortgage-backed certificates issued by twenty-six Washington Mutual Mortgage Pass-Through Trusts (the “Pass-Through Trusts”) pursuant to a registration statement filed by WaMu Asset Acceptance Corp. (“WMAAC”), a wholly-owned subsidiary of WMB, with the SEC on December 20, 2005, as supplemented on January 3, 2006, commenced that certain action styled as New Orleans Employees’ Retirement System, et al. v. Federal Deposit Insurance Corporation, et al., No. C09-134RSM (W.D. Wash.) in Washington state court against WMI, WMAAC, the Pass-Through Trusts, and certain individual defendants alleging violations of Sections 11, 12(a) (2) and 15 of the Securities Act, 15 U.S.C. § 77a, et seq. (the “Mortgage Pass-Through Litigation”).

On January 12, 2009, Boilermakers National Annuity Trust Fund (“Boilermakers”) filed a complaint in the Washington District Court captioned *Boilermakers National Annuity Trust Fund v. WaMu Mortgage Pass-Through Certificates, et al.*, Case No. 09-0037 (the “Boilermakers’ Complaint”). Like the original complaint filed by the Mortgage Pass-Through Claimants, the Boilermakers’ Complaint asserted claims under the Securities Act in connection with certain certificates. On February 19, 2009, the defendants moved to consolidate their lawsuit with the Mortgage Pass-Through Litigation, and; on August 14, 2009, the W.D. Washington District Court ordered consolidation of three (3) related cases – the Boilermakers’ action, the original Mortgage Pass-Through Claimants’ action, and a third related action (as consolidated, the “Boilermakers Consolidated Action”).

On March 30, 2009, the Mortgage Pass-Through Claimants filed a proof of claim against WMI in WMI’s chapter 11 case in the amount of \$39.8 billion. The court appointed The Policemen’s Annuity and Benefit Fund for the City of Chicago (the “Chicago PABF”) as Lead Plaintiff for the Boilermakers Consolidated Action on October 23, 2009, and; on January 18, 2010, the Chicago

PABF filed an amended proof of claim against WMI, reflecting the then-current claims based upon the causes of action alleged in the Boilermakers Consolidated Complaint. The amended proof of claim superseded the March 30, 2009 proof of claim. The Debtors objected to the amended proof of claim on various grounds including that the state law claims were preempted, that the claimants failed to establish loss causation, that WMI was not a controlling person to any entities that committed securities violations, that there were no underlying securities law violations, that the federal claims were barred by the statute of limitations, and that, because WMI was removed as a defendant in the Mortgage Pass-Through Litigation, which litigation gives rise to the proof of claim, the Debtors should not have any liability with respect to the allegations contained in the lawsuit.

Pursuant to that certain Stipulation Resolving Debtors' Amended Thirty-Second Omnibus (Substantive) Objection With Respect to Claim Nos. 3812 and 2689, dated November 23, 2010, by and among the Debtors, MARTA/ATU Local 732 Employees Retirement Plan, individually, and Chicago PABF and Doral Bank, as lead plaintiffs on behalf of the putative class in the Boilermakers Consolidated Action (the "Stipulation"), the parties thereto agreed that certain claims filed by and on behalf of the plaintiffs would be withdrawn, without prejudice to the re-filing of such claims in the event that a plan was filed that would provide recovery to holders of Allowed Subordinated Claims (as defined in the Plan). Certain of the plaintiffs argued that they were permitted to re-file their claims because the Plan provides for a conditional distribution to holders of Allowed Subordinated Claims. In the plaintiffs' objection to the Disclosure Statement, filed January 4, 2012, the plaintiffs asserted that they are entitled to re-file their claims as General Unsecured Claims rather than as Subordinated Claims. On January 10, 2012, Chicago PABF, Doral Bank, and Boilermakers asserted a new proof of claim, asserted in the amount of "at least \$273 million," on behalf of the class in the Boilermakers Consolidated Action. The Trust disputed the new proof of claim and was required to reserve \$435.0 million with respect to the estimated claim until resolved. On May 16, 2012, the Bankruptcy Court, citing the Stipulation, found that the plaintiffs' new proofs of claim had been filed prematurely, and stated that the claimants would be allowed to re-file their proof of claim only if and when recoveries are available to Subordinated Claim holders (Class 18). Additionally, the Bankruptcy Court denied the plaintiffs' motion to classify such claim as a general unsecured claim, reserving such determination pending the filing of a proof of claim, and allowed the Trust to release \$406.0 million of the \$435.0 million which was reserved in connection therewith.

#### *WMB Subordinated Debt Misrepresentation Claims*

Holders of WMB Subordinated Notes Claims filed proofs of claim against the Debtors in their Chapter 11 Cases seeking payment of allegedly outstanding amounts due on such notes and asserting multiple other claims, including, but not limited to, misrepresentations and omissions under the applicable securities laws (the "Misrepresentation Claims").

By orders, dated December 29, 2011, the Bankruptcy Court held that the Misrepresentation Claims should be subordinated pursuant to section 510(b) of the Bankruptcy Code. Accordingly, holders of Misrepresentation Claims would be entitled to receive their Pro Rata Share of Liquidating Trust Interests only if their Misrepresentation Claims were deemed Allowed Claims and recoveries were to reach Class 18 (Subordinated Claims). The Bankruptcy Court expressly preserved the rights and defenses of all parties, including the Debtors' with respect to the validity and amount of the WMB Subordinated Notes Claims, including the Misrepresentation Claims.

By order, dated January 19, 2012, the Bankruptcy Court approved a stipulation and agreement by and among the Debtors and certain holders of WMB Notes Claims (as defined in the Plan) that asserted Misrepresentation Claims, providing, among other things, that such holders would receive an Allowed Subordinated Claim (as defined in the Plan) in the aggregate amount of \$15 million on account of the claims asserted by such claimants and, furthermore, that such claimants withdraw, with prejudice, any appeal of the Court's order. The Trust believes that the majority of the outstanding Misrepresentation Claims have been resolved pursuant to such settlement agreement. The remaining holders of Misrepresentation Claims remain unliquidated and disputed. The Trust will litigate its prior objections to these claims should recoveries reach Class 18 (Subordinated Claims).

#### *AT&T Claim Litigation*

On May 13, 2009, the Bankruptcy Court entered an order approving WMI's rejection of that certain Master Services Agreement (including each of its sixty-four amendments) (the "Master Services Agreement"), dated August 23, 2002, between WMI and AT&T Corp. ("AT&T"). Based on such rejection, on or about June 12, 2009, AT&T filed a proof of claim, on behalf of itself and its affiliates claiming rejection damages in the amount of \$9.0 million. (AT&T later reduced such claim amount to \$8.4 million). WMI objected to the proof of claim on May 10, 2010, arguing, among other things, that the damages sustained by AT&T were mitigated because AT&T entered into an agreement with JPMC which effectively transferred the services previously provided to WMI under the Master Services Agreement to JPMC. On August 11, 2010, AT&T filed a response to WMI's objection, arguing, among other things, that the rejection damages claim asserted in the proof of claim is the product of a liquidated damages clause in the Master Services Agreement. AT&T argued that, given the existence of the liquidated damages clause, mitigation is inapplicable to its claim.

On January 11, 2017, the Trust and AT&T executed a Settlement Agreement wherein the Trust agreed to pay AT&T \$3.3 million to resolve all outstanding issues and the withdrawal of the claim. The claim was paid on February 1, 2017.

### *Tax Litigation*

In years prior to the Petition Date, WMI and its subsidiaries (the “WMI Group”) initiated a suit in the Washington District Court and two suits in the United States Court of Federal Claims (“Court of Claims”) claiming federal tax refunds for deductions for the amortization and abandonment of certain intangible assets by a predecessor corporation in the 1990 through 1995 and the 1998 tax years. In addition to claiming deductions relating to certain intangible assets in the Court of Claims suit for 1995, WMI claimed a refund for taxes paid as a result of an Internal Revenue Service (“IRS”) audit adjustment accelerating the recognition of certain income into the 1995 tax year.

In the Washington District Court action, the court initially ruled against the WMI Group on summary judgment as to the legal issue of whether the taxpayer was entitled to a tax basis in the specified assets. The U.S. Court of Appeals for the Ninth Circuit (the “Ninth Circuit”) reversed the decision of the Washington District Court and remanded the case back to the Washington District Court to make a determination of the tax basis by establishing the underlying acquisition cost, allocating such costs among the acquired assets and determining the corresponding amount of tax refunds. A trial to determine the amount of tax refund was held in December 2012. On February 10, 2014 the Washington District Court issued its opinion dismissing the WMI Group’s claim for a refund. In its ruling, the Washington District Court held that the WMI Group failed to carry its burden of proof as to the amount of the deduction being claimed. In addition, the Washington District Court found that Home Savings (a predecessor bank to WMB) did not permanently abandon its right to operate in Missouri in 1993. On April 8, 2014, the WMI Group filed a notice of appeal with the Ninth Circuit regarding such decision. The Ninth Circuit heard oral argument on December 9, 2016 and has yet to issue a decision.

In the Court of Claims actions, the IRS and the WMI Group reached a settlement with respect to the portion of the Court of Claims action dealing with the acceleration of recognition of certain income into the 1995 tax year. The Trust filed its motion for approval of the settlement by the Bankruptcy Court on April 23, 2014. On July 21, 2016, the IRS paid \$101.0 million into an escrow account established to accumulate net tax refunds (the “Tax Refund Escrow”) in accordance with the Global Settlement Agreement (“GSA”). The Trust is entitled to 20% of this refund pursuant to the GSA, or \$20.2 million, subject to holdback to fund other tax litigation or exposures.

The remaining Court of Claims actions were litigated in a trial that commenced on February 16, 2016. The evidentiary portion of the trial concluded on March 4, 2016. The trial was recessed in order for the WMI Group and the government to prepare and file post trial briefs. All parties completed and filed their respective post trial briefs and the trial concluded with oral arguments on November 7, 2016. On February 21, 2017, the Court of Claims issued its opinion in which it dismissed the case brought by the WMI Group with prejudice; as such, the WMI Group cannot amend the complaint to address any alleged deficiencies. The Court of Claims held that the WMI Group did not meet the burden of proof as to the value of the acquired intangibles and that the Court of Claims was unable to allocate the purchase price among the acquired intangibles. The Trust strongly believes in its position. The Trust and JPMC (which is entitled to 80% of any potential refund under the GSA) have reviewed the decision and intend to file an appeal.

#### *(b) Material Legal Proceedings Terminated during 2016*

The material legal proceedings that were terminated during 2016 and in relation to which the Trust was a party, or to which any Liquidating Trust Assets were subject, are summarized below.

### *Tax Litigation*

As discussed above, in years prior to the Petition Date, WMI initiated a suit in the United States Court of Federal Claims claiming federal tax refunds for taxes paid as a result of an IRS audit adjustment accelerating the recognition of certain income into the 1995 tax year. The IRS and the WMI Group reached a settlement with respect to the acceleration of recognition of certain income into the 1995 tax year. The Trust filed its motion for approval of the settlement by the Bankruptcy Court on April 23, 2014. On July 21, 2016, the IRS paid \$101.0 million, the funds attributable to the settlement, into the Tax Refund Escrow in accordance with the GSA. The Trust is entitled to 20% of this refund pursuant to the GSA, or \$20.2 million, subject to holdback to fund other tax litigation or exposures.

There were approximately \$34 million of potential tax refunds due to the WMI Group from California relating to tax years of HF Ahmanson and Subsidiaries, a predecessor group of corporations. The final amount of the refund and timing of the payment was dependent upon the outcome of the portion of the Trust’s litigation with the IRS in the Court of Claims action that was settled and paid in July 2016. On November 8, 2016, the State of California paid \$39.2 million into the Tax Refund Escrow of which the Trust is entitled to \$7.8 million in accordance with the tax refund allocations set forth in the GSA.

The Trust requested a distribution of \$27.0 million and received such distribution from the Tax Refund Escrow on December 23, 2016. The remainder will be held in the Tax refund Escrow (in addition to other amounts on deposit therein) to fund remaining tax litigation and reserve for a potential liability from an outstanding fee dispute with a former service provider.

### ***Recovery Claims***

The Plan required that the Trust set aside \$20.0 million, the Litigation Funding, to potentially pursue recoveries from pending and future investigations, litigations (other than tax-related litigation) and to defend certain claims. Cumulative-to-date, \$5.9 million has been incurred and paid to professionals representing the Trust in connection with litigations and affirmative claims. Based on the status of recovery claims, all remaining amounts in the Litigation Reserve were released to fund distributions to LTIs. No further costs or expenses for litigating affirmative claims are anticipated during the remainder of the Trust's expected life and no funds remain allocated to the Litigation Reserve. Based on the foregoing, the Litigation Subcommittee of the TAB was suspended on January 1, 2016; the Litigation Subcommittee may be reestablished should the need arise, as determined by the TAB.

### **Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

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

#### Market Information

There is no public market for the Liquidating Trust Interests and the Liquidating Trust Interests are non-certificated and non-transferable other than by will, intestate succession or operation of law. The LTIs are not listed by the Trust on any exchange or quoted on any quotation system, and neither the Trust nor the Liquidating Trustee will take any action to encourage or otherwise facilitate any trading in the LTIs or any instrument or interest tied to the value of the LTIs.

#### Trust Beneficiaries

At December 31, the number of outstanding LTIs holders by class is as follows:

Class	2016	2015	2014
General Unsecured Claims (Class 12)	314	316	324
PIERS Claims (Class 16)	1,084	1,085	1,085
Senior Notes – Remaining Post-Petition Interest Claim (Class 2)	305	305	305
Total	1,703	1,706	1,714

If and when distributions from the Trust become available to Trust Beneficiaries who have not received LTIs to date, additional LTIs will be issued to effectuate future distributions. A Trust Beneficiary who is never issued an LTI will not receive a distribution from the Trust.

#### Dividends

##### *Distributions*

The Trust does not pay dividends on LTIs and has not paid dividends during the term of the Trust. The foregoing notwithstanding, the Trust has made cash and asset distributions as described in Item 1 of this report.

#### Equity Compensation Plan Information

The Trust has no equity compensation plans. In keeping with the Plan, the Trust does not expect to adopt any equity compensation plans.

### Item 6. Selected Financial Data.

The following selected financial data of the Trust is qualified by reference to, and should be read in conjunction with, the financial statements, related notes thereto, other financial data and Management’s Discussion and Analysis of Financial Condition and Results of Operations, each of which are included elsewhere in this Form 10-K.

<i>(in millions)</i>	12/31/2016	12/31/2015
Total Assets	\$ 140.9	\$ 159.4
Estimated costs to be incurred during liquidation (not including expenses to pursue litigation)	\$ 19.7	\$ 21.8
Net assets held in reserve for disputed claims	\$ 76.3	\$ 76.1
Net assets available to Liquidating Trust Interests	\$ 43.2	\$ 59.3

<i>(in millions)</i>	For year ended 12/31/2016	For year ended 12/31/2015	For year ended 12/31/2014
Income	\$ 1.1	\$ 26.9	\$ 5.5
Expenses	\$ 6.8	\$ 8.9	\$ 19.5
Distributions to holders of Allowed Claims and LTIs	\$ 0.0	\$ 60.2	\$ 196.9

LTI Information as of December 31, 2016 (including LTIs for disputed claims)	Outstanding LTI Balance (in millions)	Est. net asset value per outstanding LTI dollar
General Unsecured Claims (Class 12)	\$ 1.5	\$ 0.64
PIERS Claims (Class 16)	\$ 52.8	\$ 0.64
Senior Notes – Remaining Post-Petition Interest Claim (Class 2)	\$ 13.7	\$ 0.64
TOTAL	\$ 68.0	

LTI Information as of December 31, 2015 (including LTIs for disputed claims)	Outstanding LTI Balance (in millions)	Est. net asset value per outstanding LTI dollar
General Unsecured Claims (Class 12)	\$ 1.5	\$ 0.89
PIERS Claims (Class 16)	\$ 51.8	\$ 0.89
Senior Notes – Remaining Post-Petition Interest Claim (Class 2)	\$ 13.4	\$ 0.89
TOTAL	\$ 66.7	

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our financial statements and notes appearing elsewhere in this Form 10-K. Such financial statements and information have been prepared to reflect our net assets on a liquidation basis.

### Overview

The Trust was formed on March 6, 2012 when, pursuant to the Plan, the Debtors entered into the Trust Agreement with the Liquidating Trustee and the Resident Trustee. The Trust is responsible for liquidating, converting to cash and distributing the Liquidating Trust Assets to the Trust Beneficiaries in accordance with the Plan and the Trust Agreement as further described below. As discussed, the Trust had no assets and otherwise did not commence operation until the Effective Date.

On March 23, 2012, the Debtors made an initial distribution to the Debtors’ creditors pursuant to the Plan.

On or shortly after the Effective Date, the Liquidating Trust Assets were transferred to the Trust pursuant to the Plan for the benefit of those stakeholders who were not paid in full pursuant to the Initial Distribution or whose claims remained disputed or otherwise unresolved. Such stakeholders are the Trust Beneficiaries.

Trust Beneficiaries who held unpaid claims as of the Effective Date and who were projected to receive recoveries under the Plan as of such date received LTIs with respect to their unpaid Allowed Claims entitling them to future distributions from or by the Trust in accordance with the Plan. If and when distributions from the Trust become available to Trust Beneficiaries who have not received LTIs to date, additional LTIs will be issued to effectuate future distributions.

In addition, the Liquidating Trustee administers the Disputed Claims Reserve. Holders of claims that have not been allowed did not receive cash or LTIs as part of the Initial Distribution, and such assets were transferred to the DCR pending resolution of the claims. Since the Effective Date, the DCR balances have changed due to the disallowance and allowance of disputed claims as well as payment on behalf of LTIs held by the DCR.

### Liquidation Basis of Accounting

The liquidation basis of accounting was adopted by the Trust for all periods subsequent to the Effective Date, and will continue as the basis of accounting for the Trust until its termination. Under the liquidation basis of accounting, consistent with FASB Accounting Standards Codification (“ASC”) Topic 205-30 (“ASC 205-30”), assets are reported at the estimated amounts the Trust expects to receive when it settles or disposes of such assets and liabilities, including the estimated costs to be incurred during liquidation, are stated at their estimated settlement amounts. The Trust is reporting the fair market values used for tax purposes, which were based on estimates made by an independent valuation firm for select assets. Given the structure of the Trust and the time allowed for an orderly liquidation, the Trust believes the fair market value used for tax purposes fairly reflects the applicable liquidation values for such assets.

The precise nature, amount and timing of any future distribution to the holders of LTIs will depend on, and could be delayed by, among other things, claim settlements with holders of disputed claims, final settlements regarding tax refunds and litigation, proceeds from pursuing Recovery Claims, and unexpected or greater than expected expenses incurred to administer the Trust. Claims, liabilities

and future expenses for operations, although currently declining in the aggregate, will continue to be incurred until the dissolution of the Trust. These costs will reduce the amount of net assets available for ultimate distribution to the holders of Liquidating Trust Interests.

The financial data reflected in the financial statements and notes appearing elsewhere in this Form 10-K were not audited or reviewed by an independent registered public accounting firm and are subject to future adjustment and reconciliation.

### **Critical Accounting Policies**

Although the financial data reflected in the financial statements and notes appearing elsewhere in this Form 10-K were not audited or reviewed by an independent registered public accounting firm, such financial statements and notes were prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and applicable sections of Regulation S-X. The preparation of the financial statements has required the Trust to use estimates and assumptions that affect reported amounts of assets and liabilities. Due to the inherently uncertain nature of estimates and the underlying assumptions, the actual cash to be received by the Trust from the liquidation of the Liquidating Trust Assets may vary from those estimates, perhaps in materially adverse ways, and those estimates could vary under different assumptions or conditions. Ongoing adjustments and reconciliations will be reflected in future QSRs filed with the Bankruptcy Court and with the SEC under cover of Form 8-K until its termination.

We believe the following to be among the most critical judgment areas in the application of our accounting policies:

#### *Liquidation Basis of Accounting*

As noted above, the liquidation basis of accounting was adopted by the Trust in executing the Plan for all periods subsequent to the Effective Date and will continue as the basis of accounting for the Trust until termination. Given the liquidating nature of the Trust, management is reporting its financial statements using liquidation basis accounting, consistent with ASC 205-30.

#### *Use of Estimates*

The preparation of financial statements in accordance with GAAP and under the liquidation basis of accounting requires the Trust to make estimates and judgments that affect the reported values of assets (including net assets in liquidation), liabilities and expenses. For purposes of this report, management has used the fair market values assigned to the assets for tax reporting purposes, which we believe represent their estimated liquidation values. Valuation of assets requires management to make difficult estimates and judgments. Management engaged an independent valuation firm to assist in its estimates for select assets. Due to the inherently uncertain nature of estimates and the underlying assumptions, the actual cash to be received by the Trust from the liquidation of the Liquidating Trust Assets may vary from those estimates, perhaps in materially adverse ways, and those estimates could be different under different assumptions or conditions. Any increases in the amount of expenses incurred or decreases in the estimated realizable value of the Liquidating Trust Assets will reduce the amount that is ultimately distributed to the holders of Liquidating Trust Interests.

#### *Principles of Consolidation*

The Trust currently has five (5) subsidiaries, all of which have ceased operations and are in the process of being liquidated pursuant to a plan of liquidation that was adopted on October 5, 2012 (the “Subsidiary Plan of Liquidation”). The aggregate value of the subsidiaries’ assets as of December 31, 2016 was \$251,000 and on December 31, 2015 was \$231,000. The assets held by these subsidiaries are comprised of cash and cash equivalents in all periods. Pursuant to the Subsidiary Plan of Liquidation, the subsidiaries will distribute their remaining assets to the Trust when their liquidation is finalized.

The accompanying consolidated financial statements include the accounts of the Trust and all of its subsidiaries. All material intercompany transactions and account balances have been eliminated in consolidation.

#### *Global Settlement Agreement Receivable*

The \$12.3 million receivable that is reflected in the Trust’s Consolidated Statement of Net Assets in Liquidation as of December 31, 2016 represents the Trust’s estimate of its portion of the net tax refunds to be received in accordance with the Global Settlement Agreement upon the resolution of certain claims, audits and litigation. The Trust estimates its portion of the net tax refunds range from \$0 to \$60 million. Management used the services of an independent valuation firm to assist in its estimate of the fair market value for the receivable at December 31, 2016 and 2015. Using information known or available as of December 31, 2016, and the recent ruling from the Court of Claims on February 21, 2017, an independent valuation firm evaluated the probability of success in relation to pending disputes over tax refunds. Such evaluation included an assessment of the time frame during which the Trust, if it prevails in such disputes, could receive such tax refunds. Based on the review by such independent valuation firm, and the Court of Claims

decision discussed in Part I, the Trust recorded an adjustment to the Global Settlement Receivable of \$12.0 million at December 31, 2016. The change is reflected as a market value adjustment.

ASC Topic 855, *Subsequent Events*, establishes the concept of recognized subsequent events. There are events that occur subsequent to the date of the balance sheet but prior to the issuance of the financial statements that are indicative of conditions that existed on the date of the balance sheet, which dictate that the balance sheet should be adjusted. Therefore, the Trust believes the Court of Claims decision dated February 21, 2017 regarding branching rights necessitated an adjustment to its estimate of the fair value of the Global Settlement Agreement Receivable as of December 31, 2016. On January 30, 2017, the Trust filed with the SEC under Form 8-K its Quarterly Summary Report for the period ended December 31, 2016 (the “12/31/16 QSR”). In the 12/31/16 QSR, the Trust included its good faith estimate, determined in consultation with the above-mentioned independent valuation firm and based on information available to the Trust and its advisors at the time, of the Global Settlement Agreement Receivable, as described above. Subsequently, as described more fully above, on February 21, 2017, the Court of Claims decision was issued and the Trust, having taken such decision into consideration, determined that an adjustment was necessary under applicable accounting guidance.

#### *Directors & Officers Litigation Receivable*

The Directors & Officers Litigation Receivable results from the settlement of two actions against certain directors and officers of WMI and WMB, filed in 2014. On May 26, 2015, the Trust entered into a Reserve Settlement Agreement (the “RSA”) with certain officers (the “Non-Settling Officers”) that did not participate in the settlement of the two actions. Pursuant to the settlement, \$3.0 million was placed into a segregated account (the “Reserve”) to be used to reimburse the Non-Settling Officers for the reasonable fees and expenses incurred by them in the defense of any action or investigation commenced prior to September 26, 2018 by the United States of America against one or more of the Non-Settling Officers asserting claims and causes of action under the Financial Institutional Reform, Recovery and Enforcement Act of 1989. Unless released sooner in accordance with the terms of the RSA, if no such action or investigation is commenced prior to each of September 25, 2015, September 26, 2016, or September 26, 2017, then \$500,000 of the Reserve will be released to the Trust within three business days of each such date, and a portion may be remitted to Reorganized WMI. On September 26, 2018, if no such action or investigation has been commenced, the balance then in the account will be released to the Trust within three business days of such date and a portion of the amount received may be remitted to Reorganized WMI. To date, no action or investigation has been commenced.

The receivable of \$1.5 million represents the expected value of the Reserve that will be distributed to the Trust over time, with the remainder to be paid to Reorganized WMI under certain conditions.

As set forth in the Plan, to the extent any electing creditor of the Debtors received common stock of Reorganized WMI pursuant to a Reorganized Common Stock Election (as defined in the Plan), such creditor’s share of the Runoff Notes to which the election was effective (i.e., one dollar (\$1.00) of original principal amount of Runoff Notes for each share of common stock of Reorganized WMI) were not issued. As a result, each creditor making such an election conveyed, and Reorganized WMI retained an economic interest in, the Litigation Proceeds (and such proceeds do not constitute part of the Liquidating Trust Assets) equal to, fifty percent (50%) of the Litigation Proceeds such creditor (solely in its capacity as the holder of the Allowed Claim to which the Reorganized Common Stock Election was effective) otherwise would have received. However, each creditor’s LTIs would be reduced by the Litigation Proceeds it would have received had it not been retained by Reorganized WMI. Litigation Proceeds is defined in the Plan, in relevant part, as the recoveries, net of related legal fees and other expenses, of the Trust on account of causes of action against third parties. In conjunction with the distribution on August 3, 2015, the LTI balances of LTI holders who made the election described above were reduced by amounts remitted to Reorganized WMI on June 23, 2015. In conjunction with the distribution on February 1, 2017, the LTI balances of LTI holders who made the election described above were reduced for the amounts remitted to Reorganized WMI in October 2015 and October 2016.

#### *Estimated Costs to be Incurred during Liquidation / Cash Held in Reserve for Litigation Costs*

When preparing its financial statements, the Trust assessed the estimated costs and expenses associated with the Trust’s activities including, but not limited to:

- defending disputed claims, on account of which the Trust holds \$76.3 million of net assets in reserve at December 31, 2016;
- pursuing the tax refunds and litigation underlying the Trust’s portion of the net tax refunds to be received in accordance with the Global Settlement Agreement, which receivable has an estimated value of \$12.3 million at December 31, 2016;
- making future distributions during the life of the Trust on a quarterly basis or more frequently as required;
- the oversight of the Trust’s activities, including expenses associated with the Liquidating Trustee, the Resident Trustee, the U.S. Trustee, the TAB, and the Trust’s employees and advisers;
- building and maintaining the infrastructure that is required by the Trust for future distributions and the preparation of tax information; and

- accounting, financial and regulatory reporting, including the preparation of the reports that the Trust files with the SEC and the Bankruptcy Court, and internal reporting to the TAB.

Annually, the Trust prepares a budget for the remaining life of the Trust based on an assessment of the Trust's activities. The Trust recorded a liability of \$19.7 million at December 31, 2016 and \$21.8 million at December 31, 2015. On January 23, 2015, the Bankruptcy Court granted the Trust's motion to extend the Trust's term to March 19, 2018 (unless dissolved earlier or otherwise extended) and expected costs to operate during the term, as extended, are included in the recorded liability as of December 31, 2016. The Trust currently estimates aggregate costs from the Effective Date through the end of the Trust on or before March 19, 2018 to be \$101.5 million.

The Trust does not have predictable revenue-generating operations. Therefore, in an effort to ensure that the Trust has adequate funds on hand to support the possible increase in operational costs associated with, among other things, litigating Employee Claims to final resolution, as of December 31, 2016, the Trust withheld \$9.7 million from funds otherwise available for distribution. After giving effect to this additional "hold-back", total funds available for operating purposes totals \$29.4 million.

At the Effective Date, the Trust established a reserve of \$20 million to pursue Recovery Claims. The Trust did not record a liability for future expenses related to such litigation, as this is not a cost incurred as a part of the liquidation. Cumulative-to-date, \$5.9 million has been incurred and paid to professionals representing the Trust in connection with litigations and claims. No further costs or expenses for litigating affirmative claims are anticipated during the remainder of the Trust's expected life and no funds remain in the Litigation Reserve. Based on the foregoing, the Litigation Subcommittee of the TAB was suspended on January 1, 2016; the Litigation Subcommittee may be reestablished should the need arise as determined by the TAB.

#### *Cash Held for Holders of Allowed Claims*

As of December 31, 2016, the Trust did not hold any cash for holders of Allowed Claims.

Prior to December 31, 2015, the Trust performed a final reconciliation of the amount received from litigation proceeds and the amount distributed to Reorganized WMI on behalf of LTI holders who elected to receive common stock in Reorganized WMI to settle their claims. It was determined that excess funds had been remitted to Reorganized WMI. Therefore, the Trust collected \$594,000 from Reorganized WMI to be distributed to LTI holders who made the common stock election. As of December 31, 2015, \$594,000 was recorded as Restricted Cash and a corresponding liability was recorded in Cash Held for Holders of Allowed Claims. Such funds were distributed to LTI holders who made the election, in February 2016, to supplement the distribution that was made on or about August 1, 2015.

#### *Disputed Claims*

Since the Effective Date, the Trust has retained, for the benefit of each holder of a disputed claim, cash, LTIs, and, to the extent elected by the holder of a disputed claim, Runoff Notes, together with any gains or income attributable to any of the foregoing. The amounts retained are calculated as if each of the claims is an Allowed Claim in an amount equal to the lesser of (i) the liquidated amount set forth in the filed proof of claim relating to such disputed claim, (ii) the amount in which the disputed claim shall be estimated by the Bankruptcy Court pursuant to section 502 of the Bankruptcy Code and constituting the maximum amount of such claim should it become an Allowed Claim, and (iii) such other amount as may be agreed upon by the holder of such disputed claim and the Liquidating Trustee. Additional amounts have also been retained to pay for potential payroll related taxes and other contingencies as deemed appropriate by the Liquidating Trustee.

The Trust has made no assessment as to the likelihood whether the disputed claims will be allowed or disallowed. The net assets held in reserve for disputed claims will be distributed to the holders of disputed claims should such claims become allowed at the amounts for which the Trust has estimated as of December 31, 2016. If the claims become disallowed or allowed for different amounts, net assets will be released and made available to the Trust and, as a result, will increase the net assets available to the holders of Liquidating Trust Interests.

**Net Assets in Liquidation and Changes in Net Assets in Liquidation**

As of December 31, the Trust's Net Assets in Liquidation, were as follows:

Net Assets in Liquidation ( <i>in millions</i> )	2016	2015
Liquidating Trust	\$ 43.2	\$ 59.3
Disputed Claims Reserve	\$ 76.3	\$ 76.1
Total Net Assets in Liquidation	\$119.5	\$135.4

## Assets

### *Cash & Equivalents*

Cash and equivalents are either held in demand deposit accounts, money-market accounts or invested in U.S. Treasury bills, U.S. Treasury Notes or U.S. Agency Bonds.

### Unrestricted Cash

The Trust held \$48.0 million in unrestricted cash and cash equivalents as of December 31, 2016. Approximately \$17.3 million (distribution of \$18.8 million offset by foreign withholding paid on behalf of certain LTI holders earlier in the year) of the Trust's unrestricted cash was distributed to LTI holders on February 1, 2017. The remaining cash will be used to fund the ongoing expenses of the Trust during the liquidation of the remaining Liquidating Trust Assets.

The Trust held \$28.2 million of unrestricted cash and cash equivalents as of December 31, 2015. These amounts are principally used to fund the ongoing expenses of the Trust during the liquidation of the remaining Liquidating Trust Assets.

### Restricted Cash

As of December 31, the Trust held restricted cash and equivalents for the purposes described below:

Category ( <i>in millions</i> )	2016	2015
Cash held in reserve for disputed claims	\$76.1	\$75.9
Other restricted cash	\$ 0.0	\$ 0.6
Total Restricted Cash	\$76.1	\$76.5

Cash held in reserve for disputed claims: Cash and cash equivalents held for the benefit of each holder of a disputed claim.

Other restricted cash: The Trust did not hold any other restricted cash on December 31, 2016. The Trust held restricted cash of \$594,000 on December 31, 2015 related to funds collected as part of the Trust's final reconciliation of Litigation Proceeds. Funds were distributed in February 2016.

### *Global Settlement Agreement Receivable*

Pursuant to the Plan and the Global Settlement Agreement, the Trust and JPMC will share in all future net tax refunds payable on account of consolidated federal income tax returns and on account of consolidated, combined or unitary state returns filed by the WMI Group and its subsidiaries for all tax years prior to 2009 on a 20% / 80% pro rata basis, respectively. On the Effective Date, there were two litigation actions with respect to claimed federal income tax refunds and there were several state tax refunds pending from certain states. As of December 31, 2016, there were up to \$300 million in potential net tax refunds remaining of which the Trust would be entitled to 20% of such amount or up to \$60 million. The Tax Refund Escrow was established to accumulate net tax refunds in accordance with the terms of the GSA. Taking into account the refunds previously received, and a market value adjustment discussed below, a balance of \$12.3 million represents management's estimate of the Trust's share of the net tax refunds remaining.

The Trust used the services of an independent valuation firm to estimate the decline in value based on the Court of Claims decision rendered on February 21, 2017. As a result of the decision, the value of the income tax receivable on the financial statements of the Trust for the tax refund litigations in the Court of Claims and the Ninth Circuit was reduced to \$12.3 million from \$24.3 million effective December 31, 2016. However, should the Trust not appeal the Court of Claims decision, or lose on appeal, and should the Trust also be denied any refund from the Washington District Court action, which appeal is now pending in the Ninth Circuit, the Trust will receive no amounts from the IRS and the value of these litigations would be \$0.

The WMI Group also had various state income tax refund claims outstanding with two states, including the potential California refund discussed below, which primarily resulted from the filing of amended state income tax returns which reported IRS audit adjustments. The State of Illinois had proposed offsets to the claimed refund amounts as a result of tax deficiencies asserted after that state's audit of WMI and its subsidiaries' originally filed returns. In January 2016, the Trust and the State of Illinois executed a settlement agreement resolving all outstanding issues in dispute. This resolution results in a net refund of approximately \$6.2 million plus interest. The Trust's portion of this refund under the GSA is approximately \$1.2 million, plus interest. In September 2016, the WMI Group received refunds totaling \$3.7 million; in October 2016, the WMI Group received \$2.4 million. The funds were deposited into the Tax Refund Escrow account. Approximately \$1.3 million in refunds, plus interest, from the State of Illinois are still pending.

There were approximately \$34 million of potential tax refunds due to the WMI Group from California relating to tax years of HF Ahmanson and Subsidiaries, a predecessor group of corporations. The final amount of the refund and timing of the payment was dependent upon the outcome of the portion of the Trust’s litigation with the IRS in the Court of Claims that was settled and paid by the IRS in July 2016. On November 8, 2016, the State of California paid \$39.2 million, including interest, into the Tax Refund Escrow of which the Trust is entitled to \$7.8 million in accordance with the tax refund allocations set forth in the GSA.

As previously discussed, in 2016, the Tax Refund Escrow received \$101.0 million from the Court of Claims settlement; \$39.2 million from the State of California; and \$6.2 million from the State of Illinois. Consistent with the terms of the GSA, the Trust is entitled to 20% of these refunds, or \$29.3 million. The Trust requested a distribution of \$27.0 million and received such distribution on December 23, 2016. The remainder will be held in the Tax Refund Escrow (in addition to other amounts on deposit therein) to fund remaining tax litigation and a reserve for a potential liability from an outstanding fee dispute with a former service provider.

### *Runoff Notes*

On the Effective Date, Reorganized WMI issued \$110.0 million aggregate principal amount of First Lien Notes and \$20.0 million aggregate principal amount of Second Lien Notes (the “Runoff Notes”). The Runoff Notes mature on the eighteenth (18th) anniversary of the Effective Date and bear interest at a rate of thirteen percent (13%) per annum (payable in cash to the extent of available “Runoff Proceeds” (as defined in the indentures governing the Runoff Notes) or in kind through the capitalization of accrued interest at the rate of thirteen percent (13%) per annum to the extent Runoff Proceeds are unavailable). The Trust received \$108.2 million aggregate principal amount of First Lien Notes and \$19.7 million aggregate principal amount of Second Lien Notes on or shortly after the Effective Date (not including \$1.0 million of First Lien Notes and \$0.2 million of Second Lien Notes that were held in the Disputed Claims Reserve on behalf of holders of disputed claims who elected to obtain Runoff Notes instead of cash). As further described in the Plan, the repayment of the Runoff Notes is limited to, and reliant solely upon, certain proceeds from WMMRC. Except under limited circumstances, holders of Runoff Notes have no recourse to Reorganized WMI or any other entity should the Runoff Notes remain unpaid on their maturity date.

As contemplated by the Plan, on or about May 1, 2014, the Trust distributed approximately \$106.6 million of Runoff Notes, comprised of \$81.1 million of First Lien Notes and \$25.5 million of Second Lien Notes. In accordance with the priority of payments described in Exhibit H to the Plan, the Distribution was allocated to claimants in “Tranche 4” in the following amounts: \$7.4 million to holders of Senior Floating Rate Notes Claims; \$95.7 million to holders of PIERS Claims; and \$3.5 million to holders of General Unsecured Claims. Outstanding LTIs were reduced by \$93.1 million in total in the following amounts: \$6.5 million reduction in Senior Floating Rate notes LTIs; \$83.6 million reduction in PIERS LTIs; and \$3.0 million reduction of General Unsecured LTIs. Furthermore, the Trust distributed \$2.3 million of the Runoff Notes to the DCR on behalf of the disputed General Unsecured Claimants.

Since the distribution of Runoff Notes in May 2014, we understand that Reorganized WMI has fully redeemed the First Lien Runoff Notes.

Interest earned on Runoff Notes was comprised of (in *millions*):

Category	2016	2015	2014
Cash interest	\$0.06	\$0.06	\$ 1.5
Capitalized interest	—	\$0.02	\$ 1.9
Interest distributed with Runoff Notes on May 1, 2014	—	—	\$ 2.3
Change in interest receivable as of December 31	—	—	(\$1.0)
Total interest income on Runoff Notes	\$0.06	\$0.08	\$ 4.7

### *Directors & Officers Litigation Receivable*

On October 14, 2014, the Trust commenced two actions against certain directors and officers of WMI and WMB, as applicable, (the “D&O Defendants”): (i) one action in the King County Superior Court of the State of Washington (the “Washington D&O Litigation”) and (ii) an adversary proceeding in the Bankruptcy Court (the “D&O Adversary Proceeding” and, collectively, the “D&O Litigations”). On December 1, 2014, the Trust filed a motion (the “D&O Approval Motion”) seeking Bankruptcy Court approval of a settlement agreement between the Trust, certain of the D&O Defendants, and certain insurers under WMI’s director and officer liability insurance policies for 2007-2008 and 2008-2009 (the “D&O Carriers”) resolving, among other things, the D&O Litigations (the “D&O Settlement Agreement”). The D&O Settlement Agreement provided for the affirmative recovery by the Trust from the D&O Carriers of approximately \$37.0 million and the release of reserves held on behalf of disputed claims in the aggregate amount of approximately \$25.3 million, the release of the obligation to reserve funds in an amount equal to an Allowed Claim of \$4.2 million and the release of 1.4 million Reorganized WMI shares from the Disputed Equity Escrow.

On December 15, 2014, four former officers who were not party to the D&O Settlement Agreement (the “Non-Settling Officers”) filed an objection to the D&O Approval Motion. On May 26, 2015, the Trust entered into a Reserve Settlement Agreement (the “RSA”) with the Non-Settling Officers and the D&O Carriers. Pursuant to the terms of the RSA, the parties agreed, among other things, that, of the \$37.0 million that had been required to be paid to the Trust pursuant to the Settlement Agreement, \$3.0 million would be placed into a segregated account (the “Reserve”) to be used to reimburse the Non-Settling Officers for the reasonable fees and expenses incurred by them in the defense of any action or investigation commenced prior to September 26, 2018 by the United States of America against one or more of the Non-Settling Officers asserting claims and causes of action under the Financial Institutional Reform, Recovery and Enforcement Act of 1989. Unless released sooner in accordance with the terms of the RSA, if no such action or investigation is commenced prior to each of September 25, 2015, September 26, 2016, or September 26, 2017, then \$500,000 of the Reserve will be released to the Trust within three business days of each such date. On September 26, 2018, if no such action or investigation has been commenced, the balance then in the account, or approximately \$1.5 million, will be released to the Trust within three business days of such date. To date, no action or investigation has been commenced.

In June 2015, the Trust received \$37.0 million from the D&O Carriers. The Trust retained \$26.3 million and distributed \$7.7 million, after adjustment, to Reorganized WMI on June 23, 2015, as contemplated by the Plan in relation to the treatment of Litigation Proceeds. Creditors who made elections for Reorganized WMI common stock, as discussed above, had their LTI balance reduced by a *pro rata* share of the \$7.7 million, after adjustment, distributed to Reorganized WMI.

On July 21, 2015 the Trust funded the Reserve with \$3.0 million, as anticipated by the RSA. The Trust received the first distribution of \$500,000 from the Reserve on October 1, 2015. On that date, Reorganized WMI was paid \$123,000 and the Trust retained \$377,000.

On September 29, 2016, the Trust received the second distribution of \$500,000 from the Reserve. The Trust retained \$377,000 and on October 6, 2016 distributed \$123,000 to Reorganized WMI. Therefore, as of December 31, 2016, the Trust’s balance sheet reflects a receivable of \$1.5 million, which represents the expected value of the Reserve that will be distributed to the Trust over time, with the remainder to be paid to Reorganized WMI under certain conditions.

Creditors who made elections for Reorganized WMI common stock, as discussed below had their LTI balance reduced by the *pro rata* share of the amounts paid to Reorganized WMI in October 2015 and October 2016, or \$246,000. Such adjustment was effective at the time of the next distribution, which was February 1, 2017.

In addition to the creation of the Reserve, the RSA, among other things, (i) permits the Trust to assign its rights to the Reserve to any third party, (ii) provides for mutual releases among the parties thereto, and (iii) provides for other actions to be taken by the parties in furtherance of the settlement, including the agreement of the applicable parties to effect the withdrawal of the Appeal and the dismissal of the Washington D&O Litigation.

As set forth in the Plan, to the extent any electing creditor of the Debtors received common stock of Reorganized WMI pursuant to a Reorganized Common Stock Election (as defined in the Plan), such creditor’s share of the Runoff Notes to which the election was effective (i.e., one dollar (\$1.00) of original principal amount of Runoff Notes for each share of common stock of Reorganized WMI) were not issued. As a result, each creditor making such an election conveyed, and Reorganized WMI retained an economic interest in, the Litigation Proceeds (and such proceeds do not constitute part of the Liquidating Trust Assets) equal to, fifty percent (50%) of the Litigation Proceeds such creditor (solely in its capacity as the holder of the Allowed Claim to which the Reorganized Common Stock Election was effective) otherwise would have received. However, each creditor’s LTIs would be reduced by the Litigation Proceeds it would have received had it not been retained by Reorganized WMI. Litigation Proceeds is defined in the Plan, in relevant part, as the recoveries, net of related legal fees and other expenses, of the Trust on account of causes of action against third parties. In conjunction with the distribution on August 3, 2015, LTIs of holders who made the election described above were reduced by the \$7.7 million remitted to Reorganized WMI on June 23, 2015. In conjunction with the distribution on February 1, 2017, LTIs of holders who made the election described above were reduced for the \$246,000 distributed from the Reserve and remitted to Reorganized WMI in October 2015 and October 2016.

#### *Other Assets*

As of December 31, 2016, the Trust held approximately \$2.5 million of other assets primarily comprised of retainers paid to professionals, foreign withholding payments paid on behalf of certain LTI holders and other prepaid expenses. As of December 31, 2015, the Trust held approximately \$1.0 million of other assets primarily comprised of retainers paid to professionals and other prepaid expenses.

## Liabilities

### *Cash Held for Allowed Claimants*

As of December 31, 2016, the Trust did not hold any Cash for Allowed Claimants.

As of December 31, 2015, the Trust held \$594,000 in Cash for Allowed Claimants related to the final reconciliation of Litigation Proceeds. The funds were distributed in February 2016.

### *Estimated Costs to be Incurred during Liquidation*

The liquidation basis of accounting requires the Trust to record a liability upfront for costs expected to be incurred during the liquidation of the Liquidating Trust Assets. Annually, the Trust prepares a budget based on its assessment of the Trust's activities for the life of the Trust. As of December 31, 2016, the Trust estimated total operating costs to operate through the end of the Trust are \$19.7 million, largely due to the continued efforts required to litigate the Employee Claims and collect outstanding net tax refunds. Based on the estimated total operating costs, management recorded an increase of \$4.6 million to the Trust's Operating Reserve for the year-ended December 31, 2016. Given the inherently uncertain nature of estimates, actual costs related to the liquidation are likely to differ from current estimates.

### *Accrued Liabilities*

As of December 31, 2016, the Trust had other accrued liabilities of \$1.7 million. As of December 31, 2015, the Trust had other accrued liabilities of \$1.5 million. Other accrued liabilities at each date were primarily comprised of accrued professional fees for services rendered.

## Net Assets in Liquidation

As of December 31, 2016, the Trust's net assets in liquidation totaled \$119.5 million. Of this total, \$76.3 million represents net assets specifically held for the benefit of disputed claims, and \$43.2 million represents net assets available to all LTI holders. Net asset values are based on the Trust's estimates of amounts to be collected on sales or disposition of its assets and estimated settlement value of its liabilities.

As of December 31, 2015, the Trust's net assets in liquidation totaled \$135.4 million. Of this total, \$76.1 million represented net assets specifically held for the benefit of disputed claims, and \$59.3 million represented net assets available to all LTI holders.

The net assets available to LTI holders, once liquidated, will be distributed to the LTI holders in accordance with the Plan and the distribution priorities that are summarized in Annex C of the Trust Agreement. As of December 31, 2016 and 2015, LTI holdings, including post-petition interest, are as follows (*in millions*):

December 31, 2016 Claims	Undisputed	Disputed	Total Outstanding
General Unsecured Claims (Class 12)	\$ 0.8	\$ 0.7	\$ 1.5
PIERS (Class 16)	\$ 52.8	\$ 0.0	\$ 52.8
Senior Notes – Remaining Post-Petition Interest Claim (Class 2)	\$ 13.7	\$ 0.0	\$ 13.7
LTI balances	\$ 67.3	\$ 0.7	\$ 68.0

December 31, 2015 Claims	Undisputed	Disputed	Total Outstanding
General Unsecured Claims (Class 12)	\$ 0.8	\$ 0.7	\$ 1.5
PIERS (Class 16)	\$ 51.8	\$ 0.0	\$ 51.8
Senior Notes – Remaining Post-Petition Interest Claim (Class 2)	\$ 13.4	\$ 0.0	\$ 13.4
LTI balances	\$ 66.0	\$ 0.7	\$ 66.7

The following charts are based on the distribution priorities that are summarized in Annex C of the Trust Agreement. The percentages represent the percentage of each incremental distributed dollar of distribution each group would receive based on the outstanding LTI balances as of December 31. The percentages represent totals for the entire group. An individual holder's actual percentage could vary from the percentage for the group.

Remaining Aggregate Distribution (as of December 31, 2016)	Distribution Description	LTI Distribution Recipient	
Up to \$67,971,098	Tranche 4b – Until LTI holders of remaining post-Petition Interest Claim, PIERS and General Unsecured Claims are paid in full.	Remaining post-Petition Interest Claims – Senior Floating	20.2%
		General Unsecured Claims	2.1%
		PIERS CUSIPs	77.7%

Remaining Aggregate Distribution (as of December 31, 2015)	Distribution Description	LTI Distribution Recipient	
Up to \$66,668,868	Tranche 4b – Until LTI holders of remaining post-Petition Interest Claim, PIERS and General Unsecured Claims are paid in full.	Remaining post-Petition Interest Claims – Senior Floating	20.2%
		General Unsecured Claims	2.1%
		PIERS CUSIPs	77.7%

The charts above include disputed claims in the General Unsecured Claims as if they were allowed by the Bankruptcy Court.

For claimants who made an election to receive common stock of Reorganized WMI, an adjustment is made to reduce their respective LTI balances on account of the 50% of allocated litigation proceeds, that was, per the Plan, retained by Reorganized WMI. Due to this adjustment, an individual holder's actual percentage could vary from the percentage for the class.

Assuming that all disputed claims were to become "Allowed Claims", \$76.3 million of estimated net assets would have been available to LTI holders on December 31, 2016 and \$76.1 million of estimated net assets would have been available to LTI holders on December 31, 2015. The table below sets forth the amounts by which estimated net assets would have been allocated across various class claimants per each outstanding LTI dollar held by such claimants (as a class):

Claim	2016 – Estimated net asset value per outstanding LTI dollar	2015 – Estimated net asset value per outstanding LTI dollar
General Unsecured Claims (Class 12)	\$ 0.64	\$ 0.89
PIERS Claims (Class 16)	\$ 0.64	\$ 0.89
Senior Notes – Remaining Post-Petition Interest Claim (Class 2)	\$ 0.64	\$ 0.89

The values presented immediately above will be different than the values that are reported to holders of LTIs for tax reporting purposes (refer "U.S. Federal Income Tax Treatment" under Item 1 of Part I of this Form 10-K for further information).

The estimated value of net assets per outstanding LTI dollar, as of December 31, 2016 and 2015, does not necessarily reflect the actual amount of distributions that an LTI holder will receive. The actual cash distribution will depend on many variables, including but not limited to:

- continued Post-Petition Date interest and the contractual subordination arrangements between classes pursuant to the Plan;
- the collection of Litigation Proceeds, if any, as defined in the Plan;
- the variability in the assumptions used in estimating the value of assets and liabilities; and
- the actual amount spent on operating expenses and pursuing Recovery Claims.

## **Statement of Operations**

The financial statements of the Trust are prepared on a liquidation basis and therefore do not include a statement of operations; all references to the results of operations have been deleted and replaced by references to statement of changes in net assets in liquidation.

### **Changes in Net Assets in Liquidation**

The Trust's net assets decreased by \$15.9 million during 2016. The decrease was due to operating costs of \$6.8 million incurred for the operation of the Trust (offset by a net change in the Operating Reserve of \$2.1 million), a market value change of \$12.0 million for the Global Settlement Agreement Receivable, and investment and other income of approximately \$700,000. The net change of \$2.1 million in the Operating Reserve represents \$6.8 million of expenses offset by an addition to the Operating Reserve of \$4.7 million.

The Trust's net assets decreased by \$64.6 million during 2015. The decrease was primarily a result of the distribution to LTI holders of \$52.9 million, a distribution to Allowed Claimants of \$7.3 million in August 2015 and operating expenses of \$8.9 million (offset by a change in the Operating Reserve of \$3.7 million). The net change of \$3.7 million in the Operating Reserve represents \$8.9 million of expenses offset by an addition to the Operating Reserve of \$5.2 million.

The Trust's net assets decreased by \$179.6 million during 2014. The decrease was primarily a result of the distribution to LTI holders of \$77.2 million of cash and \$106.6 million of net Runoff Notes. The decrease in the Trust's net assets was partially offset by (i) a decrease in the estimated liability with respect to the Trust's liquidation expenses of \$3.3 million, (ii) the receipt of \$44.7 million for the Global Settlement Agreement Receivable, and (iii) income of \$33.4 million, which was primarily comprised of a market value adjustment related to the Directors and Officers Litigation Receivable of \$27.9 million and income on the Runoff Notes of \$4.7 million.

### **Liquidity**

As noted above, the liquidation basis of accounting requires the Trust to record a liability upfront for costs expected to be incurred during the liquidation of the Liquidating Trust Assets. Based on the status of the Trust's activities as of December 31, 2016, the Trust estimated total expenses during the remaining life of the Trust to be \$19.7 million. The Trust does not have predictable revenue-generating operations. Therefore, the Trust withheld \$9.7 million from funds otherwise available for distribution. After giving effect to this holdback, total funds available for operating purposes totals \$29.4 million.

The Trust's unrestricted cash balance as of December 31, 2016 was \$48.0 million, which balance exceeds the Trust's current liabilities as of December 31, 2016, including the estimated expenses to be incurred during the remaining term of the Trust up to March 19, 2018.

### **Capital Resources**

The Trust did not have any commitments for capital expenditures at December 31, 2016 or 2015. The Trust does not expect to require any material capital resources going forward.

### **Off-Balance Sheet Arrangements**

Pursuant to the Plan, the Disputed Equity Escrow was established to hold shares of Reorganized WMI for distribution based on the resolution by the Bankruptcy Court of disputed equity interests. A dismissal of disputed equity interests will result in redistribution to common shareholders of Reorganized WMI consistent with the distribution of common shares on the Effective Date. The shares and any cash distributed on behalf of the shares are held in the Disputed Equity Escrow and the Liquidating Trustee is the escrow agent. As of December 31, 2016 and 2015, there were approximately 1.5 million shares in the Disputed Equity Escrow and no cash. The shares are not assets of the Trust and are not available for distribution to Trust Beneficiaries. Therefore, the Disputed Equity Escrow is not recorded as an asset of the Trust for financial accounting purposes and is not part of the Trust for U.S. federal income tax purposes. The Disputed Equity Escrow is taxed in a similar manner to the DCR (i.e., it is treated as a "disputed ownership fund" governed by Treasury Regulation section 1.468B-9, and to the extent permitted by applicable law, reports consistently with the foregoing for state and local income tax purposes) and all expenses of the Disputed Equity Escrow (other than taxes) are borne by the Trust. Costs incurred cumulative-to-date total \$7,500.

## Contractual Obligations and Commitments as of December 31, 2016

Contractual Obligations	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligations	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital Lease Obligations	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Operating Lease Obligations	\$36,216	\$ 36,216	\$ 0	\$ 0	\$ 0
Purchase Obligations	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Long-Term Liabilities Reflected on the Trust's Balance Sheet under GAAP	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$36,216	\$ 36,216	\$ 0	\$ 0	\$ 0

Our contractual obligations and commitments as of December 31, 2016 are reported in the statements of net assets in liquidation as estimated costs to be incurred during liquidation. Obligations and commitments of the Trust include the Trust Agreement and the lease with respect to our premises at 800 Fifth Avenue, Suite 4100, Seattle, Washington 98104 as discussed in Item 2.

### Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

The Trust is exposed to interest rate risk through its portfolio of cash and cash equivalents. The Trust does not hedge interest rate risk.

### Item 8. Financial Statements and Supplementary Data.

See Index to Financial Statements on page 34.

### Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

### Item 9A. Controls and Procedures.

#### (a) Evaluation of disclosure controls and procedures.

The Trust maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Trust in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Trust's management, including the Trustee, the Trust's Chief Financial Officer ("CFO"), and the Trust's General Counsel, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, an evaluation as of December 31, 2016 was conducted by the Trustee and the CFO of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, the Trustee and the CFO concluded that the Trust's disclosure controls and procedures as of December 31, 2016, were effective for the purposes stated above.

#### (b) Management's Report on Internal Control over Financial Reporting.

The Trustee and the CFO are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Based on the evaluation of the Trustee and the CFO, the Trustee and the CFO concluded that the Trust's internal control over financial reporting was effective as of December 31, 2016.

#### (c) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during 2016 that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

The Trustee's assessment of the effectiveness of the Trust's internal controls over financial reporting was not audited.

**Item 9B. Other Information.**

None.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

#### *Directors*

The Trust does not have any directors; however, the Trust Advisory Board has been established and is operating in accordance with the terms of the Trust Agreement, as discussed in more detail below.

#### *Delaware Resident Trustee*

Delaware Trust Company (formerly known as CSC Trust Company of Delaware) is the Delaware resident trustee of the Trust but has no day-to-day responsibility for the administration of the Trust.

#### *Trust Advisory Board*

The Trust Agreement provides for the establishment of the TAB. Pursuant to the Trust Agreement, each member of the TAB has a fiduciary duty to act in the best interests of the Trust Beneficiaries as a whole. The members of the TAB were selected in accordance with procedures set forth in the Trust Agreement. The TAB currently comprises seven (7) members, as follows: (A) three (3) members that were selected by the official committee of unsecured creditors appointed in the Debtors' chapter 11 cases pursuant to section 1102(a) of the Bankruptcy Code (the "Creditors' Committee"), with one (1) such member to be an employee of, or other individual designated by, Wells Fargo Bank N.A. ("WF" or "Wells Fargo" and, such member the "WF Member"), (B) three (3) members that were selected by the official committee of equity security holders appointed in the chapter 11 cases (the "Equity Committee"), with one (1) such member named by the TPS Funds, a former creditor of the Debtors who had a claim against the Debtors that was satisfied on the Effective Date, and (C) one (1) member that was selected by the Creditors' Committee and approved by the Equity Committee.

Except as noted below, the current members of the TAB commenced service on the Effective Date and are as follows:

Matthew Cantor, age 52, was selected by the Creditors' Committee and approved by the Equity Committee. Mr. Cantor is an accomplished financial professional and attorney with over 20 years of experience in corporate restructurings. Mr. Cantor is currently the Executive Vice President of Legal Affairs and Chief General Counsel of Lehman Brothers Holdings Inc. (LBHI). Mr. Cantor was a founding Principal of Normandy Hill Capital L.P., a distressed and event driven credit fund with over \$500 million under management. Prior to joining Normandy Hill Capital, Mr. Cantor developed the New York office of the nationally renowned restructuring practice of the law firm Kirkland & Ellis. Mr. Cantor currently serves on the boards of directors of Coventry First LLC, White Forest Resources, Medical Card System, Inc. and Millenium Health Trust Advisory Board. Mr. Cantor was previously a director at Physio Therapy Holding, Inc. and Hovensa LLC. Mr. Cantor is a graduate of New York University School of Law (J.D. 1989) and the State University of New York at Binghamton (B.A. 1986).

Arnold Kastenbaum, age 63, was selected by the Creditors' Committee. Mr. Kastenbaum has been president of Chodan Advisors, Inc. since its formation in 1999. Mr. Kastenbaum has served as financial adviser to a variety of both debtors and creditors in bankruptcy proceedings, provided expert witness testimony regarding enterprise valuations in numerous cases, and provided other business valuation services. Prior to his involvement with Chodan Advisors, Mr. Kastenbaum was a director at UBS Securities and the director of research at MJ Whitman, Inc. Mr. Kastenbaum has served on the boards of directors of several public companies. He has an M.B.A. in accounting from New York University, 1975.

Marc S. Kirschner, age 74, was selected by the Creditors' Committee. Mr. Kirschner is a consultant specializing in corporate restructuring matters. He is currently a Senior Managing Director of Goldin Associates, a financial advisory firm in New York City. He is also currently the Trustee for the Refco Inc. Litigation Trust and Private Action Trust, Tribune Litigation Trust and Millennium Health Litigation Trusts. He is also Plan Administrator for RCM, the unregulated securities broker, and largest unit, of the Refco companies. From April 10, 2006 through December 26, 2006, he was the chapter 11 Trustee for RCM. From January 27, 2001 through January 17, 2006, he was Managing Director and General Counsel of Resurgence Asset Management, LLC, investing in distressed securities with a view to gaining effective control over, or exerting significant influence in, the reorganization process. As an attorney in the private practice of law before joining Resurgence, Mr. Kirschner specialized in the bankruptcy and reorganization fields for over thirty years, with a heavy emphasis on complex bankruptcy litigation, including fraudulent conveyance, substantive consolidation, and valuation matters. From 1987 through January 25, 2001, he led the Bankruptcy and Restructuring Practice and from January 1, 1997, the Business Practice Group, in the New York Office of the global law firm, Jones Day Reavis & Pogue, now called Jones Day.

Thomas Korsman, age 61, is the WF Member. Mr. Korsman is a Vice President of Wells Fargo, a position he has held since joining the bank in 2002. He served as the WF representative on the unsecured creditors' committee during WMI's chapter 11 case. Mr. Korsman has over 30 years of corporate trust, management and law experience. He holds a B.A. in economics, a Juris Doctorate from Hamline University School of Law, and an M.B.A. from the Carlson School of Management at the University of Minnesota.

Joe McInnis, age 41, was appointed by the TPS Funds. Mr. McInnis is the President of Aloii Investment Corp. Mr. McInnis was previously a Managing Director at Greywolf Capital Management L.P. from 2004 through January 2015.

The Honorable Douglas Southard (*ret.*), age 68, was selected by the Equity Committee. Judge Southard is a retired Superior Court Judge for Santa Clara County, California where he presided over in excess of 200 jury trials between 1988 and 2011. Prior to joining the bench, Judge Southard served as a Deputy District Attorney for Santa Clara County, California, where he specialized in the investigation and prosecution of computer crimes, trade secret thefts and other crimes against Silicon Valley businesses. During his time as a prosecutor, Judge Southard was involved in over 100 jury trials. Judge Southard holds a B.A. (Philosophy) from Stanford University, 1970 and received a Juris Doctorate from the University of California (Hastings College of the Law) in 1975.

Michael Willingham, age 46, was selected by the Equity Committee. Mr. Willingham is the principal and founder of Willingham Services, a director of the Board of Directors of Reorganized WMI, and is the Chairman of Reorganized WMI's Audit Committee. Mr. Willingham is also on the Board of Directors of WMMRC. For the last fifteen (15) years, Mr. Willingham has provided consulting advice for a diverse portfolio of clients and constituencies regarding strategic considerations involving complex litigation across a variety of industries, including energy, financial services and varying wholesale/retail products.

The procedures that apply to the appointment, replacement and removal of the members of the TAB are governed by Section 6.4 of the Agreement and vary depending on who appointed the initial member.

#### *Powers*

The Trust Agreement provides that the Liquidating Trustee requires the approval of the TAB with respect to the following matters:

- any transaction involving the sale, assignment or abandonment of any Liquidating Trust Asset or Assets having a value in excess of \$500,000;
- any transaction involving the transfer of any Liquidating Trust Asset or Assets having a value in excess of \$500,000, except where such transfer involves the purchase of liquid investments or the transfer of cash between one or more bank accounts or investment accounts that are held for the benefit of the Trust;
- the payment of any account payable or other fee or expense in excess of \$750,000, other than the payment of vendor invoices in the ordinary course where the services to be provided by any such vendor have been approved in accordance with the Trust's internal approval procedures as they may be in effect from time to time;
- any determination to retain professional advisors by the Trust and any compensation arrangements for such professionals;
- the determination of the amount and timing of any distribution to LTI holders other than a distribution that is made in accordance with Section 4.3(a) of the Trust Agreement;
- any determination to initiate lawsuits or proceedings other than claims objections in the ordinary course or immaterial lawsuits or proceedings;
- the dissolution of the Trust, other than in accordance with the terms of the Trust Agreement;
- any action that is not substantially consistent with the Trust's then current annual plan and budget; and
- any increase in the Funding, provided such increase is approved by a "Supermajority" of the TAB (as defined in the Trust Agreement), which means, if there are seven (7) members of the TAB, all but two (2) members.

#### *Litigation Subcommittee*

The Trust Agreement also provided for the establishment of the Litigation Subcommittee, which committee was responsible for overseeing the defense and prosecution of certain claims and whose members are a subset of the TAB. The Litigation Subcommittee of the TAB was suspended on January 1, 2016; the Litigation Subcommittee may be reestablished should the need arise, as determined by the TAB.

### ***Executive Officers and Significant Employees***

In addition to the foregoing, the Trust had the following executive officers and significant employees as of March 31, 2017:

William C. Kosturos	Liquidating Trustee
John Maciel (Trust Professional)	Executive Vice President and Chief Financial Officer
Charles Edward Smith	Executive Vice President, General Counsel and Secretary
Doreen Logan	Executive Vice President, Controller and Treasurer

Pursuant to the Trust Agreement, the Trust is administered by Mr. Kosturos in his capacity as the Liquidating Trustee, subject to the oversight of the Bankruptcy Court as provided for in the Trust Agreement, and the TAB with respect to certain matters as further described above. Mr. Kosturos, age 55, was appointed as the Liquidating Trustee on March 6, 2012. Between October 11, 2008 and the Effective Date, Mr. Kosturos was the Chief Restructuring Officer of WMI, and between October 20, 2008 and the Effective Date, Mr. Kosturos was the President and Chief Executive Officer of WMI Investment Corp. Since June 2002, Mr. Kosturos has been a Managing Director at Alvarez & Marsal North America, LLC (“A&M”), a management consulting firm specializing in advisory and business consulting services for companies in transition. Mr. Kosturos specializes in interim management and advising and assisting boards of directors, investment groups, management groups and lenders in a wide range of turnaround, restructuring and reorganization situations. Mr. Kosturos served as the Chief Restructuring Officer of Movie Gallery from June 2006 to May 2008. Previously, from February 2003 to June 2005, he served as Interim Chief Executive Officer and Chief Restructuring Officer of The Spiegel Group.

Mr. Maciel, age 50, was appointed as the Trust’s Chief Financial Officer on March 27, 2012 pursuant to an engagement letter dated March 29, 2012 (the “Engagement Letter”) between the Trust and A&M. The Engagement Letter has previously been filed with the SEC and is incorporated herein by reference. Between November 13, 2008 and the Effective Date, Mr. Maciel was the Chief Financial Officer, General Auditor and Chief Accounting Officer of WMI. From 2005 to 2013, Mr. Maciel was a Senior Director at A&M; Mr. Maciel became a Managing Director in 2013. Prior to his employment with A&M, Mr. Maciel consulted for a variety of companies, where he managed and supervised projects regarding major reorganization, financial planning and reporting, and Sarbanes Oxley compliance. Mr. Maciel is a Certified Public Accountant (inactive) licensed in the State of California.

Mr. Smith, age 47, became an employee and officer of the Trust on the Effective Date. Prior to the Effective Date and since November 2008, Mr. Smith served as an officer of WMI, and from February 2009 until the Effective Date, as the General Counsel, Executive Vice President and Secretary of WMI. From November 2002 to September 2008, Mr. Smith was employed by WMB, a savings and loan association that was a wholly-owned subsidiary of WMI, serving as First Vice President, Assistant General Counsel and Team Lead-Corporate Finance for part of that time. In September 2008, following the Office of Thrift Supervision’s closure of WMB, the receivership of WMB by the FDIC, and the eventual sale of substantially all of the assets of WMB to JPMC, Mr. Smith became an employee of JPMC from September 2008 to November 2008. Since the Effective Date, Mr. Smith has also served as an officer of Reorganized WMI, and currently serves as an Executive Vice President, Chief Legal Officer and Secretary of Reorganized WMI.

Ms. Logan, age 56, has served as an Executive Vice President and the Controller and Treasurer (or Assistant Treasurer) of the Trust since the Effective Date, having previously served as the Controller and Assistant Treasurer of the Debtors during most of the chapter 11 case. From July 1999 through September 2008, Ms. Logan served in a variety of roles at WMB including First Vice President in Treasury from January 2006 through September 2008. Since the Effective Date, Ms. Logan has also served as the Interim Controller and holds the title of Executive Vice President of Reorganized WMI. Ms. Logan is a Certified Public Accountant licensed in the State of California.

### ***Audit Committee***

The Trust does not have an audit committee or other committee that performs similar functions and, consequently, has not designated an audit committee financial expert.

### ***Section 16(a) Beneficial Ownership Reporting Compliance***

Not applicable.

### ***Code of Ethics***

We have not adopted a code of ethics, nor do we currently intend to do so, because the Liquidating Trustee manages our business and affairs subject to his fiduciary duties as trustee under Delaware law and the terms of the Trust Agreement and is subject to the supervision of the Bankruptcy Court with respect to certain matters as specified in the Trust Agreement. Consistent with his responsibilities under applicable law, the Trustee intends to continue to promote honest and ethical conduct, full and fair disclosure in our reports to the SEC, and compliance with applicable governmental laws and regulations.

## **Item 11. Executive Compensation.**

### ***Resident Trustee***

Delaware Trust Company (formerly known as CSC Trust Company of Delaware), in its capacity as the Delaware resident trustee of the Trust is entitled to reimbursement for its out-of-pocket costs and expenses in connection with the provision of such services. The Resident Trustee was paid \$3,000 for 2016 and 2015, and \$2,500 for 2014, for services rendered to the Trust.

### ***TAB Members***

Each member of the TAB is paid an annual fee of \$40,000 as base compensation, which amount is paid in 12 equal installments on a monthly basis, in arrears. In 2016, 2015, and 2014, the total base compensation that each member of the TAB was paid was \$40,000. In addition, each member of the TAB is entitled to receive additional annual incentive compensation not to exceed \$50,000 based on distributions during the annual period ending on March 19 (the "Bonus Period"). Each TAB member who served during the entire Bonus Period received incentive compensation of \$2,687, \$7,059, and \$10,390, for the Bonus Periods ending March 19, 2017, 2016 and 2015, respectively. TAB members that served for a portion of the Bonus Period received lesser amounts. Total aggregate incentive compensation paid to TAB members was \$18,812, \$49,414, and \$72,729, for the Bonus Periods ending March 19, 2017, 2016 and 2015, respectively.

In addition to the annual base compensation received by each member of the TAB, in 2015 and years prior, each member of the Litigation Subcommittee was paid an additional amount of \$10,000 per annum, which amount was paid in 12 equal installments on a monthly basis in arrears. The Litigation Subcommittee of the TAB was suspended on January 1, 2016; the Litigation Subcommittee may be reestablished should the need arise, as determined by the TAB. No further fees for the Litigation Subcommittee will be paid unless and until the subcommittee is reestablished. No compensation for the Litigation Subcommittee was paid in 2016. Each TAB member who served on the Litigation Subcommittee during the entire year received \$10,000, each for 2015 and 2014, respectively. TAB members who served on the Litigation Subcommittee for a portion of the year received a pro-rated amount.

### ***Executive Officers and Employees***

#### **William C. Kosturos**

As compensation for Mr. Kosturos' services as Liquidating Trustee, the Trust Agreement provides that A&M, on behalf of Mr. Kosturos, is paid a monthly fee of \$25,000. For 2016 and 2015, compensation paid on account of the Liquidating Trustee's services totaled \$300,000. For 2014, compensation paid for Mr. Kosturos' services was \$180,000.

#### **John Maciel**

The Trust pays A&M on an hourly basis in accordance with an engagement letter entered into between the Trust and A&M. The applicable rate is subject to adjustment annually at such time as A&M adjusts its rates generally. The Trust is also required to reimburse A&M for its reasonable out-of-pocket expenses incurred in connection with any services provided pursuant to such engagement letter. Mr. Maciel's current hourly rate is \$825.00. For 2016, 2015, and 2014, the Trust paid A&M \$359,625, \$496,335, and \$1,333,142, respectively, for Mr. Maciel's services rendered to the Trust for the applicable period.

#### **Charles Edward Smith**

In connection with emerging from the chapter 11 proceedings, the Trust entered into an employment agreement with Mr. Smith dated April 30, 2012. The employment agreement provides for a base salary of \$424,360, a target bonus equal to 70% of Mr. Smith's base salary, and incidental benefits such as healthcare coverage and parking. Mr. Smith's current base salary is \$501,572. In addition, upon termination, Mr. Smith is entitled to receive a severance payment equal to (a) three (3) months' base salary, (b) a *pro-rated* bonus payment and (c) healthcare coverage for six (6) months. Mr. Smith's employment agreement contemplated an initial term of six-months, subject to automatic renewals for subsequent six-month periods unless earlier terminated in accordance with the terms thereof. For 2016, 2015, and 2014, and 2013, Mr. Smith was paid \$812,366, \$786,048, and \$759,436, respectively, for services rendered to the Trust for the applicable period.

## **Doreen Logan**

In connection with emerging from the chapter 11 proceedings, the Trust entered into an employment agreement with Ms. Logan dated April 30, 2012. The employment agreement provides for a base salary of \$212,180, a target bonus equal to 100% of Ms. Logan's base salary, and incidental benefits such as healthcare coverage and a transportation subsidy. Ms. Logan's current base salary is \$250,786. In addition, upon termination, Ms. Logan is entitled to receive a severance payment equal to (a) three (3) months' base salary, (b) a *pro-rated* bonus payment and (c) healthcare coverage for six (6) months. Ms. Logan's employment agreement contemplated an initial term of six-months, subject to automatic renewals for subsequent six-month periods unless earlier terminated in accordance with the terms thereof. For 2016, 2015, and 2014, Ms. Logan was paid \$476,416, \$460,305, and \$444,831, respectively, for services, rendered to the Trust for the applicable period.

## **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.**

The Trust does not have any securities providing the right to vote for the election of the Liquidating Trustee or the Resident Trustee and, consequently, does not have any "voting securities" within the meaning of the Exchange Act and the regulations thereunder applicable to the disclosure of 5% holders of voting securities.

The Trust does not have any equity compensation plans.

## **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

### *(a) Transactions with Related Persons*

#### ***Transition Services Agreement***

On March 23, 2012, Reorganized WMI and the Trust entered into a Transition Services Agreement (as amended, the "TSA"). Pursuant to the TSA, each party agreed to make available to the other certain services and employees. On November 23, 2016 and December 11, 2014, the parties entered into amendments to the TSA which amended certain provisions of the original agreement, including increasing the hourly rates at which the Trust is reimbursed for services provided to Reorganized WMI. Pursuant to the TSA, the Trust previously provided Reorganized WMI with office space for its employees and other basic infrastructural and support services to facilitate Reorganized WMI's operations. In June 2015, each of the Trust and Reorganized WMI moved into new office space and Reorganized WMI pays for its office space directly. Pursuant to the TSA, in addition to the per hour charge per employee, Reorganized WMI pays the Trust a monthly overhead charge of approximately \$4,600 related to general support services, technology services and the use of supplies and equipment. For services under the TSA, Reorganized WMI paid the Trust \$633,000 in 2016, \$835,600 in 2015, and \$605,000 in 2014. The TSA and its amendments were filed with the SEC.

#### ***Participation by Reorganized WMI in proceeds received with respect to Recovery Claims.***

As set forth in the Disclosure Statement, to the extent any electing creditor of the Debtors received common stock of Reorganized WMI pursuant to a Reorganized Common Stock Election (as defined in the Disclosure Statement), such creditor's share of the Runoff Notes to which the election was effective (*i.e.*, one dollar (\$1.00) of original principal amount of Runoff Notes for each share of common stock of Reorganized WMI) were not issued. As a result, each creditor making such an election conveyed to, and Reorganized WMI retained an economic interest in the Litigation Proceeds (and such proceeds do not constitute part of the Liquidating Trust Assets) equal to, fifty percent (50%) of the Litigation Proceeds such creditor (solely in its capacity as the holder of the Allowed Claim to which the Reorganized Common Stock Election was effective) otherwise would have received. However, each creditor's LTIs would be reduced by the Litigation Proceeds it would have received had it not been retained by Reorganized WMI. "Litigation Proceeds" is defined in the Plan, in relevant part, as the recoveries, net of related legal fees and other expenses, of the Trust on account of causes of action against third parties and includes Recovery Claims.

In June 2015, the Trust received \$37.0 million from the D&O Carriers. The Trust retained \$26.3 million and distributed \$7.7 million, after adjustment, to Reorganized WMI in June 2015, as contemplated by the Plan. Creditors who made elections for Reorganized WMI common stock, as discussed above, had their LTI balance reduced by a *pro rata* share of the \$7.7 million, after adjustment, distributed to Reorganized WMI.

Receipt of the \$37.0 million in June 2015 was dependent upon the Trust funding a reserve of \$3.0 million, as anticipated by the RSA. The Trust received the first distribution of \$500,000 from the reserve on October 1, 2015. On that date, Reorganized WMI was paid \$123,000 and the Trust retained \$377,000. On September 29, 2016, the Trust received the second distribution of \$500,000 from the Reserve. Reorganized WMI was paid \$123,000 and the Trust retained \$377,000.

### ***Disputed Equity Escrow***

As of December 31, 2016 and 2015, a total of 1.5 million shares of Reorganized WMI common stock and no cash was held in the Disputed Equity Escrow established pursuant to the Plan. Any cash or other earnings to be distributed in respect of such common stock will be deposited in the Disputed Equity Escrow (see “*Off-Balance Sheet Arrangements*”, above, in the MD&A). The Liquidating Trustee is the escrow agent for the Disputed Equity Escrow. All expenses of the Disputed Equity Escrow (other than taxes) are borne by the Trust. Such expenses include, but are not limited to, the costs to defend disputed equity claims in the Debtors’ chapter 11 cases and the administration of the escrow account. Cost incurred cumulative-to-date total \$7,500.

### ***Liquidating Trustee and Chief Financial Officer***

As previously disclosed, the Engagement Letter between the Trust and A&M provides for the engagement of Mr. Maciel as the Trust’s Chief Financial Officer and, upon the mutual agreement of the Trust and A&M, the provision of additional employees of A&M and/or its affiliates to assist Mr. Maciel in performing his duties as Chief Financial Officer and assist Mr. Kosturos in performing his duties as Liquidating Trustee. Mr. Kosturos has been a Managing Director at A&M since June 2002. Mr. Maciel was a Senior Director at A&M from 2005 to 2013; in 2013, Mr. Maciel became a Managing Director. Mr. Kosturos’ powers and responsibilities as Liquidating Trustee are set forth in the Trust Agreement.

### ***Mr. Willingham***

In addition to his role as a member of the TAB and the Litigation Subcommittee, Mr. Willingham is a director of Reorganized WMI and beneficially owns 464,553 shares of common stock of Reorganized WMI. Mr. Willingham also serves as Chairman of Reorganized WMI’s Audit Committee and is a member of Reorganized WMI’s Compensation Committee. Mr. Willingham is also a member of the Board of Directors of WMMRC.

### ***Mr. Smith***

In addition to his role as an employee, Executive Vice President, General Counsel and Secretary of the Trust, Mr. Smith is, among other things, an Executive Vice President, Chief Legal Officer and Secretary of Reorganized WMI. Mr. Smith is also a member of the Board of Directors of WMMRC. From the Effective Date until May 2015, Mr. Smith served as Reorganized WMI’s Interim Chief Executive Officer. Furthermore, as noted above, Reorganized WMI and the Trust are parties to the TSA, pursuant to which the Trust has agreed to make available to Reorganized WMI certain services and employees as described therein. Pursuant to the TSA, Reorganized WMI has agreed to reimburse the Trust at a fixed rate per hour in exchange for Mr. Smith’s services as an executive of Reorganized WMI.

### ***Ms. Logan***

Pursuant to the TSA, Reorganized WMI has agreed to reimburse the Trust at a fixed rate per hour in exchange for the provision of certain services by Ms. Logan to Reorganized WMI. Ms. Logan is the Interim Controller and holds the title of Executive Vice President of Reorganized WMI.

### ***(b) Review, approval or ratification of transactions with Related Persons***

To avoid any potential conflict, the Trust’s governance procedures require Mr. Willingham to recuse himself from any decision of the TAB that relates to matters involving Reorganized WMI. In addition, any applicable related party transactions that arise during the life of the Trust will be elevated to the TAB and/or the Board of Directors of Reorganized WMI, as required, for further consideration.

### **Item 14. Principal Accounting Fees and Services.**

Not applicable.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

#### (a)(1) *Financial Statements:*

	Page
<a href="#"><u>Unaudited Consolidated Statement of Net Assets in Liquidation as of December 31, 2016 and 2015</u></a>	F-1
<a href="#"><u>Unaudited Consolidated Statement of Changes in Net Assets in Liquidation for the periods ending December 31, 2016, 2015, and 2014</u></a>	F-2
<a href="#"><u>Notes to Unaudited Financial Statements</u></a>	F-3

#### (a)(2) *Financial Statement Schedules:*

All schedules, for which provision is made in the applicable accounting regulations of the SEC, are omitted because they either are not required under the related instructions, are inapplicable, or the required information is shown in the unaudited financial statements or notes thereto.

#### (a)(3) *Exhibits:*

The exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index, which immediately follows the F-pages of this Annual Report on Form 10-K.

## SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WMI LIQUIDATING TRUST  
(Registrant)

Date: March 29, 2017

/s/ William C. Kosturos

William C. Kosturos  
Liquidating Trustee

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each member of the Trust Advisory Board whose signature appears below constitutes and appoints William C. Kosturos, John Maciel and Charles Edward Smith, and each of them, his or her lawful attorneys-in-fact and agents, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granted unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 29, 2017

/s/ William C. Kosturos

William C. Kosturos  
Liquidating Trustee (Principal Executive Officer)

Date: March 29, 2017

/s/ John Maciel

John Maciel  
Chief Financial Officer (Principal Accounting Officer)

Date: March 29, 2017

/s/ Arnold Kastenbaum

Arnold Kastenbaum  
Member of the Trust Advisory Board

Date: March 29, 2017

/s/ Marc S. Kirschner

Marc S. Kirschner  
Member of the Trust Advisory Board

Date: March 29, 2017

/s/ Michael Willingham

Michael Willingham  
Member of the Trust Advisory Board

Date: March 29, 2017

/s/ Douglas Southard

Hon. Douglas Southard  
Member of the Trust Advisory Board

Date: March 29, 2017

/s/ Joe McInnis

Joe McInnis  
Member of the Trust Advisory Board

Date: March 29, 2017

/s/ Matthew Cantor

Matthew Cantor  
Member of the Trust Advisory Board

Date: March 29, 2017

/s/ Thomas Korsman

Thomas Korsman  
Member of the Trust Advisory Board

**WMI LIQUIDATING TRUST**  
**CONSOLIDATED STATEMENT OF NET ASSETS IN LIQUIDATION**  
(in thousands, unaudited)

	As of December 31, 2016	As of December 31, 2015
<b>Assets:</b>		
Cash and cash equivalents	\$ 47,985	\$ 28,188
<b>Restricted Cash</b>		
Cash held in reserve for disputed claims	76,148	75,895
Other restricted cash	—	594
Total restricted cash	\$ 76,148	\$ 76,489
Global Settlement Agreement receivable	12,300	51,300
Runoff notes	215	250
Runoff notes held in reserve for disputed claims	195	224
Directors and officers litigation receivable	1,512	1,889
Other assets	2,553	1,032
Total assets	\$ 140,908	\$ 159,372
<b>Liabilities:</b>		
Cash held for allowed claimants	—	594
Estimated costs to be incurred during liquidation	19,698	21,832
Other accrued liabilities	1,674	1,520
Accrued liabilities related to reserve for disputed claims	3	3
Total liabilities	\$ 21,375	\$ 23,949
<b>Net assets in liquidation:</b>		
Net assets held in reserve for disputed claims	76,340	76,117
Net assets available to Liquidating Trust Interests	43,193	59,306
Total net assets	\$ 119,533	\$ 135,423
Total liabilities and net assets	\$ 140,908	\$ 159,372

**The accompanying notes are an integral part of this unaudited financial statement.**

**WMI LIQUIDATING TRUST**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS IN LIQUIDATION**  
(in thousands, unaudited)

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
<b>Net assets, beginning:</b>	\$ 135,423	\$ 200,038	\$ 379,655
<b>Income</b>			
Interest / Investment income	346	223	4,727
Litigation proceeds	377	26,649	—
Other income	383	16	782
<b>Total income</b>	<u>\$ 1,106</u>	<u>\$ 26,888</u>	<u>\$ 5,509</u>
<b>Expenses</b>			
Professional fees & services	4,601	6,926	16,837
Other operating expenses	2,152	1,960	2,661
<b>Total operating expenses</b>	<u>\$ 6,753</u>	<u>\$ 8,886</u>	<u>\$ 19,498</u>
<b>Changes in Market Value</b>			
Directors & Officers litigation receivable	(377)	(26,055)	27,944
Global Settlement Agreement receivable	(12,000)	—	—
<b>Total changes in market value</b>	<u>\$ (12,377)</u>	<u>\$ (26,055)</u>	<u>\$ 27,944</u>
<b>Other items</b>			
Change in estimated costs to be incurred during liquidation	2,134	3,655	3,354
Distributions to LTI holders - cash	—	(52,937)	(77,243)
Distributions to LTI holders - runoff notes	—	—	(106,628)
Distributions to holders of Allowed Claims	—	(7,280)	(13,055)
<b>Total changes in Net Assets</b>	<u>\$ (15,890)</u>	<u>\$ (64,615)</u>	<u>\$ (179,617)</u>
<b>Net assets, ending</b>	<u>\$ 119,533</u>	<u>\$ 135,423</u>	<u>\$ 200,038</u>

The accompanying notes are an integral part of this unaudited financial statement.

## NOTES TO UNAUDITED FINANCIAL STATEMENTS

*Unless stated otherwise, any financial information contained in this Form 10-K uses approximate dollar amounts due to rounding.*

### Note 1. Description of Business

WMI Liquidating Trust (the “Trust”) was formed on March 6, 2012 when Washington Mutual, Inc. (“WMI”) and WMI’s wholly-owned subsidiary, WMI Investment Corp. (“Investment” and collectively with WMI, the “Debtors”) entered into a liquidating trust agreement (as amended, the “Trust Agreement”) with William C. Kosturos, as the liquidating trustee (the “Liquidating Trustee”), and Delaware Trust Company (formerly known as CSC Trust Company of Delaware), as the Delaware resident trustee (the “Resident Trustee”). The Trust Agreement was entered into pursuant to the Debtor’s Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, as filed with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) on December 12, 2011 (the “Filed Plan”, and as modified by the Modification of Seventh Amended Plan dated January 9, 2012, the Second Modification of Seventh Amended Plan dated January 12, 2012, and the Third Modification of Seventh Amended Plan dated February 16, 2012, the “Plan”) and a related disclosure statement (the “Disclosure Statement”).

On March 19, 2012 (the “Effective Date”), the Plan became effective and a notice of the Effective Date of the Plan was filed with the Bankruptcy Court. The Trust did not contain any assets or otherwise engage in any activity until the Effective Date.

On or shortly after the Effective Date, certain of the Debtors’ assets, as further described below (the “Liquidating Trust Assets”), were transferred to the Trust pursuant to the Plan for the benefit of certain holders of claims against, or equity interests in, the Debtors (the “Trust Beneficiaries”). Trust Beneficiaries who were projected to receive value on account of their Allowed Claims (as defined in the Plan) against the Debtors have been issued beneficial interests in the Trust (the “Liquidating Trust Interests” or “LTIs”) evidencing their right to receive distributions from the Trust if and to the extent sufficient cash is available with respect thereto. If and when distributions from the Trust become available to Trust Beneficiaries who have not received LTIs to date, additional LTIs will be issued to such Trust Beneficiaries in accordance with the Plan and the distribution priorities that are summarized in Annex C of the Trust Agreement.

The Liquidating Trust Assets consisted of all of the assets of the Debtors as of the Effective Date, *other than*:

- assets distributed to JPMorgan Chase Bank National Association (“JPMC”), pursuant to that certain Second Amended and Restated Settlement Agreement, dated as of February 7, 2011, by and among the Debtors, the Federal Deposit Insurance Corporation, JPMC, and the other parties thereto (the “Global Settlement Agreement”);
- WMI’s equity interests in (i) Investment (all the assets of which were contributed to the Trust or were transferred to JPMC pursuant to the Global Settlement Agreement), (ii) WM Mortgage Reinsurance Company, Inc. (“WMMRC”), a wholly-owned subsidiary of WMIH Corp. (formerly known as Washington Mutual, Inc. and referred to herein as “Reorganized WMI”), and (iii) Washington Mutual Bank (“WMB”) (substantially all of whose assets were sold to JPMC on September 25, 2008, pursuant to the Purchase and Assumption Agreement, and whose stock was abandoned by WMI shortly before the Effective Date);
- \$4.7 billion (as of the Effective Date) of net operating losses of the Debtors;
- cash to be distributed on the Effective Date pursuant to the Plan to holders of certain Allowed Claims against the Debtors;
- cash necessary to pay the fees and expenses owed to certain creditors’ professionals;
- cash necessary to reimburse the Debtors for fees and expenses incurred in connection with initial distributions made by the Debtors as disbursing agent under the Plan;
- the economic interest retained by the Debtors in certain litigation proceeds; and
- Creditor Cash (as defined in the Plan) on the Effective Date.

The sole purpose of the Trust is to hold, manage and administer the Liquidating Trust Assets and distribute the proceeds thereof, if any, to the LTI holders. The Trust will not, at any time, engage in the conduct of any trade or business other than the liquidation and distribution of the Liquidating Trust Assets, and is intended to qualify as a “liquidating trust” for U.S. federal income tax purposes.

The Trust had an initial term of three (3) years through March 19, 2015 (i.e., the third anniversary of the Effective Date), subject to extension for up to three (3) additional years (subject to certain limited exceptions) with the approval of the Bankruptcy Court. On January 23, 2015, the Bankruptcy Court granted the Trust’s motion to extend the Trust’s term up to March 19, 2018.

LTIs are non-certificated and non-transferable other than by will, intestate succession or operation of law. Unless stated otherwise, any financial information contained in these notes uses approximate dollar amounts due to rounding.

## **Note 2. Summary of Significant Accounting Policies**

### *Basis of Accounting*

The liquidation basis of accounting was adopted by the Trust for all periods subsequent to the Effective Date, and will continue as the basis of accounting for the Trust until its termination. Under the liquidation basis of accounting, consistent with FASB Accounting Standards Codification (“ASC”) Topic 205-30, assets are reported at the estimated amounts the Trust expects to receive when it settles or disposes of such assets and liabilities, including the estimated costs to be incurred during liquidation, are stated at their estimated settlement amounts. The Trust is reporting the fair market values used for tax purposes, which were based on estimates made by an independent valuation firm for select assets. Given the structure of the Trust and the time allowed for an orderly liquidation, the Trust believes the fair market value used for tax purposes fairly reflect the amounts to be received on settlement or disposal of such assets. In some cases, due to the inability to assess the net realizable value of an asset, it was deemed to have a value of \$0. When an estimated value can be established, such as a legal settlement, any changes to the market value will be reflected in the Statement of Changes in Net Assets in Liquidation.

The precise nature, amount and timing of any future distribution to the holders of LTIs will depend on, and could be delayed by, among other things, claim settlements with holders of disputed claims, final settlements regarding tax refunds and litigation, proceeds from pursuing Recovery Claims (defined collectively in the Trust Agreement to mean (i) claims against present and former officers and directors of the Debtors for actions arising during the period prior to September 26, 2008 (the “Petition Date”), (ii) claims against professionals and representatives retained by the Debtors with respect to conduct that occurred prior to the Petition Date, and (iii) claims based on conduct that occurred prior to the Petition Date against third-parties for any non-contractual breach of duty to WMI, including, but not limited to, antitrust claims and business tort claims), and unexpected or greater than expected expenses incurred to administer the Trust. Claims, liabilities and future expenses for operations, although currently declining in the aggregate, will continue to be incurred until the dissolution of the Trust. These costs will reduce the amount of net assets available for ultimate distribution to the holders of Liquidating Trust Interests.

### *Use of Estimates*

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and under the liquidation basis of accounting requires us to make estimates and judgments that affect the reported values of assets (including net assets in liquidation), liabilities and expenses. For purposes of these financial statements, management has used the fair market values assigned to the assets for tax reporting purposes, which we believe represent the amounts to be received on settlement or disposition of such assets. Valuation of assets requires management to make difficult estimates and judgments. Management engaged an independent valuation firm to assist in its estimates for select assets. Due to the inherently uncertain nature of estimates and the underlying assumptions, the actual cash to be received by the Trust from the liquidation of the Liquidating Trust Assets may vary from those estimates, perhaps in materially adverse ways, and those estimates could be different under different assumptions or conditions. Any increases in the amount of expenses incurred or decreases in the estimated value of the Liquidating Trust Assets, and therefore the cash received when the asset is monetized, may reduce the amount that is ultimately distributed to the holders of Liquidating Trust Interests.

### *Cash and Cash Equivalents*

As of December 31, 2016 and 2015, the Trust held \$48.0 million and \$28.2 million, respectively, of unrestricted cash and cash equivalents. The amount is principally used to fund the ongoing expenses of the Trust during the liquidation of the remaining Liquidating Trust Assets, excluding expenses associated with pursuing Recovery Claims. The cash is held in demand deposit accounts, money market accounts or invested in U.S. Government securities.

### *Restricted Cash*

All restricted cash is either held in demand deposit accounts, money market accounts or invested in U.S. Government securities. As of December 31, 2016 and 2015, the Trust held \$76.1 million and \$76.5 million, respectively, of restricted cash and cash equivalents for the purposes described below:

#### Cash Held in Reserve for Disputed Claims

From and after the Effective Date, the Trust is required to retain cash and cash equivalents as a reserve mechanism to allow for the resolution of claims that were disputed, in whole or in part, as of the Effective Date or as amended or reinstated after the Effective Date (the “Disputed Claims Reserve” or “DCR”). As of December 31, 2016 and 2015, the Trust held \$76.1 million and \$75.9 million, respectively, of cash and cash equivalents in the DCR for disputed claims.

### Other Restricted Cash

As of December 31, 2016, the Trust did not hold any restricted cash.

As of December 31, 2015, the Trust held other restricted cash and equivalents of \$594,000. As of December 31, 2015, the balance of restricted cash was held for specific claimants that made the common stock election on the Effective Date. The funds were distributed in February 2016.

### *Recent Accounting Pronouncements*

There are no previously issued or new accounting pronouncements or changes in accounting pronouncements that have had, or are expected to have, a material impact on the Trust's financial statements.

### *Concentration of Credit Risk – Financial Instruments*

Financial instruments that subject the Trust to a concentration of credit risk include cash and cash equivalents on deposit that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limit. Concentration of credit risk consists of cash and cash equivalents and restricted cash balances maintained in financial institutions that are, in part, in excess of the FDIC limits. As of December 31, 2016, the Trust held cash and cash equivalents and restricted cash of \$2.3 million in excess of the FDIC insurance limits.

### *Financial Instruments*

The financial instruments in the Trust's net assets in liquidation as of December 31, 2016 and 2015 consisted mainly of cash and cash equivalents. As the Trust's financial statements have been prepared under the liquidation basis of accounting, the carrying values of these instruments classified as assets and liabilities represent their estimated net realizable values and estimated settlement values.

### *Subsidiaries*

The Trust currently has five (5) subsidiaries, all of which have ceased operations and are in the process of being liquidated pursuant to a plan of liquidation that was adopted on October 5, 2012 (the "Subsidiary Plan of Liquidation"). The aggregate value of the subsidiaries' assets as of December 31, 2016 was \$251,000 and on December 31 2015 was \$231,000 which amounts are comprised of cash and cash equivalents. Pursuant to the Subsidiary Plan of Liquidation, the subsidiaries will distribute their remaining assets to the Trust when the liquidation is finalized.

The accompanying consolidated financial statements include the accounts of the Trust and all of its subsidiaries. All material intercompany transactions and account balances have been eliminated in consolidation.

### *Income Taxes*

The Trust, as a liquidating trust, is intended to qualify as a "grantor trust" for U.S. federal income tax purposes other than as discussed below with respect to the DCR portion of the Trust. A grantor trust, as a pass-thru entity, is generally not treated as a separate taxpaying entity and, as such, it is not anticipated that the Trust will be subject to U.S. federal income taxation other than as discussed below with respect to the DCR portion of the Trust.

Instead, each LTI holder is treated for U.S. federal income tax purposes as a direct owner of an indivisible portion of the underlying assets of the Trust (other than those held on account of disputed claims in the DCR) reflective of its relative economic interest in the Trust. Accordingly, each LTI holder is taxed as if directly receiving any income, gain, deduction or loss with respect to its portion of the underlying assets of the Trust, regardless of whether a contemporaneous or commensurate cash distribution is made to the holder by the Trust

### **Note 3. Disputed Claims Reserve**

Since the Effective Date, the Trust has retained in the DCR, for the benefit of each holder of a disputed claim, cash, LTIs, and, to the extent elected by the holder of a disputed claim, Runoff Notes, together with any gains or income attributable to any of the foregoing. The amounts retained are calculated as if each of the claims is an Allowed Claim (as defined in the Plan) in an amount equal to the lesser of (i) the liquidated amount set forth in the filed proof of claim relating to such disputed claim, (ii) the amount in which the disputed claim shall be estimated by the Bankruptcy Court pursuant to section 502 of chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") and constituting the maximum amount of such claim should it become an Allowed Claim, and (iii) such other amount as may be agreed upon by the holder of such disputed claim and the Liquidating Trustee. Additional amounts have also been retained to pay for potential payroll related taxes and other contingencies as deemed appropriate by the Liquidating Trustee.

Pursuant to the Plan and the Trust Agreement, the Liquidating Trustee (A) treats the DCR as a “disputed ownership fund” governed by Treasury Regulation section 1.468B-9, and (B) to the extent permitted by applicable law, reports consistently with the foregoing for state and local income tax purposes. Accordingly, the DCR is a separate taxable entity for U.S. federal income tax purposes, and all distributions from such reserve are taxable to such reserve as if sold at fair market value. Any distributions from the DCR will be treated for U.S. federal income tax purposes as if received directly by the recipient from the Debtors on the original claim or equity interest of such recipient.

As of December 31, 2016, the assets held by the DCR included \$76.1 million of cash, \$195,000 of Runoff Notes and a pro rata share of the remaining asset of the Trust. As of December 31, 2015, the assets held in the DCR included \$75.9 million of cash, \$224,000 of Runoff Notes and a pro rata share of the remaining net assets of the Trust. Assets of the DCR will be made available to the LTI holders in accordance with the Plan as and when disputed claims become disallowed. The claims attributable to the funds and LTIs in the DCR are not a liability of the Trust; therefore, no estimate has been made as to the amount of claims which will ultimately be allowed and the distributions which will go to disputed claimants as opposed to current LTI holders. Rather, the financial statements report the net assets being held specifically on behalf of the disputed claimants and the net asset value available to all LTI holders.

### *Employee Claims Litigation*

Certain former employees of WMI and WMB filed proofs of claim in the Debtors’ chapter 11 cases asserting claims (the “Employee Claims”) for payments pursuant to various employment contracts and employee benefit plans, including, without limitation, claims for “change in control” benefits and other severance benefits as a result of the termination of the employees’ employment following the seizure of WMB’s assets and the sale of substantially all of such assets to JPMC. Between June 2009 and September 2012, in connection with the Debtors’ reconciliation of asserted claims, the Debtors and the Trust filed omnibus objections that objected to the Employee Claims on the bases that, among other things: (i) no “change in control,” as defined in the respective contracts, occurred; and (ii) in some instances, WMI was not a party to the contracts or benefit plans giving rise to the claims, and, therefore, WMI has no liability with respect thereto. A significant number of employee-claimants filed responses to such omnibus objections, and the Trust continues to litigate with 70 claimants who have asserted Employee Claims. Over time, several of the remaining claimants filed motions to amend their proofs of claim to either assert alternative theories of recovery or to seek additional amounts and the Bankruptcy Court has granted or denied such motions from time to time. In February 2013, the Trust filed a motion to amend its omnibus objections to set forth additional grounds to disallow the employee claims pursuant to certain regulations promulgated under the Federal Deposit Insurance Act and Home Owners’ Act of 1933. Following a hearing in August, 2013, the Bankruptcy Court denied the Trust’s motion, but the Bankruptcy Court ordered the Trust to file a “declaratory judgment action” (naming the FDIC, Board of Governors of the Federal Reserve System (“FRB”) and all claimants in the underlying Employee Claims litigation) seeking a determination as to whether the Trust is precluded by certain federal regulations, including the golden parachute regulations (as defined in the regulation), from paying any of the claimants if their Employee Claims are allowed (the “Bankruptcy Court Order”).

As of December 31, 2016, the DCR held \$65.0 million of cash and \$195,000 of Runoff Notes in reserve on account of Employee Claims, with the aggregate remaining amount of those claims totaling approximately \$62.0 million after the application of the Section 502(b)(7) cap.

As of December 31, 2015, the DCR held \$64.8 million of cash and \$224,000 of Runoff Notes in reserve on account of Employee Claims, with the aggregate remaining amount of those claims totaling approximately \$62.0 million after the application of the Section 502(b)(7) cap.

In accordance with the order entered by the Bankruptcy Court, on September 20, 2013, the Trust filed a complaint in the United States District Court for the Western District of Washington (the “Washington District Court”) against the FDIC, FRB and certain employee claimants (the “Individual Defendants”) seeking certain declaratory relief regarding the applicability of the golden parachute regulations and “automatic termination” regulations to the employee related claims (the “Declaratory Judgment Action”). On November 5, 2013, the Trust filed an amended complaint (the “Amended Complaint”). Pursuant to an order of the Washington District Court, responses to the Amended Complaint were due on or before January 21, 2014 and several defendants filed motions to dismiss and/or to transfer venue of the proceeding. The Trust filed its responses to such motions on March 6, 2014. On July 3, 2014, United States District Court Judge Richard A. Jones, the then-presiding judge in the Declaratory Judgment Action, issued a decision and order granting certain defendants’ motion to transfer venue from the Washington District Court to the Bankruptcy Court (the “Decision Order”). Additionally, the Decision Order terminated all other motions pending before the Washington District Court. On July 30, 2014, the FDIC filed a motion to withdraw the reference of the Declaratory Judgment Action to the Bankruptcy Court and a motion seeking a determination of whether the Declaratory Judgment Action was core or non-core (the “FDIC Determination Motion”). On August 22, 2014, certain of the employee claimants and the Trust entered into a stipulation with the FDIC and the FRB agreeing that the reference of the Declaratory Judgment Action to the Bankruptcy Court should be withdrawn and that, upon such reference withdrawal, the FDIC’s Determination Motion should be deemed withdrawn as moot. Subsequently, and because the

Washington District Court had terminated previously-filed motions without a ruling, the FDIC and the FRB each filed a motion to dismiss the Amended Complaint, for inter alia, failure to state a claim and lack of subject matter jurisdiction. Additionally, several individual Defendants also filed and/or joined two (2) separate motions to dismiss the Amended Complaint for, inter alia, failure to state a claim. The Trust opposed each of these motions to dismiss. By order of the United States District Court of Delaware (the "Delaware District Order"), dated March 19, 2015, the reference to the Bankruptcy Court with respect to the Declaratory Judgment Action was withdrawn, and the action is now pending in the Delaware District Court, with the United States District Court Judge Gregory M. Sleet presiding. On August 24, 2016, Judge Sleet granted in part, and denied in part, the Individual Defendants' motions to dismiss. On October 12, 2016, Judge Sleet granted the motions to dismiss filed by the FDIC and FRB, thereby dismissing all counts the Trust brought against the FDIC and FRB in the Amended Complaint. The Judge's order granting those dismissals was amended on October 19, 2016. The Delaware District Court granted the FDIC's motion largely on jurisdictional grounds, concluding that judicial review of the FDIC's regulatory actions must be brought under the APA. The Automatic Termination Regulation ("ATR") claims were dismissed for failure to state a claim because the FDIC had not taken any action reviewable by the court concerning the ATR. The Delaware District Court's dismissal of the Amended Complaint as to the FRB was based on the court's conclusion that the Trust had failed to establish a waiver of sovereign immunity by the FRB.

The FDIC and FRB had directed the Trust to submit a letter request seeking a determination as to the applicability of the so-called golden parachute regulations with respect to certain benefits for which these claimants are seeking payment. By letter, the FDIC informed the Trust that such regulations were applicable. Therefore, as a result of the FDIC's determination, thirty-two (32) claimants (representing \$19 million in claims) entered into stipulations with the Trust and agreed to participate in the interagency approval process. In response to the Trust's subsequent letter request on behalf of the 32 claimants, by letter, dated July 16, 2013, the FDIC notified the Trust that payments on account of such settlements (other than one *de minimis* settlement) are subject to such golden parachute regulations and can be paid to claimants only if and when the FDIC and FRB approve payment following a duly submitted application. The Trust filed such application on August 14, 2013 (the "First Application"). On the same day, the Trust also filed a second letter request with the FDIC requesting a determination as to whether such golden parachute regulations are applicable with respect to payments that would be payable to non-settling claimants (or claimants with settlements in principle who declined to finalize and execute stipulations with the Trust) if such claimants prevail on their claims before the Bankruptcy Court. On April 22, 2014 (the "April Letter"), the Trust received a response to its August 14, 2013 letter stating that all but a small number of the agreements related to the remaining non-settled claims are subject to such "golden parachute" regulations and can be paid to claimants only if and when the FDIC and FRB approve payment following a duly submitted application. During the pendency of the First Application, of the thirty-two (32) claimants who entered into stipulations with the Trust and agreed to participate in the interagency approval process: (1) one was paid due to the *de minimis* amount of such settlement; (2) one withdrew his claim; (3) one claimant was added to the Application in light of a subsequent settlement; (4) upon discussion with the FDIC, one claimant was paid and consequently withdrawn from the Application; and (5) several claimants have notified the Trust of their termination of their respective stipulations. By letter, dated October 15, 2014, the FDIC denied the Application in its entirety (the "Final FDIC Determination"). On March 23, 2015, and consistent with the April Letter, determination, the Trust filed a second application (the "Second Application") with the FDIC and the FRB requesting authorization to make payments to both the settling claimants and the non-settling claimants and a determination as to whether payment, *in any amount*, to any of such claims would be appropriate. By letter, dated May 1, 2015, the FDIC denied the Second Application.

As noted above, on October 15, 2014, the FDIC rendered the Final FDIC Determination denying the First Application. On October 29, 2014, the Trust commenced an action against the FDIC, in its corporate capacity, pursuant to the Administrative Procedure Act and the Declaratory Judgment Act in the United States District Court for the District of Columbia (the "D.C. District Court"), seeking, *inter alia*, judicial review of the Final FDIC Determination in which the FDIC declined to exercise its discretion and thereby denied the Trust the required regulatory approval to make payments pursuant to the Trust's settlements with certain employee claimants (the "APA Action"). The Trust asserted that, while the Trust is subject to the "golden parachute" regulations, the Final FDIC Determination did not sufficiently consider and weigh the First Application pursuant to the so-called "permissibility exception." In the APA Action, the Trust submitted that, among other things, due consideration of the relevant factors enumerated in the "permissibility exception" warranted permitting the payments contemplated by the settlement agreements. Both the FDIC and the Trust submitted motions for summary judgment and opposition papers. On May 29, 2015, the D.C. District Court granted in part and denied in part each of the Trust's and the FDIC's motions for summary judgment. As set forth in the subsequent Memorandum Opinion issued on June 9, 2015, the D.C. District Court upheld the Final FDIC Determination, but remanded certain issues to the FDIC for clarification. By letter, dated July 30, 2015, the FDIC clarified its decision regarding, among other things, the absence of supporting certifications in connection with the First Application. On August 12, 2015, the Trust and the FDIC, agreeing that no further action was required in the APA Action, jointly moved the D.C. District Court for entry of a final order and judgment. By Final Order and Judgment entered August 19, 2015, the D.C. District Court entered final judgment and closed the APA Action.

As noted above, the Trust filed the Second Application with the FDIC regarding the claims of both settling and non-settling employee claimants. By letter, dated May 1, 2015, the FDIC denied payment in any amount to any settling or non-settling employee claimants covered by the Second Application. Thereafter, the Trust filed a second action with the D.C. District Court seeking a review with

respect to the Second Application (“APA2”, and together with the APA Action, the “APA Actions”), asserting that the wholesale denial of payments in any amount was arbitrary and capricious. The FDIC answered the complaint and, based upon an agreed scheduling order, as of October 16, 2015, the Trust and the FDIC fully briefed and submitted cross-motions for summary judgment. Pursuant to a memorandum opinion, dated April 15, 2016, the D.C. District Court affirmed the FDIC’s determination and entered a Final Order and Judgment.

Based on the pendency of the respective APA Actions, on November 6, 2014, the FDIC moved to stay the Declaratory Judgment Action pending resolution of the APA Action (the “Stay Motion”). While various parties supported and opposed the Stay Motion, the Delaware District Court informally stayed the Declaratory Judgment Action pending determination of the APA Actions. Such stay was lifted on May 16, 2016. Since the lifting of the informal stay, various motions have been filed. On June 28, 2016, the Trust file a Motion for Judgment on the Pleadings seeking a determination that the Trust is a “covered company” under 12 U.S.C. § 1828(k). As of July 19, 2016, the motion was fully briefed. It remains pending before the Delaware District Court. On November 7, 2016, the Board of Governors of the FRB filed a Motion to Dismiss for lack of Subject-Matter Jurisdiction and Failure to State a Claim. On December 5, 2016, the FDIC a filed Motion for Judgment on the Pleadings. On February 15, 2017, the Delaware District Court granted the FRB’s motion, concluding that it lacked subject-matter jurisdiction over certain of the cross-claimants’ claims against the FRB. In its February 15, 2017 order, the Delaware District Court also granted the FDIC’s Motion, concluding that the claimants had no private right of action under the Declaratory Judgment Act and that the claimants had failed to pursue an APA action.

The Trust and counsel to certain employee claimants have agreed to amend the existing scheduling orders in the claims reconciliation litigation on several occasions to provide that all outstanding discovery deadlines would be adjourned, with the “change in control” hearing to be held in February 2018. As of the date hereof, the Trust has responded to 23 sets of requests for production of documents and 14 sets of interrogatories, has reviewed over 850,000 documents from approximately 120 custodians, and has produced more than 84,000 documents.

#### *AT&T Claim Litigation*

On May 13, 2009, the Bankruptcy Court entered an order approving WMI’s rejection of that certain Master Services Agreement (including each of its sixty-four amendments) (the “Master Services Agreement”), dated August 23, 2002, between WMI and AT&T Corp. (“AT&T”). Based on such rejection, on or about June 12, 2009, AT&T filed a proof of claim, on behalf of itself and its affiliates claiming rejection damages in the amount of \$9.0 million. (AT&T later reduced such claim amount to \$8.4 million). WMI objected to the proof of claim on May 10, 2010, arguing, among other things, that the damages sustained by AT&T were mitigated because AT&T entered into an agreement with JPMC which effectively transferred the services previously provided to WMI under the Master Services Agreement to JPMC. On August 11, 2010, AT&T filed a response to WMI’s objection, arguing, among other things, that the rejection damages claim asserted in the proof of claim is the product of a liquidated damages clause in the Master Services Agreement. AT&T argued that, given the existence of the liquidated damages clause, mitigation is inapplicable to its claim.

On January 11, 2017, the Trust and AT&T executed a Settlement Agreement wherein the Trust agreed to pay AT&T \$3.3 million to resolve all outstanding issues and the withdrawal of the claim. The claim was paid on February 1, 2017.

#### **Note 4. Global Settlement Agreement Receivable**

Pursuant to the Plan and the Global Settlement Agreement with JPMC and the FDIC, the Trust and JPMC will share in all future net tax refunds payable on account of consolidated federal income tax returns and on account of consolidated, combined or unitary state returns filed by WMI and its subsidiaries (the “WMI Group”) for all tax years prior to 2009 on a 20% / 80% pro rata basis, respectively. On the Effective Date, there were two litigation actions pending with respect to claimed federal income tax refunds and there were several state tax refunds pending from certain states. As of December 31, 2016, there are up to \$300 million in potential net tax refunds remaining of which the Trust would be entitled to 20% of such amount or up to \$60 million. An escrow account (the “Tax Refund Escrow”) was established to accumulate net tax refunds in accordance with the terms of the Global Settlement Agreement (“GSA”). Taking into account the refunds previously received, and the market value adjustment discussed below, the balance of \$12.3 million represents management’s estimate of the Trust’s share of the net tax refunds remaining.

WMI initiated a suit in the U.S. District Court of Western Washington at Seattle (“Washington District Court”) and two suits in the United States Court of Federal Claims (“Court of Claims”) claiming federal tax refunds for deductions for the amortization and abandonment of certain intangible assets by a predecessor corporation in the 1990 through 1995 and the 1998 tax years. In addition to claiming deductions relating to certain intangible assets in the Court of Claims suit for 1995, WMI claimed a refund for taxes paid as a result of an Internal Revenue Service (“IRS”) audit adjustment accelerating the recognition of certain income into the 1995 tax year.

In the Washington District Court action, the court initially ruled against the WMI Group on summary judgment as to the legal issue of whether the taxpayer was entitled to a tax basis in the specified assets. The U.S. Court of Appeals for the Ninth Circuit (the “Ninth”

Circuit”) reversed the decision of the Washington District Court and remanded the case back to the Washington District Court to make a determination of the tax basis by establishing the underlying acquisition costs, allocating the costs among the acquired assets and thus determining the corresponding amount of tax refunds. A trial to determine the amount of tax refund was held in December 2012. On February 10, 2014 the Washington District Court issued its opinion dismissing the WMI Group’s claim for a refund. In its ruling, the Washington District Court held that the WMI Group failed to carry its burden of proof as to the amount of the deduction being claimed. In addition, the Washington District Court found that Home Savings (a predecessor bank to WMB) did not permanently abandon its right to operate in Missouri in 1993. On April 8, 2014, the WMI Group filed a notice of appeal with the Ninth Circuit regarding such decision. The Ninth Circuit heard oral argument on December 9, 2016 and has yet to issue a decision.

In the Court of Claims actions, the IRS and the WMI Group have reached a settlement with respect to the portion of the Court of Claims action dealing with the acceleration of recognition of certain income into the 1995 tax year. The Trust filed its motion for approval of the settlement by the Bankruptcy Court on April 23, 2014. On July 21, 2016, the IRS paid \$101.0 million into the Tax Refund Escrow attributable to the settlement. The Trust is entitled to 20% of this refund pursuant to the GSA, or \$20.2 million, subject to holdback to fund other tax litigation or exposures.

The remaining Court of Claims actions are being litigated in a trial that commenced on February 16, 2016. The evidentiary portion of the trial concluded on March 4, 2016. The trial was recessed in order for the WMI Group and the government to prepare and file post trial briefs. All parties completed and filed their respective post trial briefs and the trial concluded with oral arguments on November 7, 2016. On February 21, 2017, the Court of Claims issued its opinion in which it dismissed the case brought by the WMI Group with prejudice; as such, the WMI Group cannot amend the complaint to address any alleged deficiencies. The Court of Claims held that the WMI Group did not meet the burden of proof as to the value of the acquired intangibles and that the Court of Claims was unable to allocate the purchase price among the acquired intangibles. The Trust strongly believes in its position; the Trust has reviewed the decision with JPMC (which is entitled) to 80% of any potential refund under the GSA) and intends to file an appeal.

ASC 855, *Subsequent Events*, establishes the concept of recognized subsequent events. These are events that occur subsequent to the date of the balance sheet but prior to the issuance of the financial statements that are indicative of conditions that existed on the date of the balance sheet, which dictate that the balance sheet should be adjusted. In this case, the Court of Claims decision regarding branching rights indicates that the Consolidated Statement of Net Assets in Liquidation as of December 31, 2016 should be adjusted for the potential decrease in the value of the Global Settlement Agreement Receivable. The Trust used the services of an independent valuation firm to estimate the decline in value based on the legal decision rendered. With that estimate, the Trust decreased the value of the Global Settlement Agreement Receivable, originally valued at \$24.3 million, by \$12 million and recorded the change as an adjustment to the Market Value of the asset. The revised value of the asset is \$12.3 million. However, should the Trust not appeal the Court of Claims decision, or lose on appeal, and should the Trust also be denied an refund from the Washington District Court action which appeal is now pending in the Ninth Circuit, the Trust will receive no amounts from the IRS and the value of these litigations would be \$0.

The WMI Group also had various state income tax refund claims outstanding with two states, including the potential California refund discussed below, which primarily resulted from the filing of amended state income tax returns which reported IRS audit adjustments. The State of Illinois had proposed offsets to the claimed refund amounts as a result of tax deficiencies asserted after that state’s audit of WMI and its subsidiaries’ originally filed returns. In January 2016, the Trust and the State of Illinois executed a settlement agreement resolving all outstanding issues in dispute. This resolution results in a net refund of approximately \$6.2 million plus interest. The Trust’s portion of this refund under the GSA is approximately \$1.2 million, plus interest. In September 2016, the WMI Group received refunds totaling \$3.7 million; in October 2016, the WMI Group received \$2.4 million. The funds were deposited into the Tax Refund Escrow account. Approximately \$1.3 million in refunds, plus interest, from the State of Illinois are still pending.

There were approximately \$34 million of potential tax refunds due to the WMI Group from California relating to tax years of HF Ahmanson and Subsidiaries, a predecessor group of corporations. The final amount of the refund and timing of the payment was dependent upon the outcome of the portion of the Trust’s litigation with the IRS in the Court of Claims that was settled and paid in July 2016. On November 8, 2016, the State of California paid \$39.2 million, including interest, into the Tax Refund Escrow of which the Trust is entitled to \$7.8 million in accordance with the tax refund allocations set forth in the GSA.

As previously discussed, in 2016, the Tax Refund Escrow received \$101.0 million from the Court of Claims settlement; \$39.2 million from the State of California; and \$6.2 million from the State of Illinois. Consistent with the terms of the GSA, the Trust is entitled to 20% of these refunds, or \$29.3 million. The Trust requested a distribution of \$27.0 million and received such distribution on December 23, 2016. The remainder will be held in the Tax Refund Escrow (in addition to other amounts on deposit therein) to fund remaining tax litigation and a reserve for a potential liability from an outstanding fee dispute with a former service provider.

## Note 5. Runoff Notes

As of December 31, 2016, the Trust owned \$215,000 of Second Lien Runoff Notes, including capitalized interest and accrued interest and the DCR owned \$195,000 of Second Lien Runoff Notes, including capitalized interest and accrued interest.

As of December 31, 2015, the Trust owned \$250,000 of Second Lien Runoff Notes, including capitalized interest and accrued interest and the DCR owned \$224,000 of Second Lien Runoff Notes, including capitalized interest and accrued interest. Management understands that Reorganized WMI redeemed in full the First Lien Runoff Notes during 2015.

On the Effective Date, Reorganized WMI issued \$110.0 million aggregate principal amount of First Lien Notes and \$20.0 million aggregate principal amount of Second Lien Notes. The Runoff Notes mature on the eighteenth (18th) anniversary of the Effective Date and bear interest at a rate of thirteen percent (13%) per annum (payable in cash to the extent of available "Runoff Proceeds" (as defined in the indentures governing the Runoff Notes) or in kind through the capitalization of accrued interest at the rate of thirteen percent (13%) per annum to the extent Runoff Proceeds are unavailable). The Trust received \$108.2 million aggregate principal amount of First Lien Notes and \$19.7 million aggregate principal amount of Second Lien Notes on or shortly after the Effective Date (not including \$1.0 million of First Lien Notes and \$0.2 million of Second Lien Notes held in the Disputed Claims Reserve on behalf of holders of disputed claims who elected to obtain Runoff Notes instead of cash). As further described in the Plan, the repayment of the Runoff Notes is limited to, and reliant solely upon, certain proceeds from WMMRC. Except under limited circumstances, holders of Runoff Notes have no recourse to Reorganized WMI or any other entity should the Runoff Notes remain unpaid on their maturity date.

As contemplated by the Plan, on or about May 1, 2014, the Trust distributed \$106.6 million of Runoff Notes, comprised of \$81.1 million of First Lien Notes and \$25.5 million of Second Lien Notes. In accordance with the priority of payments described in Exhibit H to the Plan, the Distribution was allocated to claimants in "Tranche 4" in the following amounts: \$7.4 million to holders of Senior Floating Rate Notes Claims; \$95.7 million to holders of PIERS Claims; and \$3.5 million to holders of General Unsecured Claims. Outstanding LTIs were reduced by \$93.1 million in total in the following amounts: \$6.5 million reduction in Senior Floating Rate notes LTIs; \$83.6 million reduction in PIERS LTIs; and \$3.0 million reduction of General Unsecured LTIs. Furthermore, the Trust distributed \$2.3 million of the Runoff Notes to the DCR on behalf of the disputed General Unsecured Claimants.

Interest earned on Runoff Notes was comprised of (in millions):

Category	2016	2015	2014
Cash interest	\$0.06	\$0.06	\$ 1.5
Capitalized interest	\$0.00	\$0.02	\$ 1.9
Interest distributed with Runoff Notes on May 1, 2014	—	—	\$ 2.3
Change in interest receivable as of December 31	—	—	(\$1.0)
Total interest income on Runoff Notes	\$0.06	\$0.08	\$ 4.7

## Note 6. Directors & Officers Litigation Receivable

On October 14, 2014, the Trust commenced two actions against certain directors and officers of WMI and WMB, as applicable, (the "D&O Defendants"): (i) one action in the King County Superior Court of the State of Washington (the "Washington D&O Litigation") and (ii) an adversary proceeding in the Bankruptcy Court (the "D&O Adversary Proceeding" and, collectively, the "D&O Litigations"). On December 1, 2014, the Trust filed a motion (the "D&O Approval Motion") seeking Bankruptcy Court approval of a settlement agreement between the Trust, certain of the D&O Defendants, and certain insurers under WMI's director and officer liability insurance policies for 2007-2008 and 2008-2009 (the "D&O Carriers") resolving, among other things, the D&O Litigations (the "D&O Settlement Agreement"). The D&O Settlement Agreement provided for the affirmative recovery by the Trust from the D&O Carriers of approximately \$37.0 million and the release of reserves held on behalf of disputed claims in the aggregate amount of approximately \$25.3 million, the release of the obligation to reserve funds in an amount equal to an Allowed Claim of \$4.2 million and the release of 1.4 million Reorganized WMI shares from the Disputed Equity Escrow.

On December 15, 2014, four former officers who were not party to the D&O Settlement Agreement (the "Non-Settling Officers") filed an objection to the D&O Approval Motion. On May 26, 2015, the Trust entered into a Reserve Settlement Agreement (the "RSA") with the Non-Settling Officers and the D&O Carriers. Pursuant to the terms of the RSA, the parties agreed, among other things, that, of the \$37.0 million that had been required to be paid to the Trust pursuant to the Settlement Agreement, \$3.0 million would be placed into a segregated account (the "Reserve") to be used to reimburse the Non-Settling Officers for the reasonable fees and expenses incurred by them in the defense of any action or investigation commenced prior to September 26, 2018 by the United States of America against one or more of the Non-Settling Officers asserting claims and causes of action under the Financial Institutional Reform, Recovery and Enforcement Act of 1989. Unless released sooner in accordance with the terms of the RSA, if no such action or investigation is commenced prior to each of September 25, 2015, September 26, 2016, or September 26, 2017, then \$500,000 of the Reserve will be

released to the Trust within three business days of each such date. On September 26, 2018, if no such action or investigation has been commenced, the balance then in the account, or approximately \$1.5 million, will be released to the Trust within three business days of such date. To date, no action or investigation has been commenced.

In addition to the creation of the Reserve, the RSA, among other things, (i) permits the Trust to assign its rights to the Reserve to any third party, (ii) provides for mutual releases among the parties thereto, and (iii) provides for other actions to be taken by the parties in furtherance of the settlement, including the agreement of the applicable parties to effect the withdrawal of the Appeal and the dismissal of the Washington D&O Litigation.

As set forth in the Plan, to the extent any electing creditor of the Debtors received common stock of Reorganized WMI pursuant to a Reorganized Common Stock Election (as defined in the Plan), such creditor's share of the Runoff Notes to which the election was effective (i.e., one dollar (\$1.00) of original principal amount of Runoff Notes for each share of common stock of Reorganized WMI) were not issued. As a result, each creditor making such an election conveyed, and Reorganized WMI retained an economic interest in, the Litigation Proceeds (and such proceeds do not constitute part of the Liquidating Trust Assets) equal to, fifty percent (50%) of the Litigation Proceeds such creditor (solely in its capacity as the holder of the Allowed Claim to which the Reorganized Common Stock Election was effective) otherwise would have received. However, each creditor's LTIs would be reduced by the Litigation Proceeds it would have received had it not been retained by Reorganized WMI. Litigation Proceeds is defined in the Plan, in relevant part, as the recoveries, net of related legal fees and other expenses, of the Trust on account of causes of action against third parties.

In June 2015, the Trust received \$37.0 million related to a settlement in 2014 of its litigation with the formers WMI Directors and Officers (the "D&O Litigations"). The Trust retained \$26.3 million and distributed \$7.7 million, after adjustment, to Reorganized WMI on June 23, 2015, as contemplated by the Plan. Creditors who made elections for Reorganized WMI common stock, as discussed above, had their LTI balance reduced by a *pro rata* share of the \$7.7 million, after adjustment, distributed to Reorganized WMI.

The settlement was contingent upon entering into a Reserve Settlement Agreement (the "RSA") related to the D&O Litigations. On July 21, 2015, the Trust funded a segregated account (the "Reserve") with \$3.0 million, as anticipated by the RSA. The Trust received the first distribution of \$500,000 from the Reserve on October 1, 2015. On that date, Reorganized WMI was paid \$123,000 and the Trust retained \$377,000.

On September 29, 2016, the Trust received the second distribution of \$500,000 from the Reserve. The Trust retained \$377,000 and on October 6, 2016 distributed \$123,000 to Reorganized WMI. In 2016, creditors who made the election for Reorganized WMI common stock had their LTI positions reduced by the amount of proceeds distributed to Reorganized WMI, \$246,000, effective February 1, 2017.

As of December 31, 2016, the Trust's consolidated statement of net assets in liquidation reflects a \$1.5 million receivable, which represents the expected value of the Reserve that will be distributed to the Trust over time, with the balance, if any, to be paid to Reorganized WMI under certain conditions.

#### **Note 7. Cash Held for Allowed Claimants**

As of December 31, 2016, the Trust did hold any cash for allowed claimants.

As of December 31, 2015, the Trust reflected a liability of \$594,000 of cash held for holders of certain Allowed Claims against the Debtors. The balance is related to the final reconciliation of Litigation Proceeds payable to specific claimants. The funds were distributed in February 2016.

#### **Note 8. Estimated Costs to be Incurred During Liquidation**

The liquidation basis of accounting requires the Trust to record a liability upfront for costs expected to be incurred during the liquidation of the Liquidating Trust Assets. On the Effective Date, the Trust estimated these costs to be \$40.0 million (which was also the amount of cash the Debtors transferred to the Trust for operating expenses (i.e., the amount of the Funding, less the Litigation Funding)). Annually, the Trust prepares a budget based on its assessment of the Trust's activities for the remaining life of the Trust. Based on current conditions, management estimates total expenses for the remainder of the Trust through March 19, 2018 to be approximately \$19.7 million. Therefore, management recorded an increase of \$4.6 million to the Trust's Operating Reserve for the year ending December 31, 2016. As of December 31, 2016, the Trust estimates total costs from the Effective Date through the end of the Trust to be \$101.5 million.

The Trust does not have predictable revenue-generating operations; therefore, in an effort to ensure that the Trust has adequate funds on hand to fund the possible increase in operational costs associated with, among other things litigating employee claims to final resolution, as of December 31, 2016, the Trust withheld \$9.7 million from funds otherwise available for distribution. After giving effect to this additional “hold-back,” total funds available for operational purposes totals approximately \$29.4 million.

#### **Note 9. Distributions to Holders of Allowed Claims**

The proceeds in excess of expenses and liabilities that are obtained during the life of the Trust will be distributed to LTI holders in accordance with the distribution procedures and priorities set forth in the Plan and Annex C of the Trust Agreement. These distribution procedures include a reserve mechanism (the DCR) to allow for the resolution of claims that are disputed, in whole or in part, as of the Effective Date and the issuance of LTIs and Runoff Notes (as defined herein) in respect thereof if and when such claims are allowed.

The Trust did not make any distributions to LTI holders in 2016.

Distributions to LTI holders during 2015 totaled \$52.9 million. Funds for distributions made during 2015 were mainly derived from proceeds from the settlement of D&O litigation and funds released from the DCR as a result of the settlement of D&O litigation (see Note 6).

Distributions to LTI holders during 2014 totaled \$183.8 million which was comprised of \$77.2 million of cash and \$106.6 million of Runoff Notes, including accrued interest. Cash distributions during 2014 were derived primarily from releases from the DCR and receipt of the Trust’s portion of a tax refund (see Note 4).

In addition to payments to reduce LTI balances, the Trust distributed \$7.3 million during 2015 and \$13.1 million during 2014, respectively, to claimants whose claims were deemed allowed during the applicable period. No allowed claims were paid in 2016.

#### **Note 10. Disputed Equity Escrow**

In addition to the DCR, the Plan provides for an escrow to be established to hold shares of Reorganized WMI for distribution based on the resolution of disputed equity interests by the Bankruptcy Court (the “Disputed Equity Escrow”). A dismissal of disputed equity interests will result in redistribution to common shareholders of Reorganized WMI consistent with the distribution of common shares on the Effective Date. The shares and any cash distributed on behalf of the shares are held in the Disputed Equity Escrow and are not recorded as an asset of the Trust for financial accounting purposes and are not part of the Trust for U.S. federal income tax purposes. However, the Liquidating Trustee is the escrow agent for the Disputed Equity Escrow. The Disputed Equity Escrow is taxed in a similar manner to the DCR (i.e., it is treated as a “disputed ownership fund” governed by Treasury Regulation section 1.468B-9, and to the extent permitted by applicable law, reports consistently with the foregoing for state and local income tax purposes) and all expenses of the Disputed Equity Escrow (other than taxes) are borne by the Trust. Costs incurred cumulative-to-date total \$7,500.

As of December 31, 2016 and 2015, there were approximately 1.5 million shares of Reorganized WMI common stock in the Disputed Equity Escrow and no cash. Based on the D&O Settlement Agreement (see Note 6), approximately 1.4 million shares of Reorganized WMI common stock were redistributed from the Disputed Equity Escrow on August 1, 2015.

#### **Note 11. Indemnification and Guarantees**

The Trust Agreement provides for the Trustee, employees of the Trust, the members of the TAB, members of the Litigation Subcommittee, and their respective agents, employees, officers, directors, professionals, accountants, advisors, representatives and principals (each an “Indemnified Party”) to be indemnified by the Trust. Such right to indemnification could arise with respect to losses or claims which an Indemnified Party may incur, or to which an Indemnified Party may become subject, in connection with the acts or omissions of the Trustee or a member of the TAB except for acts or omissions arising out of an Indemnified Party’s gross negligence, fraud or willful misconduct.

#### **Note 12. Contingencies**

##### *Liabilities*

All liabilities of the Trust have been recorded at their respective estimated settlement amounts. The Trust is not subject to any known additional contingent liabilities. As discussed in Note 3, disputed claims are not considered a liability. Rather, the DCR is a trust beneficiary which holds cash and LTIs on behalf of disputed claim holders and the Trust has reported the net assets available to trust beneficiaries.

**Note 13. Subsequent Events**

On January 11, 2017, the Trust executed a settlement of a disputed claim with AT&T. On February 1, 2017, the AT&T claim was allowed and paid, in the amount of \$3.3 million. In addition, \$6.4 million was released from the Disputed Claims Reserve to be general assets of the Trust.

On February 1, 2017, the Trust distributed \$17.3 million to LTI Holders (distribution of \$18.8 million offset by foreign withholding paid on behalf of certain LTI holders earlier in the year). The principal source of funds was the receipt of a distribution from the Tax Refund Escrow Account, on December 23, 2016, in the amount of \$27.0 million. See Note 4.

On February 21, 2017 the Court of Claims rendered a decision in the branching rights litigation, dismissing the action for not meeting the burden of proof. See Note 4.

## EXHIBIT INDEX

Pursuant to Item 601(a)(2) of Regulation S-K, this exhibit index immediately precedes the exhibits.

The following exhibits are included, or incorporated by reference, in the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (and are numbered in accordance with Item 601 of Regulation S-K).

<u>Item No.</u>	<u>Description</u>
2.1	Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code filed on December 12, 2011, as modified by the Modification of Seventh Amended Plan dated January 9, 2012, the Second Modification of Seventh Amended Plan dated January 12, 2012, and the Third Modification of Seventh Amended Plan dated February 16, 2012, as filed with the Securities and Exchange Commission under cover of Form 8-K by Washington Mutual, Inc. on March 1, 2012.
2.2	Disclosure Statement for the Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated December 12, 2011, and filed with the United States Bankruptcy Court for the District of Delaware on December 12, 2011, as filed with the Securities and Exchange Commission under cover of Form 8-K by Washington Mutual, Inc. on December 16, 2011.
2.3	Order Confirming the Seventh Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated February 24, 2012, as entered by the United States Bankruptcy Court for the District of Delaware, and as filed with the Securities and Exchange Commission under cover of Form 8-K by Washington Mutual, Inc. on March 1, 2012.
10.1	WMI Liquidating Trust Agreement, dated as of March 6, 2012, by and among Washington Mutual, Inc. and WMI Investment Corp., as debtors and debtors-in-possession, William C. Kosturos, as liquidating trustee, and CSC Trust Company of Delaware as the Delaware resident trustee of the WMI Liquidating Trust, as filed with the Securities and Exchange Commission under cover of Form 8-K by Washington Mutual, Inc. on March 12, 2012, as amended by Amendment No.1 to the WMI Liquidating Trust Agreement dated as of August 1, 2012, as filed with the Securities and Exchange Commission under cover of Form 8-K by WMI Liquidating Trust on August 7, 2012, and by Amendment No. 2 to the WMI Liquidating Trust Agreement dated as of January 7, 2014, as filed with the Securities and Exchange Commission under cover of Form 8-K by WMI Liquidating Trust on January 13, 2014.
10.2	Engagement Letter between WMI Liquidating Trust and Alvarez & Marsal North America, LLC, dated as of March 29, 2012, as filed with the Securities and Exchange Commission under cover of Form 8-K by WMI Liquidating Trust on April 4, 2012.
10.3	Transition Services Agreement, dated March 23, 2012, by and between WMIH Corp. and WMI Liquidating Trust, as filed with the Securities and Exchange Commission under cover of Form 8-K by WMIH Corp. on March 23, 2012, as amended by Amendment No.1 to the Transition Services Agreement, as filed with the Securities and Exchange Commission under cover of Form 8-K by WMIH Corp. on September 27, 2012; and, as amended by Amendment No 2 to the Transition Services Agreement, as filed with the Securities and Exchange Commission under cover of Form 8-K by WMIH Corp on December 17, 2014; and, as amended by Amendment 3 to the Transition Services Agreement, as filed with the Securities and Exchange Commission under cover of Form 8-K by WMIH Corp on November 23, 2016
10.4	Employment Agreement between WMI Liquidating Trust and Charles Edward Smith, dated April 30, 2012, as filed with the Securities and Exchange Commission under cover of Form 10-K by WMI Liquidating Trust on April 1, 2013.
10.5	Employment Agreement between WMI Liquidating Trust and Doreen Logan, dated April 30, 2012, as filed with the Securities and Exchange Commission under cover of Form 10-K by WMI Liquidating Trust on April 1, 2013.
31.1*	Certification of WMI Liquidating Trust's liquidating trustee, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of WMI Liquidating Trust's Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the WMI Liquidating Trust's liquidating trustee, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.

<u>Item No.</u>	<u>Description</u>
32.2**	Certification of WMI Liquidating Trust's Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

\* Filed herewith.

\*\* Furnished herewith.

## WMI LIQUIDATING TRUST

**CERTIFICATION OF LIQUIDATING TRUSTEE  
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William C. Kosturos, certify that:

1. I have reviewed this annual report on Form 10-K of WMI Liquidating Trust (the "Liquidating Trust");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the net assets and changes in net assets under the liquidation basis of accounting of the Liquidating Trust as of, and for, the periods presented in this report;
4. The Liquidating Trust's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Liquidating Trust and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Liquidating Trust, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Liquidating Trust's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Liquidating Trust's internal control over financial reporting that occurred during the Liquidating Trust's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Liquidating Trust's internal control over financial reporting; and
5. This report, based on the most recent evaluation of internal control over financial reporting of the Liquidating Trust's other certifying officer and I, discloses:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Liquidating Trust's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Liquidating Trust's internal control over financial reporting.

Date: March 29, 2017

By: /s/ William C. Kosturos

*William C. Kosturos*  
*Liquidating Trustee*

## WMI LIQUIDATING TRUST

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Maciel, certify that:

1. I have reviewed this annual report on Form 10-K of WMI Liquidating Trust (the "Liquidating Trust");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the net assets and changes in net assets under the liquidation basis of accounting of the Liquidating Trust as of, and for, the periods presented in this report;
4. The Liquidating Trust's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Liquidating Trust and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Liquidating Trust, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Liquidating Trust's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Liquidating Trust's internal control over financial reporting that occurred during the Liquidating Trust's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Liquidating Trust's internal control over financial reporting; and
5. This report, based on the most recent evaluation of internal control over financial reporting of the Liquidating Trust's other certifying officer and I, discloses:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Liquidating Trust's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Liquidating Trust's internal control over financial reporting.

Date: March 29, 2017

By: /s/ John Maciel

*John Maciel*  
*Chief Financial Officer*

**WMI LIQUIDATING TRUST**

**CERTIFICATION OF LIQUIDATING TRUSTEE  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of WMI Liquidating Trust (the "Liquidating Trust") on Form 10-K for the fiscal year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William C. Kosturos, Liquidating Trustee of the Liquidating Trust, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Liquidating Trust.

Date: March 29, 2017

By: /s/ William C. Kosturos

William C. Kosturos  
*Liquidating Trustee*

**WMI LIQUIDATING TRUST**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of WMI Liquidating Trust (the "Liquidating Trust") on Form 10-K for the fiscal year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Maciel, Chief Financial Officer of the Liquidating Trust, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Liquidating Trust.

Date: March 29, 2017

By: /s/ John Maciel

John Maciel

*Chief Financial Officer*