WMIH CORP.
Form DEF 14A
April 19, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934,

as amended

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under § 240.14a-12

WMIH CORP.

(Name of Registrant as Specified in its Charter)

Not applicable

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment by filing fee (check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

WMIH CORP.

800 Fifth Avenue, Suite 4100

Seattle, Washington 98104

April 18, 2017

To Our Stockholders:

On behalf of the board of directors and management of WMIH Corp. (the Company), you are cordially invited to attend our 2017 Annual Meeting of Stockholders, which will be held on June 1, 2017, at 3:00 p.m. Eastern Time, at the offices of Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, Bank of America Tower, New York, New York 10036. If you plan to attend in person, please arrive at least 30 minutes before the meeting begins in order to check in with security, where you will be asked to present valid picture identification such as a driver s license or passport. You will find details of the business to be conducted at the meeting in the attached formal Notice of Annual Meeting of Stockholders and Proxy Statement. Our directors and executive officers are expected to be present at the annual meeting.

Among the matters to be acted on at the annual meeting are the (1) election of directors, (2) ratification of the appointment of our independent auditors and (3) advisory vote on named executive officer compensation.

For the reasons set forth in the Proxy Statement, the board of directors recommends that you vote **FOR** each of the board of directors nominees on Proposal 1 and **FOR** Proposals 2 and 3.

The board of directors has fixed April 7, 2017 as the record date for the annual meeting. Only holders of our common stock, Series A Convertible Preferred Stock and Series B Convertible Preferred Stock of record at the close of business on that date will be entitled to notice of, and to vote at, the annual meeting.

We encourage you to attend the annual meeting in person if convenient for you to do so. If you are unable to attend, it is important that your shares be represented and voted at the annual meeting.

Whether or not you expect to attend the annual meeting, please sign and return the enclosed proxy card promptly. Alternatively, you may give a proxy by telephone or over the Internet by following the instructions on your proxy card or in the Proxy Statement. If you decide to attend the annual meeting, you may, if you wish, revoke the proxy and vote your shares in person.

Sincerely yours,

Eugene I. Davis	William C. Gallagher
Chairman of the Board	*Chief Executive Officer*

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE

ANNUAL MEETING TO BE HELD ON JUNE 1, 2017

The Proxy Statement and 2016 Annual Report to Stockholders are available at www.proxyvote.com.

WMIH CORP.

800 Fifth Avenue, Suite 4100

Seattle, Washington 98104

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on June 1, 2017

To the Stockholders of

WMIH Corp.:

The 2017 annual meeting (the Annual Meeting) of the stockholders of WMIH Corp. (the Company) will be held on June 1, 2017, at 3:00 p.m. Eastern Time, at the offices of Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, Bank of America Tower, New York, New York 10036 for the following purposes:

1. to elect a board of directors consisting of seven members, each to serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualified;

2. to ratify the appointment of BPM LLP, as our independent registered public accounting firm for the fiscal year ending December 31, 2017;

3. to approve, on an advisory basis, compensation of the Company s named executive officers; and

4. to transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The board of directors of the Company (the board of directors) has fixed the close of business on April 7, 2017 as the record date (the Record Date) for determining stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. The Proxy Statement, which includes more information about the proposals to be voted on at the Annual Meeting, the proxy card and the 2016 Annual Report to Stockholders accompany this Notice.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting. We are mailing to all of our stockholders a notice of availability over the Internet of the proxy materials, rather than mailing a full paper set of these materials. The notice of availability contains instructions on how to access our proxy materials on the Internet, as well as instructions on obtaining a paper copy. This process will significantly reduce our costs to print and distribute our proxy materials.

Voting via the Internet or by telephone is fast and convenient, and your vote is immediately confirmed and tabulated. If you receive a paper copy of the proxy materials, you may also vote by completing, signing, dating and returning the accompanying proxy card in the enclosed postage-paid return envelope furnished for that purpose, to the extent you have requested a paper copy. By using the Internet or telephone, you help the Company reduce postage and proxy tabulation costs.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, you are urged to read the accompanying Proxy Statement and then vote your proxy promptly by telephone, via the Internet or by completing, signing, dating and returning the enclosed proxy card in the postage-paid envelope provided. If you are the beneficial owner or you hold your shares in street name, please follow the voting instructions provided by your bank, broker or other nominee. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy. However, in order to vote your shares in person at the Annual Meeting, you must be a stockholder of record on the Record Date or hold a legal proxy from your bank, broker or other holder of record permitting you to vote at the Annual Meeting.

Please do not return the enclosed paper proxy if you are voting via the Internet or by telephone.

VOTE BY INTERNET	VOTE BY TELEPHONE
http://www.proxyvote.com	(800) 690-6903 via touch tone
24 hours a day/7 days a week	phone toll-free
	24 hours a day/7 days a week
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time on May 31, 2017. Have your proxy card in hand when you access the website, and follow the instructions to obtain your records and to create an electronic voting instruction form.	Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time on May 31, 2017. Have your proxy card in hand when you call and then follow the instructions.

Because a majority of the votes entitled to be cast at the meeting must be represented, either in person or by proxy, to constitute a quorum for the conduct of business, your cooperation is much appreciated.

By Order of the Board of Directors:

Charles Edward Smith
Chief Legal Officer and Secretary

Seattle, Washington

April 18, 2017

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON JUNE 1, 2017

The Proxy Statement and 2016 Annual Report to Stockholders are available at www.proxyvote.com.

WMIH CORP.

800 Fifth Avenue, Suite 4100 Seattle, Washington 98104

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

To Be Held June 1, 2017

WMIH Corp. is a Delaware corporation. As used in this Proxy Statement, the terms WMIH, the Company, we, us and our refer to WMIH Co and the terms board of directors and the board refer to the board of directors of WMIH.

MEETING AND VOTING INFORMATION

Date, Time and Place of Meeting

Our board of directors is furnishing this Notice of Annual Meeting and Proxy Statement and the enclosed proxy card in connection with the board s solicitation of proxies for use at the 2017 annual meeting of our stockholders (the Annual Meeting), and at any adjournments or postponements thereof. The Annual Meeting will be held on June 1, 2017, at 3:00 p.m. Eastern Time, at the offices of Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, Bank of America Tower, New York, New York 10036. These proxy materials, form of proxy and the related 2016 Annual Report to Stockholders (which includes our audited financial statements, and the other portions of our 2016 Annual Report on Form 10-K, for the fiscal year ended December 31, 2016), and notice of Internet availability of proxy materials, are first being made available to stockholders on or about April 19, 2017.

We urge you to promptly vote your proxy **FOR** each of the board s nominees on Proposal 1, and **FOR** Proposals 2 and 3, either by telephone, via the Internet, or by completing, signing, dating and returning the enclosed proxy card in the postage-paid envelope provided. By submitting a proxy, you are legally authorizing another person to vote your shares on your behalf. If you vote your proxy by telephone, via the Internet, or submit your executed proxy card by mail, but you do not indicate how your shares are to be voted, then your shares will be voted in accordance with the board s recommendation set forth in this Proxy Statement.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON JUNE 1, 2017

The Proxy Statement and 2016 Annual Report to Stockholders are available at www.proxyvote.com

Solicitation and Revocation of Proxies

Shares represented by validly executed proxies will be voted in accordance with instructions contained in the proxies. If no direction is given, proxies will be voted:

- **FOR** each of the director nominees selected by the board of directors;
- **FOR** ratification of the appointment of BPM LLP, as our independent registered public accounting firm for the fiscal year ending December 31, 2017; and
- **FOR** the approval, on an advisory basis, of the compensation of our named executive officers.

If other matters properly come before the Annual Meeting, the persons named in the accompanying proxy will vote in accordance with their judgment with respect to such matters. The board of directors has selected the two persons named in the enclosed proxy card to serve as proxies in connection with the Annual Meeting.

Any proxy given by a stockholder may be revoked at any time prior to its use in one of four ways: (1) by execution of a later-dated proxy delivered to WMIH s Secretary; (2) by a vote in person at the Annual Meeting; (3) by written notice of revocation delivered to WMIH s Secretary before the Annual Meeting; or (4) by voting again by telephone or via the Internet. Only the latest validly executed proxy that you submit will be counted.

There are no rights of appraisal or similar rights of dissenters with respect to any of the matters to be acted upon at the Annual Meeting.

Purposes of the Annual Meeting

The Annual Meeting has been called for the following purposes:

1. to elect a board of directors consisting of seven members, each to serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualified;

2. to ratify the appointment of BPM LLP, as our independent registered public accounting firm for the fiscal year ending December 31, 2017;

3. to approve, on an advisory basis, compensation of the Company s named executive officers; and

4. to transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Section 2.13 of our Amended and Restated Bylaws (the Bylaws), sets forth certain procedures to be followed for introducing business at a stockholders meeting. WMIH has no knowledge of any other matters that may be properly presented at the Annual Meeting. If other matters do properly come before the Annual Meeting, or any postponement or adjournment thereof, the persons named in the proxy will vote in accordance with their judgment on such matters in the exercise of their sole discretion.

Record Date and Shares Outstanding

Only stockholders of record at the close of business on April 7, 2017, which is the record date (the Record Date) set by the board of directors, are entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. At the close of business on the Record Date, 206,380,800 shares of our common stock, 1,000,000 shares of our Series A Convertible Preferred Stock and 600,000 shares of our Series B Convertible Preferred Stock were issued and outstanding. For information regarding the ownership of our common stock, Series A Convertible Preferred Stock and Series B Convertible Preferred Stock by holders of more than five percent of the outstanding shares of WMIH and by our directors and executive officers, see the Security Ownership of Certain Beneficial Owners and Management section of this Proxy Statement.

Voting; Quorum; Vote Required

At the Annual Meeting, each share of common stock outstanding on the Record Date is entitled to one vote per share, each share of Series A Convertible Preferred Stock outstanding on the Record Date is entitled to one vote per share, on an as-converted basis, and each share of Series B Convertible Preferred Stock is entitled to one vote per share, on an as-converted basis. The holders of Series A Convertible Preferred Stock and Series B Convertible Preferred Stock outstanding on the Record Date are entitled to an aggregate of 10,065,629 and 266,666,667 votes, respectively, at the Annual Meeting. Stockholders are not entitled to cumulate their votes. The presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast at the meeting is necessary to constitute a quorum at the Annual Meeting. For purposes of determining whether a quorum exists for the meeting, if you return a proxy and withhold your vote from the election of all directors, your shares will be counted as present.

The vote required to approve the proposals to be considered at the Annual Meeting are as follows:

Proposal 1 Election of Directors. The seven nominees for the board of directors receiving the highest number of affirmative votes cast at the meeting, in person or by proxy, will be elected as directors. Election of our board of directors is by a plurality of votes. You may vote FOR the nominees for election as directors, or you may WITHHOLD your vote with respect to one or more nominees.

Proposal 2 Ratification of the Appointment of Independent Registered Public Accounting Firm. Ratification of the appointment of BPM LLP, as our independent registered public accounting firm for the fiscal year ending December 31, 2017 requires that the votes cast FOR the proposal, in person or by proxy, at the Annual Meeting exceed the votes cast AGAINST the proposal at the Annual Meeting. You may vote FOR, AGAINST, or ABSTAIN on the proposal to ratify the appointment of BPM LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.

Proposal 3 Advisory Approval of Compensation of Named Executive Officers. Approval, on an advisory basis, of the compensation of our named executive officers requires that the votes cast FOR the proposal, in person or by proxy, at the Annual Meeting exceed the votes cast AGAINST the proposal at the Annual Meeting. Although the board of directors will consider the outcome of the vote when making future decisions regarding the compensation of our named executive officers, the results of the vote are not binding on us. You may vote FOR, AGAINST, or ABSTAIN on the proposal to approve, on an advisory basis, the compensation of our named executive officers.

Effect of Abstentions

If you abstain from voting, your shares will be deemed present at the Annual Meeting for purposes of determining whether a quorum is present. Abstentions have no effect on Proposal 1, the election of directors, because directors are elected by a plurality of the votes cast. Abstentions also have no effect on Proposal 2, the ratification of the appointment of our independent registered public accounting firm, or Proposal 3, the advisory approval of compensation of our named executive officers, because approval of each of these proposals requires that votes cast favoring the proposal exceed the votes cast opposing the proposal, and abstentions will not be included in tabulations of votes cast for purposes of determining whether Proposal 2 or Proposal 3 has been approved.

Effect of Broker Non-Votes

If a broker holds your shares in street name, you should instruct your broker how to vote. A broker non-vote occurs when a nominee holding shares for a beneficial owner returns a duly executed proxy that does not include any vote with respect to a particular proposal because the nominee did not have discretionary voting power with respect to the matter being considered and did not receive voting instructions from the beneficial owner. Only Proposal 2, the ratification of the appointment of our independent registered public accounting firm, is considered a discretionary matter.

Broker non-votes are deemed present at the Annual Meeting for purposes of determining whether a quorum is present, but are not counted as votes cast with respect to the matter on which the broker has not voted. Broker non-votes will have no effect on Proposal 1, the election of directors, because directors are elected by a plurality of the votes cast. Broker non-votes will have no effect on Proposal 2, ratification of the appointment of our independent registered public accounting firm, because brokers or nominees have discretionary authority to vote on this proposal. Broker non-votes will have no effect on Proposal 3, the advisory approval of compensation of our named executive officers, because approval of each of this proposal requires that votes cast favoring the proposal exceed the votes cast opposing the proposal, and broker non-votes will not be included in tabulations of votes cast for purposes of determining whether Proposal 3 has been approved.

We urge you to provide voting instructions to your broker on all voting items.

Costs of Solicitation

We will bear all costs and expenses associated with this solicitation. In addition to solicitation by mail, directors, officers and employees of WMIH may solicit proxies from stockholders, personally or by telephone, facsimile or e-mail transmission, without receiving any additional remuneration. We have asked brokerage houses, nominees and other agents and fiduciaries to forward soliciting materials to beneficial owners of our common stock and will reimburse all such persons for their expenses.

Attendance at Meeting

Only stockholders of record or joint holders as of the close of business on the Record Date or a person holding a valid proxy for the Annual Meeting may attend the meeting. If you are not a stockholder of record but hold shares through a bank, broker or nominee (in street name), you should provide proof of beneficial ownership on the Record Date, such as a recent account statement or a copy of the voting instruction card provided by your bank, broker or nominee.

PROPOSAL 1

ELECTION OF DIRECTORS

Our Amended and Restated Certificate of Incorporation (the Charter) and Bylaws, which were adopted in connection with our reincorporation on May 11, 2015 to the State of Delaware from the State of Washington (the Reincorporation), provide that the number of directors that constitute the entire board shall not be more than eleven, or such greater number as may be determined by the board. Currently, the number of directors is nine; however, the board has adopted a resolution pursuant to which the number of directors will be reduced to seven immediately following the Annual Meeting. In addition to the foregoing, and as previously disclosed, we are recommending the following changes to the composition of the Company s board of directors as it continues to be focused on searching for an acquisition opportunity.

First, six of our current directors, William C. Gallagher, Diane B. Glossman, Tagar C. Olson, Michael J. Renoff, Steven D. Scheiwe and Michael L. Willingham, have been recommended for nomination by our Nominating and Corporate Governance Committee and nominated by the board to stand for re-election as directors for an additional one year term to serve until the next annual meeting of stockholders and until their successors are duly elected and qualified.

Second, given the significant demands on our directors time and his other commitments, our current chairman, Eugene Davis, has decided not to stand for reelection to the board at our upcoming meeting of stockholders.

Third, Paul Raether also has determined not to stand for reelection to our board and we want to thank him for his service and contribution. In his place, our board, upon the recommendation of our Nominating and Corporate Governance Committee, has nominated Christopher J. Harrington, of Kohlberg Kravis Roberts & Co. L.P. (KKR), to replace Mr. Raether on our board of directors. Mr. Harrington is a senior member of KKR s financial services team and he spends a considerable amount of time working with WMIH helping in the search for an acquisition. Mr. Harrington has significant experience in the acquisition of financial services companies and we believe he will be an excellent addition to the board of directors.

Finally, Thomas Fairfield will not stand for re-election in order to maintain a board that is comprised of a majority of independent directors (as defined under Rule 5605(a)(2) of the NASDAQ listing standards). Mr. Fairfield will continue to serve as the Company s President and Chief Operating Officer and will continue to play a key role in the company s efforts to identify and complete an acquisition which adds value for our stockholders. None of Messrs. Davis, Fairfield or Raether decided not to stand for reelection to the board as a result of a disagreement with management or any of the members of the board.

If for any reason any of these nominees should become unavailable for election (an event the board does not anticipate), proxies will be voted for the election of such substitute nominee as the board in its discretion may recommend. Proxies cannot be voted for more than seven nominees. Directors are re-elected annually to serve until the next annual meeting of stockholders and until their successors are duly elected and qualified. If a vacancy occurs after the Annual Meeting, the board of directors may elect a replacement to serve for the remainder of the unexpired term.

Following a recommendation from our Nominating and Corporate Governance Committee, our Board has determined that each of the following members is an independent director under Rule 5605(a)(2) of the NASDAQ listing standards: Diane B. Glossman, Michael J. Renoff, Steven D. Scheiwe and Michael L. Willingham.

The board of directors recommends each of the following nominees for director:

WILLIAM C. GALLAGHER, (age 58). Mr. Gallagher is our Chief Executive Officer and has served as a director since May 2015. Mr. Gallagher previously served as a consultant of WMIH since November 21, 2014.

Mr. Gallagher served as an Executive Vice President and member of the board of directors at Capmark Financial Group Inc., a commercial real estate finance company (Capmark), from November 2014 until May 2015. Mr. Gallagher served as President and CEO of Capmark from February 2011 to November 2014. He was Executive Vice President and Chief Risk Officer of Capmark from March 2009 to February 2011. Prior to joining Capmark, Mr. Gallagher was the Chief Credit Officer of RBS Greenwich Capital, a financial services company, from September 1989 to February 2009. Mr. Gallagher is a member of the Corporate Strategy and Development Committee.

The board has nominated Mr. Gallagher for election as a director because of his senior management, operating and business experience, his leadership skills as a director and chief executive officer and his significant experience with acquisitions and risk management within the financial institutions sector.

DIANE B. GLOSSMAN, (age 61). Ms. Glossman has served as a director since 2012. Ms. Glossman is a retired investment analyst with over 25 years of experience as an analyst and almost 20 years of governance experience on boards. In addition to her service on behalf of WMIH, Ms. Glossman currently serves on the boards of directors of Ambac Assurance Company, Bucks County SPCA, Live Oak Bancshares, QBE North America, Barclays US LLC and Barclays Bank Delaware. Previously, Ms. Glossman served on the board of directors of Powa Technologies Group Ltd. from 2013-2016; A.M. Todd Company from 1998 to July 2011; and as an independent trustee on State Street Global Advisors mutual fund board from October 2009 to April 2011. Ms. Glossman is a member of the Compensation Committee and Nominating and Corporate Governance Committee.

The board has nominated Ms. Glossman for election as a director because of her high level of financial literacy and business experience as an investment analyst, reviewing and forecasting performance for companies in various industries, particularly in the financial services industry and her experience as a director.

CHRISTOPHER J. HARRINGTON, (age 36). Mr. Harrington is being nominated to serve as a director. Mr. Harrington is a senior member of the financial services industry team of KKR, a global investment firm that manages investments across a variety of asset classes, including private equity. Mr. Harrington joined KKR in 2008 as an investment professional, focused on investments in the financial services industry. Mr. Harrington has extensive experience in corporate financings, mergers, acquisitions, investments and strategic transactions. Mr. Harrington has played a significant role in a number of control and non-control investments made by KKR. In connection with these efforts, he has served on the boards of directors of several financial services firms, including Alliant Insurance Services, Sedgwick Inc., and Privilege Underwriters (PURE). Prior to joining KKR, Mr. Harrington was with Merrill Lynch & Co., where he was involved in a variety of corporate advisory transactions. He holds an A.B., magna cum laude, from Harvard College and a J.D., magna cum laude, from Harvard Law School.

The board has nominated Mr. Harrington for election as a director because of his significant experience in the acquisition of financial services companies, the breadth of his contacts in the financial services and private equity industries and the extensive time he has spent working with the Company on identifying and analyzing potential acquisition targets for the Company.

TAGAR C. OLSON, (age 39). Mr. Olson has served as a director since May 2015, appointed by KKR Fund, and served as an observer to the board from March 13, 2014 until becoming a director. Mr. Olson is a Member of KKR, a global asset manager working in private equity and fixed income. He joined KKR in 2002, and he currently serves as head of KKR s financial services industry team and as a member of the Investment Committee within KKR s Private Equity platform. Mr. Olson currently serves on the boards of directors of Alliant Insurance Services, First Data Corporation, Privilege Underwriters (PURE) and Sedgwick, Inc. He has played a significant role in many of KKR s other investments in the financial services sector over the past decade, including Latitude Financial, Legg Mason, Nephila and Santander Consumer USA. Prior to joining KKR, Mr. Olson was with Evercore Partners Inc., a New York-based global investment banking advisory and investment management firm, starting in 1999, where he was involved in a number of private equity transactions and mergers and acquisitions. Mr. Olson holds a B.S. and B.A.S., summa cum laude, from the University of Pennsylvania. He is a member of the Board of Overseers at NYU Langone Medical Center. Mr. Olson chairs the Corporate Strategy and Development Committee.

The board has nominated Mr. Olson for election as a director because of his extensive experience in corporate financings, mergers, acquisitions, investments and strategic transactions, his relationships in the investment banking and private equity industries and his experience in identifying potential merger and acquisition candidates.

MICHAEL J. RENOFF, (age 42). Mr. Renoff has served as a director since March 2012. Mr. Renoff has served as Senior Analyst of Old Bell Associates, LLC since 2008. Old Bell Associates, LLC is the investment manager to Scoggin Worldwide Distressed Fund LLC, which owns shares in WMIH. In addition, Old Bell Associates, LLC has an investment management arrangement with Scoggin Capital Management II LLC and Scoggin International Fund Ltd., each of which own shares of WMIH. Mr. Renoff is a member of the Audit Committee and the Corporate Strategy and Development Committee.

The board has nominated Mr. Renoff for election as a director because of his high level of financial literacy, his qualifications as a chartered financial analyst, his over 15 years of investment experience in the financial services industry and his experience as a director.

STEVEN D. SCHEIWE, (age 56). Mr. Scheiwe has served as a director since March 2012. Since 2001 Mr. Scheiwe has been President of Ontrac Advisors, Inc., which offers analysis and management services to private equity groups, privately held companies and funds managing distressed corporate debt issues. Mr. Scheiwe also serves on the board of directors of Hancock Fabrics, Inc., Alimco Financial Corporation (formerly known as Alliance Semiconductor Corp) and Verso Corporation. During the last five years he has also served on the board of directors of FiberTower Corporation, Primus Telecommunications Group, Inc., Mississippi Phosphates Corporation and Inner City Media Corporation. Mr. Scheiwe chairs the Compensation Committee and is a member of the Audit Committee and the Nominating and Corporate Governance Committee.

The board has nominated Mr. Scheiwe for election as a director because of his high level of financial literacy, broad experience serving as a board member of public and private companies, his experience in mergers, acquisitions and financing, his experience serving on compensation committees and his qualification as an audit committee financial expert.

MICHAEL L. WILLINGHAM, (age 46). Mr. Willingham has served as a director since March 2012. Since June 2002, Mr. Willingham has been a principal at Willingham Services, which provides 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. Mr. Willingham is a member of the Trust Advisory Board and Litigation Subcommittee of WMI Liquidating Trust (the Trust). Mr. Willingham chairs the Audit Committee and is a member of the Compensation Committee.

The board has nominated Mr. Willingham for election as a director because of his high level of financial literacy, his experience in recovering significant value for stockholders, estates and creditors in various bankruptcy cases, his experience negotiating complex financial instruments, including hedging derivatives and credit agreements, and his experience as a director.

Director Relationships

KKR Fund Holdings L.P. and certain affiliates, collectively (KKR Fund) is party to that certain Investor Rights Agreement, dated as of January 30, 2014 (the Investor Rights Agreement), between us and KKR Fund.

Pursuant to the Investor Rights Agreement and as a result of the increase of the size of our board from seven to nine in May 2015, for so long as KKR Fund owns, in the aggregate, at least 50% of our Series A Convertible Preferred Stock issued as of January 30, 2014 (or the underlying common stock), KKR Fund will have the right to appoint two of the nine directors that currently comprise our board. Pursuant to the Investor Rights Agreement, Mr. Olson and Mr. Raether were nominated by KKR Fund and appointed as directors, effective as of May 12, 2015, to fill the vacancies created by the resignations of two of our directors and the increase of the size of our board. As discussed above, Mr. Raether is not standing for reelection to our board and we have nominated Mr. Harrington to replace Mr. Raether as one of KKR s representatives on our board. We anticipate reducing the size of our board from nine to seven directors following the Annual Meeting, whereupon KKR would no longer enjoy a contractual entitlement to two seats on our board. The foregoing notwithstanding, we continue to believe that our strategic relationship with KKR, including as a potential source of acquisition opportunities, merits the nomination of, and election of, Messrs. Olson and Harrington to the board as representatives of KKR.

Additionally, in connection with the issuance of the Series A Convertible Preferred Stock and the Warrants, KKR Fund and its affiliates had agreed that, until December 31, 2016, they would not, among other things:

- request the call of a special meeting of our stockholders; seek to make, or make, a stockholder proposal at any meeting of our stockholders; seek the removal of any director from the board of directors; or make any solicitation of proxies (as such terms are used in the proxy rules of the SEC) or solicit any written consents of stockholders with respect to any matter;

- form or join or participate in a partnership, limited partnership, syndicate or other group within the meaning of Section 13(d)(3) of the Exchange Act, with respect to any of our voting securities;

- make or issue, or cause to be made or issued, any public disclosure, statement or announcement (including filing reports with the SEC) (x) in support of any solicitation described in the first bullet above, or (y) negatively commenting upon us;

- except pursuant to any exercise of any Warrant, the conversion of the Series A Convertible Preferred Stock, or the exercise of the Participation Rights, acquire, agree or seek to acquire, beneficially or otherwise, any of our voting securities (other than securities issued pursuant to a plan established by the board of directors for members of the board of directors, a stock split, stock dividend distribution, spin-off, combination, reclassification or recapitalization of us and our common stock or other similar corporate action initiated by us);

- enter into any discussions, negotiations, agreements or undertakings with any person with respect to the foregoing or advise, assist, encourage or seek to persuade others to take any action with respect to the foregoing, except pursuant to mandates we grant to KKR Capital Markets LLC and its affiliates for the purpose of us raising capital; or

- short any of our common stock or acquire any derivative or hedging instrument or contract relating to our common stock.

The foregoing provisions expired, by their terms, on December 31, 2016.

In the event that any stockholder or group of stockholders other than KKR Fund calls a stockholder meeting or seeks to nominate nominees to the board of directors, then KKR Fund shall not be restricted from calling a stockholder meeting in order to nominate directors as an alternative to the nominees nominated by such stockholder or group, provided that KKR Fund shall not nominate or propose a number of directors to the board of directors that is greater than the number of directors nominated or proposed by such stockholder or group.

Mr. Willingham is currently a member of the Trust Advisory Board and the Litigation Subcommittee of the Trust. Mr. Willingham was selected by the Trust s Equity Committee to serve on the Litigation Subcommittee, which committee is responsible for the prosecution of certain claims by the Trust. The Trust is not considered an affiliate of the Company. However, according to the disclosures by the Trust in its Quarterly Summary Report for the period ended December 31, 2016 and filed under cover of Form 8-K with the Securities and Exchange Commission (the SEC) on January 30, 2017, the Trust (either directly or through the Disputed Claim Reserve) held an aggregate of $410,454.00 of outstanding 13% Senior Second Lien Notes Due 2030 (the Runoff Notes), including interest accrued thereon, issued by the Company in connection with the Bankruptcy Plan, under an Indenture dated as of March 19, 2012 between WMIH and Delaware Trust Company (in its capacity as successor indenture trustee to The Law Debenture Trust Company of New York (the Indenture)). To avoid any potential conflict, the Trust s governance procedures require Mr. Willingham to recuse himself from any decision of the Trust Advisory Board that relates to matters involving WMIH. Any applicable related party transactions that arise during the life of the Trust will be elevated to the Trust Advisory Board, as required, for further consideration.

The board of directors unanimously recommends that you vote <u>FOR</u> the election of each of the foregoing nominees for director.

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected BPM LLP (formerly known as Burr Pilger Mayer, Inc.), as our independent registered public accounting firm for the fiscal year ending December 31, 2017. Although the appointment of BPM LLP as our independent registered public accounting firm is not required to be submitted to a vote of the stockholders by our charter documents or applicable law, the board has decided to ask the stockholders to ratify the appointment. If the stockholders do not ratify the appointment of BPM LLP, the board of directors will ask the Audit Committee to reconsider its selection, but there can be no assurance that a different selection will be made.

For more information regarding our independent registered public accounting firm, see the Matters Relating to Our Auditors section of this Proxy Statement.

The board of directors unanimously recommends that you vote FOR ratification of the appointment of BPM LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.

PROPOSAL 3

ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION

We are asking stockholders to approve an advisory (non-binding) resolution on our named executive officer compensation as disclosed in this Proxy Statement. As described below in the Executive Compensation Compensation Discussion and Analysis section of this Proxy Statement, our Compensation Committee has structured our executive compensation program in a way that it believes will attract and retain highly qualified executive officers. Our Compensation Committee and board of directors believe that the compensation policies and procedures articulated in the Compensation Discussion and Analysis section of this Proxy Statement are effective in achieving our goals.

We urge stockholders to read the Executive Compensation section of this Proxy Statement, including the Compensation Discussion and Analysis that discusses our named executive officer compensation for fiscal year 2016 in more detail, as well as the 2016 Summary Compensation Table and other related compensation tables, notes and narrative, which provide detailed information on the compensation of our named executive officers.

In accordance with Section 14A of the Exchange Act, and as a matter of good corporate governance, we are asking stockholders to approve the following resolution at the Annual Meeting:

RESOLVED, that the stockholders of WMIH Corp. (the Company) approve, on an advisory basis, the compensation of the Company s named executive officers as disclosed in the Proxy Statement for the Company s 2017 Annual Meeting of Stockholders.

Although this proposal, commonly referred to as a say-on-pay vote, is an advisory vote that will not be binding on our board of directors or Compensation Committee, the board of directors and Compensation Committee will consider the results of this advisory vote when making future decisions regarding our named executive officer compensation programs.

The board of directors unanimously recommends that you vote FOR the approval, on an advisory basis, of the compensation of our named executive officers.

COMMITTEES AND MEETINGS OF THE BOARD

During the fiscal year ended December 31, 2016, the board of directors held eight formal meetings. The board of directors has established four standing committees: an Audit Committee, Compensation Committee, Corporate Strategy and Development Committee and Nominating and Corporate Governance Committee. Each director attended at least 75% of the total number of meetings held by the board of directors and the board committees on which he or she served during fiscal year 2016 (or such portion of the year during which such director served on the board of directors).

The board of directors, following a recommendation by the Company s Nominating and Corporate Governance Committee, has adopted a policy with respect to board member attendance at annual stockholder meetings. In accordance with such policy, the board encourages all directors to make attendance at the Annual Meeting a priority. Last year, all directors who were members of the board at the time of the annual meeting were in attendance at the annual meeting of stockholders.

Audit Committee

WMIH has a standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee is governed by a written charter, a current copy of which is available on our website at www.wmih-corp.com. The Audit Committee held 4 meetings during the fiscal year ended December 31, 2016.

Michael L. Willingham (Chair), Michael J. Renoff and Steven D. Scheiwe, each of whom meets the financial literacy and independence requirements for audit committee membership specified in the NASDAQ listing standards and rules adopted by the SEC, are the current members of the Audit Committee. The board of directors has determined that each member is qualified to be an audit committee financial expert as defined in the SEC s rules.

The Audit Committee s duties and responsibilities include: (a) selection, retention, compensation, evaluation, replacement and oversight of our independent registered public accounting firm, including resolution of disagreements between management and the independent auditors regarding financial reporting; (b) establishment of policies and procedures for the review and pre-approval of all audit services and permissible non-audit services to be performed by our independent registered public accounting firm; (c) review and discuss with management and the independent auditors the annual audited financial statements (including the report of the independent auditor thereon) or quarterly unaudited financial statements contained in our periodic reports with the SEC; (d) obtain and review a report from the independent registered public accounting firm describing our internal quality control procedures; (e) periodic assessment of our accounting practices and policies and risk and risk management; (f) review policies and procedures with respect to transactions between us and related-persons and review and approve those related-person transactions that would be disclosed pursuant to SEC Regulation S-K, Item 404; (g) establishment of procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, in each case, pursuant to and to the extent required by laws, rules and regulations applicable to us; and (h) oversight of the code of ethics for senior financial officers and development and monitoring of compliance with the code of conduct applicable to our directors, officers and employees, in each case, pursuant to and to the extent required by laws, rules and regulations applicable to us.

Compensation Committee

The members of the Compensation Committee are Steven D. Scheiwe (Chair), Eugene I. Davis, Diane B. Glossman and Michael L. Willingham, each of whom is an independent director as defined in Rule 5605(a)(2) of the NASDAQ listing standards. The Compensation Committee is governed by a written charter, a current copy of which is available on our website at www.wmih-corp.com. During the fiscal year ended December 31, 2016, the Compensation Committee held two (2) meetings and otherwise elected to act on other business via unanimous written consent, as contemplated by its charter.

Responsibilities and Processes of Compensation Committee. The board of directors has delegated to the Compensation Committee responsibility for considering and approving the compensation programs and awards for all of our executive officers, including the named executive officers identified in the 2016 Summary Compensation Table. The Compensation Committee consists entirely of independent, non-employee directors. The Compensation Committee is responsible for: (a) reviewing our overall compensation philosophy and related compensation and benefit policies, programs and practices; (b) reviewing and approving goals and objectives relevant to compensation of the Chief Executive Officer, the Chief Financial Officer and other executive officers; (c) reviewing and recommending equity compensation plans; (d) overseeing and reviewing the non-employee director compensation program; (e) reviewing and discussing with our management the compensation discussion and analysis, if required by the Exchange Act and recommending it to the board of directors, if appropriate, for inclusion in our Proxy Statement; and (f) monitoring compliance with applicable laws governing executive compensation.

Role of Executive Officers. We have four executive officers: (a) William C. Gallagher, our Chief Executive Officer; (b) Thomas L. Fairfield, our President and Chief Operating Officer; (c) Charles Edward Smith, our Executive Vice President, Chief Legal Officer and Secretary; and (d) Timothy F. Jaeger, our Senior Vice President, Interim Chief Financial Officer and Interim Chief Accounting Officer. In addition, Mr. Smith is an employee of the Trust, serving as its Executive Vice President, General Counsel and Secretary.

Mr. Gallagher s service as Chief Executive Officer is governed by an employment agreement, effective as of May 25, 2015 (the Gallagher Employment Agreement). The initial term of the Gallagher Employment Agreement is three years. Under the Gallagher Employment Agreement, Mr. Gallagher receives an annual base salary equal to $500,000, subject to applicable withholding taxes. In the event that Mr. Gallagher s employment is terminated by us without Cause or due to Mr. Gallagher s resignation for Good Reason prior to a Qualifying Acquisition (as such terms are defined in the Gallagher Employment Agreement), subject to Mr. Gallagher s execution of a release of claims in favor of us, we will provide Mr. Gallagher with severance in an amount equal to $250,000. Mr. Gallagher will not receive any severance payment if such termination occurs following a Qualifying Acquisition. Upon the consummation of a Qualifying Acquisition, we and Mr. Gallagher will enter into a restrictive covenants agreement containing customary terms and conditions, including twelve-month post-termination non-competition and non-solicitation covenants.

Mr. Fairfield s service as our President and Chief Operating Officer is governed by an employment agreement, effective as of May 15, 2015 (the Fairfield Employment Agreement). The initial term of the Fairfield Employment Agreement is three years. Under the Fairfield Employment Agreement, Mr. Fairfield receives an annual base salary equal to $500,000, subject to applicable withholding taxes. In the event that Mr. Fairfield s employment is terminated by us without Cause or due to Mr. Fairfield s resignation for Good Reason prior to a Qualifying Acquisition (as such terms are defined in the Fairfield Employment Agreement), subject to Mr. Fairfield s execution of a release of claims in favor of us, we will provide Mr. Fairfield with severance in an amount equal to $250,000. Mr. Fairfield will not receive any severance payment if such termination occurs following a Qualifying Acquisition. Upon the consummation of a Qualifying Acquisition, the Company and Mr. Fairfield will enter into a restrictive covenants agreement containing customary terms and conditions, including twelve-month post-termination non-competition and non-solicitation covenants.

Mr. Smith provides services to the Company under the Transition Services Agreement, dated March 22, 2012, by and between the Company and the Trust (as amended, the Transition Services Agreement), under which Mr. Smith provides certain designated services to us. Pursuant to the Transition Services Agreement, we have agreed to reimburse the Trust at a fixed rate per hour in exchange for Mr. Smith s services as one of the Company s executives.

Mr. Jaeger provides services to us under a non-exclusive arrangement pursuant to an Engagement Agreement, effective May 28, 2012 (as amended, the Engagement Agreement), entered into by and between us and CXO Consulting Group, LLC (CXOC), under which Mr. Jaeger acts as our Senior Vice President, Interim Chief Accounting Officer and Interim Chief Financial Officer.

Subject to the terms of these agreements, the executive officers are elected by and serve at the discretion of the Company s board of directors. Mr. Gallagher and Mr. Fairfield negotiated their respective compensation arrangements with Messrs. Scheiwe and Smith, on behalf of the Company, and such arrangements were approved by Compensation Committee and the board of directors. Mr. Smith, on behalf of the Trust, and Mr. Jaeger, on behalf of CXOC, negotiated their respective reimbursement or compensation arrangements (as the case may be) with Mr. Willingham when he served as chairman of the board, and such arrangements were approved by the Compensation Committee and the board of directors.

Corporate Strategy and Development Committee

The members of the Corporate Strategy and Development Committee (the CS&D Committee) are Tagar C. Olson (Chair), William C. Gallagher and Michael J. Renoff. In general, all directors are invited to attend meetings of the CS&D Committee. The CS&D Committee is governed by a written charter, a current copy of which is available on our website at www.wmih-corp.com. The purpose of the CS&D Committee is to support the board of directors with the identification, review and assessment of potential acquisitions and strategic or business investment opportunities. During the fiscal year ended December 31, 2016, the CS&D Committee held at least twelve (12) formal and informal meetings and is actively engaged in pursuing acquisition opportunities for the Company.

Pursuant to its purpose, the CS&D Committee works to develop our acquisition strategy and to identify, consider and evaluate potential mergers, acquisitions, business combinations and other strategic opportunities, including collecting and analyzing information regarding potential target companies, determining the valuation of potential target companies and advising on capital-raising, if needed, to fund our external growth strategy. In connection with and in addition to the foregoing, the CS&D Committee may explore various financing alternatives to fund our external growth strategy, including improving our capital structure, which may include increasing, reducing and/or refinancing debt; pursuing capital raising activities, such as the issuance of new preferred or common equity and/or a rights offering to our existing stockholders, launching an exchange offer, and pursuing other transactions involving our outstanding securities. There can be no assurance that any such future transaction will occur or, if so, on what terms.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are Eugene I. Davis (Chair), Diane B. Glossman and Steven D. Scheiwe, each of whom is an independent director as defined in Rule 5605(a)(2) of the NASDAQ listing standards. The Nominating and Corporate Governance Committee is governed by a written charter, a current copy of which is available on our website at www.wmih-corp.com. During the fiscal year ended December 31, 2016, the Nominating and Corporate Governance Committee held at least two (2) meetings.

The functions of the Nominating and Corporate Governance Committee are to carry out the duties and responsibilities delegated by the board relating to our director nominations process, oversight of the evaluation of directors and development and maintenance of our corporate governance principles and policies. The committee is authorized by its charter to engage its own advisors. Our board is responsible for nominating members for election to our board and for filling vacancies on the board that may occur between annual meetings of stockholders. The committee is responsible for identifying, screening and recommending to our board candidates for board membership. The committee recommended to the board the nomination of the candidates reflected in Proposal 1.

Nominees for director will be selected on the basis of, among other things, knowledge, experience, skills, expertise, integrity, diversity, ability to make independent analytical inquiries, and understanding of the Company s business environment, all in the context of an assessment of the perceived needs of the board at the time. Nominees should also be willing to devote adequate time and effort to board responsibilities. The Nominating and Corporate Governance Committee does not set specific, minimum qualifications that nominees must meet in order for the committee to recommend them to the board, but rather believes that each nominee should be evaluated based on his or her individual merit, taking into account the needs of the Company and the composition of the board. The committee will consider stockholder recommendations for candidates to serve on the board. Candidates suggested by stockholders will be evaluated by the same criteria and process as candidates from other sources. Formal nomination of candidates by stockholders requires compliance with Section 2.13 of the Bylaws, including sending timely notice of the candidate s name, biographical information, and qualifications, and certain information regarding the stockholder making the nomination, to the Secretary of the Company at WMIH Corp., 800 Fifth Avenue, Suite 4100, Seattle, Washington 98104. In order for a notice of stockholder nomination to be considered timely, a stockholder must deliver the notice to the Secretary at our principal executive offices no later than 90 calendar days and no earlier than 120 calendar days prior to the one-year anniversary of the date on which the Company s Proxy Statement was released to stockholders in connection with the previous year s annual meeting of stockholders; provided, however, if the annual meeting of stockholders is convened more than 30 days prior to the anniversary of the preceding year s annual meeting or delayed by more than 30 days after the anniversary of the preceding year s annual meeting or if no annual meeting was held in the preceding year, the notice by the stockholder must be received not later than the close of business on the later of the 90th calendar day before such annual meeting and the 10th day following the day on which public announcement of the date of such meeting is first made. There is otherwise no formal process prescribed for identifying and evaluating nominees, including no formal diversity policy.

Committee Membership at April 7, 2017

Name	**Audit Committee**	**Compensation Committee**	**Corporate Strategy and Development Committee**	**Nominating and Corporate Governance Committee**
Eugene I. Davis[(1)]		Member		Chair
Thomas L. Fairfield[(1)]				
William C. Gallagher			Member	
Diane B. Glossman		Member		Member
Tagar C. Olson			Chair	
Paul E. Raether[(1)]				
Michael J. Renoff	Member		Member	
Steven D. Scheiwe	Member	Chair		Member
Michael L. Willingham	Chair	Member		

(1) As has been previously disclosed, Messrs. Davis, Fairfield and Raether are not standing for reelection to our board. Relatedly, we expect that the composition of these committees will be updated and disclosed shortly after our annual meeting.

RISK MANAGEMENT

We have developed and maintain processes to manage risk in the Company s operations. The board s role in risk management is primarily one of oversight, with day-to-day responsibility for risk management implemented by the management team. The board of directors executes its oversight role directly and through its various committees. The Audit Committee has principal responsibility for implementing the board s risk management oversight role. The Audit Committee is also responsible for reviewing conflict of interest transactions and handling complaints about accounting and auditing matters and violations of our code of conduct and code of ethics. Any waivers of the codes for executive officers and directors must be submitted to the Chair of the Audit Committee and may be made only by the board. The Audit Committee monitors certain key risks, such as risk associated with internal control over financial reporting, liquidity risk and risks associated with potential business acquisitions, in addition to assessing the risks in our proposed financing or investments. The Compensation Committee assesses risks created by the incentives inherent in our compensation policies. Finally, the full board of directors reviews strategic and operational risk in the context of reports from the management team and the board committees.

LEADERSHIP STRUCTURE

The positions of Chairman of the Board and Chief Executive Officer have been held by two different individuals. The board has determined that during his tenure, Mr. Davis has been independent under the NASDAQ listing standards. The board believes that this structure is appropriate for the Company at this time. Except for our CS&D Committee, on which Mr. Olson and Mr. Gallagher, our Chief Executive Officer serves, each of our board committees is made up solely of independent directors and sets its own agenda. The independent directors also meet in executive session on a regular basis without management present.

CODE OF ETHICS

We have adopted a code of ethics which is applicable to our board of directors and our officers, including our chief executive officer, president, chief financial officer, principal accounting officer and controller. The code of ethics focuses on honest and ethical conduct, the adequacy of disclosure in our financial reports, and compliance with applicable laws and regulations. A current copy of the code of ethics is available on our website at www.wmih-corp.com, and is administered by the Audit Committee.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD

Communications by stockholders to the board of directors should be sent to the attention of the Chairman of the Board, in care of Charles Edward Smith, Chief Legal Officer and Secretary, WMIH Corp., 800 Fifth Avenue, Suite 4100, Seattle, Washington 98104. Such communications will be forwarded unopened to the individual serving as Chairman of the Board, who will be responsible for responding to or forwarding such communications as appropriate, including communications directed to individual directors or board committees. Communications will not be forwarded if the Chairman of the Board determines that they do not appear to be within the scope of the board s (or such other intended recipient s) responsibilities or are otherwise inappropriate or frivolous.

DIRECTOR COMPENSATION FOR FISCAL YEAR 2016

2016 Director Compensation Table

The following table summarizes information regarding director compensation for the non-employee directors of the Company during the fiscal year ended December 31, 2016.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[(1)]	Total ($)	
Eugene I. Davis	167,500	100,000	267,500	
Diane B. Glossman	110,000	100,000	210,000	
Tagar C. Olson				$ 7,264

Denominator:

Denominator for basic net income (loss) per share from continuing operations weighted average shares	109,484	107,464	109,113	107,398
Effect of dilutive securities:				
Employee stock options	2,224		2,190	1,078
2.75% convertible subordinated notes	15,432		15,432	
Denominator for diluted net income (loss) per share from continuing operations adjusted weighted average shares and assumed conversions	127,140	107,464	126,735	108,476
Basic net income (loss) per share from continuing operations	$ 0.38	$ (0.13)	$ 0.50	$ 0.07
Diluted net income (loss) per share from continuing operations	$ 0.33	$ (0.13)	$ 0.45	$ 0.07

BEVERLY ENTERPRISES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2005
(Unaudited)

Note 1. General (Continued)

Diluted net income per share from continuing operations does not include the impact of 10,000 employee stock options outstanding for the three-month and six-month periods ended June 30, 2005 and 7.4 million and 1.8 million for the three-month and six-month periods ended June 30, 2004, respectively, because their effect would have been antidilutive. In accordance with Emerging Issues Task Force 04-8, *The Effect of Contingently Convertible Debt on Diluted Earnings Per Share,* we have included the dilutive effect of our 2.75% convertible subordinated notes, on an if-converted basis, in our calculation of diluted net income per share from continuing operations for the three-month and six-month periods ended June 30, 2005. For 2004, the effect of the 2.75% convertible subordinated notes would have been antidilutive in both periods, and therefore, conversion was not assumed.

Note 2. Insurance

We believe that adequate provision has been made in the financial statements for liabilities that may arise out of patient care and related services provided to date. These provisions are based primarily upon the results of independent actuarial valuations, prepared by experienced actuaries. These independent valuations are formally prepared twice each year using the most recent trends of claims, settlements and other relevant data. In addition to the estimate of retained losses, our provision for insurance includes accruals for insurance premiums and related costs for the coverage period and our estimate of any experience adjustments to premiums. The following table summarizes our provision for insurance and related items (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
General and professional liability:				
Continuing operations	$ 19,416	$ 17,332	$ 38,166	$ 34,140
Discontinued operations	505	8,196	2,622	13,105
	$ 19,921	$ 25,528	$ 40,788	$ 47,245
Workers compensation:				
Continuing operations	$ 5,848	$ 10,007	$ 14,307	$ 17,564
Discontinued operations	815	1,208	2,344	2,474
	$ 6,663	$ 11,215	$ 16,651	$ 20,038
Other insurance:				
Continuing operations	$ 2,283	$ 3,245	$ 4,559	$ 6,472
Discontinued operations	63	109	135	225
	$ 2,346	$ 3,354	$ 4,694	$ 6,697
Total provision for insurance and related items:				
Continuing operations	$ 27,547	$ 30,584	$ 57,032	$ 58,176
Discontinued operations	1,383	9,513	5,101	15,804

$ 28,930	$ 40,097	$ 62,133	$ 73,980

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BEVERLY ENTERPRISES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2005
(Unaudited)

Note 2. Insurance (Continued)

Our insurance liabilities are included in the consolidated balance sheet captions as follows (in thousands):

	June 30, 2005	December 31, 2004
Accrued wages and related liabilities	$ 127	$ 488
General and professional liabilities	58,187	54,216
Other liabilities and deferred items	105,371	117,962
	$ 163,685	$ 172,666

Note 3. Asset Impairments, Workforce Reductions and Other Unusual Items

We recorded pre-tax charges (credits) for asset impairments, workforce reductions and other unusual items as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Asset impairments	$ 97	$	$ (15)	$ 2,885
Workforce reductions		230		98
Other unusual items, including exit costs	(4)	71	(8)	142
Reversal of previously recorded charges		(1,324)		(1,324)
	$ 93	$ (1,023)	$ (23)	$ 1,801

The following table summarizes activity in our accruals for estimated workforce reductions and exit costs (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2005		2004		2005		2004	
	Workforce Reductions	Exit Costs	Workforce Reductions	Exit Costs	Workforce Reductions	Exit Costs	Workforce Reductions	Exit Costs
Balance beginning of period	$ 493	$ 4,915	$ 2,129	$ 7,743	$ 1,166	$ 4,572	$ 3,029	$ 7,270
		101	231	128		97	427	247

Charged to continuing operations								
Charged to discontinued operations		1,759		1,226		3,090		2,800
Cash payments	(33)	(2,414)	(824)	(2,430)	(687)	(3,314)	(1,938)	(3,650)
Reversals	(17)	(8)	(1)		(36)	(92)	17	
Balance end of period	$ 443	$ 4,353	$ 1,535	$ 6,667	$ 443	$ 4,353	$ 1,535	$ 6,667

Workforce reduction and exit cost accruals are included in Accrued wages and related liabilities and Other accrued liabilities on our condensed consolidated balance sheets.

BEVERLY ENTERPRISES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2005
(Unaudited)

Note 4. Sale of the Company and Related Items

In January 2005, a group including Formation Capital, LLC, Appaloosa Management, LP, Franklin Mutual Advisers LLC and Northbrook NBV LLC (the Formation Capital Consortium), publicly announced an unsolicited indication of interest in acquiring all of our outstanding common stock. Arnold M. Whitman, the Chief Executive Officer of Formation Capital, also nominated a slate of six individuals for election to our Board of Directors.

On February 3, 2005, our Board of Directors unanimously rejected the Formation Capital Consortium s proposal. On March 22, 2005, we announced that our Board of Directors had unanimously voted to conduct an auction process to maximize value for all of our stockholders as soon as practicable through a sale of BEI. The Board also adopted procedures to enable the beneficial owners of not less than 20% of our outstanding common stock to nominate a new slate of directors and cause us to call a special meeting of stockholders to be held on October 21, 2005 for the election of directors.

On April 11, 2005, we entered into a Settlement Agreement with the Formation Capital Consortium and Mr. Whitman under which the Formation Capital Consortium and Mr. Whitman agreed to discontinue the solicitation of proxies in connection with the Company s April 21, 2005 Annual Meeting of Stockholders and Mr. Whitman withdrew his nominees for election to our Board of Directors and other proposals for consideration at the 2005 Annual Meeting. In addition, we agreed to reimburse the Formation Capital Consortium for up to $600,000 of out-of-pocket fees and expenses incurred by them and Mr. Whitman in connection with their proxy solicitation. We also entered into a Confidentiality Agreement with the members of the Formation Capital Consortium under which the Formation Capital Consortium and its representatives may examine our confidential information for the purpose of evaluating a possible transaction with us pursuant to the same restrictions imposed on other bidders involved in the sales process. We committed in the Confidentiality Agreement to allow the Formation Capital Consortium to participate in our on-going sales process on the same basis as all other potential buyers.

The sales process is being overseen by independent members of our Board of Directors who have engaged an independent financial advisor to provide a fairness opinion. We have established a due diligence process to assist potential bidders in evaluating their level of interest in acquiring us and in developing bids. Multiple potential bidders or bidding groups signed confidentiality agreements and obtained access to information about BEI contained in an online data room we established. On May 18, 2005, we announced that bidding had entered a second round.

Our results of operations, financial condition and cash flows may be adversely impacted by the ongoing sales process. To date, we have incurred various costs as a result of the expression of interest, the proxy contest and the sales process including legal, investment banking advisory fees and other related costs. During the first quarter of 2005, we engaged two investment banking firms to assist us in evaluating proposals, both solicited and unsolicited, to acquire us or any of our assets or businesses.

Under the terms of the engagement we are required to pay a fee to these two firms equal to a percentage of any consideration received in connection with our sale, with their percentage compensation increasing with an increase in the sales value, or a flat fee if no sale was to occur. As a result, we recorded a liability of $16.5 million included in other accrued liabilities on the June 30, 2005 condensed consolidated balance sheet. In addition, we have incurred other costs related to the sales process and have recorded expenses of $8.6 million, of which $6.5 million has been paid and $2.1 million remains accrued at June 30, 2005. In addition, the sales process may impact our ability to attract and retain customers, management and employees and may result in the incurrence of significant additional advisory fees, legal fees and other expenses; however, the amount and impact of these potential additional expenses cannot be reasonably estimated at this time.

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BEVERLY ENTERPRISES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2005
(Unaudited)

Note 5. Discontinued Operations

During the six months ended June 30, 2005, we recognized net pre-tax gains of $2.1 million, primarily relating to the sale of seven nursing facilities (889 beds) for cash proceeds totaling $13.3 million. These assets were part of our Nursing Facilities segment, five of which were held for sale as of December 31, 2004. In addition, we sold 10 outpatient clinics for $4.6 million, including $710,000 in cash and $3.8 million of notes receivable. These assets and related liabilities were part of our former Matrix segment and were held for sale as of December 31, 2004.

We have included the remaining assets of 22 nursing facilities (2,116 beds), part of our Nursing Facilities segment, as held for sale in the accompanying condensed consolidated balance sheet as of June 30, 2005. We expect to dispose of these facilities in the next six months. The remaining assets and liabilities of our former Matrix segment and the assets of 27 nursing facilities were included in assets and liabilities held for sale as of December 31, 2004.

A summary of the asset and liability line items from which the reclassifications have been made at June 30, 2005 and December 31, 2004, is as follows (in thousands):

	2005	2004		
	Nursing Facilities	Nursing Facilities	Matrix	Total
Current assets	$ 452	$ 479	$ 1,970	$ 2,449
Property and equipment, net	11,009	10,655	1,212	11,867
Goodwill			332	332
Other assets	204	222	28	250
Total assets held for sale	$ 11,665	$ 11,356	$ 3,542	$ 14,898
Current liabilities held for sale	$	$	$ 676	$ 676

The results of operations of disposed facilities and other assets in the three-month and six-month periods ended June 30, 2005, as well as the results of operations of held-for-sale assets, have been reported as discontinued operations for all periods presented in the accompanying condensed consolidated statements of operations. Also included in discontinued operations are the gains and losses on sales and exit costs relative to these transactions. Discontinued operations for the three-month and six-month periods ended June 30, 2004

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BEVERLY ENTERPRISES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2005
(Unaudited)

Note 5. Discontinued Operations (Continued)
also include the results of operations for all facilities, clinics and businesses disposed of during 2004. A summary of discontinued operations by operating segment is as follows (in thousands):

	2005				2004			
	Nursing Facilities	Matrix	Home Care	Total	Nursing Facilities	Matrix	Home Care	Total
Three Months Ended June 30								
Revenues	$ 29,426	$	$	$ 29,426	$ 50,506	$ 3,602	$	$ 54,108
Operating income (loss)(1)	$ 1,988	$ 47	$ (137)	$ 1,898	$ (4,924)	$ 495	$ (25)	$ (4,454)
Gain (loss) on sales and exit costs	3,014			3,014	(5,570)	(25)	20	(5,575)
Impairments and other unusual items	(205)			(205)	(1,648)			(1,648)
Pre-tax income (loss)	$ 4,797	$ 47	$ (137)	4,707	$ (12,142)	$ 470	$ (5)	(11,677)
Provision for (benefit from) state income taxes				137				(78)
Discontinued operations, net of taxes				$ 4,570				$ (11,599)

(1) Includes net interest expense of $10,000 and $140,000 for 2005 and 2004, respectively, as well as depreciation and amortization expense of $105,000 and $909,000 for 2005 and 2004, respectively.

	2005				2004			
	Nursing Facilities	Matrix	Home Care	Total	Nursing Facilities	Matrix	Home Care	Total
Six Months Ended June 30								
Revenues	$ 63,897	$ 2,546	$	$ 66,443	$ 104,275	$ 6,903	$ 148	$ 111,326
Operating income (loss)(1)	$ 2,174	$ 452	$ (234)	$ 2,392	$ (6,009)	$ 648	$ (32)	$ (5,393)

Gain (loss) on sales and exit costs	2,136			2,136	(1,082)	(25)	3	(1,104)
Impairments and other unusual items	2			2	(2,906)			(2,906)
Pre-tax income (loss)	$ 4,312	$ 452	$ (234)	4,530	$ (9,997)	$ 623	$ (29)	(9,403)
Provision for (benefit from) state income taxes				(1,358)				345
Discontinued operations, net of taxes				$ 5,888				$ (9,748)

(1) Includes net interest expense of $36,000 and $220,000 for 2005 and 2004, respectively, as well as depreciation and amortization expense of $560,000 and $1.9 million for 2005 and 2004, respectively.

Note 6. Long-term Debt

As of July 1, 2005, our 2.75% convertible subordinated notes continue to be eligible for conversion into common stock. Under the indenture governing the notes, a holder may convert any of their notes into our common stock during any fiscal quarter if the sale price of our common stock for at least 20 consecutive trading days in the 30 trading days ending on the last trading day of the immediately preceding fiscal quarter exceeds 120 percent of the conversion price on that 30th trading day.

BEVERLY ENTERPRISES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2005
(Unaudited)

Note 6. Long-Term Debt (Continued)

During June 2005, we entered into a mortgage loan for $5.2 million for the construction of a nursing facility. This loan bears interest at 30-day LIBOR plus 2.5%, requires monthly principal and interest payments and is secured by the real property and a security interest in the personal property of the nursing facility.

Our $7^7/8$% senior subordinated notes are jointly and severally, fully and unconditionally guaranteed by most of our subsidiaries (the Guarantor Subsidiaries). As of June 30, 2005, the non-guarantor subsidiaries included Beverly Indemnity, Ltd., our captive insurance subsidiary, and Beverly Funding Corporation, our receivables-backed financing subsidiary (the Non-Guarantor Subsidiaries). Since the carrying value of the assets of the non-guarantor subsidiaries exceeds three percent of the consolidated assets of Beverly Enterprises, Inc., we are required to disclose consolidating financial statements in our periodic filings with the SEC.

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BEVERLY ENTERPRISES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2005
(Unaudited)

Note 6. Long-Term Debt (Continued)

Condensed consolidating balance sheets as of June 30, 2005 for Beverly Enterprises, Inc. (parent only), the combined Guarantor Subsidiaries and the combined Non-Guarantor Subsidiaries are as follows (in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 124,172	$ 5,903	$ 82,513	$	$ 212,588
Accounts receivable, less allowance for doubtful accounts	997	249,586	44,367	(1,090)	293,860
Notes receivable, less allowance for doubtful notes	2,116	2,579	35		4,730
Operating supplies	150	8,769			8,919
Assets held for sale		11,665			11,665
Prepaid expenses and other	16,194	10,374	13,393		39,961
Total current assets	143,629	288,876	140,308	(1,090)	571,723
Property and equipment, net	6,185	650,622			656,807
Other assets:					
Goodwill, net		122,087			122,087
Other, less allowance for doubtful accounts and notes	343,619	29,972	651	(303,109)	71,133
Due from affiliates	476,550		90,873	(567,423)	
Total other assets	820,169	152,059	91,524	(870,532)	193,220
	$ 969,983	$ 1,091,557	$ 231,832	$ (871,622)	$ 1,421,750
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$ 6,807	$ 55,878	$	$	$ 62,685
Accrued wages and related liabilities	23,310	66,649			89,959
Accrued interest	2,310	765	264		3,339
General and professional liabilities	19,405		38,782		58,187
Federal government settlement obligations		15,019			15,019
Other accrued liabilities	25,282	76,683	1,094	(1,090)	101,969

Current portion of long-term debt	1,350	9,385			10,735
Total current liabilities	78,464	224,379	40,140	(1,090)	341,893
Long-term debt	467,310	73,713			541,023
Other liabilities and deferred items	84,058	48,590	66,035		198,683
Due to affiliates		567,423		(567,423)	
Commitments and contingencies					
Stockholders equity:					
Preferred stock					
Common stock	11,778	5,908	121	(6,029)	11,778
Additional paid-in capital	908,900	414,340	44,434	(458,774)	908,900
Retained earnings (accumulated deficit)	(472,029)	(242,796)	81,102	161,694	(472,029)
Treasury stock, at cost	(108,498)				(108,498)
Total stockholders equity	340,151	177,452	125,657	(303,109)	340,151
	$ 969,983	$ 1,091,557	$ 231,832	$ (871,622)	$ 1,421,750

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BEVERLY ENTERPRISES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2005
(Unaudited)

Note 6. Long-Term Debt (Continued)

Condensed consolidating balance sheets as of December 31, 2004 for Beverly Enterprises, Inc. (parent only), the combined Guarantor Subsidiaries and the combined Non-Guarantor Subsidiaries are as follows (in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 142,515	$ 5,237	$ 67,913	$	$ 215,665
Accounts receivable, less allowance for doubtful accounts	8,160	183,920	43,397		235,477
Notes receivable, less allowance for doubtful notes	18	2,768			2,786
Operating supplies	101	9,080			9,181
Assets held for sale		14,898			14,898
Prepaid expenses and other	10,952	10,285	16,029		37,266
Total current assets	161,746	226,188	127,339		515,273
Property and equipment, net	6,392	647,264			653,656
Other assets:					
Goodwill, net		124,066			124,066
Other, less allowance for doubtful accounts and notes	255,350	32,385	709	(220,054)	68,390
Due from affiliates	453,483		132,141	(585,624)	
Total other assets	708,833	156,451	132,850	(805,678)	192,456
	$ 876,971	$ 1,029,903	$ 260,189	$ (805,678)	$ 1,361,385
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$ 2,696	$ 65,082	$	$	$ 67,778
Accrued wages and related liabilities	28,240	75,797			104,037
Accrued interest	2,618	875	109		3,602
General and professional liabilities	23,323		45,934	(15,041)	54,216
Federal government settlement obligations		14,359			14,359
Liabilities held for sale		676			676

Other accrued liabilities	18,694	64,403			83,097
Current portion of long-term debt	1,350	10,890			12,240
Total current liabilities	76,921	232,082	46,043	(15,041)	340,005
Long-term debt	467,858	78,085			545,943
Other liabilities and deferred items	59,779	56,269	86,976		203,024
Due to affiliates		585,624		(585,624)	
Commitments and contingencies					
Stockholders equity:					
Preferred stock					
Common stock	11,662	5,908	121	(6,029)	11,662
Additional paid-in capital	902,053	414,340	44,434	(458,774)	902,053
Retained earnings (accumulated deficit)	(532,804)	(342,405)	82,615	259,790	(532,804)
Treasury stock, at cost	(108,498)				(108,498)
Total stockholders equity	272,413	77,843	127,170	(205,013)	272,413
	$ 876,971	$ 1,029,903	$ 260,189	$ (805,678)	$ 1,361,385

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BEVERLY ENTERPRISES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2005
(Unaudited)

Note 6. Long-Term Debt (Continued)

Condensed consolidating statements of operations for the three months ended June 30, 2005 for Beverly Enterprises, Inc. (parent only), the combined Guarantor Subsidiaries and the combined Non-Guarantor Subsidiaries are as follows:

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues	$ 245	$ 563,853	$ 5,014	$ (5,014)	$ 564,098
Costs and expenses:					
Wages and related	19,258	286,261			305,519
Provision for insurance and related items	1,408	26,139	8,890	(8,890)	27,547
Other operating and administrative	7,865	147,900	181	(340)	155,606
Overhead allocation	(21,246)	21,246			
Depreciation and amortization	1,541	15,905			17,446
Asset impairments, workforce reductions and other unusual items		93			93
Total costs and expenses	8,826	497,544	9,071	(9,230)	506,211
Income (loss) before other income (expenses)	(8,581)	66,309	(4,057)	4,216	57,887
Other income (expenses):					
Interest expense		(11,527)	(178)	926	(10,779)
Costs related to the sales process of the Company	(6,331)				(6,331)
Interest income	1,217	95	1,578	(926)	1,964
Net gains on dispositions		539			539
Equity in income of affiliates	61,545			(61,545)	
Total other income (expenses), net	56,431	(10,893)	1,400	(61,545)	(14,607)
Income (loss) before provision for income taxes and discontinued operations	47,850	55,416	(2,657)	(57,329)	43,280
Provision for income taxes	1,731				1,731
Income (loss) before discontinued operations	46,119	55,416	(2,657)	(57,329)	41,549

Discontinued operations, net of taxes of $137		4,570			4,570
Net income (loss)	$ 46,119	$ 59,986	$ (2,657)	$ (57,329)	$ 46,119

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BEVERLY ENTERPRISES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2005
(Unaudited)

Note 6. Long-Term Debt (Continued)

Condensed consolidating statements of operations for the three months ended June 30, 2004 for Beverly Enterprises, Inc. (parent only), the combined Guarantor Subsidiaries and the combined Non-Guarantor Subsidiaries are as follows:

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues	$ 140	$ 483,489	$ 30,353	$ (30,353)	$ 483,629
Costs and expenses:					
Wages and related	8,023	266,285			274,308
Provision for insurance and related items	2,406	28,178	29,897	(29,897)	