

**Additional Information Concerning the Spin-off and Merger of  
Walter Investment Management LLC**

**April 2009**

*On April 17, 2009, Walter Energy, Inc. ("WLT") completed the following transactions involving its previously wholly-owned subsidiary, Walter Investment Management LLC ("Spinco").*

- 1. WLT distributed all of the outstanding limited liability company interests of Spinco ("Spinco Interests") that it owned to WLT shareholders of record ("holders") as of the close of business on February 27, 2009 (the "Spinoff"), on a one-to-one basis, such that each holder received one (1) Spinco Interest for every one (1) WLT share owned. This was a tax-free distribution to WLT shareholders.*
- 2. Immediately following the tax-free distribution, Spinco paid a taxable dividend with respect to the Spinco Interests (the "Taxable Dividend") aggregating approximately \$68 million consisting of cash and additional Spinco Interests.*
- 3. Following the Taxable Dividend, Spinco merged into Hanover Capital Mortgage Holdings, Inc. ("Hanover"), with Hanover surviving (the "Merger"). The combined company was renamed Walter Investment Management Corp. (NYSE Amex: WAC) ("WAC"). Shareholders received 0.299 shares of WAC common stock for each Spinco Interest held at the time of the Merger and cash for any fractional share of WAC that shareholders were entitled to receive in the Merger.*

The information and example below provide a more detailed description of the transactions and certain U.S. federal income tax consequences of the Spinoff, Taxable Dividend and the Merger to U.S. holders. You and your tax advisor may find this document useful in determining the consequences. However the specific consequences of the transactions to you will be based on your particular circumstances.

Although you did not actually receive Spinco Interests because the Spinco Interests were held for your account by a third party exchange agent, the discussion regarding the Spinco Interests is relevant to you for determining the tax basis of the WAC shares that you received in the Merger, as further described below.

**1. What is the Tax Treatment to you of the Receipt of Spinco Interests in the Spinoff?**

**No Gain or Loss.** Walter has received a ruling from the Internal Revenue Service ("IRS") to the effect that the Spinoff qualifies as a tax-free distribution for U.S. federal income tax purposes, as well as an opinion of PricewaterhouseCoopers LLP as to the satisfaction of certain requirements necessary for the Spinoff to obtain tax-free treatment on which the IRS will not rule. Therefore, you should not recognize gain or loss for U.S. federal income tax purposes on receipt of the Spinco Interests in the Spinoff.

**Tax Basis.** In order to determine your tax basis in the WLT shares that you continue to hold after the Spinoff, as well as the tax basis of the WAC shares that you ultimately received in the Merger, you must first allocate your tax basis in your WLT shares owned immediately before the Spinoff between such shares and the Spinco Interests received in the Spinoff. This allocation is based on the relative fair market values of your WLT shares and the Spinco Interests received in the Spinoff. U.S. federal tax law does not specifically identify how you should determine the fair market values of the respective shares after the Spinoff. For purposes of this computation of basis, we believe the ratio of the fair market value of the Spinco Interests you received in the Spinoff to the WLT shares on which you received the Spinco Interests in the Spinoff is equal to approximately 12.44%, and we intend to report

consistently with these values. Your basis would therefore be apportioned 12.44% to the Spinco Interests received in the Spinoff and 87.56% to your WLT shares.

If you acquired your WLT shares at different times and at different prices, you will need to calculate your tax basis in each block of WLT shares and then allocate a portion of that basis to the Spinco Interests you received in the Spinoff. WLT suggests you retain this letter to support your determination of your basis in your WLT shares and your Spinco Interests.

## 2. What is the Tax Treatment to you of the Taxable Dividend?

***Dividend Income.*** The receipt of cash and additional Spinco Interests in the Taxable Dividend will be treated as a taxable dividend for U.S. federal income tax purposes to the extent of Spinco's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). We intend to report the full amount of the Taxable Dividend as having been made out of Spinco's current or accumulated earnings and profits. Consequently, the value of the entire distribution will be treated as a taxable dividend to you, including the cash received, if any, plus the fair market value of the Spinco Interests received in the Taxable Dividend.

***Tax Basis in Additional Spinco Interests.*** Your tax basis in the additional Spinco Interests received in the Taxable Dividend (which will be relevant for determining your ultimate tax basis in the WAC shares that you received in the Merger) will equal their fair market value at the time of the Taxable Dividend. For purposes of determining the amount of the dividend and your basis, we believe the fair market value of the Spinco Interests you received in the Spinoff is \$4.13 per Spinco Interest (which was the value we used in determining the amount of the Taxable Dividend), and we intend to report consistently with this value.

## 3. What is the Tax Treatment to you of the Merger?

***No Gain or Loss Solely on Receipt of WAC Stock.*** WLT has received a ruling from the IRS, as well as opinions from counsel, stating that the Merger qualifies as a tax-free reorganization for U.S. federal income tax purposes. Therefore, you will not recognize gain or loss for U.S. federal income tax purposes on receipt of WAC common stock in the Merger. If, however, you received cash instead of a fractional share of WAC common stock, you will recognize gain or loss as described below.

***Cash in Lieu of Fractional Shares.*** Only whole shares of WAC common stock have been delivered to holders. If you received cash instead of a fractional share of WAC common stock, you will generally be treated as having received such fractional share and then as having sold the fractional share. Gain or loss generally will be recognized based on the difference between the amount of cash received instead of the fractional share and the portion of the holder's aggregate adjusted tax basis of the Spinco Interests exchanged in the Merger which is allocable to the fractional share. Such gain or loss generally will be long-term capital gain or loss if the holding period for such Spinco Interests is more than one year at the effective time of the Merger.

***Tax Basis.*** The aggregate tax basis in the shares of WAC common stock you received in the Merger (including those fractional shares deemed received and sold as described above) will equal the aggregate adjusted tax basis in all of the Spinco Interests surrendered in the Merger. However, as described above, the Spinco Interests you surrendered in the Merger will have different tax bases depending on whether they were received in the Spinoff or the Taxable Dividend. Therefore, for tax basis purposes, you will need to treat the WAC common stock received in the Merger as two blocks of stock received with respect to two separate blocks of Spinco Interests surrendered. Please see the example below for how this calculation is made.

**Numerical Example:**

(for illustrative purposes only; amounts may not compute due to rounding)

- Assume you owned 1 WLT share at the time of the Spinoff, with a basis of \$10.00.

Summary (ignoring the receipt of cash in lieu of fractional WAC shares):

If you elected to receive only cash in the Taxable Dividend, you ultimately will receive, as a result of the steps of the transaction, \$0.388 in cash which is taxable as ordinary dividend income, and 0.365 shares of WAC common stock. The receipt of Spinco Interests in the Taxable Dividend will result in an additional \$0.91 of ordinary dividend income in the transaction. Your aggregate basis in the 0.365 shares of WAC common stock will equal \$2.15, and will be comprised of two blocks of WAC common stock, one block (0.299 shares) with an aggregate basis of \$1.24, and the other block (0.066 shares) with an aggregate basis of \$0.91. The 1 WLT share retained by you will have a basis of \$8.76.

If you received solely additional Spinco Interests in the Taxable Dividend, you ultimately will receive, as a result of the steps of the transaction, 0.388 shares of WAC common stock. The receipt of Spinco Interests in the Taxable Dividend will result in \$1.22 of ordinary dividend income in the transaction. Your aggregate basis in the 0.388 shares of WAC common stock will equal \$2.46, and will be comprised of two blocks of WAC common stock, one block (0.299 shares) with an aggregate basis of \$1.24, and the other block (0.089 shares) with an aggregate basis of \$1.22. The 1 WLT share retained by you will have a basis of \$8.76.

The below analysis demonstrates the results described above:

- You were entitled to receive 1 Spinco Interest in the Spinoff, on which you should not recognize any taxable gain or loss.
- Your aggregate \$10.00 tax basis in your WLT share is allocated between the WLT share and the Spinco Interest received, based on the relative fair market values stated above (12.44% to the Spinco Interest and 87.56% to the WLT share).
- Therefore, the basis in the Spinco Interest is \$1.24, and the basis in the WLT share is \$8.76.
- Following the Spinoff, you made either a cash election or you received solely additional Spinco Interests with respect to the Taxable Dividend. The table below describes the tax consequences to you under each of these two scenarios.

Cash Election	Solely Spinco Interests
<ul style="list-style-type: none"><li>• In the Taxable Dividend, you made a cash election with respect to the 1 Spinco Interest received in the Spinoff.</li><li>• Pursuant to this election and the resulting proration, you receive 0.22 additional Spinco Interests and \$0.388 in cash in the Taxable Dividend.</li><li>• You recognize as ordinary dividend income the \$0.388 plus the fair market value of the 0.22 Spinco Interests received (<math>0.22 * \\$4.13 = \\$0.91</math>), or \$1.298 in total.</li><li>• Your tax basis in the additional 0.22 Spinco Interest is equal to its \$0.91 fair market value on the date of the Taxable Dividend.</li></ul>	<ul style="list-style-type: none"><li>• In the Taxable Dividend, you receive solely additional Spinco Interests with respect to the 1 Spinco Interest received in the Spinoff.</li><li>• You receive 0.296 additional Spinco Interests in the Taxable Dividend.</li><li>• You recognize as ordinary dividend income the fair market value of the 0.296 Spinco Interests received (<math>0.296 * \\$4.13</math>), or \$1.22.</li><li>• Your tax basis in the additional 0.296 Spinco Interests is equal to its \$1.22 fair market value on the date of the Taxable Dividend.</li><li>• In the Merger, your 1.296 Spinco Interests (1 received in the Spinoff plus 0.296 received in the Taxable</li></ul>

<ul style="list-style-type: none"> <li>• In the Merger, your 1.22 Spinco Interests (1 received in the Spinoff plus 0.22 received in the Taxable Dividend) are exchanged for 0.365 shares of WAC common stock.</li> <li>• Your aggregate basis in these shares will equal your aggregate basis in the Spinco Interests surrendered, or \$2.15 (the 1 Spinco Interest received in the Spinoff has an aggregate tax basis of \$1.24, and the 0.22 Spinco Interests received in the Taxable Dividend have an aggregate tax basis of \$0.91). <ul style="list-style-type: none"> <li>○ 0.299 of these shares (or 82% (1/1.22)) will have a \$1.24 aggregate basis, and 0.066 of these shares will have a \$0.91 aggregate basis.</li> </ul> </li> </ul>	<p>Dividend) are exchanged for 0.388 shares of WAC common stock.</p> <ul style="list-style-type: none"> <li>• Your aggregate basis in these shares will equal your aggregate basis in the Spinco Interests surrendered, or \$2.46 (the 1 Spinco Interest received in the Spinoff has an aggregate tax basis of \$1.24, and the 0.296 Spinco Interests received in the Taxable Dividend have an aggregate tax basis of \$1.22). <ul style="list-style-type: none"> <li>○ 0.299 of these shares (or 77% (1/1.296)) will have a \$1.24 aggregate basis, and 0.089 of these shares will have a \$1.22 aggregate basis.</li> </ul> </li> </ul>
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**Consult Your Tax Advisor:** The information regarding the U.S. federal income tax consequences of the Spinoff, Taxable Dividend and Merger presented in this document is for general reference only and does not constitute tax advice. The document does not purport to cover all U.S. federal income tax consequences that may apply to all categories of holders. All holders should consult their own tax advisors regarding the federal, foreign, state and local tax consequences of the Spinoff, Taxable Dividend and Merger to their particular circumstances. This document is not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.