

**Highlights of U.S. Federal Income Tax Information for
Shareholders of Walter Energy, Inc. (formerly Walter Industries, Inc.)
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 following table is a general summary of the U.S. federal income tax treatment of these transactions to U.S. holders who, in the Taxable Dividend, (1) elected to receive cash, or (2) received solely additional Spinco Interests. It ignores the receipt of cash in lieu of fractional WAC shares. Note: All amounts and percentages in the summary below are only illustrative; amounts may not compute due to rounding.

	Cash Election	Solely Spinco Interests
Property Received	Cash and WAC shares	WAC shares
Treatment of Cash	Taxable as ordinary dividend income	
Treatment of WAC shares	18.06% of the WAC shares you received will be attributable to the property received in the Taxable Dividend, and 81.94% will be attributable to the property received in the Spinoff. The property received in the Taxable Dividend will be taxable as ordinary dividend income equal to its value.	22.86% of the WAC shares you received will be attributable to the property received in the Taxable Dividend, and 77.14% will be attributable to the property received in the Spinoff. The property received in the Taxable Dividend will be taxable as ordinary dividend income equal to its value.
Tax Basis in WAC Shares	Your tax basis in the 18.06% block will be equal to its value, which has been determined by management to be approximately \$13.80 per WAC share. Your tax basis in the 81.94% block will be equal to 12.44% of your aggregate basis in your WLT shares prior to the transaction.	Your tax basis in the 22.86% block will be equal to its value, which has been determined by management to be approximately \$13.80 per WAC share. Your tax basis in the 77.14% block will be equal to 12.44% of your aggregate basis in your WLT shares prior to the transaction.
Tax Basis in WLT Shares Retained	Your tax basis in the WLT shares you retain will be equal to 87.56% of their basis prior to the transaction.	Your tax basis in the WLT shares you retain will be equal to 87.56% of their basis prior to the transaction.

For more information regarding the transactions described above, see separate document titled "Additional Information Concerning the Spin-off and Merger of Walter Investment Management LLC."

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.