

IMPAC MORTGAGE HOLDINGS INC  
Form DEF 14A  
May 18, 2005

## **SCHEDULE 14A**

### **Information Required in Proxy Statement**

**REG. 240.14a-101**

### **SCHEDULE 14A INFORMATION**

### **Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

**(Amendment No. )**

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 Pursuant to 240.14a-11(c) or 240.14a-12

**IMPAC MORTGAGE HOLDINGS, INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the registrant)

Payment of 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:

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

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(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):

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(4) Proposed maximum aggregate value of transaction:

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## **IMPAC MORTGAGE HOLDINGS, INC.**

**1401 DOVE STREET**

**NEWPORT BEACH, CALIFORNIA 92660**

### **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**June 28, 2005**

**9:00 A.M. (Pacific Daylight Time)**

You are cordially invited to attend the annual meeting of stockholders of IMPAC MORTGAGE HOLDINGS, INC. (IMH, we, our, us, or the company), a Maryland corporation, to be held at Sutton Place Hotel, 4500 MacArthur Blvd., Newport Beach California 92660 on June 28, 2005, at 9:00 a.m. (Pacific Daylight Time).

The annual meeting of stockholders is being held for the following purposes:

1. To elect a board of directors to serve for the ensuing year; and
2. To transact other business as may properly come before the meeting or any adjournments or postponements thereof.

Only holders of our common stock of record at the close of business on April 25, 2005 will be entitled to vote at the meeting.

Your proxy is enclosed. You are cordially invited to attend the meeting. However, if you do not expect to attend or if you plan to attend but desire the proxy holders to vote your shares, please date and sign your proxy and return it in the enclosed postage paid envelope. Please return the proxy promptly to avoid the expense of additional proxy solicitation. You may also instruct the voting of your shares over the Internet or by telephone by following the instructions on your proxy card. Voting by written proxy, over the Internet, or by telephone will not affect your right to vote in person in the event you find it convenient to attend.

Dated: May 18, 2005

For the Board of Directors

**Ronald M. Morrison, Secretary**

**IMPAC MORTGAGE HOLDINGS, INC.**

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**PROXY STATEMENT**

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**FOR ANNUAL STOCKHOLDERS MEETING TO BE HELD**

**June 28, 2005, AT 9:00 A.M. (PACIFIC DAYLIGHT TIME)**

This proxy statement is delivered to you by Impac Mortgage Holdings, Inc., a Maryland corporation, in connection with the annual meeting of stockholders to be held on June 28, 2005 at 9:00 a.m. (Pacific Daylight Time) at Sutton Place Hotel, 4500 MacArthur Blvd., Newport Beach California 92660 (the Meeting ). Impac Mortgage Holdings, Inc. consists of its subsidiaries, IMH Assets Corp. ( IMH Assets ), Impac Warehouse Lending Group, Inc. ( IWLG ), Impac Multifamily Capital Corporation ( IMCC ), and Impac Funding Corporation ( IFC ), together with its wholly-owned subsidiaries Impac Secured Assets Corp. ( ISAC ), and Novelle Financial Services, Inc. ( Novelle ). We are sending this proxy statement and the enclosed proxy to our stockholders commencing on or about May 27, 2005.

**Solicitations**

Our board of directors is soliciting the enclosed proxy. We will bear the cost of this solicitation of proxies. Solicitations will be made by mail. We may, in a limited number of instances, solicit proxies personally or by telephone. We will reimburse banks, brokerage firms, other custodians, nominees and fiduciaries for reasonable expenses incurred in sending proxy materials to beneficial owners of our common stock.

**Annual Report**

Our annual report to stockholders for the year ended December 31, 2004 will be concurrently provided to each stockholder at the time we send this proxy statement and the enclosed proxy.

**Voting**

Your vote is important. Your shares can be voted at the annual meeting only if you are present in person or represented by proxy. Even if you plan to attend the meeting, we urge you to vote in advance. Maryland law does not permit direct voting by telephone or other electronic means; however, a stockholder may authorize another person as proxy via electronic or telephonic means. Therefore, you may direct your vote electronically by accessing the website located at [www.voteproxy.com](http://www.voteproxy.com) and following the on-screen instructions or by calling the toll-free

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number listed on your proxy card. Please have your proxy card in hand when going online or calling. **If you instruct the voting of your shares electronically, you do not need to return your proxy card.** If you choose to vote by mail, simply mark your proxy card, and then date, sign and return it in the postage-paid envelope provided.

Stockholders who hold their shares beneficially in street name through a nominee (such as a bank or broker) may be able to vote by telephone or the Internet as well as by mail. You should follow the instructions you receive from your nominee to vote these shares.

### **Quorum; Voting Rights**

Holders of our common stock of record at the close of business on April 25, 2005 (the Record Date ) will be entitled to vote at the Meeting. There were 75,263,432 shares of common stock, \$0.01 par value per share, outstanding at that date. Each share of our common stock is entitled to one vote and the presence, in person or by proxy, of holders of a majority of the outstanding shares of our common stock, is necessary to constitute a quorum for the Meeting. If a quorum is not present at the Meeting, we expect that the Meeting will be adjourned to solicit additional proxies.

### **Counting of Votes**

If a proxy in the accompanying form is duly executed and returned, the shares represented by the proxy will be voted as directed. All properly executed proxies delivered pursuant to this solicitation and not revoked will be voted at the Meeting in accordance with the directions given. Representatives of our transfer agent will assist us in the tabulation of the votes.

Properly executed proxies that do not contain voting instructions will be voted FOR the election of the seven nominees for director named herein.

### **Votes Required**

The affirmative vote of a plurality of all of the votes cast at the Meeting at which a quorum is present is necessary for the election of a director. You may vote in favor of all nominees, withhold your vote as to all nominees or withhold your vote as to specific nominees.

### **Effect of Abstentions and Broker Non-Votes**

Abstentions will be treated as shares that are present and entitled to vote for the purposes of determining the presence of a quorum. An abstention is the voluntary act of not voting by a stockholder who is present at a meeting and entitled to vote. A broker non-vote occurs when a broker nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary power for that particular item and has not received instructions from the beneficial owner. Under New York Stock Exchange rules, brokers that hold shares of our common stock in street name for customers that are the beneficial owners of those shares may not give a proxy to vote those shares on certain matters without specific instructions from those customers. Broker non-votes will be treated as present and entitled to vote for purposes of determining the presence of a quorum. Brokers that do not receive instructions are entitled to vote on the election of directors. If you are a stockholder who owns shares through a broker and attend the annual meeting, you should bring a letter from your broker identifying that you as the beneficial owner of the shares and acknowledging that you will vote your shares.

Under Maryland law, and our charter and bylaws, abstentions and broker non-votes will have no effect on the outcome of the vote on the election of directors.

**Revocability of Proxy**

Any proxy given may be revoked at any time prior to its exercise by notifying the Secretary of Impac Mortgage Holdings, Inc. in writing of such revocation, by duly executing and delivering another proxy bearing a later date (including an Internet or telephone vote), or by attending and voting in person at the Meeting.

**Householding**

Householding is a program, approved by the Securities and Exchange Commission (the SEC), which allows companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and

annual reports by delivering only one package of shareholder proxy material to any household at which two or more stockholders reside. If you and other residents at your mailing address own shares of our common stock in street name, your broker or bank may have notified you that your household will receive only one copy of our proxy materials. Once you have received notice from your broker that they will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account. If you hold shares of our common stock in your own name as a holder of record, householding will not apply to your shares.

### **Postponement or Adjournment of Meeting**

If a quorum is not present or represented, our bylaws permit the stockholders entitled to vote at the Meeting, present in person or represented by proxy, to adjourn the Meeting from time to time to a date not more than 120 days after the original record date without notice other than the announcement at the meeting.

## **PROPOSAL NO. 1**

### **ELECTION OF DIRECTORS**

Our directors are elected annually to serve until the next annual meeting of stockholders and thereafter until their successors are elected and qualify. Our charter and bylaws currently provide for a variable number of directors with a range of between one and fifteen members. Our bylaws give the board of directors the authority to establish, increase or decrease the number of directors. The size of our board of directors is currently set at seven. No proxy will be voted for more than seven nominees for director.

Unless otherwise directed by stockholders within the limits set forth in the bylaws, the proxy holders will vote all shares represented by proxies held by them for the election of the maximum number of the following nominees, all of whom are now members of and constitute our board of directors. We have been advised that all of the nominees have indicated their availability and willingness to serve if elected. In the event that any nominee becomes unavailable or unable to serve as a director, prior to the voting, the proxy holders will refrain from voting for the unavailable nominee or will vote for a substitute nominee in the exercise of their best judgment.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL NOMINEES.

### **Information Concerning Director Nominees**

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>
Joseph R. Tomkinson	57	Chairman of the Board, Chief Executive Officer and Director of IMH, IFC and IWLG
William S. Ashmore	55	President, Chief Operating Officer and Director of IMH and President and Director of IFC and IWLG



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James Walsh	55	Director
Frank P. Filippis	57	Director
Stephan R. Peers	52	Director
William E. Rose	37	Director
Leigh J. Abrams	62	Director

**Joseph R. Tomkinson** has been Chairman of the Board since April 1998 and Chief Executive Officer and a Director of IMH and Chairman of the Board and Chief Executive Officer and Director of IFC, also known as the mortgage operations, and IWLG also known as the warehouse lending operations, since their formation. From August 1995 to April 1998, he was Vice Chairman of the Board of IMH. From February 1997 to May 1999, he was Chairman of the Board and Chief Executive Officer of Impac Commercial Holdings, Inc. ( ICH ), a real estate investment trust investing in commercial mortgage assets, and Impac Commercial Capital Corporation ( ICCO ), ICH 's conduit operations. He served as President and Chief Operating Officer of Imperial Credit Industries, Inc. ( ICII ) from January 1992 to February 1996, and from 1986 to January 1992, he was President of Imperial Bank Mortgage, one of the divisions that later was combined to become ICII in 1992. He was a Director of ICII from December 1991 to June of 1999. Mr. Tomkinson brings over 28 years of combined experience in real estate, real estate financing and mortgage banking.

**William S. Ashmore** has been President and Chief Operating Officer of IMH since its formation, President and Chief Operating Officer of our mortgage operations, its taxable subsidiary, since March 1997, and a Director of our mortgage operations since its formation. He has been President and a Director of our warehouse lending operations since its formation. In July 1997, he became a Director of IMH. From February 1997 to May 1999, he was the President and Chief Operating Officer of ICH. From August 1993 to February 1996, he was Executive Vice President and Director of Secondary Marketing at ICII, having been its Senior Vice President of Secondary Marketing since January 1988. From 1985 to 1987, he was Chief Executive Officer and Vice Chairman of the Board of Century National Mortgage Corporation, a wholesale mortgage banking company. Mr. Ashmore brings over 28 years of combined experience in real estate, asset/liability risk management and mortgage banking.

**James Walsh** has been a Director of IMH since August 1995. In January 2000, he became Managing Director of Sherwood Trading and Consulting Corporation. From March 1996 to January 2000, he was an Executive Vice President of Walsh Securities, Inc. where he directed mortgage loan production, sales and securitization. Mr. Walsh was an executive of Donaldson, Lufkin and Jenrette Securities Corporation from January 1989 through March 1996 where he oversaw residential mortgage securitization, servicing brokerage and mortgage banking services.

**Frank P. Filippis** has been a Director of IMH since August 1995. In May 2005, he became Chairman and Chief Executive Officer of Clayton Holdings, Inc., a mortgage underwriting company. From June 1999 to April 2005, Mr. Filippis was Chairman and Chief Executive Officer of Radian Group, Inc. (NYSE: RDN) and its principal subsidiary, Radian Guaranty, Inc. (collectively, Radian ), which were formed through a merger of Amerin and Commonwealth Mortgage Assurance Company ( CMAC ). Radian provides private mortgage insurance coverage on residential mortgage loans. From January 1995 to June 1999, he served as Chairman, President and Chief Executive Officer of CMAC. In 1995, he was elected President and Director of CMAC Investment Corporation (NYSE: CMT) and in January 1996 he was elected Chief Executive Officer of CMAC Investment Corporation. Mr. Filippis originally joined CMAC in 1992 as Senior Vice President and Chief Financial Officer and became Executive Vice President and Chief Operating Officer in 1994. Mr. Filippis has been a director and a member of the compensation committee of the board of directors of Primus Guaranty, Ltd. (NYSE: PRS), a holding company primarily engaged in selling credit protection against investment grade credit obligations of corporate and sovereign entities, since September 2004.

**Stephan R. Peers** has been a Director of IMH since October 1995. From September 2001 to January 2005, Mr. Peers was a Managing Director of Sandler O'Neill & Partners, an investment banking firm. From March 2000 to May 2001, Mr. Peers was a Managing Director at Bear, Stearns & Co., Inc. From April 1995 to March 2000, he was an Executive Vice President of International Strategic Finance Corporation, Ltd., where he performed corporate finance services for overseas and domestic companies. From January 1998 to June 1998, he was an executive at Aames Financial Corporation, a mortgage loan company. From April 1989 to April 1995, Mr. Peers was a Vice President in corporate finance at Montgomery Securities where he specialized in financial services institutions.

**William E. Rose** has been a Director of IMH since August of 2000. Since 1991, Mr. Rose has been associated with HBK Investments L.P. and is currently a Managing Director. His responsibilities include U.S. equity derivatives, private investments and trading. Prior to 1991, Mr. Rose worked for William A.M. Burden & Co., the investment division of the Burden family of New York, and in the mergers & acquisitions group of Drexel Burnham, Lambert, Inc.

**Leigh J. Abrams** has been a Director of IMH since April 2001. Since August 1979, Mr. Abrams has been President, Chief Executive Officer and a Director of Drew Industries Incorporated (NYSE: DW), which manufactures a wide variety of components for recreational vehicles and manufactured homes. From May 1994 to the company's sale and liquidation in 2002, Mr. Abrams also served as President, Chief Executive Officer and Director for LBP, Inc. Mr. Abrams, a CPA, has over 30 years of experience in corporate finance, mergers and acquisitions, and operations.

### Executive Officers

The following table provides certain information regarding those persons who serve as executive officers of IMH, but who do not serve as directors of IMH:

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>
Richard J. Johnson	42	Executive Vice President and Chief Financial Officer of IMH, IFC and IWLG, and Director of IFC and IWLG
Ronald M. Morrison	54	General Counsel, Executive Vice President and Secretary of IMH, IFC and IWLG
Gretchen D. Verdugo	40	Executive Vice President and Chief Accounting Officer of IMH and IFC

**Richard J. Johnson** is the Executive Vice President and Chief Financial Officer of IMH, our mortgage operations and our warehouse lending operations. He has held these positions at all three entities since their formation with the exception of the position of Executive Vice President of IMH, which he attained in January 1998. In February of 1996 he was appointed as a Director of our warehouse lending operations. From February 1997 to May 1999, he was the Executive Vice President and Chief Financial Officer of ICH and ICC. From September 1992 to March 1995, he was Senior Vice President and Chief Financial Officer of ICII. From November 1989 to September 1992, he was Vice President and Controller of ICII.

**Ronald M. Morrison** became General Counsel of IMH in July 1998. In July 1998 he was also elected Secretary of IMH and in August 1998 he was elected Secretary of our mortgage operations and our warehouse lending operations. From August 1998 to May 1999, he was also General Counsel and Secretary of ICH and ICC. From 1978 until joining IMH, Mr. Morrison was a partner at the law firm of Morrison & Smith.

**Gretchen D. Verdugo**, Executive Vice President and Chief Accounting Officer of IMH and IFC, joined the Impac Companies as the Senior Vice President and Chief Accounting Officer in August 1997. Throughout her tenure with IMH, Ms. Verdugo has served on the Company's Executive, Asset Liability Management and Human Resource committees. From November 2000 to February 2005, Ms. Verdugo was Executive Vice President of IWLG. Effective February 2005, Ms. Verdugo transitioned from her leadership position at IWLG to Executive Vice President and Chief Accounting Officer of IMH and IFC. From 1996 to August 1997, Ms. Verdugo was a Senior Manager in the Mortgage and Structured Finance Group at KPMG LLP. Ms. Verdugo's qualifications include 20 years of financial, management and mortgage industry experience. Ms. Verdugo is a Certified Public Accountant and received her bachelor's degree in Business Administration with an emphasis in Accountancy from the California State University at Long Beach.

There are no family relationships between any of the directors or executive officers of IMH.

## Corporate Governance and Board Matters

### *Vacancies*

All directors are elected at each annual meeting of stockholders for a term of one year and hold office until their successors are elected and qualify. Any vacancy on the board of directors for any cause, other than an increase in the number of directors, may be filled by a majority vote of the remaining directors, although such majority is less than a quorum. Replacements for vacancies occurring among the unaffiliated directors will be elected by a majority vote of the remaining directors, including a majority of the unaffiliated directors. Any vacancy in the number of directors created by an increase in the number of directors may be filled by a majority vote of the entire Board of Directors.

### *Compensation Of Board Members*

We pay an annual director's fee of \$20,000 to unaffiliated directors, an additional \$1,000 for each meeting attended and reimbursement for costs and expenses for attending such meetings. We pay a quarterly fee of \$1,000 to each audit committee member and \$1,300 to the chairman of the audit committee. Members of the board of directors are also eligible to receive awards under our stock plans and receive quarterly dividend equivalent rights, or *DERS*. Messrs. Tomkinson and Ashmore received no additional compensation for their services as directors.

### *Board Member Independence*

Section 303A.02 of the New York Stock Exchange Listed Company Manual describes the requirements for a director to be deemed independent by the NYSE. Pursuant to our corporate governance guidelines, our board of directors must consist of a majority of directors who qualify as independent directors under these requirements. Under NYSE rules, Audit Committee members must also be independent for purposes of Section 10A(m)(3) of the Exchange Act and Section 303.01 of the Listed Company Manual. After reviewing the relationships with our directors, our board of directors determined, with the assistance of the corporate governance and nomination committee that, with the exception of Mr. Tomkinson, our CEO, and Mr. Ashmore, our President and Chief Operating Officer, and Mr. Walsh, a director, none of our directors has a material relationship with our company, either directly or as a partner, shareholder or officer of an organization that has a relationship with IMH, that adversely affects his status as an independent director. Therefore, our board of directors is comprised of a majority of independent directors, as required in Section 303A.01 of the NYSE Listed Company Manual.

In making the determination, the board applied the following standards in addition to reviewing the responses of the directors to questions regarding employment, compensation history, for-profit and non-profit affiliations and family and other relationships, among other things:

A director or an immediate family member who is, or who has been within the last three years, an executive officer of IMH, will not be considered to be independent.

A director who received or has an immediate family member who received more than \$100,000/year in direct compensation from IMH during any twelve month period within the last three years, other than director and committee membership fees and/or pension or other deferred compensation, will not be considered to be independent.

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A director who is a current partner or who has an immediate family member who is a current partner of IMH's external or internal audit firm; a director who is a current employee of the audit firm; a director who has an immediate family member who is a current employee of the audit firm and who participates in the firm's audit, assurance or tax compliance practice; or a director or an immediate family member of the director was, within the last three years (but is no longer), a partner or employee of the audit firm who personally worked on IMH's audit within that time will not be considered to be independent.

A director or an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another company where any of IMH's present executive officers at the same time serve or served on that company's compensation committee will not be considered to be independent.

A director who is a current employee or who has an immediate family member who is a current executive officer of another company, that has made payments to or received payment from IMH for property or services in an amount that, in the last three fiscal years, exceeds the greater of \$1,000,000 or 2% of such other company's consolidated gross revenues will not be considered to be independent.

IFC has entered into an insurance commitment program with Radian Guaranty, Inc. Frank P. Filippis, a director, was until April 2005, the Chairman and Chief Executive Officer of Radian Group, Inc. and its principal subsidiary, Radian Guaranty, Inc. Our board of directors determined that, because the amount paid to Radian Guaranty, Inc. does not exceed 2% of Radian's consolidated gross revenues, and Mr. Filippis is not paid compensation by Radian as a result of IFC's dealings with Radian, the fact that IFC has made payments to Radian does not compromise Mr. Filippis's independence.

In February 2004, Sandler O'Neill & Partners, L.P., of which, at the time of the offering, Stephan R. Peers was a managing director, participated as an underwriter in a common stock offering of IMH. Mr. Peers did not receive compensation from Sandler O'Neill & Partners, L.P. as a result of the offering. As such, our board of directors has determined that Mr. Peers's independence is not compromised.

During 2004, IMH entered into a relationship with a limited liability company (the LLC), pursuant to which the LLC planned to source and sell loans to IMH. The brother of our director, James Walsh, is the managing member and 100% owner of the LLC. In anticipation of this relationship, IMH sold approximately \$700,000 of equipment to the LLC. The LLC subsequently obtained an equipment lease and repaid IMH approximately \$300,000 for the equipment. In January 2005, IFC entered into an asset purchase and sale agreement with the LLC. Pursuant to the terms of the agreement, IFC purchased selected equipment and furniture for approximately \$1,260,000, and assumed the lease for the LLC's facilities in Chicago. Based on the totality of the circumstances of the relationship between IMH and the LLC, our board of directors has decided that Mr. Walsh will not be treated as an independent director.

#### *Attendance at Board and Committee Meetings*

Twelve regular meetings of the board of directors were held during 2004. Each director attended at least 75% of the aggregate of the total number of meetings held by the board of directors and a majority of the total number of meetings held by those committees of the board of directors on which such director served.

We encourage all directors to attend the annual meeting of stockholders. In 2004, all of our directors attended the annual meeting of stockholders.

#### *Committees and Corporate Governance*

The current standing committees of our board of directors are the audit committee, the compensation committee, and the corporate governance and nomination committee. Each of these committees has a written charter approved by our board of directors. The members of the committees and a description of the principal responsibilities of each committee are described below.

Our board of directors has adopted corporate governance guidelines. The corporate governance guidelines include items such as criteria for director qualifications, director responsibilities, committees of the board, director access to officers and employees, director compensation, orientation and continuing education, evaluation of the CEO, annual performance evaluation and management succession. The board of directors has chosen not to impose term limits with regard to service on the board in the belief that continuity of service and



the past contributions of the board members who have developed an in-depth understanding of the company and its business over time bring a seasoned approach to IMH's governance. Each director is to act on a good faith basis and informed business judgment in a manner such director reasonably believes to be in the best interests of the company.

A copy of each committee charter and our corporate governance guidelines can be found on our website at [www.impaccompanies.com](http://www.impaccompanies.com) by clicking Stockholder Relations and then Corporate Governance, and is available in print upon request to the Secretary of Impac Mortgage Holdings, Inc.

#### *The Audit Committee*

The audit committee is responsible for overseeing, on behalf of our board of directors: (1) the integrity of the company's financial statements, (2) the appointment, compensation, qualifications, independence and performance of our independent auditors, (3) our compliance with legal and regulatory requirements, and (4) the performance of our internal audit and controls function. The audit committee met 16 times during 2004 and consisted of Frank P. Filippis, Leigh J. Abrams and James Walsh. The audit committee currently consists of Frank P. Filippis, Leigh J. Abrams and William E. Rose. The Board of Directors anticipates appointing Stephan R. Peers in June 2005 to the audit committee replacing William E. Rose. Each of Messrs. Filippis, Abrams, Rose and Peers is an independent director under the NYSE listing standards for board and audit committee member independence and as set forth in Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act) and the rules thereunder.

#### *Audit Committee Financial Expert*

Our board of directors has determined that at least one person serving on the audit committee is an audit committee financial expert as defined under Item 401(h) of Regulation S-K. Frank P. Filippis, Chairman of the audit committee, satisfies the audit committee financial expert criteria established by the SEC.

#### *The Compensation Committee*

The compensation committee is responsible for (1) determining the cash and non-cash compensation of our executive officers as defined in the rules promulgated under Section 16 of the Exchange Act, (2) evaluating the performance of our executive officers, (3) assessing management succession planning, (4) recommending to our board of directors the cash and non-cash compensation policies for our non-employee directors, (5) making recommendations to our board of directors with respect to the administration of our stock-based and other incentive compensation plans, and (6) assisting our board of directors in evaluating potential candidates for executive officer positions with the company. The compensation committee met 5 times during 2004 and consisted of James Walsh and William E. Rose. The compensation committee currently consists of Leigh J. Abrams and William E. Rose.

#### *The Corporate Governance and Nomination Committee*

The corporate governance and nomination committee assists the board of directors in (1) identifying qualified individuals to become members of the board of directors, (2) determining the composition of the board of directors and its committees, (3) selecting the director nominees for the next annual meeting of stockholders, (4) monitoring a process to assess board effectiveness, and (5) developing, implementing and monitoring

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policies and processes related to our corporate governance. The corporate governance and nomination committee consists of Leigh J. Abrams and Stephan R. Peers. The committee met once during 2004. The Board of Directors anticipates appointing William E. Rose in June 2005 to the corporate governance and nomination committee replacing Leigh J. Abrams.

*The Director Nomination Process*

The corporate governance and nomination committee has the authority to lead the search for individuals qualified to become members of the company's board of directors and to select or recommend to the board director nominees to be presented for stockholder approval. The committee will select individuals who have high personal and professional integrity, have demonstrated ability and sound judgment and were or are effective, in conjunction with other director nominees, in collectively serving the long-term interests of our stockholders. The committee may use its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The committee may meet to discuss and consider candidates' qualifications and then choose a candidate by majority vote.

*Submission for Proxy Materials.* The corporate governance and nomination committee will consider nominees recommended in good faith by our stockholders so long as these nominees meet the requirements of the NYSE. Stockholders are hereby notified that if they wish their director-nominee(s) to be included in our proxy statement and form of proxy relating to the 2006 annual meeting of stockholders, they must submit, in writing, the candidate's name, credentials, contact information and his or her written consent to be considered as a candidate, to our Secretary no later than January 27, 2006. Director nominations must comply with the proxy rules relating to stockholder proposals, in particular Rule 14a-8 under the Securities Exchange Act of 1934, in order to be included in our proxy materials.

*Submission for Consideration at Annual Meeting.* Stockholders who wish to submit a director-nominee for consideration at the next annual meeting, but who do not wish to submit the nominee for inclusion in our proxy statement, must, in accordance with our bylaws, deliver the information no earlier than March 30, 2006, the 90<sup>th</sup> day prior to the first anniversary of this annual meeting, nor later than April 29, 2006, the 60<sup>th</sup> day prior to the first anniversary of this annual meeting. In the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from the first anniversary of the preceding year's annual meeting, then notice must be delivered not earlier than the 90<sup>th</sup> day prior to such annual meeting and no later than the close of business on the later of the 60<sup>th</sup> day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. If the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by us at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's nomination will be deemed timely, but only with respect to nominees for any new positions created by such increase, if it is delivered to our Secretary not later than the close of business on the tenth day following the day on which public announcement is first made by us. Public announcement means disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document that we publicly file with the SEC pursuant to Section 13, 14 or 15(d) of the Exchange Act.

The proposing stockholder must provide (1) as to each person whom the stockholder proposes to nominate for election or reelection as a director (a) all information relating to such person that is required to be disclosed pursuant to Regulation 14A under the Exchange Act of 1934, as amended and (b) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected, and (2) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made, (a) the name and address of such stockholder, as it appears on our books, and of such beneficial owner and (b) the number of shares of each class of our stock that are owned beneficially and of record by such stockholder and such beneficial owner.

*Code of Business Conduct and Ethics*

We have adopted a code of business conduct and ethics. This code of ethics applies to our directors, executive officers and employees. This code of ethics is publicly available in the corporate governance section of the stockholder relations page of our website located at [www.impaccompanies.com](http://www.impaccompanies.com) and in print upon request to

the Secretary at Impac Mortgage Holdings, Inc., 1401 Dove Street, Newport Beach, California, 92660. If we make amendments to the code of ethics or grant any waiver that the SEC requires us to disclose, we will disclose the nature of such amendment or waiver on our website.

*Stockholder Communication with Our Board Of Directors*

Stockholders who wish to contact any of our directors either individually or as a group may do so by writing them c/o Ronald M. Morrison, Secretary, Impac Mortgage Holdings, Inc., 1401 Dove Street, Newport Beach, California 92660, by telephone at (949) 475-3942 or by email to [rmorrison@impacompanies.com](mailto:rmorrison@impacompanies.com), specifying whether the communication is directed to the entire board or to a particular director. Stockholder letters are screened by company personnel based on criteria established and maintained by our corporate governance and nomination committee, and approved by a majority of our independent directors, which includes filtering out improper or irrelevant topics such as solicitations.

*Executive Sessions of Non-Management Directors*

Our board of directors will have four regularly scheduled in-person meetings per year for the non-management directors without management present. Leigh J. Abrams is the director chosen to preside at all of these meetings. At these sessions, the non-management directors will review strategic issues for consideration by our board of directors, including future agendas, the flow of information to directors, management progression and succession, and our corporate governance guidelines. Stockholders may communicate with the non-management directors as a group by email to [independentdirectors@impacompanies.com](mailto:independentdirectors@impacompanies.com). If non-management directors include a director that is not an independent director, then at least one of the scheduled executive sessions will include only independent directors.

## EXECUTIVE COMPENSATION

The following table presents compensation earned by our executive officers for the years ended December 31, 2004, 2003 and 2002 (the Named Executive Officers ).

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards	All Other Compensation
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)(5)	Securities Underlying Options (Shares)(#)	
Joseph R. Tomkinson	2004	600,000	5,657,476(1)	710,400		10,096
Chairman of the Board and Chief Executive Officer of IMH, IFC and IWLG	2003	453,107	4,476,652(1)(2)	506,400	150,000	10,357
	2002	320,427	2,827,337(1)(2)	436,800	100,000	9,662
William S. Ashmore	2004	500,000	5,882,390(1)	586,000	100,000	10,096
President and Chief Operating Officer of IMH; President of IFC and IWLG	2003	407,742	4,417,146(1)(2)	416,000	150,000	10,084
	2002	254,533	2,402,710(1)(2)	358,000	100,000	8,811
Richard J. Johnson	2004	250,000	4,152,275(1)	412,000	50,000	10,091
Executive Vice President and Chief Financial Officer of IMH, IFC and IWLG	2003	254,280	3,060,335(1)	293,000	150,000	9,546
	2002	161,591	1,511,840(1)	252,169	100,000	8,271
Ronald M. Morrison	2004	220,000	93,500	269,000	90,000	10,011
General Counsel and Secretary of IMH, IFC and IWLG	2003	230,866		128,000	50,000	9,919
	2002	215,292	37,337	110,408	20,000(3)	8,736
Gretchen D. Verdugo	2004	175,479	319,969(4)	5,998	5,000	9,763
Executive Vice President and Chief Accounting Officer of IMH and IFC	2003	156,683	374,959(4)	5,768	50,000	9,462
	2002	215,348	117,132(4)	5,998	20,000	8,189

- (1) Until April 1, 2003, includes incentive compensation under the previous employment agreements and, after that, the incentive compensation under the current employment agreements as described in Employment Agreements.
- (2) Until April 1, 2003, includes a bonus based on IFC's total loan production, not to exceed base salary.
- (3) All 90,000 stock options were granted with DERs.
- (4) Includes a quarterly bonus based on average outstanding warehouse advances to non-affiliated clients.
- (5) Includes a car allowance and non-preferential cash payments based on DER awards attached to options granted through 2001 of which the following amounts were paid in 2004, 2003 and 2002, respectively: Mr. Tomkinson \$696,000, \$492,000 and \$422,400, Mr. Ashmore \$580,000, \$410,000 and \$352,000, Mr. Johnson \$406,000, \$287,000 and \$246,400, and Mr. Morrison \$264,000, \$123,000 and

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\$105,600.

- (6) For 2004, consists of group term-life insurance payments and 401(k) contributions, respectively, as follows: Mr. Tomkinson \$1,384 and \$8,712, Mr. Ashmore \$1,384 and \$8,712, Mr. Johnson \$1,379 and \$8,712, Mr. Morrison \$1,299 and \$8,712 and Ms. Verdugo \$1,051 and \$8,712.

The following table sets forth information concerning individual grants of stock options in 2004 to the Named Executive Officers:

**Option Grants in Last Fiscal Year**

Name	Individual Grants				Potential Realizable Value at	
	Number of Securities Underlying Options Granted(#)(1)	Percent of		Exercise or Base Price (\$/Share)(3)	Assumed Annual Rates of	
		Total Options Granted to Employees(2)	Expiration Date		Stock Price Appreciation for	
					Option Term(5)	
5%	10%					
Joseph R. Tomkinson						
William S. Ashmore	100,000	7.49%	23.10	08/02/08(4)	497,819	1,072,071
Richard J. Johnson	50,000	3.74%	23.10	08/02/08(4)	248,910	536,036
Ronald M. Morrison	90,000(7)	6.74%	22.51	08/02/08 and 06/22/14(6)	796,551	1,923,866
Gretchen D. Verdugo	5,000	0.37%	23.10	08/02/08(4)	24,891	53,604

- (1) Options vest equally over a three-year period commencing one year after the date of grant.
- (2) The total number of options granted to our employees, excluding 200,000 shares underlying options granted to non-employee directors, during 2004 was 1,336,000.
- (3) The exercise price per share of options granted represents the fair market value of the underlying shares of common stock on the date the options were granted.
- (4) Such stock options expire four years from the date of grant.
- (5) In order to comply with the rules of the SEC, we are including the gains or option spreads that would exist for the respective options we granted to the named executive officers. We calculated these gains by assuming an annual compound stock price appreciation of 5% and 10% from the date of the option grant until the termination date of the option. These gains do not represent our estimate or projection of the future price of the common stock.
- (6) 40,000 stock options expire ten years from the date of grant and 50,000 stock options expire four years from the date of grant.
- (7) All 90,000 stock options were granted with DERs.

The following table sets forth information concerning option exercises in 2004 and option values as of year-end 2004 to the Named Executive Officers:

**Aggregated Option Exercises in Last Fiscal Year  
and Fiscal Year End Option Values**

Shares	Value Realized (\$)(2)	Number of Securities	Value of Unexercised
		Underlying Unexercised Options at Fiscal Year-End (#)	In-the-Money Options at Fiscal Year-End \$(3)
Acquired on Exercise (#)(1)			

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			Exercisable	Un-exercisable	Exercisable	Un-exercisable
Joseph R. Tomkinson	64,930	802,671	371,736	133,334	5,924,548	1,230,674
William S. Ashmore			316,667	233,334	5,008,339	1,230,674
Richard J. Johnson	9,132	124,743	247,535	183,334	3,791,912	1,230,674
Ronald M. Morrison			96,666	130,001	1,317,495	394,143
Gretchen D. Verdugo	5,000	81,250	30,000	45,001	318,070	358,143



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