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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013 or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________.

Commission File Number: 1-14100

IMPAC MORTGAGE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Maryland	**33-0675505**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

19500 Jamboree Road, Irvine, California 92612
(Address of principal executive offices)

(949) 475-3600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	NYSE MKT
Preferred Stock Purchase Rights	NYSE MKT

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes o No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2) Yes o No ☒

As of June 30, 2013, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $66.0 million, based on the closing sales price of common stock on the NYSE MKT on June 28, 2013. For purposes of the calculation only, all directors and executive officers and beneficial holders of more than 10% of the stock of the registrant have been deemed affiliates. There were 9,069,927 shares of common stock outstanding as of March 13, 2014.

IMPAC MORTGAGE HOLDINGS, INC.
2013 FORM 10-K ANNUAL REPORT
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PART I

ITEM 1. BUSINESS

Impac Mortgage Holdings, Inc., sometimes referred to herein as the "Company," "we," "our" or "us," is a Maryland corporation incorporated in August 1995 and has the following subsidiaries: Integrated Real Estate Service Corporation, or IRES, IMH Assets Corp. and Impac Funding Corporation. IRES has the following subsidiaries, which conduct our mortgage lending and real estate services operations: Excel Mortgage Servicing, Inc., or Excel, and AmeriHome Mortgage Corporation, or AmeriHome.

Forward-Looking Statements

This report on Form 10-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements, some of which are based on various assumptions and events that are beyond our control, may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "likely," "should," "could," "seem to," "anticipate," "plan," "intend," "project," "assume," or similar terms or variations on those terms or the negative of those terms. The forward-looking statements are based on current management expectations. Actual results may differ materially as a result of several factors, including, but not limited to the following: our ability to manage effectively our mortgage lending operations and facilities; volatility in the mortgage industry and unexpected interest rate fluctuations and margin compression; our ability to successfully manage operating expenses and reduce redundant activities; our ability to successfully expand volumes in the warehouse lending business; failure to successfully launch or continue to market new loan products, such as non-qualified mortgages and HELOC loans; ability of wholesale brokers and correspondent sellers to implement mortgage compliance programs and market and sell our loan products; increased competition in the mortgage lending industry by larger or more efficient companies; issues and system risks related to our technology; inability to hire qualified loan officers, account executives or transact with qualified correspondents; more than expected increases in default rates or loss severities and mortgage related losses; ability to obtain additional financing and the terms of any financing that we do obtain; increase in loan repurchase requests and ability to adequately settle repurchase obligations; adequate performance by sub-servicers; the failure to create and maintain brand awareness; the outcome, including any settlements, of litigation or regulatory actions pending against us or other legal contingencies and our compliance with applicable local, state and federal laws and regulations, including the new qualified mortgage rules, and other general market and economic conditions.

For a discussion of these and other risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see Item 1A. "Risk Factors" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. This document speaks only as of its date and we do not undertake, and specifically disclaim any obligation, to release publicly the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

The information contained throughout this document is presented on a continuing basis, unless otherwise stated.

Available Information

Our internet website address is www.impaccompanies.com. We make available our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements for our annual stockholders' meetings, as well as any amendments to those reports, free of charge through our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or the SEC. You can learn more about us by reviewing our SEC filings on our website by clicking on "Investor Relations—Stockholder Relations" located on our home page and proceeding to "SEC Filings." We also make available on our website, under "Corporate Governance," charters for the audit, compensation, and governance and nominating committees of our board of directors, our Code of Business Conduct and Ethics, our Corporate Governance Guidelines and other company information, including amendments to such documents and waivers, if any, to our Code of Business Conduct and Ethics. These documents will also be furnished, free of charge, upon written request to Impac Mortgage Holdings, Inc., Attention: Stockholder Relations, 19500 Jamboree Road, Irvine, California 92612. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding SEC registrants, including our Company.

Our Company

We are an established nationwide independent residential mortgage lender. We were founded in 1995 by members of our current management team, who have extensive experience and an established track record of operating our Company through multiple market cycles. We originate, sell and service residential mortgage loans. We primarily originate conventional mortgage loans eligible for sale to U.S. government-sponsored enterprises, or GSEs, including Fannie Mae, Freddie Mac, and government mortgage loans eligible for government securities issued through Ginnie Mae. We originate and acquire mortgage loans through our Correspondent, Wholesale and Retail origination channels. For the year ended December 31, 2013, we had $2.5 billion in origination volume, a slight increase over 2012.

Our primary operating segments are Mortgage Lending, Real Estate Services and the Long-Term Mortgage Portfolio. A description of each operating segment is presented below with further details and discussions of each segments' results of operations presented in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations."

Mortgage Lending—As a nationwide mortgage lender, we are approved to originate and service Fannie Mae, Freddie Mac and Ginnie Mae eligible loans. We primarily originate, sell and service conventional, conforming agency and government insured residential mortgage loans originated or acquired through our three channels: Correspondent, Wholesale and to a lesser extent, Retail. Our mortgage lending operation generates origination and processing fees, net of origination costs, at the time of origination as well as gains or unexpected losses when the loans are sold to third party investors, including the GSEs and Ginnie Mae. We earn servicing fees, net of sub-servicer costs, from our mortgage servicing portfolio.

Real Estate Services—We provide loss mitigation and real estate services primarily on our own long-term mortgage portfolio, including default surveillance, loan modification services, short sale services (where a lender agrees to take less than the balance owed from the borrower), real estate owned, or REO, surveillance and disposition services and monitoring, reconciling and reporting services for residential and multifamily mortgage portfolios. These operations are conducted by Excel.

Long-Term Mortgage Portfolio—We manage our long-term mortgage portfolio, which primarily consists of residual interests in the securitization trusts reflected as trust assets and liabilities in our consolidated balance sheets, to mitigate losses and maximize cash flows from our residual interests (net trust assets). We receive cash flows from our residual interests in securitizations to the extent excess

cash remains in the trusts after required distributions to bondholders and maintaining required overcollateralization levels are met and other specified parameters within the trusts.

Additionally, we have a corporate segment, which includes unallocated corporate and other administrative costs, that was previously included with the Long-Term Mortgage Portfolio in prior periods. We also have a discontinued operations segment that primarily includes legacy repurchase liability exposure and expenses and liabilities associated with litigation matters that pertain to our discontinued, non-conforming mortgage operations.

Today, we primarily operate as a residential mortgage lender and are focused on expanding our mortgage lending platform providing conventional and government-insured mortgage loans as well as opportunistically look to provide innovative products to meet the needs of borrowers in the dynamic mortgage compliance environment in which we operate. To a lesser extent, we provide real estate services and manage our long-term mortgage portfolio. The real estate service segment was created in 2008 to provide solutions to the distressed mortgage and real estate markets, including loan modifications, real estate disposition, monitoring and surveillance services and real estate brokerage. Since 2008, we developed and enhanced our service offerings by providing services to investors, servicers and individual borrowers primarily focusing on loss mitigation and performance of our own long-term mortgage portfolio. The long-term mortgage portfolio predominantly includes non-conforming mortgage loans originated between 2002 and 2007, and is decreasing in size from principal pay-downs and default liquidations. Since we are no longer adding new mortgage loans to the long-term mortgage portfolio, we expect that the real estate services and long-term mortgage portfolio segments will become less meaningful in the future, unless we are able to generate business from unrelated parties.

Recent Developments

In March 2014, Excel, our wholly-owned indirect subsidiary, changed its name to Impac Mortgage Corp. (Impac Mortgage). We changed the name to further build on the historically positive brand name of "Impac" as well as restore brand continuity with the name of our other Impac Companies.

In March 2014, we sold AmeriHome, which was a duplicative operational mortgage platform, for $10.2 million in cash, recording a gain of approximately $3.0 million dollars. In conjunction with the transaction, as required by Fannie Mae, we used $3.0 million of the proceeds to reduce our legacy repurchase liability with Fannie Mae.

In the fourth quarter of 2013, we shifted our mortgage lending focus to wholesale, correspondent and a centralized retail call center. We also consolidated our lending fulfillment centers to operate primarily in our Irvine, California office.

In the third quarter of 2013, we announced our re-entry into the residential warehouse lending business through our new division, Impac Warehouse Lending (www.impacwarehouse.com). This new division is expected to diversify our origination base and increase the capture rate of our approved correspondent sellers' business. Our warehouse lending group offers funding facilities to approved lenders. Our initial focus will be smaller mortgage bankers and credit unions, including some of our current correspondent customers. Offering warehouse lending provides added value for our correspondent customers, which we believe will increase the capture rate from our currently approved customers and increase volumes in our correspondent channel. In the first quarter of 2014, we are launching our new emerging banker warehouse lending program.

The mortgage lending industry is highly competitive, and may become more competitive as a result of legislative, regulatory, economic, and technological changes, as well as consolidation or

expansion. Our competitors include money center banks, regional and community banks, thrifts, credit unions, real estate brokerage firms, mortgage brokers and mortgage banking companies.

In response to the increased compliance requirements, including the new qualified mortgage rules that took effect in January 2014, we have worked closely with our wholesale brokers and correspondent sellers to help them understand and implement procedures to be compliant with these new rules. Additionally, in response to lower volumes and the current compliance landscape, we are exploring new opportunities to provide additional mortgage products and services to meet the needs of our customers and borrowers. See further discussion in MD&A.

Our strategy during 2014 will be to return the Company to profitability and generate attractive, risk-adjusted returns for our stockholders over the long-term. In 2014, we will shift our channel focus to more business-to-business origination through our wholesale and correspondent channels focusing on (i) customer service, (ii) streamlining loan delivery, underwriting and funding and (iii) providing new loan products to meet the needs of our customers and (iv) loan quality. We expect to continue to originate conventional and government-insured loans as we believe that having the ability and substantial track record to sell loans directly to GSEs and issue Ginnie Mae securities makes us more competitive with regard to products, pricing and operational efficiencies. Further, we expect to offer expanded loan products beyond conventional and government-insured loan programs such as "non-qualified" mortgages that are expected to increase overall lending margins.

Furthermore, in 2013 we increased our mortgage servicing portfolio given the attractive characteristics of agency loans during a period of historically low interest rates and high credit quality which helps mitigate interest rate risk as well as creates a sustainable earning asset. On a selective basis, we have and will continue to strategically sell servicing to keep the amount of capital invested in servicing at acceptable levels while preserving capital needed for further growth.

Continuing Operations

Mortgage Lending Operations

Our mortgage lending activities primarily consist of the origination, sale and servicing of conventional loans eligible for sale to Fannie Mae and Freddie Mac, and government-insured loans eligible for Ginnie Mae securities issuance. We currently originate and fund mortgages through our wholly-owned indirect subsidiary, Impac Mortgage. In order to originate mortgage loans we must be able to finance them and hold them on our balance sheet until such loans are sold, generally within 10 to 15 days. In order to do this we must have lines of credit with banks (called warehouse lines) that allow us the short term funding required.

The following table presents selected data from our mortgage lending operations for the year ended December 31, 2013 and 2012.

	For the year ended December 31,		
(in millions)	**2013**	**2012**	**% Change**
Originations	$ 2,548.4	$ 2,419.7	5%
Servicing Portfolio	3,128.6	1,492.1	110%

Our mortgage lending business grew rapidly during 2012 and increased slightly in 2013 to $2.5 billion in terms of origination volumes as compared to $2.4 billion for the prior year. In 2013, our correspondent channel achieved the most significant growth as a percentage of total originations. As interest rates began to rise in May 2013, we saw the refinance volumes decline significantly. With the

increase in rates, our lending volumes in the latter part of 2013 were lower than what we anticipated resulting in a net loss for the mortgage lending segment.

Our mortgage servicing portfolio continued to increase in 2013 from servicing-retained sales of conforming GSE-eligible loans and government-insured loans eligible for Ginnie Mae securities. In 2013, we sold $1.7 billion of conforming GSE-eligible loans and we issued $638.8 million of government securities through Ginnie Mae on a servicing retained basis. The servicing retained loan sales increased our mortgage servicing portfolio to $3.1 billion at December 31, 2013.

Three origination channels are utilized to originate or acquire mortgage loans—Wholesale, Correspondent and Retail. Each channel produces similar mortgage loan products and applies similar underwriting standards. At December 31, 2013, we had one origination fulfillment center located in Irvine, California.

	For the year ended December 31,			
(in millions)	**2013**	**%**	**2012**	**%**
Originations by Channel:				
Wholesale	$ 971.2	38%	$ 1,293.2	53%
Correspondent	867.8	34%	391.2	17%
Retail	709.4	28%	735.3	30%
Total originations	$ 2,548.4	100%	$ 2,419.7	100%

Wholesale—In a wholesale transaction, our account executives work directly with mortgage brokers who originate and document loans for delivery to one of our operational centers where we underwrite and fund the mortgage loan. Each loan is underwritten to our underwriting standards and if approved, the borrower is sent new disclosures under our name and the loan is funded in the name of Impac Mortgage. Prior to accepting loans from mortgage brokers, each mortgage broker is required to meet our guidelines for minimum experience, credit score and net worth. We also obtain a third-party due diligence report for each prospective broker that verifies licensing and provides information on any industry sanctions that might exist. In addition, each mortgage broker is required to sign our broker agreement that contains certain representations and warranties from the brokers. For the year ended December 31, 2013, we closed loans totaling $971.2 million in this origination channel, which equaled 38% of total originations, as compared to $1.3 billion or 53% of total originations during 2012.

Correspondent—Our correspondent channel represents mortgage loans acquired from our correspondent sellers. Our correspondent channel has historically targeted a market of small banks, credit unions and small mortgage banking firms. Prior to accepting loans from correspondent sellers, each seller is underwritten to determine if it meets financial and other guidelines. Our review of each prospective seller includes obtaining a third party due diligence report that verifies licensing, insurance coverage, quality of recent FHA originations and provides information on any industry sanctions that might exist. In addition, each seller is required to sign our correspondent seller agreement that contains certain representations and warranties from the seller allowing us to require the seller to repurchase a loan sold to us for various reasons including (i) ineligibility for sale to GSEs, (ii) early payment default, (iii) early pay-off or (iv) if the loan is uninsurable by a government agency. In our correspondent channel, the correspondent seller originates and closes the loan. After the loan is originated, the correspondent seller provides the needed documentation and information to us to review and determine if it meets our underwriting guidelines. The loan is acquired by us only after we approve it for purchase. We focus on customer service for our clients by facilitating prompt review by our due diligence team, providing bid pricing on both newly originated and seasoned portfolios, enabling clients to deliver one loan at a time on a flow basis and providing clients with expedited funding timelines. We purchase conventional loans eligible for sale to the GSEs and government-insured loans eligible for Ginnie Mae securities. For the

year ended December 31, 2013, we closed loans totaling $867.8 million in the correspondent origination channel, which equaled 34% of total originations, compared to $391.2 million or 17% of total originations during 2012.

Retail—Beginning in January 2014, we originate retail loans with a more centralized approach through our call center. When loans are originated on a retail basis, the origination documentation is completed inclusive of customer disclosures and other aspects of the lending process and funding of the transaction is completed internally. Our call center representatives contact borrowers through either inbound or outbound marketing campaigns sourced from purchase-money and refinance mortgage leads along with portfolio retention within our servicing portfolio. In 2013, we also originated retail loans at a loss through several branch offices. In the fourth quarter of 2013, in an effort to improve profitability, we sold the branches. For the year ended December 31, 2013, including the retail branches we closed $709.4 million of loans in this origination channel, which equaled 28% of total originations, as compared to $735.3 million or 30% of total originations during 2012.

Since 2011, we have provided loans to customers predominantly in the Western U.S. with California, Oregon and Washington comprising 61% of originations in 2013. Currently we provide nationwide lending with our retail call center and our correspondent sellers and mortgage brokers. We have one primary loan origination fulfillment center in Irvine, California.

Originations

Our loan products primarily include conventional loans for Fannie Mae and Freddie Mac and government loans insured by Federal Housing Authority (FHA), Veteran's Administration (VA) and U.S. Department of Agriculture (USDA). We have also enhanced our product offering to include more loan products less sensitive to changing interest rates, including FHA 203(k), a home improvement loan that provides the borrower funds to make renovations, reverse mortgages, intermediate Adjustable Rate Mortgages and GSE and government-insured loan programs such as Home Affordable Refinance Program (HARP) loans which help timely paying borrowers to refinance into a loan with a lower interest rate despite the loan balance being greater than the estimated fair value of their home. We believe that these loan products will prepay at a slower rate as compared to other products. By retaining these loan products in our servicing portfolio, we expect to maintain a less volatile mortgage servicing portfolio. Originations by loan type for 2013 and 2012 are as follows.

	For the year ended December 31,		
(in millions)	**2013**	**2012**	**% Change**
Government (1)	$ 731.4	$ 703.7	4%
Conventional (2)	1,788.0	1,653.2	8%
Other	29.0	62.8	-54%
Total originations	$ 2,548.4	$ 2,419.7	5%

(1) Includes government-insured loans including FHA, VA and USDA
(2) Includes loans eligible for sale to Fannie Mae and Freddie Mac

Loan Sales—Selling Loans to GSEs, Issuing Ginnie Mae Securities and Selling Loans on a Whole Loan Basis

We sell our mortgage loans to the secondary market, including sales to the GSEs and issuing securities through Ginnie Mae. We primarily sell loans on a servicing-retained basis where the loan is sold to an investor such as Fannie Mae, and we retain the right to service that loan, called mortgage servicing rights or MSRs. We also "sell" loans to Ginnie Mae by issuing Ginnie Mae securities through a

process whereby a pool of loans is transferred to Ginnie Mae as collateral for a government mortgage-backed security. Additionally, we sell our residential mortgage loans on a whole loan basis where the investor also acquires the servicing rights.

The following table indicates the breakdown of our loan sales to GSEs, issuance of Ginnie Mae securities and loans sold to investors on a whole loan basis for the periods as indicated:

	For the year ended December 31,	
(in millions)	**2013**	**2012**
Fannie Mae	$ 1,497.3	$ 1,504.8
Freddie Mac	227.9	608.3
Ginnie Mae	638.8	99.0
Total servicing retained sales	$ 2,364.0	$ 2,212.1
Other (servicing released)	102.6	89.9
Total loan sales	$ 2,466.6	$ 2,302.0

Mortgage Servicing

Upon our sale of loans to GSEs or the issuance of securities through Ginnie Mae, we generally retain the servicing rights with respect to the mortgage loans. We also sell loans on a servicing-released basis to secondary market investors where we do not retain the servicing rights. When we retain servicing rights, we are entitled to receive a servicing fee which is collected from interest payments made by the borrower and paid to us on a monthly basis equal to a specified percentage, typically between 0.25% and 0.44% per annum of the outstanding principal balance of the loans. We may also be entitled to receive additional servicing compensation, such as late payment fees and earn additional income through the use of non-interest bearing escrows. As a mortgage servicer, we are required to advance certain amounts to meet the contractual loan servicing requirements for certain investors. We advance principal, interest, property taxes and insurance for borrowers that have insufficient escrow accounts, plus any other costs to preserve the property. Also, we will advance funds to maintain, repair and market foreclosed real estate properties.

We have hired a nationally recognized residential servicer to sub-service the servicing portfolio. Although we use a sub-servicer to provide primary servicing and certain default servicing functions, our servicing surveillance team, which is experienced in loss mitigation and real estate recovery, monitors and surveys the performance of the loans and sub-servicer. We generally earn a servicing fee on each loan, but we also incur the cost of the sub-servicer as well as the internal servicing surveillance team. Servicing fees are collected from interest payments made by the borrower. Incurring the cost of both a sub-servicer and an internal surveillance team reduces the net revenues we earn from the mortgage servicing portfolio, however, we believe it reduces our risk by minimizing delinquencies and repurchase risk.

During 2013, the mortgage servicing portfolio increased to $3.1 billion from $1.5 billion at the end of 2012, generating gross servicing fees of $6.8 million, and $3.0 million in 2013 and 2012, respectively.

Risk Management

Underwriting

We primarily originate residential first mortgage loans for sale that conformed to the respective underwriting guidelines established by Fannie Mae, Freddie Mac, FHA, VA and USDA. Our mortgage

loans are underwritten individually on a loan-by-loan basis. Each mortgage loan originated from our retail and wholesale channel are underwritten by one of our in-house loan underwriters or by a third party contract underwriter using our underwriting guidelines. Each mortgage loan originated from our correspondent channel is reviewed internally or by a third party underwriting company to determine if the borrower meets our underwriting guidelines.

Our criteria for underwriting generally include, but are not limited to, full documentation of borrower's income, assets, other relevant financial information, the specific agency's eligible loan-to-value ratios, borrower's debt-to-income ratio and full appraisals when required. Variances from any of these standards are permitted only to the extent allowable under the specific program requirements. Our underwriting procedures for all retail and wholesale loans require the use of a GSE automated underwriting systems (AUS). Our underwriting procedures for all correspondent loans that have been originated by a correspondent seller includes a third party file review including verification that the borrower's credit and the collateral meets our applicable program guidelines and an appropriate AUS report has been completed. They also verify the loan is compliant with regulatory guidelines. In addition, the third-party performs pre-funding quality control procedures prior to acquisition. Management reviews the reports prior to the acquisition of any correspondent loan.

Quality Control

Our mortgage brokers, within our wholesale channel and our correspondent sellers are reviewed and approved prior to the acquisition or origination of any loans. Each seller is required to sign our correspondent seller agreement that contains certain representations and warranties from the seller requiring the seller to repurchase a loan sold to us for various reasons including loan ineligibility for sale to GSEs or if the loan is uninsurable by a government agency. Each broker is required to sign our broker agreement that contains certain representations and warranties from the broker requiring the broker to indemnify us for various reasons including early payment defaults or early pay-offs which may lead to repurchase requests and reimbursement of premiums to our investors.

Prior to funding, all retail and wholesale loans are reviewed internally by our quality control department to verify the loan conforms to our program guidelines and meets state and federal compliance guidelines. Prior to the acquisition of a correspondent loan, a third-party performs pre-funding quality control procedures. Management reviews the third-party reports prior to the acquisition of any correspondent loan. We also perform post origination quality controls procedures on at least 10% of all mortgage loans funded or acquired. Additionally, we closely monitor the servicing performance of loans retained in our mortgage servicing portfolio to identify any opportunities to improve our underwriting process or procedures and identify any issues with mortgage brokers or correspondent sellers. Findings are summarized monthly by our credit committee and the appropriate changes are implemented.

Our risk management committee, comprised of senior management, meets periodically to identify, monitor, measure and mitigate key risks in the organization. The committee's responsibilities include monitoring the hedging positions and its effectiveness in mitigating interest rate risk, status of aged unsold loans, status of loans on the warehouse lines, the review of quality control reports, review of servicing portfolio and loan performance and the adequacy of the repurchase reserve and methodology.

Hedging

We are exposed to interest rate risks relating to our mortgage lending operations. Our strategy is to mitigate the credit, market and interest rate risk from loan originations by either selling newly originated loans to GSEs or issuing Ginnie Mae mortgage-backed securities. We typically attempt to sell our mortgage loans within 10 to15 days from acquisition or origination.

We enter into interest rate lock commitments, or IRLCs, and commitments to sell mortgages to help mitigate some of the exposure to the effect of changing interest rates on our mortgage lending operation. We actively manage the IRLCs and uncommitted mortgage loans held for sale on a daily basis. To manage the risk, we utilize forward sold Fannie Mae and Ginnie Mae mortgage-backed securities to hedge the fair value changes associated with changes in interest rates.

Data Security

Sensitive borrower information, such as name, address and social security number is included in nearly all mortgage loan files. We seek to keep this information secure for every borrower. To do so, our policy requires all sensitive borrower data to be transmitted to us through our secure website portal which allows all our customers, correspondent sellers, mortgage brokers and individual borrowers to send data to us securely in an encrypted manner.

Real Estate Services

We provide loss mitigation and recovery services primarily on our long-term mortgage portfolio. Our portfolio loss mitigation and real estate services operations include the following services:

- Default surveillance and loss recovery services for residential and multifamily mortgage portfolios (primarily our own long-term mortgage portfolio) for loan servicers and investors to assist them with overall portfolio performance and maximizing cash recovery;

- Loan modification solutions to individual borrowers. We interact with loan servicers on behalf of the borrowers to assist them in lowering the monthly mortgage payments, which allows them to make their mortgage payments and possibly remain in their homes. We earn fees for these services once the modification is completed;

- REO surveillance and disposition services. We provide these services to portfolio managers and servicers to assist them with improving portfolio performance by maximizing liquidation proceeds from managing foreclosed real estate assets. We also provide short sale (where a lender agrees to take less than the balance owed from the borrower) services on pre-foreclosure properties for servicers, investors and institutions with distressed and delinquent residential and multifamily mortgage portfolios, these services also included real estate brokerage services; and

- Monitoring, reconciling and reporting services for residential and multifamily mortgage portfolios for investors and servicers.

We intend to continue to provide these services predominantly for our long-term mortgage portfolio. We expect these revenues to gradually decline over time as our long-term mortgage portfolio declines. To the extent that opportunities arise, we may expand our loss mitigation and real estate services to third parties.

Long-Term Mortgage Portfolio

Our long-term mortgage portfolio consists of our residual interests in securitizations represented on our consolidated balance sheet as the difference between total trust assets and total trust liabilities.

Our long-term mortgage portfolio includes adjustable rate and, to a lesser extent, fixed rate Alt-A single-family residential mortgages and commercial (primarily multifamily residential loans) mortgages that were acquired and originated primarily by our discontinued, non-conforming mortgage lending operations and retained in our long-term portfolio before 2008. Alt-A mortgages are primarily first lien

mortgages made to borrowers whose credit is generally within typical Fannie Mae and Freddie Mac guidelines but have loan characteristics that make them non-conforming under those guidelines.

In previous years, we securitized mortgage loans by transferring originated residential single-family mortgage loans and multifamily commercial loans (the "transferred assets") into non-recourse bankruptcy remote trusts which in turn issued tranches of bonds to investors supported only by the cash flows of the transferred assets. Because the assets and liabilities in the securitizations are nonrecourse to us, the bondholders cannot look to us for repayment of their bonds in the event of a shortfall. These securitizations were structured to include interest rate derivatives. We retained the residual interest in each trust, and in most cases would perform the master servicing. A trustee and servicer, unrelated to us, was named for each securitization. Cash flows from the loans (the loan payments and liquidation of foreclosed real estate properties) collected by the loan servicer are remitted to us, the master servicer. The master servicer remits payments to the trustee who remits payments to the bondholders (investors). The servicer collects loan payments and performs loss mitigation activities for defaulted loans. These activities include foreclosing on properties securing defaulted loans, which results in REO.

Commercial mortgages in our long-term mortgage portfolio are primarily adjustable rate mortgages with initial fixed interest rate periods of two, three, five, seven and ten years that subsequently convert to adjustable rate mortgages (hybrid ARMs). Commercial mortgages have provided greater asset diversification on our balance sheet as borrowers of commercial mortgages typically have higher credit scores and commercial mortgages typically have lower LTVs.

Historically, we securitized mortgages in the form of collateralized mortgage obligations, or CMOs, which were consolidated and accounted for as secured borrowings for financial statement purposes. Securitized mortgages in the form of real estate mortgage investment conduits, or REMICs, were either consolidated or unconsolidated depending on the design of the securitization structure. We consolidated the variable interest entity, or VIE, as the primary beneficiary of the sole residual interest in each securitization trust where we also performed the master servicing. Amounts consolidated were included in trust assets and liabilities as securitized mortgage collateral, real estate owned, derivative assets, securitized mortgage borrowings and derivative liabilities in the accompanying consolidated balance sheets. At December 31, 2013, our residual interests in securitizations (represented by the difference between total trust assets and total trust liabilities) decreased to $10.6 million, compared to $15.9 million at December 31, 2012.

Since 2007, we have not added any mortgages to our long-term mortgage portfolio.

For additional information regarding the long-term mortgage portfolio refer to Item 7. "*Management's Discussion and Analysis of Financial Condition*," and Note 10. "*Securitized Mortgage Trusts*" in the notes to the consolidated financial statements.

Master Servicing

Until 2007, we retained master servicing rights on substantially all of our non-conforming single-family residential and commercial mortgage acquisitions and originations that were retained or sold through securitizations. The function of a master servicer includes collecting loan payments from loan servicers and remitting loan payments, less master servicing fees receivable and other fees, to a trustee or other purchaser for each series of mortgage-backed securities or mortgages master serviced. In addition, as master servicer, we monitor compliance with the servicing guidelines and perform or contract with third parties to perform all functions not adequately performed by any loan servicer. The master servicer is also required to advance funds, or cause the loan servicers to advance funds, to cover principal and interest payments not received from borrowers depending on the status of their mortgages, but only to the extent that it is determined that such advances are recoverable either from the borrower or from the liquidation of the property. Master servicing fees are generally 0.03% per

annum on the unpaid principal balance of the mortgages serviced. As a master servicer, we also earn income or incur expense on principal and interest payments received from borrowers until those payments are remitted to the investors of those mortgages. Fees from the master servicing portfolio have declined significantly due to a decrease in principal balances and a decline in interest rates since the end of 2008, which affects the amount we earn on balances held in custodial accounts. At December 31, 2013, we were the master servicer for approximately 32,000 mortgages with an unpaid principal balance of approximately $8.7 billion of which $2.1 billion of those loans were 60 or more days delinquent. At December 31, 2013, we were also the master servicer for unconsolidated securitizations (included in the total master servicing portfolio above) totaling approximately $1.1 billion in unpaid principal balance of which $0.4 billion of those loans were 60 or more days delinquent. Fees earned from master servicing are separate from those earned from mortgage servicing which are generated from servicing rights from new originations since 2011.

Corporate

This segment includes all corporate services groups including information technology, human resources, legal, facilities, accounting, treasury and corporate administration. This corporate services group supports all operating segments. A portion of these costs are allocated to the operating segments based on certain allocation methods. These corporate services groups are centralized to be efficient and avoid any duplicate cost burdens. Specific costs associated with being a publicly traded company are not allocated and remain in this segment.

At our corporate headquarters in Irvine, California, we occupy office space under our lease agreement. The leased office space includes office space we are attempting to sublet as well as space we are maintaining for future growth. The cost of unused space is recorded in the corporate segment since it is not attributed to mortgage lending or real estate services segments.

The corporate segment also includes debt expense related to the Convertible Notes as well as capital leases. Debt service expense is not allocated to the mortgage lending, real estate services or long-term mortgage portfolio segments. We have taken advantage of very low financing rates and entered into capital lease arrangements to finance the purchase of equipment, mostly computer equipment, used in all three segments. The interest expense associated with the capital leases is not allocated and remains in this segment.

Discontinued Operations

Discontinued operations primarily include mitigating the remaining repurchase liability exposure, which arose as a result of our representations and warranties with respect to sold mortgages during 2007 and prior, and expenses and liabilities associated with litigation matters related to our discontinued, non-conforming mortgage operations.

In previous years, when our discontinued, non-conforming mortgage operations sold loans to investors, we were required to make normal and customary representations and warranties about the loans sold. Whole loan sale agreements generally required us to repurchase loans if a representation or warranty given to the loan purchaser is breached. In addition, we could be required to repurchase loans as a result of borrower fraud or if a payment default occurs on a mortgage loan shortly after its sale. We continue to attempt to settle outstanding repurchase requests from third-party investors of our discontinued, non-conforming mortgage operations.

Regulation

The U.S. mortgage industry is heavily regulated. Our mortgage lending operations, as well as our real estate services, are subject to federal, state and local laws that regulate and restrict the manner in

which we operate in the residential mortgage industry. Plus, mortgage bankers and brokers in our wholesale production channel and correspondents from which we purchase loans are also subject to regulation, which may have an effect on our business and the mortgage loans we are able to fund or acquire. Compliance with regulations in the mortgage industry requires us to incur costs and expenses in our operations. To the extent we, or others with which we conduct business, do not comply with applicable laws and regulations, we may be subject to fines, reimbursements and other penalties. The laws and regulations that we are subject to include the following:

- the Federal Truth-in-Lending Act (known as TILA) and Regulation Z promulgated there under, which require certain disclosures to the borrowers regarding the terms of the loans and require substantial changes in compensation that can be paid to brokers and loan originators;
- the Equal Credit Opportunity Act and Regulation B promulgated there under, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;
- the Fair Housing Act, which prohibits discrimination in housing on the basis of race, color, national origin, religion, sex, familial status, or handicap, in housing-related transactions;
- the Fair Credit Reporting Act, which regulates the use and reporting of information related to the borrower's credit experience;
- the Fair and Accurate Credit Transaction Act, which regulates credit reporting and use of credit information in making unsolicited offers of credit;
- the Gramm-Leach-Bliley Act, which imposes requirements on all lenders with respect to their collection and use of nonpublic financial information and requires them to maintain the security of that information;
- the Real Estate Settlement Procedures Act (known as RESPA) and Regulation X, promulgated thereunder, which requires that consumers receive disclosures at various times and outlaws kickbacks that increase the cost of settlement services;
- the Home Mortgage Disclosure Act, which requires the reporting of public loan data;
- the Telephone Consumer Protection Act and the Can Spam Act, which regulate commercial solicitations via telephone, fax, and the Internet;
- the Depository Institutions Deregulation and Monetary Control Act of 1980, which preempts certain state usury laws;
- the Alternative Mortgage Transaction Parity Act of 1982, which preempts certain state lending laws which regulate alternative mortgage transactions;
- the Fair Debt Collection Practices Act, which prohibits unfair debt collection practices; and
- the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, which establishes national minimum standards for mortgage licensees.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act is a sweeping overhaul of the financial regulatory system. The Dodd-Frank Act has increased, and will continue to increase, regulation of the mortgage industry, including: generally prohibiting lenders from making residential mortgage loans unless a good faith determination is made of a borrower's creditworthiness

based on verified and documented information; requiring the Consumer Financial Protection Bureau (CFPB) to enact regulations, which were recently finalized, to help assure that consumers are provided with timely and understandable information about residential mortgage loans that protect them against unfair, deceptive and abusive practices; and requiring federal regulators to establish minimum national underwriting guidelines for residential mortgages that lenders will be allowed to securitize without retaining any of the loans' default risk.

Our mortgage lending operations is an approved Housing and Urban Development (HUD) lender, a Ginnie Mae approved issuer and servicer and an approved seller/servicer of Fannie Mae and Freddie Mac. As such, we are required to submit annually to Fannie Mae, Freddie Mac, and HUD, as applicable, audited financial statements, or the equivalent, according to the financial reporting requirements of each regulatory entity for its sellers/servicers. The Company's affairs are also subject to examination by Fannie Mae, Ginnie Mae, Freddie Mac, HUD and state regulatory agencies at any time to assure compliance with applicable regulations, policies and procedures. Also refer to "Regulatory Risks" under Item 1A. Risk Factors for a further discussion of regulations that may affect us.

Competition

We operate in a highly competitive industry that could become even more competitive as a result of legislative, regulatory, economic, and technological changes, as well as continued consolidation or expansion. Our competitors include banks, thrifts, credit unions, real estate brokerage firms and mortgage brokers and mortgage banking companies. Competition is based on a number of factors including, among others, customer service, quality and range of products and services offered, price, reputation, interest rates, lending limits and customer convenience. To compete effectively, we must have a very high level of operational, technological, and managerial expertise, as well as access to capital at a competitive cost. Many of our competitors are larger than we are and have access to greater financial resources than we do, which can place us at a competitive disadvantage. In addition, many of our largest competitors are banks or affiliated with banking institutions, the advantages of which include, but are not limited to, the ability to hold new mortgage loan originations in an investment portfolio and having access to financing with more favorable terms than we do, including lower funding cost with bank deposits as a source of liquidity.

Our real estate services segment competes with firms that provide similar services, including loan modification companies, real estate asset management and disposition companies and real estate brokerage firms. Our competitors include mega mortgage servicers, established subprime loan servicers, and newer entrants to the specialty servicing and recovery collections business. Efforts to market our ability to provide real estate services for others is more difficult than many of our competitors because we have not historically provided such services to unrelated third parties, and we are not a rated primary or special servicer of residential mortgage loans as designated by a rating agency.

Risk factors, as outlined below, provide additional information related to risks associated with competition in the mortgage industry.

Employees

As of December 31, 2013 and 2012, we had a total of 312 and 540 employees, respectively. Management believes that relations with our employees are good. We are not a party to any collective bargaining agreements.

ITEM 1A. RISK FACTORS

Some of the following risk factors relate to a discussion of our assets. For additional information on our asset categories refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as the accompanying notes to the consolidated financial statements.

Risks Related To Our Businesses

Our long-term success is primarily dependent on our ability to increase our mortgage origination volumes and profits and to a lesser extent maintain our real estate services profits and realize cash flows from our long-term mortgage portfolio.

We believe that a key driver of growth of our profitability will be increasing our mortgage origination volumes. Our success is dependent on many factors, some of which we can control and others we cannot, such as the successful implementation of our new loan origination system and documentation and data capture technology, increasing our loan origination operational capacities, attracting qualified employees, ability to maintain our approvals with Fannie Mae, Freddie Mac, Ginnie Mae and other investors, ability to increase our mortgage servicing portfolio, the ability to obtain adequate warehouse borrowing capacity, the ability to adequately maintain loan quality and manage the risk of losses from repurchases, and the changing regulatory environment for mortgage lending.

The ability to generate revenues in the real estate services segment is based on our ability to continue to provide services to the long-term mortgage portfolio, and seek opportunities to provide services to unrelated third parties.

Realizing cash flows from our mortgage portfolio is dependent on the performance of the underlying mortgage loans and the performance of the servicers. At December 31, 2013, our debt obligations, consisting of our trust preferred securities, junior subordinated notes, bank loans and the convertible notes, were an aggregate of approximately $93.8 million in outstanding net principal balance. If we are unable to generate net income from our mortgage lending operations and real estate services and cash flows from our mortgage portfolio, we may be unable to satisfy our future operating costs and liabilities, including repayment of our debt obligations.

The Company, through its subsidiaries, has entered into financing facility agreements to fund loans for the mortgage lending operations that contain certain financial covenants.

Our warehouse facilities contain covenants, including requirements to maintain a certain minimum net worth, liquidity, litigation judgment thresholds, debt ratios, profitability levels and other customary debt covenants. A breach of the covenants can result in an event of default under these facilities and as such allows the lender to pursue certain remedies, which may constitute a cross default under other agreements. If we are unable to meet or maintain the necessary covenant requirements or satisfy, or obtain waivers from, the continuing covenants, this could have a material adverse effect on our financial condition and results of operations.

We may not be able to access financing sources on favorable terms, or at all, which could adversely affect our ability to implement and operate our business as planned.

Future financing sources may include borrowings in the form of bank credit facilities (including term loans and revolving facilities), repurchase agreements, warehouse facilities, structured financing arrangements, public and private equity and debt issuances and derivative instruments, in addition to transactions or asset specific funding arrangements. Our access to sources of financing depends upon a number of factors some of which we have little or no control, including general market conditions, resources and policies or lenders. Under current market conditions, many forms of structured financing

arrangements are generally unavailable, which also in the past has limited our ability to borrow under short term warehouse and repurchase agreements that are intended to be refinanced by such financings. In addition, if regulatory capital requirements imposed on our private lenders change, they may be required to limit, or increase the cost of, financing they provide to us. In general, this could potentially increase our financing costs and reduce our liquidity. Consequently, the expansion of our mortgage lending operations may be dictated by the cost and availability of financing, specifically warehouse facilities. Depending on market conditions at the relevant time, we may have to rely more heavily on additional equity issuances, which may be dilutive to our shareholders, or on less efficient forms of debt financing that require a larger portion of our cash flow from operations, thereby reducing funds available for our operations and future business opportunities. We cannot assure you that we will have access to such equity or debt capital on favorable terms (including, without limitation, cost and term) at the desired times, or at all, which could negatively affect our results of operations. Furthermore, we have recently entered into the warehouse lending business making use of funds from our warehouse facility to lend to other mortgage bankers. If our access to such funds are restricted or are on terms that are materially changed, we may not be able to continue those operations which may affect our income and loan origination volumes.

Mortgage market conditions have had and may continue to have a material adverse effect on our earnings and financial condition.

Our results of operations are materially affected by conditions in the mortgage and real estate markets, the financial markets and the economy generally. Beginning in 2007, the mortgage industry and the single-family residential housing markets, and to a lesser extent multifamily residential housing markets, were adversely affected as home prices declined and delinquencies and defaults significantly increased. Borrowers found it difficult to refinance due to home price depreciation and lenders tightened their underwriting guidelines, which led to further increases in defaults and credit losses. During 2013, although housing prices rebounded in parts of the U.S, the Company continued to be significantly and negatively affected by the weak economic environment. As a result, non-conforming mortgage loans have not performed up to historical expectations, and the fair value of non-conforming mortgage loans has deteriorated. This, in turn, has resulted in declining revenues and increased expenses associated with the long-term mortgage portfolio, including increases in loan losses and impairment charges, losses sustained in the operation of real estate properties acquired in foreclosure proceedings and foreclosure related professional fees. These factors have led to deterioration in the quality of the Company's long-term mortgage portfolio, as evidenced by the delinquencies, foreclosures and credit losses.

The adverse market conditions have affected our mortgage loan delinquencies and REO in the long-term mortgage portfolio. At December 31, 2013, the Company's long-term mortgage portfolio had 22.4% or $1.7 billion of loans that were 60 days or more delinquent, included in continuing and discontinued operations, compared to 22.8% or $2.0 billion at December 31, 2012. REO decreased 16% to $18.9 million at December 31, 2013 as compared to $22.5 million at December 31, 2012. Losses from the sale of REO are within the nonrecourse securitization trusts but could result in reduced cash flows from the Company's residual interests in respective securitizations. These conditions, which increase the cost and reduce the availability of debt, may continue or worsen in the future.

The disruption in the capital markets and secondary mortgage markets has also reduced liquidity and investor demand for mortgage loans and mortgage backed securities, while yield requirements for these products have increased. Continuing concerns about the declining real estate market, as well as inflation, energy costs, geopolitical issues and the availability and cost of credit, have contributed to increased volatility and diminished expectations for the economy and markets going forward. The mortgage market has been severely affected by changes in the lending landscape and there is no assurance that these conditions have stabilized or that they will not worsen. These unprecedented

disruptions and deterioration of the mortgage market have had, and may continue to have, an adverse effect on the Company's results of operations and financial condition.

As a result of an unprecedented immediate spike in interest rates in 2013, tightening of credit guidelines in the overall mortgage market, a decline in financed real estate transactions, increasing interest rates, current economic conditions, the extremely difficult and complex mortgage and credit regulatory environment and other factors it is projected by some mortgage organizations that mortgage originations during 2014 may be at historic low volumes since the early 2000's. As a result we may experience reduced volumes and thereby reduced income unless we are able to garner a greater market share of originations or sufficiently reduce costs.

Our hedging strategies recently implemented by our mortgage lending operations may not be successful in mitigating our risks associated with the market movement of interest rates.

We use various derivative financial instruments to provide a level of protection against interest rate risks in our mortgage lending operations, but no hedging strategy can protect us completely. When rates change, we expect to record a gain or loss on derivatives which would be offset by an inverse change in the value of mortgage loans held for sale and interest rate lock commitments. We cannot assure you, however, that our use of derivatives will offset the risks related to changes in interest rates. There have been periods, and it is likely that there will be periods in the future, during which we will not have offsetting gains or losses in mortgage loan and interest rate lock commitment values after accounting for our derivative financial instruments. The derivative financial instruments we select may not have the effect of reducing our interest rate risk. In addition, the nature and timing of hedging transactions may influence the effectiveness of these strategies. Poorly designed strategies, improperly executed and recorded transactions or inaccurate assumptions could actually increase our risk and losses. In addition, hedging strategies involve transaction and other costs. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses.

Representations and warranties made by us in our loan sales and securitizations may subject us to liability.

In connection with our loan sales to third parties and our prior securitizations, we transferred mortgages acquired and originated by us to third parties or into a trust in exchange for cash and, in the case of a securitized mortgage, residual certificates issued by the trust. The trustee, purchaser, bondholder, guarantor or other entities involved in the issuance of the securities (which may include bond insurers) may have recourse to us with respect to the breach of the representations, and warranties made by us at the time such mortgages are transferred or when the securities are sold. Those representations and warranties may include, but are not limited to, issues such as the validity of the lien, the absence of liens or delinquent taxes, the validity of the appraisal obtained in conjunction with the loan, the truthfulness of information used in the loan approval process, the loans compliance with all local, state and federal laws, the delivery of all documents required to perfect title to the lien, the loan meeting all underwriting criteria and the selection process used to include the loans in any particular transaction. Also, we engage in bulk whole loan sales pursuant to agreements that generally provide for recourse by the purchaser against us in the event of a breach of one of our representations or warranties, any fraud or misrepresentation during the mortgage origination process, or upon early default on such mortgage. We attempt to limit the potential recourse from such purchasers by seeking remedies from correspondent sellers and wholesale brokers who originated the mortgages if we did not originate the loan. However, many of the entities we acquired loans from in the past are no longer in business. In some cases, we may not be able to seek remedies from others whom have sold mortgage loans to us. Furthermore, if we discover, prior to the sale or transfer of a loan, that there is any fraud or misrepresentation with respect to the mortgage and the originator fails to repurchase the mortgage, then

we may not be able to sell the mortgage or we may have to sell the mortgage at a discount. Changes in the timing, processes and procedures of our primary investors review loans which they purchase from us may affect the number of loans that are rejected, the timing of our loan sales, or the frequency of repurchase demands issued to us. Also, similar changes by mortgage insurers agree to insure loans may also affect the frequency and timing of our loan sales. As a result, the effectiveness of our loan sales, our repurchase reserves and our profitability may be affected as we may have to sell loans at a discount.

Competition in the residential mortgage industry and real estate services business is intense and may adversely affect our business operations and financial performance; the dominance of a limited number of companies may affect our ability to operate and compete effectively.

Competition in the residential mortgage industry and real estate services business is intense. Plus, the mortgage business has experienced substantial consolidation. Our competitors include banks, thrifts, credit unions, real estate brokerage firms, mortgage brokers, asset management companies, and mortgage banking companies. Several of our competitors enjoy advantages, including greater financial resources and access to capital, a wider geographic presence, more accessible branch office locations, more aggressive marketing campaigns, better brand recognition, the ability to offer a wider array of services or more favorable pricing alternatives, as well as lower origination and operating costs. To compete effectively, we must have a very high level of operational, technological, and managerial expertise, as well as access to capital at a competitive cost. As a result of reduced access to capital, general housing trends, rising delinquencies and defaults and other factors, many mortgage and real estate services firms have recently experienced severe financial difficulty, with some exiting the business or filing for bankruptcy protection, resulting in a consolidation of companies in such industries. The dominance of a limited number of companies have made it difficult to compete effectively, as such it may adversely affect our business operations and financial performance.

New regulatory laws affecting our operations may affect our ability to expand our mortgage lending operations.

Changes to the laws, regulations or regulatory policies can affect whether and to what extent we may be able to expand our mortgage lending activities. Many states and local governments and the Federal government have enacted, or may enact laws, or regulations that restrict or prohibit some provisions in some programs or businesses that we currently participate in or plan to participate in the future. As such, we cannot be sure that in the future we will be able to engage in activities that were similar to those we engaged or participated in the past thereby limiting our ability to commence new operations. As a result, we might be at a competitive disadvantage which would affect our operations and profitability.

The recently effective changes in loan originator compensation, qualified mortgages requirements and other regulatory restrictions may put us at a competitive disadvantage to our competitors. As a result of the nature of our operations, our capital, costs, source of funds and other similar factors may affect our ability to maintain and grow lending.

For example, the Consumer Financial Protection Bureau recently finalized its rulemaking implementing strict residential mortgage loan underwriting standards enacted under the Dodd-Frank Act. The Act and that rulemaking impose significant liability for violation of those underwriting standards, and offer certain protection from that liability only for loans that comply with tight limitations on upfront fees and that do not contain certain alternative features (like balloon payments). Those requirements, which become effective in 2014, may affect our ability to originate residential mortgage loans or the profitability of those operations.

In addition to new rules and regulations involving areas such as loan officer compensation, servicing requirements, origination disclosures and various federal, state and local laws and regulations could pose substantial hardship on our ability to maintain our lending volumes and our compliance with such requirements could expose us to fines, penalties or licensing restrictions that could affect our operations. Additionally expensive and time consuming audits and reviews by state and federal regulators could interfere with our operations and could negatively affect our ability to continue our operations in the same manner.

Our performance may be adversely affected by the performance of parties who service or sub-service our mortgage loans.

We contract with third parties for the servicing of our mortgage loans in our long-term mortgage portfolio, for which we are the master servicer, and the servicing portfolio in our mortgage lending operations. Our operations, performance and liabilities are subject to risks associated with inadequate or untimely servicing. If a servicer defaults or fails to perform to certain standards then this can be deemed to be a default or failure by us to perform those duties or functions. If we, or our sub-servicers, commit a material breach of our obligations as a servicer or master servicer, we may be subject to damages or termination if the breach is not cured within a specified period of time following notice, causing us to lose servicing income. In addition, we may be required to indemnify the investor or securitization trustee against losses from any failure by us, as master servicer or on behalf of the sub-servicer, to perform the servicing obligations properly. If, as a result of a servicer or sub-servicer's failure to perform adequately, we were terminated as servicer by an investor or master servicer of a securitization, the value of any servicing or master servicing rights held by us could be adversely affected. Also, this could affect the cash flow generated by our servicing rights portfolio.

Poor performance by a sub-servicer may result in greater than expected delinquencies and foreclosures and losses on our mortgage loans or, in the case of our long-term mortgage portfolio, in our resulting exposure to investors, bond holders, bond insurers or others to whom we are responsible for the performance of our loan sub-servicers. A substantial increase in our delinquency or foreclosure rate could adversely affect our ability to access the capital and secondary markets for our financing needs. With respect to our long-term mortgage portfolio, greater delinquencies would adversely affect the value of our residual interests, if any, we hold in connection with that securitization.

One of the primary servicers of our long-term mortgage portfolio recently considered transferring the servicing rights and obligations to a third party. It is not unusual that whenever servicing is transferred, delinquencies increase often due to the borrower misunderstanding of the transfer and delays caused by payments being sent to the wrong servicer. This could increase delinquencies and as such adversely affect the performance of our securities and the value of our residual interests.

Mortgage servicing rights are a material asset on our consolidated balance sheets. The value of these rights are dependent upon various factors, including, but not limited to, the adequate performance of the servicing function by our sub-servicer, the responsibilities imposed on us by the investors of our loans for which we hold the servicing rights, interest rates, the cost of our sub-servicers, loan prepayments and delinquencies. As these factors and others vary, the value of our mortgage servicing rights may fluctuate which may affect our ability to meet financial covenants, maintain credit facilities, expand our operations and generate income from our operations.

Our loss of approvals with, or the potential limitation or wind-down of, the role Ginnie Mae, Fannie Mae and Freddie Mac play in the residential mortgage-backed security (MBS) market may adversely affect our business, operations and financial condition.

We originate loans eligible for sale to Fannie Mae, Freddie Mac and government insured or guaranteed loans, such as FHA, VA and USDA loans, and loans eligible for Ginnie Mae securities issuance. We also service loans sold to the GSEs. We believe that having the ability to both sell loans directly to these agencies and issue Ginnie Mae securities gives us an advantage in the overall mortgage origination market. In 2008, the GSEs were placed in a conservatorship by the U.S. government. The Obama Administration has delivered a report to Congress regarding proposals to reform the housing finance market in the United States. The report, among other things, outlined various potential proposals to wind down Ginnie Mae or Fannie Mae and Freddie Mac and reduce or eliminate over time the role of the GSEs in guaranteeing mortgages and purchasing mortgage loans, as well as proposals to implement reforms relating to borrowers, lenders, and investors in the mortgage market, including reducing the maximum size of a loan that the GSEs can purchase, phasing-in a minimum down payment requirement for borrowers, improving underwriting standards, and increasing accountability and transparency in the securitization process. During 2011, the Treasury issued a White Paper titled "Reforming America's Housing Finance Market" (or the White Paper) that lays out, among other things, proposals to limit or potentially wind down the role that Fannie Mae and Freddie Mac play in the mortgage market. There have also been discussions concerning the ability or right of the GSEs to limit the amount of loans a company can sell to them based upon the company's net worth. This could negatively impact our growth. Most recently, the acting director of the Federal Housing Finance Agency announced that Fannie Mae and Freddie Mac will create a new business entity to create a single securitization platform as they plan for a future, which may include a future where the two companies may no longer exist. Any such proposals, if enacted, may have broad adverse implications for the MBS market and our business, operations and financial condition.

We also service loans on behalf of Fannie Mae and Freddie Mac, as well as loans that have been delivered into securitization programs sponsored by Ginnie Mae in connection with the issuance of agency guaranteed mortgage-backed securities. These entities establish the base service fee to compensate us for servicing loans as well as the assessment of fines and penalties that may be imposed upon us for failing to meet servicing standards.

The extent and timing of any regulatory reform regarding the GSEs and the home mortgage market, as well as any effect on Impac's business operations and financial results, are uncertain. We expect such proposals to be the subject of significant discussion and it is not yet possible to determine whether such proposals will be enacted and, if so, when, what form any final legislation or policies might take or how proposals, legislation or policies may impact the MBS market and our business, operations and financial condition. Our inability to make the necessary changes to respond to these changing market conditions or loss of our approved seller/servicer status with the GSEs would have a material adverse effect on our mortgage lending operations and our financial condition, results of operations and cash flows. If those agencies cease to exist, wind down, or otherwise significantly change their business operations or if we lost approvals with those agencies, our ability to profitably sell the loans could be affected and our profitability, business, operations and financial condition may be adversely affected.

Growth may place significant demands on our management and our infrastructure.

For our operations to continue to grow in size, scope and complexity, we will need to improve and upgrade our systems and infrastructure to meet the demands and maintain efficiency of our business. Growth could strain our ability to maintain reliable service levels, develop and improve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel. Managing our growth will require significant expenditures and

allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business would be harmed.

We may become, and in some cases are, a defendant in lawsuits, some of which may be class action matters, and we may not prevail in these matters.

Individual and class action lawsuits and regulatory actions alleging improper marketing practices, abusive loan terms and fees, disclosure violations and other matters are risks faced by all mortgage originators. We are a defendant in purported class actions pending in different states and could be named in other matters. Some of the actions allege generally that the loan originator (whether or not Impac) improperly charged fees in violation of various state lending or consumer protection laws in connection with mortgages that we acquired while others allege that our lending practice was a statutory violation, an unlawful business practice, an unfair business practice or a breach of a contract. They generally seek unspecified compensatory damages, punitive damages, pre- and post-judgment interest, costs and expenses and rescission of the mortgages, as well as a return of any improperly collected fees. We are also subject to a purported class action lawsuit relating to the tender of our preferred stock that is seeking cumulative dividends and the election of two directors by the preferred holders. We will incur defense costs and other expenses in connection with the lawsuits, and we cannot assure you that the ultimate outcome of these or other actions will not have a material adverse effect on our financial condition or results of operations. In addition to the expense and burden incurred in defending any of these actions and any damages that we may suffer, our management's efforts and attention may be diverted from the ordinary business operations in order to address these claims. Plus, we may be deemed in default of our warehouse lines if a judgment for money that exceeds specified thresholds is rendered against us. If the final resolution of this litigation is unfavorable to us in any of these actions, our financial condition, results of operations and cash flows might be materially adversely affected.

Litigation in the mortgage industry related to securitizations against issuers, sellers, originators, underwriters and others may adversely affect our business operations.

As defaults, delinquencies, foreclosures, and losses in the real estate market continue, there have been lawsuits by various investors, insurers, underwriters and others against various participants in securitizations, such as sponsors, depositors, underwriters, and loan sellers. Some lawsuits have alleged that the mortgage loans had origination defects, that there were misrepresentations made about the mortgage loans and the parties failed to properly disclose the quality of the mortgage loans or repurchase defective loans or that there were other misrepresentations or lack of representations. There have been claims related to our securitizations contending errors or misrepresentations in the securitization documents or process itself. Recently a court made a ruling in three such circumstances and as a result we may be subject to claims by third parties. Historically, we both securitized and sold mortgage loans to third parties that may have been deposited or included in pools for securitizations. We have received notices of claims for indemnification relating to mortgage-backed security bond issues, originated or sold by the Company from Countrywide, UBS, Wilmington Trust, Deutsche Bank and Merrill Lynch. The claims seek indemnification from claims asserted against them in various actions in which we are not parties. The notices each seek indemnification for all losses, liabilities, damages and legal fees and costs incurred in those actions. We also received a demand to cover losses on the purchase of mortgage-backed securities. In connection with these potential claims, we may become subject to litigation related to the securitizations. As a result, we may incur significant legal and other expenses in defending against claims and litigation and we may be required to pay settlement costs, damages, penalties or other charges which could adversely affect our financial results.

Our share prices have been and may continue to be volatile and the trading of our shares may be limited.

The market price of our securities has been volatile. We cannot guarantee that a consistently active trading market for our securities will continue. In addition, there can be no assurances that such markets will continue or that any shares which may be purchased may be sold without incurring a loss. Any such market price of our shares may not necessarily bear any relationship to our book value, assets, past operating results, financial condition or any other established criteria of value, and may not be indicative of the market price for the shares in the future. The market price of our securities is likely to continue to be highly volatile and could be significantly affected by factors including:

- unanticipated fluctuations in our operating results;
- general market and mortgage industry conditions;
- mortgage and real estate fees;
- delinquencies and defaults on outstanding mortgages;
- loss severities on loans and REO;
- prepayments on mortgages;
- the regulatory environment and results of our mortgage originations;
- mark to market adjustments related to the fair value of loans held-for-sale, mortgage servicing rights, long-term debt and derivatives;
- interest rates; and
- litigation.

During 2013, our common stock reached an intra-day high sales price of $15.39 on February 27th, and an intra-day low sales price of $4.66 on December 5th. As of March 13, 2014, our stock price closed at $6.61 per share. In addition, significant price and volume fluctuations in the stock market have particularly affected the market prices for the securities of mortgage companies such as ours. Furthermore, general conditions in the mortgage industry may adversely affect the market price of our securities. These broad market fluctuations have adversely affected and may continue to adversely affect the market price of our securities. If our results of operations fail to meet the expectations of security analysts or investors in a future quarter, the market price of our securities could also be materially adversely affected and we may experience difficulty in raising capital.

If we fail to maintain effective systems of internal control over financial reporting and disclosure controls and procedures, we may not be able to report our financial results accurately or prevent fraud, which could cause current and potential stockholders to lose confidence in our financial reporting, adversely affect the trading price of our securities or harm our operating results.

Effective internal control over financial reporting and disclosure controls and procedures are necessary for us to provide reliable financial reports and effectively prevent fraud and operate successfully as a public company. Any failure to develop or maintain effective internal control over financial reporting and disclosure controls and procedures could harm our reputation or operating results, or cause us to fail to meet our reporting obligations. We cannot be certain that our efforts to improve or maintain our internal control over financial reporting and disclosure controls and procedures will be successful or that we will be able to maintain adequate controls over our financial processes and

reporting in the future. Any failure to develop or maintain effective controls or difficulties encountered in their implementation or other effective improvement of our internal control over financial reporting and disclosure controls and procedures could harm our operating results, or cause us to fail to meet our reporting obligations. If we are unable to adequately establish or maintain our internal control over financial reporting, our external auditors will not be able to issue an unqualified opinion on the effectiveness of our internal control over financial reporting. In the past, we have reported, and may discover in the future, material weaknesses in our internal control over financial reporting.

Ineffective internal control over financial reporting and disclosure controls and procedures could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our securities or affect our ability to access the capital markets and could result in regulatory proceedings against us by, among others, the SEC. In addition, a material weakness in internal control over financial reporting, which may lead to deficiencies in the preparation of financial statements, could lead to litigation claims against us. The defense of any such claims may cause the diversion of management's attention and resources, and we may be required to pay damages if any such claims or proceedings are not resolved in our favor. Any litigation, even if resolved in our favor, could cause us to incur significant legal and other expenses or cause delays in our public reporting. Such events could harm our business, affect our ability to raise capital and adversely affect the trading price of our securities.

Violation of various federal, state and local laws may result in financial losses.

We are subject to federal, state and local laws and regulations related to the mortgage industry that generally regulate interest rates and other charges, require certain disclosure, and require applicable licensing. In addition, other state and local laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of our loans. Violations of certain provisions of these federal and state laws and regulations may limit our ability to collect all or part of the principal of or interest on the loans and in addition could subject us to damages, could result in the mortgagors rescinding the loans whether held by us or subsequent holders of the loans, or could cause us to repurchase the loan and thereby suffer a loss on the transaction. In addition, such violations could cause us to be in default under our credit and repurchase lines and could result in the loss of licenses held by us.

Additionally, the Dodd-Frank Wall Street Reform and Consumer Protection Act contains the Mortgage Reform and Anti-Predatory Lending Act ("Mortgage Act"), which imposes a number of additional requirements on lenders and servicers of residential mortgage loans, including Impac, by amending certain existing provisions and adding new sections to TILA, RESPA, and other federal laws. It also broadly prohibits unfair, deceptive or abusive acts or practices, and knowingly or recklessly providing substantial assistance to a covered person in violation of that prohibition. The penalties for noncompliance with these laws are also significantly increased by the Mortgage Act, which could lead to an increase in lawsuits against mortgage lenders and servicers.

Issuances of additional shares of our common stock may adversely affect its market price and significantly dilute stockholders.

In order to support our business objectives, we may raise capital through the sale of equity or convertible securities. We may also issue shares of common stock to settle outstanding obligations and liabilities. The issuance or sale, or the proposed sale, of substantial amounts of our common stock in the public market could materially adversely affect the market price of our common stock or other outstanding securities. We do not know the actual or perceived effect of these issuances, the timing of any offerings or issuances of securities, the potential dilution of the book value or earnings per share of our securities then outstanding and the effect on the market price of our securities then outstanding.

Our principal stockholders beneficially own a large portion of our stock, and accordingly, may have control over stockholder matters and sales may adversely affect the market price of our common stock.

As of March 13, 2014, Todd M. Pickup and Richard H. Pickup and their respective affiliates beneficially owned approximately, in the aggregate, 32.5% of our outstanding common stock, which includes 898,851 shares and 524,138 shares of the Company's common stock that Todd Pickup and Richard Pickup, respectively, has the right to acquire at any time by converting the outstanding principal balance of Convertible Notes Due 2018, at the initial conversion price of $10.875 per share. These stockholders together possess significant influence over our company. Such ownership may have the effect of control over substantially all matters requiring stockholder approval, including the election of directors. Furthermore, such ownership and control may have the effect of delaying or preventing a change in control of our Company, impeding a merger, consolidation, takeover or other business combination involving our Company or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company. We do not expect that these stockholders will vote together as a group. In addition, sales of significant amounts of shares held by these stockholders, or the prospect of these sales, could adversely affect the market price of our common stock.

Increases in LIBOR rates could significantly reduce the future cash flows we receive from the retained interests in securitization trusts.

The cash flows from residual interests in certain securitization trusts are contingent upon various factors including the interest income collected on the loans in the trusts in excess of the interest expense paid to respective bondholders. These cash flows are distributed to the residual interest holder after the required interest and principal payments are made to the bondholders. Interest rates on the bonds usually adjust monthly with changes primarily in one-month London Inter-bank Offering Rate (also known as LIBOR). Derivatives instruments (primarily interest rate swap agreements) inside the securitization trusts initially entered into were designed to offset the risk of movements in LIBOR that created the adverse effect of the interest income collected on the loans being less than interest expense paid to the respective bondholders. However, many of these derivatives agreements have maturities less than the maturities of the loans. Therefore, increases in LIBOR rates could significantly reduce the future cash flows we receive from the retained interests in these securitization trusts. The amount of the remaining derivatives instruments is not sufficient to fully protect the residual cash flows from increases in LIBOR. The Company does not have the ability to change the derivatives instruments inside the trusts and does not currently hedge this interest rate risk with derivatives instruments outside the securitization trusts. As a result of not fully hedging interest rate risks, the Company's future residual cash flows could be significantly affected by rising LIBOR rates.

The geographic concentration of our mortgages increases our exposure to risks in those areas.

We do not set limitations on the percentage of mortgages composed of properties located in any one area (whether by state, zip code or other geographic measure). Concentration in any one area increases our exposure to the economic and natural hazard risks associated with that area. A majority of our mortgage acquisitions and originations and mortgages held in our long-term mortgage portfolio are secured by properties in California and, to a lesser extent, Florida, Washington and Oregon. These states have experienced, and may experience in the future, an economic downturn and California and Florida have also suffered the effects of certain natural hazards. As a result of the economic downturn, real estate values in California and Florida have decreased drastically and may continue to decrease in the future, which could have a material adverse effect on our results of operations or financial condition. In addition, Florida is among several states with higher than average costs for investors in circumstances of mortgage default and foreclosure, since the foreclosure process takes significantly longer than average.

Accordingly, to the extent the mortgages we originate or are held in our long-term mortgage portfolio experience defaults or foreclosures in that area, we may be exposed to higher losses.

Furthermore, if borrowers are not insured for natural disasters, which are typically not covered by standard hazard insurance policies, then they may not be able to repair the property or may stop paying their mortgages if the property is damaged. This would cause increased foreclosures and decrease our ability to recover losses on properties affected by such disasters. This would have a material adverse effect on our results of operations or financial condition.

Loss of our current executive officers or other key management could significantly harm our business.

We depend on the diligence, skill and experience of our senior executives, including our chief executive officer and president. We believe that our future results will also depend in part upon our attracting and retaining highly skilled and qualified management. We seek to compensate our executive officers, as well as other employees, through competitive salaries, bonuses and other incentive plans, but there can be no assurance that these programs will allow us to retain key management executives or hire new key employees. The loss of our chief executive officer, president, or other senior executive officers and key management could have a material adverse effect on our operations because other officers may not have the experience and expertise to readily replace these individuals. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting or retaining such personnel. Furthermore, in light of our present financial condition, no assurance can be given that we will retain these and other executive officers and key management personnel. To the extent that one or more of our top executives or other key management personnel are no longer employed by us, our operations and business prospects may be adversely affected. The loss of, and changes in, key personnel and their responsibilities may be disruptive to our business and could have a material adverse effect on our business, financial condition and results of operations.

Non-conforming mortgage loans in the long-term mortgage portfolio may expose us to a higher risk of delinquencies, foreclosures and losses adversely affecting our earnings and financial condition.

Our long-term mortgage portfolio includes non-conforming single-family and multifamily mortgage loans. These are mortgages that generally did not qualify for purchase by government-sponsored agencies such as Fannie Mae and Freddie Mac. The performance of the long-term mortgage portfolio has been negatively affected by the losses from these mortgages. Credit risks associated with these mortgages may be greater than those associated with conforming mortgages. Mortgages made to these borrowers generally entail a higher risk of delinquency and higher losses than mortgages made to borrowers who utilize conventional mortgage sources. Delinquency, foreclosures and losses generally increase during economic slowdowns or recessions. The actual risk of delinquencies, foreclosures and losses on mortgages made to these borrowers are higher under current economic conditions than those in the past. Additionally, the combination of different underwriting criteria and higher rates of interest leads to greater risk, including higher prepayment rates and higher delinquency rates and /or credit losses. The long-term mortgage portfolio also contains loans that are interest only. If there is a decline in real estate values, as recently seen, borrowers may default on these types of loans since they have not reduced their principal balances, which, therefore, could exceed the value of their property. In addition, a reduction in property values would also cause an increase in the loan-to-value (LTV) ratio for that loan which could have the effect of reducing the value of the property collateralized by that loan, reducing the borrowers' equity in their homes to a level that would increase the risk of default.

Losses from defaulted loans may be higher than anticipated because we did not obtain mortgage insurance or if the mortgage insurance company is insolvent.

Certain securitization trusts in the long term mortgage portfolio do not have credit enhancements such as mortgage pool insurance for all of the mortgages and mortgage investments. Generally, the Company required mortgage insurance on any first mortgage with an LTV ratio greater than 80%. During the time we hold mortgages for investment, we are subject to risks of borrower defaults and bankruptcies and special hazard losses that are not covered by standard hazard insurance. If a borrower defaults on a mortgage that we hold, we bear the risk of loss of principal to the extent there is any deficiency between the value of the related mortgaged property and the amount owing on the mortgage loan and any insurance proceeds available to us through the mortgage insurer. Also, to the extent we have mortgage insurance coverage, we may bear the risk of the insurance carriers rescinding such insurance under the terms of the policy, or not being able to make the required payments which will increase losses on foreclosures.

A material difference between the assumptions used in the determination of the estimated fair value of our residual interests in our long-term mortgage portfolio and our actual experience could cause us to write down the value of these securities and could harm our liquidity and financial condition.

We receive cash flows from the residual interests in the securitization trusts within our long-term mortgage portfolio. Investments in residual interests and subordinated securities are much riskier than investments in senior mortgage-backed securities because these subordinated securities bear credit losses prior to the related senior securities. The risk associated with holding residual interests and subordinated securities is greater than holding the underlying mortgage loans directly due to the concentration of losses attributed to the subordinated securities. The value of residual interests represents the present value of future cash flows expected to be received by us from the excess cash flows created in the securitization transaction. In general, future cash flows are estimated by taking the coupon rate of the loans underlying the transaction less the interest rate paid to the bond holders, less contractually specified servicing and trustee fees, and after giving effect to estimated prepayments, credit losses and over-collateralization requirements. We estimate future cash flows from these securities and value them utilizing assumptions based in part on projected interest rates, delinquency, mortgage loan prepayment speeds and credit losses. It is extremely difficult to validate the assumptions we use in valuing our residual interests. Even if the general accuracy of the valuation model is validated, valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships which drive the results of the model. Such assumptions are complex as we must make judgments about the effect of matters that are inherently uncertain. If our actual experience differs from our assumptions, we could be required to reduce the value of these residual interests and securities. Furthermore, if our actual experience differs materially from these assumptions, our cash flow, financial condition, results of operations and liquidity may be harmed.

A failure in or breach of our technology infrastructure, or the systems operated by our third-party service providers, to protect confidential information of borrowers could damage our reputation and substantially harm our business.

We, or our third party service providers, maintain certain confidential information relating to our borrowers for mortgage loans. If the information is maintained electronically, we rely on encryption and authentication technology licensed from third parties to effect secure transmission of confidential information, including personal information and credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology used by us to protect customer transaction data. We may also

be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could lead to loss of critical data or the unauthorized disclosure of confidential borrower data. The possession and use of personal information in conducting our business subject us to legislative and regulatory burdens that may require notification to customers of a security breach, restrict our use of personal information and hinder our ability to operate our mortgage lending business. A failure in or breach of the security of our information systems, or those of our service providers, could result in damage to our reputation and harm our business.

We are subject to risks of operational failure that are beyond our control.

Substantially all of our operations are located in Irvine, California and, to a lesser extent, other areas within the U.S. Our systems and operations are vulnerable to damage and interruption from fire, flood, telecommunications failure, break-ins, earthquake and similar events. Our operations may also be interrupted by power disruptions. Furthermore, our security mechanisms may be inadequate to prevent security breaches to our computer systems, including from computer viruses, electronic break-ins and similar disruptions. Such security breaches or operational failures could expose us to liability, impair our operations, result in losses, and harm our reputation.

Our ability to utilize our net operating losses and certain other tax attributes may be limited.

At the end of our 2013 taxable year, we had net operating loss (NOL) carry-forwards of approximately $518.7 million for federal income tax purposes and approximately $437.0 million for state income tax purposes. Although, under existing tax rules, we are generally allowed to use those NOL carry-forwards to offset taxable income in subsequent taxable years, our ability to use those NOL carry-forwards to offset income may be severely limited to the extent that we experience an ownership change within the meaning of Section 382 of the Internal Revenue Code. These provisions could also limit our ability to deduct certain losses (built-in losses) we recognize after an ownership change with respect to assets we own at the time of the ownership change. In general, an ownership change, as defined by Section 382, results from transactions increasing ownership of certain stockholders or public groups in our stock by more than 50% over a three-year period. In addition, the generation of taxable income from cancellation of debt may further reduce the NOL. Any limitation on our NOL carry-forwards that could be used to offset taxable income would adversely affect our liquidity and cash flow, as and when we become profitable. We may not generate sufficient taxable income in future periods to be able to realize fully the tax benefits of our NOL carry- forwards. In 2013, the Company enacted a NOL rights plan, subject to stockholder approval, which is designed to mitigate the risk of losing net operating loss carry-forwards and certain other tax attributes from being limited in reducing future income taxes. An NOL rights plan does not prevent a change of control transaction but instead strongly discourages it.

We do not expect to pay dividends in the foreseeable future and we may be restricted in paying dividends on our common stock.

We do not anticipate paying any dividends on our common stock in the foreseeable future and we intend to retain any future earnings for funding growth. We may also be restricted in paying dividends on our common stock. For example, our existing and any future warehouse facilities may contain covenants prohibiting dividend payments upon an occurrence of a default or otherwise. Furthermore, if we receive an adverse judgment on the purposed class action relating to our preferred stock and the Company is required to pay dividends on the preferred stock, we will be prohibited from paying dividends on our common stock until such preferred stock dividends are paid. As a result, you should not rely on an investment in our stock if you require dividend income. Capital appreciation, if any, of our stock may be your sole source of gain for the foreseeable future.

Our operations may be adversely affected if we are subject to the Investment Company Act.

We intend to conduct our business at all times so as not to become regulated as an investment company under the Investment Company Act. The Investment Company Act exempts entities that are primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.

In order to qualify for this exemption we must maintain at least 55% of our assets directly in mortgages, qualifying pass-through certificates and certain other qualifying interests in real estate. Our ownership of certain mortgage assets may be limited by the provisions of the Investment Company Act, should we ever be subject to the Act. If the SEC adopts a contrary interpretation with respect to these securities or otherwise believes we do not satisfy the above exception, we could be required to restructure our activities or sell certain of our assets. To insure that we continue to qualify for the exemption we may be required at times to adopt less efficient methods of financing certain of our mortgage assets and we may be precluded from acquiring certain types of higher-yielding mortgage assets. The net effect of these factors will be to lower our net interest income. If we fail to qualify for exemption from registration as an investment company, our ability to use leverage would be substantially reduced, and we would not be able to conduct our business as described. Our business will be materially and adversely affected if we fail to qualify for this exemption.

If we are forced to liquidate, we may have few unpledged assets for distribution to unsecured creditors or equity holders.

In the event we are forced to liquidate, the majority of our assets is either collateral for specific borrowings or pledged as collateral for secured liabilities. We may have few remaining assets available for unsecured creditors and equity holders.

Provisions in our charter documents and Maryland law, as well as our NOL Rights Plan, impose limitations that may delay or prevent our acquisition by a third party.

Our charter and bylaws contain provisions that may make it more difficult for a third party to acquire control of us without the approval of our board of directors. These provisions include, among other things, advance notice for raising business issues or making nominations at meetings and blank check preferred stock that allows our board of directors, without stockholder approval, to designate and issue additional series of preferred stock with rights and terms as our board of directors may determine, including rights to dividends and proceeds in a liquidation that are senior to our common stock.

We are also subject to certain provisions of the Maryland General Corporation Law, which could delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the price for their common stock or may otherwise be in the best interests of our stockholders. This includes the "business combinations" statute that prohibits transactions between a Maryland corporation and "interested stockholders," which is any person who beneficially owns 10% or more of the voting power of our then-outstanding voting stock for a period of five years unless the board of directors approved the transaction prior to the party's becoming an interested stockholder. The five-year period runs from the most recent date on which the interested stockholder became an interested stockholder. The law also requires a super majority stockholder vote for such transactions after the end of the five-year period.

Maryland law also provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the shares eligible to vote. The control share acquisition statute would not apply to shares acquired in a merger, consolidation or share exchange if we were a party to the transaction. The control share

acquisition statute could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if our acquisition would be in our stockholders' best interests.

We have also adopted a Tax Benefits Preservations Rights Agreement, also known as an NOL rights plan, pursuant to which each share of common stock also has a "right" attached to it. Although the NOL rights plan was adopted to help preserve the value of certain deferred tax benefits, including those generated by net operating losses, it also has the effect of deterring or delaying an acquisition of the Company by a third party. The rights are not exercisable except upon the occurrence of certain takeover-related events—most importantly, the acquisition by a third party (the "Acquiring Person") of more than 4.99% of our outstanding voting shares. Once triggered, the rights entitle the stockholders, other than the Acquiring Person, to certain "flip-in", "flip-over" and exchange rights. The effect of triggering the rights is to expose the Acquiring Person to severe dilution of its ownership interest, as the shares of common stock of our Company (or any surviving corporation) are offered to all of the stockholders other than the Acquiring Person at a steep discount to their market value.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our primary executive and administrative offices are located at 19500 Jamboree Road, Irvine, California 92612 where we have a premises lease expiring in November 2016. We have two options to extend the term for five-year periods for each option. The premises consist of a seven-story building containing approximately 210,000 square feet with an initial annual rental rate of $31.80 per square foot, which amount increases every 30 months since commencement of the lease in October 2006. As of December 31, 2013, we have subleased approximately 82,000 square feet of our corporate headquarters.

ITEM 3. LEGAL PROCEEDINGS

Legal Proceedings

We are a defendant in or a party to a number of legal actions or proceedings that arise in the ordinary course of business. In some of these actions and proceedings, claims for monetary damages are asserted against us. In view of the inherent difficulty of predicting the outcome of such legal actions and proceedings, we generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss related to each pending matter may be, if any.

In accordance with applicable accounting guidance, we established an accrued liability for litigation when those matters present loss contingencies that are both probable and estimable. In any cases, there may be an exposure to losses in excess of any such amounts whether accrued or not. Any estimated loss is subject to significant judgment and is based upon currently available information, a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimated loss will change from time to time, and actual results may vary significantly from the current estimate. Therefore, an estimate of possible loss represents what we believe to be an estimate of possible loss only for certain matters meeting these criteria. It does not represent our maximum loss exposure. At December 31, 2013, we have a $4.2 million accrued liability recorded for such estimated loss exposure.

Based on the Company's current understanding of these pending legal actions and proceedings, management does not believe that judgments or settlements arising from pending or threatened legal matters, individually or in the aggregate, will have a material adverse effect on the consolidated financial position, operating results or cash flows of the Company. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Company's control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company's results of operations or cash flows for any particular reporting period.

The legal matters summarized below are ongoing and may have an effect on the Company's business and future financial condition and results of operations:

On or about April 20, 2011, an action was filed entitled Federal Home Loan Bank of Boston v. Ally Financial Inc., et al, naming IMH Assets Corp, IFC, the Company, and ISAC as defendants. The complaint alleges misrepresentations in the materials used to market mortgage-backed securities that the plaintiff purchased. The complaint seeks damages and attorney's fees in an amount to be established at time of trial. The case was removed to the United States District Court for the District of Massachusetts and on September 30, 2013, the Court granted the Company's motion to dismiss claims against it arising under the Massachusetts Uniform Securities Act. The case remains pending as to other claims against the Company.

On January 30, 2012, a Summons with Notice was filed entitled Deutsche Zentral-Genossenschaftsbank AG New York Branch, dba DZ Bank AG, New York Branch v. JPMorgan Chase & Co., et al. Named as a defendant in that action is ISAC. On August 3, 2012, a Consolidated Complaint was filed in which the above matter was consolidated with two other cases by the same plaintiff and DG Holding Trust. ISAC first received a copy of the complaint during the third quarter of 2012. The Consolidated Complaint alleges misrepresentations in connection with the marketing and sale of mortgage backed securities issued by ISAC that the plaintiff purchased. The complaint seeks rescission, damages, prejudgment interest, punitive damages, and attorney's fees in an amount to be proven at trial. On November 15, 2013, the plaintiff filed an amended complaint. Discovery in this matter is proceeding at this time.

On April 30, 2012 a purported class action was filed entitled Marentes v. Impac Mortgage Holdings, Inc., alleging that certain loan modification activities of the Company constitute an unfair business practice, false advertising and marketing, and that the fees charged are improper. The complaint seeks unspecified damages, restitution, injunctive relief, attorney's fees and pre-judgment interest. On August 22, 2012, the plaintiff filed an amended complaint adding Impac Funding Corporation as a defendant. On October 2, 2012, the plaintiff dismissed Impac Mortgage Holdings, Inc., without prejudice. On December 27, 2012, the court granted IFC's motion to dismiss and on January 30, 2013, the plaintiffs appealed the court's dismissal. The plaintiff's appeal remains pending.

In October 2011 and November 2012, the Company received letters from Countrywide Securities Corporation (Countrywide), Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch), and UBS Securities LLC (UBS) claiming indemnification relating to mortgage backed securities bonds issued, originated or sold by ISAC, IFC, IMH Assets Corp. and the Company. The claims seek indemnification from claims asserted against Countrywide, Merrill Lynch, and UBS in specified legal actions entitled American International Group Inc. v. Bank of America Corp., et al, in the United States District Court for the Southern District of New York and Federal Home Loan Bank of Boston v. Ally Financial, Inc., et al, in the United States District Court for the District of Massachusetts. The notices each seek indemnification for all losses, liabilities, damages and legal fees and costs incurred in those actions. Further related to these claims, the Company received a demand from American International Group (AIG) for claims it purports to have based upon 12 Residential Mortgage Backed Securities it purchased in which the

Company was depositor, sponsor, seller and/or originator. AIG contends it has suffered almost $800 million in losses on the securities and contends there were misrepresentations and breaches of representations and warranties regarding the securities. In October 2012 and January 2013, Deutsche Bank issued indemnification demands to IFC for claims asserted against them in the Superior Court of New York in a case entitled Royal Park Investments SA/NV v. Merrill Lynch, et. al and Dealink Funding Ltd. v. Deutsche Bank. In February of 2013 the Company also received a notice of intent to seek indemnification on behalf of Deutsche Bank AG, Deutsche Bank Securities, Inc., DB Structured Products, Inc., ACE Securities Corp and Deutsche Alt-A Securities, Inc. The claim relates to an action filed against those entities in the Superior Court of New York.

On December 7, 2011 a purported class action was filed entitled Timm, v. Impac Mortgage Holdings, Inc, et al. alleging on behalf of holders of the Company's 9.375% Series B Cumulative Redeemable Preferred Stock (Preferred B) and 9.125% Series C Cumulative Redeemable Preferred Stock (Preferred C) who did not tender their stock in connection with the Company's 2009 completion of its Offer to Purchase and Consent Solicitation that the Company failed to achieve the required consent of the Preferred B and C holders, the consents to amend the Preferred stock were not effective because they were given on unissued stock (after redemption), the Company tied the tender offer with a consent requirement that constituted an improper "vote buying" scheme, and that the tender offer was a breach of a fiduciary duty. The action seeks the payment of two quarterly dividends for the Preferred B and C holders, the unwinding of the consents and reinstatement of the cumulative dividend on the Preferred B and C stock, and the election of two directors by the Preferred B and C holders. The action also seeks punitive damages and legal expenses. The court, on January 28, 2013, dismissed all individual director and officer defendants from the case and further dismissed the Second, Third and Fifth causes of action. The remaining causes of action against the Company allege the Preferred B holders did not approve amendments to its Articles Supplementary and the holders thereof seek to recover two quarters of dividends and to elect two members to the Board of Directors of the Company. On November 27, 2013, the court denied the plaintiff's motion to reconsider the court's January 28, 2013 order. The Company has filed a motion for summary judgment on the remaining claims and that motion is currently pending.

The legal matters summarized below are ongoing but management believes these matters have been resolved in a satisfactory manner.

On October 16, 2012, a matter was filed entitled Deutsche Bank National Trust Company, in its individual capacity, and as Indenture Trustee of Impac Secured Assets CMB Trust Series 1998-1, Impac CMB Trust Series 1999-2, 2000-2, 2001-4, 2002-1, and 2003-5, and Impac Real Estate Asset Trust Series 2006-SD1 v. Impac Mortgage Holdings, Inc., et al. The action alleges the defendants owe the plaintiff indemnification for settlements that the plaintiff allegedly entered into in connection with the Gilmor, et al. v. Preferred Credit Corp., et al. matter described above. The plaintiff seeks declaratory and injunctive relief and unspecified damages and the case remains pending. On March 11, 2014, the parties entered into a settlement agreement, subject to court approval, whereby the Company agreed to pay $1.65 million, which is payable in installments in either cash or Company stock, at the Company's option.

On May 15, 2013, a matter was filed entitled Wilmington Trust Company, in its individual capacity, and as Owner Trustee of Impac Secured Assets CMN Trust Series 1998-1 and Impac CMB Trust Series 1999-1, 1999-2, 2000-1, 2000-2, 2001-4, 2002-1, and 2003-5 v. Impac Secured Assets Corp., et al. The action alleges the defendants owe the plaintiff indemnification for settlements that the plaintiff allegedly entered into in connection with the Gilmor, et al. v. Preferred Credit Corp., et al. matter, which was settled and approved by the court in March 2013. The plaintiff seeks declaratory and injunctive relief and unspecified damages. On January 10, 2014, the parties entered into a settlement agreement whereby the Company agreed to pay $1.05 million, which is payable in either cash or Company stock, at the Company's option.

We are a party to other litigation and claims which are normal in the course of our operations. While the results of such other litigation and claims cannot be predicted with certainty, we believe the final outcome of such matters will not have a material adverse effect on our financial condition or results of operations.

We believe we have meritorious defenses to the above claims and intends to defend these claims vigorously and as such we believe the final outcome of such matters will not have a material adverse effect on our financial condition or results of operations. Nevertheless, litigation is uncertain and we may not prevail in the lawsuits and can express no opinion as to their ultimate resolution. An adverse judgment in any of these matters could have a material adverse effect on our financial position and results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES

Our common stock is currently listed on the NYSE MKT under the symbol "IMH".

The following table summarizes the high and low sales prices for our common stock for the periods indicated:

	2013		2012	
	High	Low	High	Low
First Quarter	15.39	9.55	2.90	1.98
Second Quarter	11.95	9.67	2.50	1.95
Third Quarter	10.90	9.48	8.63	1.93
Fourth Quarter	9.70	4.66	18.00	7.13

On March 13, 2014, the last quoted price of our common stock on the NYSE MKT was $6.61 per share. As of March 13, 2014, there were 225 holders of record, including holders who are nominees for an undetermined number of beneficial owners, of our common stock.

The Board of Directors of the Company authorizes in its discretion the payment of cash dividends on its common stock, subject to an ongoing review of our profitability, liquidity and future operating cash requirements. We and some of our subsidiaries are subject to restrictions under our warehouse borrowings and long-term debt agreements on our ability to pay dividends if there is an event of default or otherwise. Plus, certain debt arrangements require the maintenance of ratios and contain restrictive financial covenants that could limit our ability, and the ability of our subsidiaries, to pay dividends. The Board of Directors did not declare cash dividends on our common stock during the years ended December 31, 2013 and 2012. We do not expect to declare or pay any cash dividends on our common stock in the foreseeable future.

Recent Sale of Unregistered Securities

On December 23, 2013, pursuant to the terms of the Settlement Agreement with Citigroup Global Market, Inc. ("Citigroup"), the Company issued to Citigroup an additional 100,000 shares of common stock, and on January 15, 2014, the Company made its final installment with the issuance to Citigroup of 75,000 shares of common stock. The issuances of the shares were made in reliance upon the exemption from registration under Section 3(a)(10) of the Securities Act of 1933, as amended. As previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, on December 20, 2012, the Company entered into a Settlement Agreement with Citigroup regarding a lawsuit initially filed on May 26, 2011 in the U.S. District Court of Central District of California. Pursuant to the Settlement Agreement, the Company agreed to pay Citigroup an aggregate of $3.1 million within a 12 month period. On January 24, 2013, the court approved the Settlement Agreement, which included the issuance of shares of the Company's common stock. As previously reported in the Company's Form 10-Q filings for the periods ended March 31, and June 30, 2013, the Company previously issued to Citigroup 84,942 shares on January 30, 2013 and 100,000 shares on June 26, 2013.

ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Refer to Item 1. "Business—Forward-Looking Statements" for a complete description of forward-looking statements. Refer to Item 1. "Business" for information on our businesses and operating segments.

Amounts are presented in thousands, except per share data or as otherwise indicated.

Market Conditions

In 2013, the economy experienced moderate growth with improved labor market conditions, increased household spending and further strengthening in many housing markets. Housing markets in the United States in general continued the rebound which began in the second half of 2012 with overall home prices moving higher as demand increased and the supply of homes for sale declined. However, the rise in housing prices has begun to slow. Rising mortgage rates are tempering demand, which is holding down prices. According to the National Association of Realtors, pending home sales fell in September to their lowest levels since December 2012.

Long-term interest rates began to rise during 2013, in part out of concern that the Federal Reserve would begin to slow its quantitative easing program if the economy continued to strengthen. While these concerns subsided to a certain extent in September when the Federal Reserve announced its bond buying program would continue at then current levels to support the slow growing economy, they resurfaced again towards the end of the year due to continuing improvements in economic growth and a stronger than expected November jobs report. That led to the Federal Reserve announcing in mid-December that it would reduce its bond buying stimulus program beginning in January 2014. As part of this announcement, Federal Reserve policy makers also strengthened their statement on short-term interest rates indicating that they would remain at near zero "well past" the time the unemployment rate falls below 6.5%.

With the aforementioned rise in mortgage loan interest rates during 2013, origination of mortgage loans, in particular refinance activity, has substantially declined across the mortgage lending industry. Financial firms are cutting tens of thousands of jobs because of a slowdown in the mortgage business, the sluggish economy, the growth of online banking and new regulations. Many of the recent job losses stem from the rise in interest rates and resulting decline in mortgage refinancing activity. The Mortgage Bankers Association estimates mortgage originations to drop 36% to $1.12 trillion in 2014 with the largest drop associated with refinancing volume, which they project to drop 60% to $440 billion in 2014.

Selected Financial Results for 2013

After a year of significant expansion of our lending platform in 2012, 2013 was a challenging year. Although lending volume slightly increased in 2013 to $2.5 billion as compared to $2.4 billion in 2012, margin compression, an increase in interest rates, increase in lending compliance efforts and the roll out of our new LOS system resulted in a very challenging year for us.

With the economic conditions experienced in the last few years, the Federal Reserve has attempted to keep interest rates low to spur economic growth. The resulting historically low interest rate environment drove significant refinance volumes in 2012. As interest rates began to rise in May 2013, we saw the refinance volumes decline significantly. With the increase in rates, our lending volumes in the

latter part of 2013 were lower than what we anticipated resulting in a net loss for the mortgage lending segment.

Status of Operations

Today, we have three primary operating segments: Mortgage Lending, Real Estate Services and Long-Term Mortgage Portfolio. Unallocated corporate and other administrative costs, including the cost associated with being a public company, are presented in Corporate. Segment operating results are as follows:

	For the year ended December 31,			
	2013		2012	
	Net earnings (loss)	Diluted EPS	Net earnings (loss)	Diluted EPS
Mortgage Lending (1)	$ (1,237)	$ (0.14)	$ 17,612	$ 2.23
Real Estate Services	13,250	1.51	12,581	1.59
Long-term Mortgage Portfolio	(4,251)	(0.49)	(3,727)	(0.47)
Corporate	(13,940)	(1.59)	(13,048)	(1.65)
Continuing Operations	$ (6,178)	$ (0.71)	$ 13,418	$ 1.70
Income tax (benefit) expense from continuing operations	(1,031)	(0.12)	1,244	$ 0.16
Continuing Operations, net of tax	$ (5,147)	$ (0.59)	$ 12,174	$ 1.54
Discontinued Operations, net of tax	(3,037)	(0.35)	(15,549)	(1.96)
Net loss attributable to IMH	$ (8,184)	$ (0.94)	$ (3,375)	$ (0.42)

(1) Includes net earnings attributable to noncontrolling interest.

Mortgage Lending

The decrease in net earnings in the mortgage lending segment during 2013 as compared to 2012 was due to margin compression, an increase in interest rates reducing volumes, an increase in lending compliance efforts and certain costs associated with the roll out of our new LOS system. Gain on sale margins continued to compress in 2013 creating challenges for the mortgage banking industry. During the second quarter, we had maintained excess lending operating capacity for an anticipated increase in volumes, but with the unexpected increase in interest rates in May 2013, lending volumes declined. With excess operational capacity and an increase in compliance costs due to new mortgage lending regulations, we experienced higher operational costs. In response to the reduced production volumes and revenues, we have taken steps to align the operating expenses with reduced lending volumes and revenues. Furthermore, we took advantage of an opportunity to reduce our retail branch lending operations by shifting our focus to wholesale, correspondent and a centralized retail call center. Additionally, we have consolidated our lending operations to one primary fulfillment center in Irvine, California.

During 2013, we continued to increase the mortgage servicing portfolio which has increased to $3.1 billion as of December 31, 2013 and produced net servicing fees of $4.2 million in 2013 as

compared to $1.2 million in 2012. The estimated fair value of mortgage servicing rights increased to $36.0 million at December 31, 2013, as compared to $10.7 million at December 31, 2012.

	For the year ended December 31,		
(in millions)	**2013**	**2012**	**% Change**
Originations	$ 2,548.4	$ 2,419.7	5%
Servicing Portfolio	3,128.6	1,492.1	110%

During 2013, our warehouse borrowing capacity increased from $217.5 million to $265.0 million. At December 31, 2013, we had four warehouse lender relationships, including one relationship with a major national financial institution. During the first quarter of 2014, we obtained approvals for an additional $25.0 million in total warehouse capacity.

During the third quarter of 2013, we announced that our warehouse lending business was operational. Our warehouse lending group offers funding facilities to approved lenders. Our initial focus will be smaller mortgage bankers and credit unions, including some of our current correspondent customers. Offering warehouse lending provides added value for our correspondent customers, which we believe will increase the capture rate from our currently approved customers and increase volumes in our correspondent channel. In the first quarter of 2014, we are launching our new emerging banker warehouse lending program.

Our loan products primarily include conventional loans for Fannie Mae and Freddie Mac and government loans insured by FHA, VA and USDA.

Originations by Loan Type:

	For the year ended December 31,		
(in millions)	**2013**	**2012**	**% Change**
Government (1)	$ 731.4	$ 703.7	4%
Conventional (2)	1,788.0	1,653.2	8%
Other	29.0	62.8	-54%
Total originations	$ 2,548.4	$ 2,419.7	5%
Weighted Average FICO (3)	726	729	
Weighted Average LTV (4)	84.1%	86.5%	
Weighted Average Coupon	4.04%	3.83%	
Average Loan Size	$ 220,526	$ 230,621	

(1) Includes government-insured loans including FHA, VA and USDA
(2) Includes loans eligible for sale to Fannie Mae and Freddie Mac
(3) FICO—Fair Isaac Company credit score
(4) LTV—loan to value—measures ratio of loan balance to estimated property value based upon third party appraisal

We expect to continue originating conventional and government-insured loans as we believe that having the ability to sell loans direct to GSEs and issue Ginnie Mae securities makes us more competitive with regard to products, pricing, operational efficiencies and overall recruitment of high quality loan originators.

We have enhanced our product offering to include more loan products less sensitive to changing interest rates, including FHA 203(k), a home improvement loan that provides the borrower funds to make renovations, reverse mortgages, intermediate Adjustable Rate Mortgages and GSE and government sponsored loan programs such as Home Affordable Refinance Program (HARP) loans which help timely paying borrowers to refinance into a loan with a lower interest rate despite the loan balance being greater than the estimated fair value of their home. We believe that these loan products will prepay at a slower rate as compared to other products. By retaining these loan products in our servicing portfolio, we expect to maintain a less volatile mortgage servicing portfolio.

In 2013, we attempted to improve the mix of purchase-money transactions as we believe it will create better opportunities to increase our origination market share in a decreasing refinance market. The primary reason for the increase in purchase money transactions in 2013 was aligning ourselves with customers that were purchase transaction centric in their lead generation strategies and ability to offer a better customer service experience through our sales and operations.

	For the year ended December 31,			
(in millions)	**2013**	**%**	**2012**	**%**
Originations by Purpose:				
Refinance	$ 1,510.3	59%	$ 1,674.4	69%
Purchase	1,038.1	41%	745.3	31%
Total originations	$ 2,548.4	100%	$ 2,419.7	100%

In 2013, our mortgage lending channel that experienced the largest percentage of growth was our correspondent channel.

	For the year ended December 31,			
(in millions)	**2013**	**%**	**2012**	**%**
Originations by Channel:				
Wholesale	$ 971.2	38%	$ 1,293.2	53%
Retail	709.4	28%	735.3	30%
Correspondent	867.8	34%	391.2	17%
Total originations	$ 2,548.4	100%	$ 2,419.7	100%

During 2013, we had 33 retail branches where our loan officers worked directly with consumers to provide mortgage financing and with real estate brokers to provide financing for the purchase of homes. As previously discussed, in the fourth quarter of 2013, we sold the retail branches and consolidated the lending fulfillment centers in an effort to consolidate costs, streamline our operations and focus on expanding lending volumes in our wholesale, correspondent and retail call center consumer direct channels. As of December 31, 2013, we have approximately 595 approved wholesale relationships with mortgage brokerage companies and are approved to lend in 40 states. We have approximately 151 approved correspondent relationships with banks, credit unions and mortgage companies and are approved to lend in 48 states.

During 2013, the mortgage servicing portfolio increased to $3.1 billion as compared to $1.5 billion at the end of 2012. We earn servicing fees, net of sub-servicer costs from our mortgage servicing portfolio. The servicing portfolio generated gross servicing fees of $6.8 million, and $3.0 million in 2013 and 2012, respectively.

The following table includes information about our mortgage servicing portfolio:

(in millions)	At December 31, 2013	% 60+ days delinquent	At December 31, 2012	% 60+ days delinquent
Fannie Mae	$ 1,520.2	0.17%	$ 622.4	0.00%
Freddie Mac	317.2	0.38%	100.4	0.00%
Ginnie Mae	1,203.5	1.28%	655.6	0.71%
Total owned servicing portfolio	$ 3,040.9	0.63%	$ 1,378.4	0.34%
Acquired Portfolio (1)	87.7	9.26%	113.7	10.48%
Total servicing portfolio	$ 3,128.6	0.87%	$ 1,492.1	1.11%
Number of loans	16,040		11,352	
Weighted average FICO	728		743	
Weighted average LTV	84.9%		86.1%	
Weighted average Coupon	4.08%		3.86%	
Avg. Loan size (in thousands)	$ 195.1		$ 191.8	

(1) Represents servicing portfolio acquired in 2010 acquisition of AmeriHome

We also believe that there are other opportunities that exist in today's mortgage and lending markets. Depending on the amount of capital we have available, either internally generated or otherwise, we are considering pursuing opportunities to begin originating small balance multifamily loans, originating, pooling and securitizing jumbo mortgage loans and offering warehouse lines to small banks, credit unions and mortgage banking firms as we did in the past.

In response to the lower volumes and the current compliance landscape, we are exploring opportunities to provide mortgage products and services to meet the needs of our customers and borrowers. We believe there is an underserved mortgage market for a borrower with good credit who does not meet the new guidelines of a Qualified Mortgage (QM). In our opinion, as the demand for a non QM product grows and the investor appetite increases, non QM mortgages will be in more demand. In addition, the origination for home equity lines of credit (HELOC) loans is increasing creating another new product opportunity for lenders like us. Furthermore, with the excess warehouse capacity in today's market, we are seeking ways to utilize our re-warehousing business to partner with wholesale brokers and correspondent sellers to expand volumes and better serve customers and the borrowers. We are currently in discussions with parties interested in funding and investing in these types of products and services that could create an opportunity for re-emergence of a liquid private securitization market.

Real Estate Services

We provide portfolio loss mitigation and real estate services including real estate owned (REO) surveillance and disposition services, default surveillance and loss recovery services, short sale and real estate brokerage services, portfolio monitoring and reporting services. The source of revenue for this segment is primarily from the long-term mortgage portfolio, along with a small number of third party clients as well.

The real estate services segments continues to earn consistent profits and posted net earnings of $13.3 million for the year ended December 31, 2013, as compared to $12.6 million for the same period in

2012. In a continuing effort to leverage our platform beyond mortgage lending, our real estate services segment has expanded by offering its loss mitigation services beyond our own legacy portfolio. We have recently established relationships with third-parties to perform mortgage insurance recovery services. In addition, we are in the final stages of solidifying an arrangement to provide title remediation for a third-party.

Long-Term Mortgage Portfolio

The long-term mortgage portfolio primarily includes the residual interests in securitizations, master servicing rights from the securitizations and long-term debt.

Although we have seen some stabilization and improvement in defaults, the portfolio continues to suffer losses and may continue for the foreseeable future until we see a significant prolonged decline in the number of foreclosure properties in the market.

At December 31, 2013, our residual interest in securitizations (represented by the difference between total trust assets and total trust liabilities) decreased to $10.6 million, compared to $15.9 million at December 31, 2012. The decrease in residual fair value in 2013 was primarily due to $6.8 million in cash received and a decrease in fair value related to write-downs of REO and changes in assumptions associated with defaults and severities, offset by an increase in fair value related to net interest income accretion.

For additional information regarding the long-term mortgage portfolio refer to *Financial Condition and Results of Operations* below.

Corporate

The corporate segment includes all corporate services groups, public company costs, unused office space for future growth as well as debt expense related to the Convertible Notes and capital leases. This corporate services group supports all operating segments. A portion of the corporate services costs are allocated to the operating segments. The costs associated with being a public company, unused space for growth as well as the interest expense related to the Convertible Notes and capital leases is not allocated to our other segments and remains in this segment.

For additional information regarding the corporate segment refer to *Results of Operations by Business Segment* below.

Critical Accounting Policies

We define critical accounting policies as those that are important to the portrayal of our financial condition and results of operations. Our critical accounting policies require management to make difficult and complex judgments that rely on estimates about the effect of matters that are inherently uncertain due to the effect of changing market conditions and/or consumer behavior. In determining which accounting policies meet this definition, we considered our policies with respect to the valuation of our assets and liabilities and estimates and assumptions used in determining those valuations. We believe the most critical accounting issues that require the most complex and difficult judgments and that are particularly susceptible to significant change to our financial condition and results of operations include the following:

- fair value of financial instruments;
- variable interest entities and transfers of financial assets and liabilities;
- net realizable value of REO;
- repurchase reserve; and
- interest income and interest expense.

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Fair Value of Financial Instruments

Financial Accounting Standards Board—Accounting Standards Codification FASB ASC 820-10-35 defines fair value, establishes a framework for measuring fair value and outlines a fair value hierarchy based on the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as an exit price). Fair value measurements are categorized into a three-level hierarchy based on the extent to which the measurement relies on observable market inputs in measuring fair value. Level 1, which is the highest priority in the fair value hierarchy, is based on unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 is based on observable market-based inputs, other than quoted prices, in active markets for identical assets or liabilities. Level 3, which is the lowest priority in the fair value hierarchy, is based on unobservable inputs. Assets and liabilities are classified within this hierarchy in their entirety based on the lowest level of any input that is significant to the fair value measurement.

The use of fair value to measure our financial instruments is fundamental to our financial statements and is a critical accounting estimate because a substantial portion of our assets and liabilities are recorded at estimated fair value. Financial instruments classified as Level 3 are generally based on unobservable inputs, and the process to determine fair value is generally more subjective and involves a high degree of management judgment and assumptions. These assumptions may have a significant effect on our estimates of fair value, and the use of different assumptions, as well as changes in market conditions and interest rates, could have a material effect on our results of operations or financial condition.

Mortgage loans held-for-sale—We elected to carry our mortgage loans held-for-sale originated or acquired from the mortgage lending operation at fair value. Fair value is based on quoted market prices, where available, prices for other traded mortgage loans with similar characteristics, and purchase commitments and bid information received from market participants.

Mortgage servicing rights—We elected to carry all of our mortgage servicing rights arising from our mortgage lending operation at fair value. The fair value of mortgage servicing rights is based upon a discounted cash flow model. The valuation model incorporates assumptions that market participants would use in estimating the fair value of servicing. These assumptions include estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fee income, prepayment and late fees, among other considerations.

Derivative financial instruments—We utilize certain derivative instruments in the ordinary course of our business to manage our exposure to changes in interest rates. These derivative instruments include forward sales of MBS and forward loan sale commitments (Hedging Instruments). We also issue IRLCs to borrowers in connection with single family mortgage loan originations. We recognize all derivative instruments at fair value. The estimated fair value of IRLCs are based on underlying loan types with similar characteristics using the TBA MBS market, which is actively quoted and easily validated through external sources. The data inputs used in this valuation include, but are not limited to, loan type, underlying loan amount, note rate, loan program, and expected sale date of the loan, adjusted for current market conditions. These valuations are adjusted at the loan level to consider the servicing release premium and loan pricing adjustments specific to each loan. For all IRLCs, the base value is then adjusted for the anticipated Pull-through Rate. The fair value of the Hedging Instruments is based on the actively quoted TBA MBS market using observable inputs related to characteristics of the underlying MBS stratified by product, coupon and settlement date and are recorded in other liabilities in the consolidated balance sheet. The initial and subsequent changes in value of IRLCs and forward sale commitments are a component of gain on sale of loans, net in the consolidated statements of operations.

Long-term debt—Long-term debt (consisting of trust preferred securities and junior subordinated notes) is reported at fair value within the long-term mortgage portfolio. These securities are measured based upon an analysis prepared by management, which considers the Company's own credit risk, including settlements with trust preferred debt holders and discounted cash flow analysis. Unrealized gains and losses are recognized in earnings in the accompanying consolidated statements of operations as change in fair value of long-term debt. Our estimate of the fair value of the long-term debt requires us to exercise significant judgment as to the timing and amount of the future obligation. Changes in assumptions resulting from changes in the Company's own credit risk profile will affect the estimated fair value of the long-term debt and those changes are recorded as a component of net earnings. A change in assumptions associated with the improvement in the Company's own credit risk profile could result in a significant increase in the estimated fair value of the long-term debt which would result in a significant charge to net earnings.

Variable Interest Entities and Transfers of Financial Assets and Liabilities

Historically, we securitized mortgages in the form of collateralized mortgage obligations (CMO), which were consolidated and accounted for as secured borrowings for financial statement purposes. We also securitized mortgages in the form of real estate mortgage investment conduits (REMICs), which were either consolidated or unconsolidated depending on the design of the securitization structure. CMO and certain REMIC securitizations contained structural terms that resulted in the transferee (securitization trust) to not be a qualifying special purpose entity (QSPE), and therefore we consolidated the variable interest entity (VIE) as it was the primary beneficiary of the sole residual interest in each securitization trust. Generally, this was achieved by including terms in the securitization agreements that gave us the ability to unilaterally cause the securitization trust to return specific mortgages, other than through a clean-up call. Amounts consolidated are included in trust assets and liabilities as securitized mortgage collateral, real estate owned, derivative assets, securitized mortgage borrowings and derivative liabilities in the accompanying consolidated balance sheets.

Our estimate of the fair value of our net retained residual interests in unconsolidated securitizations, which are included in investment securities available-for-sale in the consolidated balance sheets, requires us to exercise significant judgment as to the timing and amount of future cash flows from the residual interests. We are exposed to credit risk from the underlying mortgage loans in unconsolidated securitizations to the extent we retain subordinated interests. Changes in expected cash flows resulting from changes in expected net credit losses will impact the value of our subordinated retained interests and those changes are recorded as a component of change in fair value of net trust assets.

In contrast, for securitizations that are structured as secured borrowing, we recognize interest income over the life of the securitized mortgage collateral and interest expense incurred for the securitized mortgage borrowings. We refer to these transactions as consolidated securitizations. The mortgage loans collateralizing the debt securities for these financings are included in securitized mortgage collateral and the debt securities payable to investors in these securitizations are included in securitized mortgage borrowings in our consolidated balance sheet.

Whether a securitization is consolidated or unconsolidated, investors in the securities issued by the securitization trust have no recourse to our non-securitized assets or to us and have no ability to require us to provide additional assets, but rather have recourse only to the assets transferred to the trust. Whereas the accounting differences are significant, the underlying economic impact to us, over time, will be the same regardless of whether the securitization trust is consolidated or unconsolidated.

These securitizations are evaluated for consolidation based on the provisions of FASB ASC 810-10-25, which eliminated the concept of a QSPE and changed the approach to determine a

securitization trust's primary beneficiary. Amounts consolidated are included in trust assets and liabilities as securitized mortgage collateral, real estate owned, derivative assets, securitized mortgage borrowings and derivative liabilities in the accompanying consolidated balance sheets.

Net Realizable Value (NRV) of REO

The Company considers the NRV of its REO properties in evaluating REO losses. When real estate is acquired in settlement of mortgage loans, or other real estate owned, the mortgage is written-down to a percentage of the property's appraised value, broker's price opinion or list price less estimated selling costs and including mortgage insurance proceeds expected to be received. Subsequent changes in the NRV of the REO is reflected as a write-down of REO and results in additional losses.

Repurchase Reserve

When we sell loans through whole loan sales we are required to make normal and customary representations and warranties about the loans to the purchaser. Our whole loan sale agreements generally require us to repurchase loans if we breach a representation or warranty given to the loan purchaser. In addition, we may be required to repurchase loans as a result of borrower fraud or if a payment default occurs on a mortgage loan shortly after its sale.

Investors may request us to repurchase loans or to indemnify them against losses on certain loans which the investors believe either do not comply with applicable representations or warranties or defaulted shortly after its purchase. Upon completion of its own investigation regarding the investor claims, we repurchase or provide indemnification on certain loans, as appropriate. We maintain a liability reserve for expected losses on dispositions of loans expected to be repurchased or on which indemnification is expected to be provided. We regularly evaluate the adequacy of this repurchase liability reserve based on trends in repurchase and indemnification requests, actual loss experience, settlement negotiations, and other relevant factors including economic conditions.

We record a provision for losses relating to such representations and warranties as part of each loan sale transactions. The method used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a combination of factors, including, but not limited to, estimated future defaults and loan repurchase rates and the potential severity of loss in the event of defaults and the probability of reimbursement by the correspondent loan seller. We establish a liability at the time loans are sold and continually update our estimated repurchase liability. The level of the repurchase liability for representations and warranties is difficult to estimate and requires considerable management judgment. The level of mortgage loan repurchase losses is dependent on economic factors, investor demand strategies, and other external conditions that may change over the lives of the underlying loans.

Interest Income and Interest Expense

Interest income on securitized mortgage collateral and interest expense on securitized mortgage borrowings are recorded using the effective interest method for the period based on the previous quarter-end's estimated fair value. Interest expense on long-term debt is recorded using the effective interest method based on estimated future interest rates and cash flows.

Financial Condition and Results of Operations

Financial Condition

As of December 31, 2013 compared to December 31, 2012

The following table shows the condensed consolidated balance sheets for the following periods:

	December 31, 2013	December 31, 2012	Increase (Decrease)	% Change
Cash	$ 9,969	$ 12,711	$ (2,742)	(22)%
Restricted cash	1,467	3,230	(1,763)	(55)
Mortgage loans held-for-sale	129,191	118,786	10,405	9
Mortgage servicing rights	35,981	10,703	25,278	236
Securitized mortgage trust assets	5,513,166	5,810,506	(297,340)	(5)
Other assets (2)	28,551	30,652	(2,101)	(7)
Total assets	$ 5,718,325	$ 5,986,588	$ (268,263)	(4)%
Warehouse borrowings	$ 119,634	$ 107,604	$ 12,030	11%
Convertible notes	20,000	—	20,000	n/a
Notes payable	—	3,451	(3,451)	(100)
Long-term debt ($71,120 par)	15,871	12,731	3,140	25
Repurchase reserve (1)	9,478	10,562	(1,084)	(10)
Securitized mortgage trust liabilities	5,502,585	5,794,656	(292,071)	(5)
Other liabilities (2)	24,886	27,741	(2,855)	(10)
Total liabilities	5,692,454	5,956,745	(264,291)	(4)
Total IMH stockholders' equity	25,871	28,960	(3,089)	(11)
Noncontrolling interest	—	883	(883)	(100)
Total equity	25,871	29,843	(3,972)	(13)
Total liabilities and stockholders' equity	$ 5,718,325	$ 5,986,588	$ (268,263)	(4)%

(1) $5.5 million and $8.2 million of the repurchase reserve is included within discontinued operations at December 31, 2013 and 2012, respectively.

(2) Included within other assets and liabilities are the assets and liabilities of the discontinued operations.

At December 31, 2013 and 2012, net trust assets and liabilities were as follows:

	December 31, 2013	December 31, 2012	Increase (Decrease)	% Change
Total trust assets	$ 5,513,166	$ 5,810,506	$ (297,340)	(5)%
Total trust liabilities	5,502,585	5,794,656	(292,071)	(5)
Residual interests in securitizations	$ 10,581	$ 15,850	$ (5,269)	(33)%

At December 31, 2013, cash decreased to $10.0 million from $12.7 million at December 31, 2012. The primary sources of cash between periods were $20.0 million from the issuance of the Convertible Notes, $62.1 million in fees generated from the mortgage lending operations and real estate services (net of non-cash fair value adjustments), $6.8 million from residual interests in securitizations and $3.0 million in borrowings on the line of credit. Offsetting the sources of cash were continuing operating expenses totaling $86.4 million (net of non-cash depreciation expense), payments on the notes payable of $3.7 million (including $1.5 million which came from the related reserve account), $1.0 million in interest

payments on the Convertible Notes and settlements of repurchase requests associated with loans sold by the discontinued non-conforming mortgage operations of approximately $4.0 million.

Since the consolidated and unconsolidated securitization trusts are nonrecourse to the Company, trust assets and liabilities have been netted to present our interest in these trusts more simply, which are considered the residual interests in securitizations. For unconsolidated securitizations the residual interests represent the fair value of investment securities available-for-sale. For consolidated securitizations, the residual interests are represented by the fair value of securitized mortgage collateral and real estate owned, offset by the fair value of securitized mortgage borrowings and net derivative liabilities. We receive cash flows from our residual interests in securitizations to the extent they are available after required distributions to bondholders and maintaining specified overcollateralization levels and other specified parameters (such as maximum delinquency and cumulative default) within the trusts. The estimated fair value of the residual interests, represented by the difference in the fair value of total trust assets and total trust liabilities, was $10.6 million at December 31, 2013, compared to $15.9 million at December 31, 2012. During 2013, we decreased the investor yield requirements for securitized mortgage borrowings as estimated bond prices have continued to improve and corresponding yields have decreased. The decrease in investor yield assumptions on securitized mortgage collateral and securitized mortgage borrowings resulted in an increase in the estimated fair value of these trust assets and liabilities.

Mortgage loans held-for-sale increased $10.4 million to $129.2 million at December 31, 2013 as compared to $118.8 million at December 31, 2012. During 2013, we had $2.5 billion in originations and loan sales. As a normal course of our origination and sales cycle, loans held-for-sale at the end of any period are generally sold within one or two subsequent months.

Mortgage servicing rights increased $25.3 million to $36.0 million at December 31, 2013 as compared to $10.7 million at December 31, 2012. The increase is due to an increase in our mortgage servicing portfolio from servicing retained loan sales of $2.4 billion during 2013, partially offset by the sale of servicing rights of $401.9 million during 2013. Additionally, the increase is due to a fair value adjustment of $6.5 million primarily due to the increase in interest rates since the middle of the second quarter of 2013. At December 31, 2013, we serviced $3.1 billion in unpaid principal balance (UPB) for others as compared to $1.5 billion at December 31, 2012.

Warehouse borrowings increased $12.0 million to $119.6 million at December 31, 2013 as compared to $107.6 million at December 31, 2012. The increase is due to an increase in mortgage loans held-for-sale at year end. During 2013, we increased our total borrowing capacity to $265.0 million at December 31, 2013 as compared to $217.5 million at December 31, 2012 due to the expansion of our mortgage lending operations during the year.

During 2013, the notes payable balance decreased by $3.5 million as we paid-off the note payable related to the structured debt agreement collateralized by the residual interests in securitizations. The residuals have been released back to us allowing the monthly cash flows from the residuals to be remitted directly to us.

Repurchase reserve liability decreased to $9.5 million at December 31, 2013 as compared to $10.6 million at December 31, 2012. During 2013, we paid approximately $4.0 million to settle previous repurchase claims related to our discontinued operations. We recorded $1.3 million in provision for repurchases during 2013 as our discontinued operations received additional repurchase requests from Fannie Mae. At December 31, 2013, the repurchase reserve within discontinued operations was $5.5 million as compared to $8.2 million at December 31, 2012. Additionally, we have approximately $4.0 million in repurchase reserves related to the loans sold by the continuing mortgage lending operation since early 2011. We have received a minimal amount of repurchase requests for loans sold by the continuing mortgage lending operation.

Book value per common share was $(2.88) as of December 31, 2013, as compared to $(2.59) as of December 31, 2012 (inclusive of the remaining $51.8 million of liquidation preference on our preferred stock).

The changes in total assets and liabilities are primarily attributable to decreases in our trust assets and trust liabilities as summarized below.

	December 31, 2013	December 31, 2012	Increase (Decrease)	% Change
Securitized mortgage collateral	$ 5,494,152	$ 5,787,884	$ (293,732)	(5)%
Other trust assets	19,014	22,622	(3,608)	(16)
Total trust assets	5,513,166	5,810,506	(297,340)	(5)
Securitized mortgage borrowings	$ 5,492,371	$ 5,777,456	$ (285,085)	(5)%
Other trust liabilities	10,214	17,200	(6,986)	(41)
Total trust liabilities	5,502,585	5,794,656	(292,071)	(5)
Residual interests in securitizations	$ 10,581	$ 15,850	$ (5,269)	(33)%

We update our collateral assumptions quarterly based on recent delinquency, default, prepayment and loss experience. Additionally, we update the forward interest rates and investor yield (discount rate) assumptions based on information derived from market participants. During the year ended December 31, 2013, we decreased the investor yield requirements for certain securitized mortgage borrowings as estimated bond prices have continued to improve and corresponding yields have decreased. The decrease in investor yield assumptions on securitized mortgage collateral and securitized mortgage borrowings resulted in an increase in the value of these trust assets and liabilities. However, offsetting the increase was principal payments and liquidations of securitized mortgage collateral and securitized mortgage borrowings.

- The estimated fair value of securitized mortgage collateral decreased $293.7 million during 2013, primarily due to reductions in principal from borrower payments and transfers of loans to REO for single-family and multi-family collateral, partially offset by an increase in fair value due to a reduction in investor yield requirements. Additionally, other trust assets decreased $3.6 million during 2013, primarily due to decreases in REO from liquidations of $45.7 million. Partially offsetting the decrease was $38.2 million in REO foreclosures and a $3.9 million increase in the net realizable value (NRV) of REO.

- The estimated fair value of securitized mortgage borrowings decreased $285.1 million during 2013, primarily caused by reductions in principal balances from principal payments during the period for single-family and multi-family collateral, partially offset by an increase in fair value due to a reduction in investor yield requirements. The $7.0 million reduction in other trust liabilities during 2013 was primarily due to $6.3 million in derivative cash payments from the securitization trusts, and a $574 thousand decrease in derivative fair value resulting from changes in forward LIBOR interest rates.

In previous years, we securitized mortgage loans by transferring originated and acquired residential single-family mortgage loans and multi-family commercial loans (the "transferred assets") into non-recourse bankruptcy remote trusts which in turn issued tranches of bonds to investors supported only by the cash flows of the transferred assets. Because the assets and liabilities in the securitizations are nonrecourse to us, the bondholders cannot look to us for repayment of their bonds in

the event of a shortfall. These securitizations were structured to include interest rate derivatives. We retained the residual interest in each trust, and in most cases would perform the master servicing function. A trustee and servicer, unrelated to us, was named for each securitization. Cash flows from the loans (the loan payments as well as liquidation of foreclosed real estate properties) collected by the loan sub-servicer are remitted to us, the master servicer. The master servicer remits payments to the trustee who remits payments to the bondholders (investors). The sub-servicer collects loan payments and performs loss mitigation activities for defaulted loans. These activities include foreclosing on properties securing defaulted loans, which results in REO.

In accordance with GAAP, we are required to consolidate all but one of these trusts (as we are not the master servicer on this one trust) on our statement of financial condition and results of operations. For the one trust we did not consolidate, the residual interest is reported as investment securities available-for-sale. For the trusts we did consolidate, the loans are included in the statement of financial condition as "securitized mortgage collateral", the foreclosed loans are included in the statement of financial condition as "real estate owned" and the various bond tranches owned by investors are included in the statement of financial condition as "securitized mortgage borrowings." Any interest rate derivatives remaining in the trusts are included in our statement of financial condition as "derivative assets" or "derivative liabilities," respectively. To the extent there is excess overcollateralization (as defined in the securitization agreements) in these securitization trusts, we receive cash flows from the excess interest collected monthly from the residual interest we own. Because (i) we elected the fair value option on the securitized mortgage collateral, securitized mortgage borrowings, (ii) derivative assets/liabilities are carried at fair value as required by GAAP, and (iii) real estate owned is reflected at net realizable value (NRV), which closely approximates fair market value, the net of the trust assets and trust liabilities represents the estimated fair value of the residual interests we own.

To estimate fair value of the assets and liabilities within the securitization trusts each reporting period, management uses an industry standard valuation and analytical model that is updated monthly with current collateral, real estate, derivative, bond and cost (servicer, trustee, etc.) information for each securitization trust. We employ an internal process to validate the accuracy of the model as well as the data within this model. Forecasted assumptions sometimes referred to as "curves," for defaults, loss severity, interest rates (LIBOR) and prepayments are inputted into the valuation model for each securitization trust. We hire third-party market participants to provide forecasted curves for the aforementioned assumptions for each of the securitizations. Before inputting this information into the model, management employs a process to qualitatively and quantitatively review the assumption curves for reasonableness using other information gathered from the mortgage and real estate market (*i.e.*, third party home price indices, published industry reports discussing regional mortgage and commercial loan performance and delinquency) as well as actual default and foreclosure information for each trust from the respective trustees.

We use the valuation model to generate the expected cash flows to be collected from the trust assets and the expected required bondholder distribution (trust liabilities). To the extent that the trusts are over collateralized, we may receive the excess interest as the holder of the residual interest. The information above provides us with the future expected cash flows for the securitized mortgage collateral, real estate owned, securitized mortgage borrowings, derivative assets/liabilities, and the residual interests.

To determine the discount rates to apply to these cash flows, we gather information from the bond pricing services and other market participants regarding estimated investor required yields for each bond tranche. Based on that information and the collateral type and vintage, we determine an acceptable range of expected yields an investor would require including an appropriate risk premium for each bond tranche. We use the blended yield of the bond tranches together with the residual interests to determine an appropriate yield for the securitized mortgage collateral in each securitization (after taking

into consideration any derivatives in the securitization). During 2013 and 2012, based on the trend of improving bond prices and declining yields, we adjusted the acceptable range of expected yields for some of our earlier vintage securitizations.

The following table presents changes in the trust assets and trust liabilities for the year ended December 31, 2013:

	TRUST ASSETS					TRUST LIABILITIES			
	Level 3 Recurring Fair Value Measurements			NRV (1)		Level 3 Recurring Fair Value Measurements			
	Investment securities available-for-sale	Securitized mortgage collateral	Derivative assets	Real estate owned	Total trust assets	Securitized mortgage borrowings	Derivative liabilities	Total trust liabilities	Net trust assets
Recorded book value at 12/31/2012	**$ 110**	**$ 5,787,884**	**$ 37**	**$ 22,475**	**$5,810,506**	**$ (5,777,456)**	**$ (17,200)**	**$(5,794,656)**	**$ 15,850**
Total gains/(losses) included in earnings:									
Interest income	34	31,562	-	-	31,596	-	-	-	31,596
Interest expense	-	-	-	-	-	(244,796)	-	(244,796)	(244,796)
Change in FV of net trust assets, excluding REO	36	452,084	-	-	452,120 (2)	(465,189)	574	(464,615) (2)	(12,495)
Gains from REO—not at FV but at NRV	-	-	-	8,817	8,817 (2)	-	-	-	8,817
Total gains (losses) included in earnings	70	483,646	-	8,817	492,533	(709,985)	574	(709,411)	(216,878)
Transfers in and/or out of level 3	-	-	-	-	-	-	-	-	-
Purchases, issuances and settlements	(72)	(777,378)	(37)	(12,386)	(789,873)	995,070	6,412	1,001,482	211,609
Recorded book value at 12/31/2013	**$ 108**	**$ 5,494,152**	**$ -**	**$ 18,906**	**$5,513,166**	**$ (5,492,371)**	**$ (10,214)**	**$(5,502,585)**	**$ 10,581**

(1) Accounted for at net realizable value.
(2) Represents non-interest income-net trust assets in the consolidated statements of operations for the year ended December 31, 2013.

Inclusive of gains from REO, total trust assets above reflect a net gain of $460.9 million as a result of an increase in fair value of securitized mortgage collateral of $452.1 million, gains from REO of $8.8 million and increases from other trust assets of $36 thousand. Net losses on trust liabilities were $464.6 million as a result of $465.2 million in losses from the increase in fair value of securitized mortgage borrowings, partially offset by gains from derivative liabilities of $574 thousand. As a result, non-interest income—net trust assets totaled a loss of $3.7 million for the year ended December 31, 2013.

The table below reflects the net trust assets as a percentage of total trust assets (residual interests in securitizations):

	December 31,	
	2013	2012
Net trust assets	$ 10,581	$ 15,850
Total trust assets	5,513,166	5,810,506
Net trust assets as a percentage of total trust assets	0.19%	0.27%

For the year ended December 31, 2013, the estimated fair value of the net trust assets slightly declined as a percentage of total trust assets. The decrease was primarily due to the cash received from residual interests (net trust assets).

Since the consolidated and unconsolidated securitization trusts are nonrecourse to us, our economic risk is limited to our residual interests in these securitization trusts. Therefore, in the following

table we have netted trust assets and trust liabilities to present these residual interests more simply. Our residual interests in securitizations are segregated between our single-family (SF) residential and multi-family (MF) residential portfolios and are represented by the difference between trust assets and trust liabilities.

The following tables present the estimated fair value of our residual interests, including investment securities available for sale, by securitization vintage year and other related assumptions used to derive these values at December 31, 2013 and December 31, 2012:

	Estimated Fair Value of Residual Interests by Vintage Year at December 31, 2013			Estimated Fair Value of Residual Interests by Vintage Year at December 31, 2012		
Origination Year	**SF**	**MF**	**Total**	**SF**	**MF**	**Total**
2002-2003 (1)	$ 5,761	$ 2,184	$ 7,945	$ 11,680	$ 3,144	$ 14,824
2004	462	2,099	2,561	58	881	939
2005 (2)	-	75	75	-	87	87
2006 (2)	-	-	-	-	-	-
2007 (2)	-	-	-	-	-	-
Total	**$ 6,223**	**$ 4,358**	**$ 10,581**	**$ 11,738**	**$ 4,112**	**$ 15,850**
Weighted avg. prepayment rate	2.7%	12.6%	3.6%	1.9%	8.3%	2.6%
Weighted avg. discount rate	25.4%	20.2%	23.2%	25.0%	20.2%	23.8%

(1) 2002-2003 vintage year includes CMO 2007-A, since the majority of the mortgages collateralized in this securitization were originated during this period.

(2) The estimated fair values of residual interests in vintage years 2005 through 2007 is reflective of higher estimated future losses and investor yield requirements compared to earlier vintage years.

We utilize a number of assumptions to value securitized mortgage collateral, securitized mortgage borrowings and residual interests. These assumptions include estimated collateral default rates and loss severities (credit losses), collateral prepayment rates, forward interest rates and investor yields (discount rates). We use the same collateral assumptions for securitized mortgage collateral and securitized mortgage borrowings as the collateral assumptions determine collateral cash flows which are used to pay interest and principal for securitized mortgage borrowings and excess spread, if any, to the residual interests. However, we use different investor yield (discount rate) assumptions for securitized mortgage collateral and securitized mortgage borrowings and the discount rate used for residual interests based on underlying collateral characteristics, vintage year, assumed risk and market participant assumptions.

The table below reflects the estimated future credit losses and investor yield requirements for trust assets by product (SF and MF) and securitization vintage at December 31, 2013:

	Estimated Future Losses (1)		Investor Yield Requirement (2)	
	SF	**MF**	**SF**	**MF**
2002-2003	10%	* (3)	5%	9%
2004	17%	1%	5%	6%
2005	24%	2%	5%	5%
2006	42%	7%	6%	5%
2007	43%	2%	5%	5%

(1) Estimated future losses derived by dividing future projected losses by unpaid principal balances at December 31, 2013.

(2) Investor yield requirements represent our estimate of the yield third-party market participants would require to price our trust assets and liabilities given our prepayment, credit loss and forward interest rate assumptions.

(3) Represents less than 1%.

Despite the increase in housing prices from December 2012 through December 2013, housing prices are still at levels which has significantly reduced or eliminated equity for loans originated after 2003. Future loss estimates are significantly higher for mortgage loans included in securitization vintages after 2004 which reflect severe home price deterioration and defaults experienced with mortgages originated during these periods.

Operational and Market Risks

We are exposed to a variety of market risks which include interest rate risk, credit risk, real estate risk, prepayment risk and liquidity risk.

Interest Rate Risk

Interest Rate Risk—Mortgage Lending. We are exposed to interest rate risks relating to our ongoing mortgage lending operations. We use derivative instruments to manage some of our interest rate risk. However, we do not attempt to hedge interest rate risk completely.

Interest rate lock commitments and mortgage loans held-for-sale expose us to interest rate risk. The mortgage lending operations currently utilizes forward sold Fannie Mae and Ginnie Mae mortgage-backed securities to help mitigate changes in interest rates relating to its interest rate lock commitments and mortgage loans held-for-sale, however we do not hedge the interest rate risk associated with the mortgage servicing portfolio.

Interest Rate Risk—Securitized Trusts, Long-term Debt. Our earnings from the long-term mortgage portfolio depend largely on our interest rate spread, represented by the relationship between the yield on our interest-earning assets (primarily investment securities available-for-sale and securitized mortgage collateral) and the cost of our interest-bearing liabilities (primarily securitized mortgage borrowings and long-term debt). Our interest rate spread is impacted by several factors, including general economic factors, forward interest rates and the credit quality of mortgage loans in the long-term mortgage portfolio.

The residual interests in our long-term mortgage portfolio are sensitive to changes in interest rates on securitized mortgage collateral and the related securitized mortgage borrowings. Changes in interest rates can significantly affect the cash flows and fair values of the Company's assets and liabilities, as well as our earnings and stockholders' equity.

We use derivative instruments to manage some of our interest rate risk in our long-term mortgage portfolio. However, we do not attempt to hedge interest rate risk completely. To help mitigate some of the exposure to the effect of changing interest rates on cash flows on securitized mortgage borrowings, we utilize derivative instruments primarily in the form of interest rate swap agreements (swaps) and, to a lesser extent, interest rate cap agreements (caps) and interest rate floor agreements (floors). These derivative instruments are recorded at fair value in the consolidated balance sheets. For non-exchange traded contracts, fair value is based on the amounts that would be required to settle the positions with the related counterparties as of the valuation date. Valuations of derivative assets and liabilities are based on observable market inputs, if available. To the extent observable market inputs are not available, fair value measurements include our judgment about future cash flows, forward interest rates and certain other factors, including counterparty risk. Additionally, these values also take into account our own credit standing, to the extent applicable; thus, the valuation of the derivative instrument includes the estimated value of the net credit differential between the counterparties to the derivative contract.

At December 31, 2013, derivative liabilities were $10.2 million and reflect the securitization trust's liability to pay third-party counterparties based on the estimated value to settle the derivative instruments. Cash payments on these derivative instruments are based on notional amounts that are decreasing over time. Excluding the effects of other factors such as portfolio delinquency and loss severities within the securitization trusts, as the notional amount of these derivative instruments decrease over time, payments to counterparties in the current interest rate environment are reduced, thereby potentially increasing cash flows on our residual interests in securitizations. Conversely, increases in interest rates from current levels could potentially reduce overall cash flows on our residual interests in securitizations. Since our consolidated and unconsolidated securitization trusts are nonrecourse to us, our economic risk is limited to our residual interests in these securitization trusts.

We are also subject to interest rate risk on our long-term debt (consisting of trust preferred securities and junior subordinated notes). These interest bearing liabilities include adjustable rate periods based on three- month LIBOR (trust preferred securities and junior subordinated notes). We do not currently hedge our exposure to the effect of changing interest rates related to these interest-bearing liabilities. Significant fluctuations in interest rates could have a material adverse effect on our business, financial condition, results of operations or liquidity.

Credit Risk

We provide representations and warranties to purchasers and insurers of the loans sold that typically are in place for the life of the loan. In the event of a breach of these representations and warranties, we may be required to repurchase a mortgage loan or indemnify the purchaser, and any subsequent loss on the mortgage loan may be borne by us unless we have recourse to our correspondent seller.

We maintain a reserve for losses on loans repurchased or indemnified as a result of breaches of representations and warranties on our sold loans. Our estimate is based on our most recent data regarding loan repurchases and indemnity payments, actual losses on repurchased loans, and recovery history, among other factors. Our assumptions are affected by factors both internal and external in nature. Internal factors include, among other things, level of loan sales, the expectation of credit loss on repurchases and indemnifications, our success rate at appealing repurchase demands and our ability to recover any losses from third parties. External factors that may affect our estimate includes, among other things, the overall economic condition in the housing market, the economic condition of borrowers, the political environment at investor agencies and the overall U.S. and world economy. Many of the factors are beyond our control and may lead to judgments that are susceptible to change.

Counterparty Credit Risk. We are exposed to counterparty credit risk in the event of non-performance by counterparties to various agreements. We monitor the credit ratings of our counterparties and currently do not anticipate losses due to counterparty non-performance.

Credit Risk-Securitized Trusts. We manage credit risk by actively managing delinquencies and defaults through our servicers. Starting with the second half of 2007 we have not retained any additional Alt-A mortgages in our long-term mortgage portfolio. Our securitized mortgage collateral primarily consists of Alt-A mortgages which when originated were generally within typical Fannie Mae and Freddie Mac guidelines but had loan characteristics, which may have included higher loan balances, higher loan-to-value ratios or lower documentation requirements (including stated-income loans), that made them non-conforming under those guidelines.

Using historical losses, current portfolio statistics and market conditions and available market data, we have estimated future loan losses on the long-term mortgage portfolio, which are included in the fair value adjustment to our securitized mortgage collateral. While the credit performance for the

loans has been clearly far worse than our initial expectations when the loans were originated, the ultimate level of realized losses will largely be influenced by events that will likely unfold over the next several years, including the recovery of the housing market and overall strength of the economy. If market conditions continue to deteriorate in excess of our expectations, we may need to recognize additional fair value reductions to our securitized mortgage collateral, which may also affect the value of the related securitized mortgage borrowings and residual interests.

We monitor our servicers to attempt to ensure that they perform loss mitigation, foreclosure and collection functions according to their servicing practices and each securitization trust's pooling and servicing agreement. We have met with the management of our servicers to assess our borrowers' current ability to pay their mortgages and to make arrangements with selected delinquent borrowers which will result in the best interest of the trust and borrower, in an effort to minimize the number of mortgages which become seriously delinquent. When resolving delinquent mortgages, servicers are required to take timely action. The servicer is required to determine payment collection under various circumstances, which will result in the maximum financial benefit. This is accomplished by either working with the borrower to bring the mortgage current by modifying the loan with terms that will maximize the recovery or by foreclosing and liquidating the property. At a foreclosure sale, the trusts consolidated on our balance sheet generally acquire title to the property.

Real Estate Risk

Residential property values are subject to volatility and may be negatively affected by numerous factors, including, but not limited to, national, regional and local economic conditions such as unemployment and interest rate environment; local real estate conditions including housing inventory and foreclosures; and demographic factors. Decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay our loans, which could cause us to suffer losses.

Prepayment Risk

We historically used prepayment penalties as a method of partially mitigating prepayment risk for those borrowers that have the ability to refinance. The recent economic downturn, lack of available credit and declines in property values have limited borrowers' ability to refinance. These factors have significantly reduced prepayment risk within our long-term mortgage portfolio. With the seasoning of the long-term mortgage portfolio, a significant portion of prepayment penalties terms have expired, thereby further reducing prepayment penalty income.

Prepayment speed is a measurement of how quickly UPB is reduced. Items reducing UPB include normal monthly loan principal payments, loan refinancings, voluntary property sales and involuntary property sales such as foreclosures or short sales. Prepayment speed impacts future servicing fees, fair value of mortgage servicing rights and float income. When prepayment speed increases, our servicing fees decrease faster than projected due to the shortened life of a portfolio. Faster prepayment speeds will cause our mortgage servicing rights fair value to decrease.

Liquidity Risk

We are exposed to liquidity risks relating to our ongoing mortgage lending operations. We primarily fund our mortgage lending originations through warehouse facilities with third-party lenders. We primarily use facilities with national and regional banks. The warehouse facilities are secured by and used to fund single-family residential mortgage loans. In addition, the warehouse lenders require cash to be posted as additional collateral to secure the borrowings. In order to mitigate the liquidity risk

associated with warehouse borrowings, we attempt to sell our mortgage loans within 10-15 days from acquisition or origination.

Long-Term Portfolio Credit Quality

We use the Mortgage Bankers Association (MBA) method to define delinquency as a contractually required payment being 30 or more days past due. We measure delinquencies from the date of the last payment due date in which a payment was received. Delinquencies for loans 60 days late or greater, foreclosures and delinquent bankruptcies were $1.7 billion or 22.4% of the long-term mortgage portfolio as of December 31, 2013, as compared to $2.0 billion or 22.8% as of December 31, 2012.

The following table summarizes the unpaid principal balances of loans in our mortgage portfolio, included in securitized mortgage collateral, mortgage loans held-for-investment and mortgage loans held-for-sale for continuing and discontinued operations combined, that were 60 or more days delinquent (utilizing the MBA method) as of the periods indicated:

	December 31, 2013	Total Collateral %	December 31, 2012	Total Collateral %
Mortgage loans held-for-sale and investment				
60 - 89 days delinquent	$ -	*	$ -	*
90 or more days delinquent	-	*	-	*
Foreclosures (1)	-	*	366	*
Total 60+ days delinquent mortgage loans held-for-sale and investment (2)	-	*	366	*
Securitized mortgage collateral				
60 - 89 days delinquent	$ 180,002	2.4%	$ 180,260	2.1%
90 or more days delinquent	580,318	7.6%	649,800	7.4%
Foreclosures (1)	605,201	7.9%	790,293	9.0%
Delinquent bankruptcies (3)	340,102	4.5%	370,827	4.2%
Total 60+ days delinquent long-term mortgage portfolio	1,705,623	22.4%	1,991,180	22.8%
Total 60 or more days delinquent	$ 1,705,623	22.4%	$ 1,991,546	22.8%
Total collateral	$ 7,610,999	100%	$ 8,735,991	100%

* Less than 0.1%

(1) Represents properties in the process of foreclosure.

(2) Represents legacy mortgage loans held-for-sale included in discontinued operations in the consolidated balance sheets.

(3) Represents bankruptcies that are 30 days or more delinquent.

The following table summarizes securitized mortgage collateral, mortgage loans held-for-investment, mortgage loans held-for-sale and real estate owned, that were non-performing for

continuing and discontinued operations combined as of the dates indicated (excludes 60-89 days delinquent):

	December 31, 2013	Total Collateral %	December 31, 2012	Total Collateral %
90 or more days delinquent, foreclosures and delinquent bankruptcies	$ 1,525,621	20.0%	$ 1,811,286	20.7%
Real estate owned	18,921	0.3%	22,511	0.3%
Total non-performing assets	$ 1,544,542	20.3%	$ 1,833,797	21.0%

Non-performing assets consist of non-performing loans (mortgages that are 90 or more days delinquent, including loans in foreclosure and delinquent bankruptcies) plus REO. It is the Company's policy to place a mortgage on nonaccrual status when it becomes 90 days delinquent and to reverse from revenue any accrued interest, except for interest income on securitized mortgage collateral when the scheduled payment is received from the servicer. The servicers are required to advance principal and interest on loans within the securitization trusts to the extent the advances are considered recoverable. IFC, a subsidiary of IMH and master servicer, may be required to advance funds, or in most cases cause the loan servicers to advance funds, to cover principal and interest payments not received from borrowers depending on the status of their mortgages. As of December 31, 2013, non-performing assets (unpaid principal balance of loans 90 or more days delinquent, foreclosures and delinquent bankruptcies plus REO) as a percentage of the total collateral was 20.3%. At December 31, 2012, non-performing assets to total collateral was 21.0%. Non-performing assets decreased by approximately $289.3 million at December 31, 2013 as compared to December 31, 2012. At December 31, 2013, the estimated fair value of non-performing assets (representing the fair value of loans 90 or more days delinquent, foreclosures and delinquent bankruptcies plus REO) was $536.8 million or 9.4% of total assets. At December 31, 2012, the estimated fair value of non-performing assets was $578.0 million or 9.7% of total assets.

REO, which consists of residential real estate acquired in satisfaction of loans, is carried at the lower of cost or net realizable value less estimated selling costs. Adjustments to the loan carrying value required at the time of foreclosure are included in the change in the fair value of net trust assets. Changes in our estimates of net realizable value subsequent to the time of foreclosure and through the time of ultimate disposition are recorded as gains or losses from real estate owned in the consolidated statements of operations. REO, for continuing and discontinued operations, at December 31, 2013 decreased $3.6 million or 16% from December 31, 2012, as a result of liquidations and a decrease in foreclosures associated with foreclosure delays.

We realized losses on the sale of REO in the amount of $35 thousand for 2013, compared to gains of $30 thousand for the comparable 2012 periods. Additionally, for the year ended December 31, 2013, we recorded an increase of the net realizable value of the REO in the amount of $8.8 million as compared a decrease of NRV (subsequent write-downs) of $13.3 million for the comparable 2012 period. Increases and write-downs of the net realizable value reflect increases or declines in value of the REO subsequent to foreclosure date, but prior to the date of sale.

The following table presents the balances of the REO for continuing operations:

	December 31,	
	2013	2012
REO	$ 23,601	$ 31,116
Impairment (1)	(4,680)	(8,605)
Ending balance	$ 18,921	$ 22,511
REO inside trusts	$ 18,906	$ 22,475
REO outside trusts	15	36
Total	$ 18,921	$ 22,511

(1) Impairment represents the cumulative write-downs of net realizable value subsequent to foreclosure.

In calculating the cash flows to assess the fair value of the securitized mortgage collateral, we estimate the future losses embedded in our loan portfolio. In evaluating the adequacy of these losses, management takes many factors into consideration. For instance, a detailed analysis of historical loan performance data is accumulated and reviewed. This data is analyzed for loss performance and prepayment performance by product type, origination year and securitization issuance. The data is also broken down by collection status. Our estimate of losses for these loans is developed by estimating both the rate of default of the loans and the amount of loss severity in the event of default. The rate of default is assigned to the loans based on their attributes (*e.g.*, original loan-to-value, borrower credit score, documentation type, geographic location, etc.) and collection status. The rate of default is based on analysis of migration of loans from each aging category. The loss severity is determined by estimating the net proceeds from the ultimate sale of the foreclosed property. The results of that analysis are then applied to the current mortgage portfolio and an estimate is created. We believe that pooling of mortgages with similar characteristics is an appropriate methodology in which to evaluate the future loan losses.

Management recognizes that there are qualitative factors that must be taken into consideration when evaluating and measuring losses in the loan portfolios. These items include, but are not limited to, economic indicators that may affect the borrower's ability to pay, changes in value of collateral, political factors, employment and market conditions, competitor's performance, market perception, historical losses, and industry statistics. The assessment for losses is based on delinquency trends and prior loss experience and management's judgment and assumptions regarding various matters, including general economic conditions and loan portfolio composition. Management continually evaluates these assumptions and various relevant factors affecting credit quality and inherent losses.

Results of Operations

For the year ended December 31, 2013 compared to the year ended December 31, 2012

	For the year ended December 31,			
	2013	2012	Increase (Decrease)	% Change
Revenues	$ 86,483	$ 96,092	$ (9,609)	(10)%
Expenses	(88,074)	(76,876)	(11,198)	(15)
Net interest (expense) income	(86)	1,819	(1,905)	(105)
Change in fair value of long-term debt	(687)	1,145	(1,832)	(160)
Change in fair value of net trust assets, including trust REO gains (losses)	(3,678)	(7,891)	4,213	53
Income tax benefit (expense) from continuing operations	1,031	(1,244)	2,275	183
Net (loss) earnings from continuing operations	(5,011)	13,045	(18,056)	(138)
Loss from discontinued operations, net	(3,037)	(15,549)	12,512	80
Net loss	(8,048)	(2,504)	(5,544)	(221)
Net earnings attributable to noncontrolling interest (1)	(136)	(871)	735	84
Net loss attributable to IMH	$ (8,184)	$ (3,375)	$ (4,809)	(142)%
Loss per share available to common stockholders—basic and diluted	$ (0.94)	$ (0.42)	$ (0.52)	(125)%

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(1) For the year ended December 31, 2013 and 2012, net earnings attributable to noncontrolling interest represents the portion of the earnings of AmeriHome Mortgage Corporation (a subsidiary of IRES) that we did not wholly-own, before we acquired 100% ownership of AmeriHome in 2013.

Revenues

	For the year ended December 31,			
	2013	2012	Increase (Decrease)	% Change
Gain on sale of loans, net	$ 55,302	$ 72,719	$ (17,417)	(24)%
Real estate services fees, net	19,370	21,218	(1,848)	(9)
Servicing income, net	4,240	1,198	3,042	254
Other revenues	7,571	957	6,614	691
Total revenues	$ 86,483	$ 96,092	$ (9,609)	(10)%

Gain on sale of loans, net. For the year ended December 31, 2013, gain on sale of loans, net was $55.3 million or 2.17% compared to $72.7 million or 3.01% in the comparable 2012 period. The $17.4 million decrease is primarily related to a $44.2 million decrease in premiums received from the sale of mortgage loans and a $6.6 million decrease in mark-to-market gains on loans held-for-sale, partially offset by $26.3 million increase in realized and unrealized gains on derivative financial instruments, a $5.8 million increase in premiums from servicing retained loan sales and a $1.3 million decrease in net direct loan origination expenses. The decrease in gain on sale of loans, net was due to tighter lending spreads and gain on sale margins associated with $2.5 billion and $2.5 billion of loans originated and

sold, respectively, during the year ended December 31, 2013, as compared to $2.4 billion and $2.3 billion of loans originated and sold, respectively, during the same period in 2012.

Real estate services fees, net. For the year ended December 31, 2013, real estate services fees, net were $19.4 million compared to $21.2 million in the comparable 2012 period. The $1.8 million decrease was primarily the result of the decline in loans and the balance of the long-term mortgage portfolio.

Servicing income, net. For the year ended December 31, 2013, servicing income, net was $4.2 million compared to $1.2 million in the comparable 2012 period. The increase in servicing income, net was primarily the result of the servicing portfolio increasing 120% to an average balance of $2.2 billion for the year ended December 31, 2013 as compared to an average balance of $1.0 billion for the same period in 2012. During 2013, we retained servicing rights on $2.4 billion in loan sales. Additionally, servicing income, net increased due to a reduction in loss mitigation costs. Servicing income, net includes certain loss mitigation costs associated with the acquired servicing portfolio from the 2010 acquisition of AmeriHome for defaulted loans, foreclosures and bankruptcies.

Other revenues. For the year ended December 31, 2013, other revenues were $7.6 million compared to $957 thousand in the comparable 2012 period. The increase in other revenues was the result of $6.5 million in mark-to-market gains on MSRs during 2013 as compared to mark-to-market losses of $600 thousand during the comparable 2012 period. The increase in mark-to-market adjustment on the MSRs is primarily the result of the increase in interest rates since the middle of the second quarter of 2013 resulting in slower prepayment speeds.

Expenses

	For the year ended December 31,			
	2013	2012	Increase (Decrease)	% Change
Personnel expense	$ 62,883	$ 56,916	$ 5,967	10%
General, administrative and other	14,805	11,498	3,307	29
Occupancy expense	6,432	5,674	758	13
Legal and professional expense	3,954	2,788	1,166	42
Total expenses	$ 88,074	$ 76,876	$ 11,198	15%

Total expenses were $88.1 million for the year ended December 31, 2013, compared to $76.9 million for the comparable period of 2012. Personnel expenses increased $6.0 million to $62.9 million during 2013 primarily attributable to an increase in salaries and other personnel related costs associated with the increase in average number of employees during 2013 as compared to 2012 associated with the mortgage lending operations. Loan origination volumes declined significantly in the latter half of 2013 as interest rates began to rise in May 2013. The increase in personnel expense was a result of excess personnel employed during the second half of 2013 as volumes declined.

General, administrative and other expenses increased to $14.8 million for the year ended December 31, 2013, compared to $11.5 million for the same period in 2012. The $3.3 million increase was primarily related to marketing, insurance, licensing and other expenses attributable to the expansion of our mortgage lending platform.

Legal and professional expense increased to $4.0 million for the year ended December 31, 2013, compared to $2.8 million for the same period in 2012. The $1.2 million increase was primarily related to legal costs associated with a non-operational $700 thousand legal settlement expense recorded during the first quarter of 2013.

Other Income (Expense)

	For the year ended December 31,			
	2013	2012	Increase (Decrease)	% Change
Interest income	$ 310,391	$ 478,647	$ (168,256)	(35)%
Interest expense	(310,477)	(476,828)	166,351	35
Change in fair value of long-term debt	(687)	1,145	(1,832)	(160)
Change in fair value of net trust assets, including trust REO gains (losses)	(3,678)	(7,891)	4,213	53
Total other expense	$ (4,451)	$ (4,927)	$ 476	10%

Net Interest (Expense) Income

We earn net interest income primarily from mortgage assets which include securitized mortgage collateral, mortgage loans held-for-sale and investment securities available-for-sale, or collectively, "mortgage assets," and, to a lesser extent, interest income earned on cash and cash equivalents. Interest expense is primarily interest paid on borrowings secured by mortgage assets, which include securitized mortgage borrowings and warehouse borrowings and to a lesser extent, interest expense paid on long-term debt, Convertible Notes, notes payable and line of credit. Interest income and interest expense during the period primarily represents the effective yield, based on the fair value of the trust assets and liabilities.

The following tables summarize average balance, interest and weighted average yield on interest-earning assets and interest-bearing liabilities, included within continuing operations, for the periods indicated. Cash receipts and payments on derivative instruments hedging interest rate risk related to our

securitized mortgage borrowings are not included in the results below. These cash receipts and payments are included as a component of the change in fair value of net trust assets.

	For the year ended December 31,								
	2013					2012			
	Average Balance		Interest		Yield	Average Balance		Interest		Yield
ASSETS									
Securitized mortgage collateral	$	5,640,115	$	305,837	5.42%	$	5,595,769	$	475,845	8.50%
Mortgage loans held-for-sale		116,701		4,482	3.84%		84,131		2,723	3.24%
Other		13,751		72	0.52%		5,072		79	1.56%
Total interest-earning assets	$	5,770,567	$	310,391	5.38%	$	5,684,972	$	478,647	8.42%
LIABILITIES										
Securitized mortgage borrowings	$	5,633,007	$	300,606	5.34%	$	5,592,676	$	467,953	8.37%
Warehouse borrowings		111,335		4,472	4.02%		79,707		3,350	4.20%
Long-term debt		14,261		4,050	28.40%		12,136		3,929	32.37%
Convertible notes		13,534		1,046	7.73%		-		-	0.00%
Note payable		886		303	34.20%		5,768		1,596	27.67%
Total interest-bearing liabilities	$	5,773,023	$	310,477	5.38%	$	5,690,287	$	476,828	8.38%
Net Interest Spread (1)			$	(86)	0.00%			$	1,819	0.04%
Net Interest Margin (2)					0.00%					0.03%

(1) Net interest spread is calculated by subtracting the weighted average yield on interest-bearing liabilities from the weighted average yield on interest-earning assets.

(2) Net interest margin is calculated by dividing net interest spread by total average interest-earning assets.

Net interest income spread decreased $1.9 million for the year ended December 31, 2013 primarily attributable to a decrease in net interest spread on the long-term mortgage portfolio due to increases in pricing and the corresponding reduction in investor yield requirements between periods on securitized mortgage collateral and securitized mortgage borrowings as well as a decrease in the balance of the long-term mortgage portfolio and an increase in interest expense associated with the issuance of the Convertible Notes during the second quarter of 2013. The decrease was partially offset by a decrease in interest expense on the note payable. As a result, net interest margin decreased from 0.03% for the year ended December 31, 2012 to 0.0% for the year ended December 31, 2013.

During the year ended December 31, 2013, the yield on interest-earning assets decreased to 5.38% from 8.42% in the comparable 2012 period. The yield on interest-bearing liabilities decreased to 5.38% for the year ended December 31, 2013 from 8.38% for the comparable 2012 period. In connection with the fair value accounting for investment securities available-for-sale, securitized mortgage collateral and borrowings and long-term debt, interest income and interest expense is recognized using effective yields based on estimated fair values for these instruments. The decrease in yield for securitized mortgage collateral and securitized mortgage borrowings is primarily related to increased prices on mortgage-backed bonds which resulted in a decrease in yield. Bond prices received from pricing services and other market participants have increased over the past few quarters as investor's demand for mortgage-backed securities has increased. This has resulted in an increase in fair value for both securitized mortgage collateral and securitized mortgage borrowings. These increases in

fair value have decreased the effective yields used for purposes of recognizing interest income and interest expense on these instruments.

Change in the fair value of long-term debt

Change in the fair value of long-term debt was a loss of $687 thousand for the year ended December 31, 2013, compared to a gain of $1.1 million for the comparable 2012 period as a result of the increase in the estimated fair value of long-term debt. The increase in the estimated fair value of long-term debt was the result of an increase in forward LIBOR interest rates. Long-term debt (consisting of trust preferred securities and junior subordinated notes) is measured based upon an analysis prepared by the Company, which considers the Company's own credit risk, including consideration of settlements with trust preferred debt holders and discounted cash flow analyses.

Change in fair value of net trust assets, including trust REO gains (losses)

	For the year ended December 31,	
	2013	**2012**
Change in fair value of net trust assets, excluding REO	$ (12,495)	$ 5,335
Gains (losses) from REO	8,817	(13,226)
Change in fair value of net trust assets, including trust REO gains (losses)	$ (3,678)	$ (7,891)

The change in fair value related to our net trust assets (residual interests in securitizations) was a loss of $3.7 million for the year ended December 31, 2013, compared to a loss of $7.9 million in the comparable 2012 period. The change in fair value of net trust assets, including REO was due to $12.5 million in losses from changes in fair value of securitized mortgage borrowings, securitized mortgage collateral and investment securities available-for-sale primarily associated with updating assumptions of increased collateral losses in the future and higher interest rates. Partially offsetting the loss was an $8.8 million increase in NRV of REO during the period attributed to lower expected loss severities on properties held in the long-term mortgage portfolio during the period.

For the year ended December 31, 2012, the ($7.9) million change in fair value of net trust assets, including REO was due to $13.2 million in additional impairment write-downs during the period attributed to higher expected loss severities on properties held during the period. Partially offsetting the REO losses were changes in fair value of securitized mortgage collateral, securitized mortgage borrowings and investment securities available-for sale primarily related to a decrease in loss assumptions and a reduction in future interest rates.

Income Taxes

In accordance with FASB ASC 810-10-45-8, we record a deferred charge representing the deferral of income tax expense on inter-company profits that resulted from the sale of mortgages from taxable subsidiaries to IMH in prior years. The deferred charge is included in other assets in the consolidated balance sheets and impairments are recognized as a component of income tax expense in the consolidated statements of operations. We did not have any impairment of deferred charge in 2013.

We recorded income tax (benefit) expense of $(1.0) million and $1.2 million for the years ended December 31, 2013 and 2012, respectively. The income tax benefit for 2013 is the result of the inclusion

of AmeriHome in the IMH federal income tax return filing due to IMH's increased ownership of Amerihome during the first quarter of 2013. Additionally, federal alternative minimum tax was expensed during 2013. State income taxes are primarily from states where the Company does not have net operating loss carryforwards. The income tax expense for 2012 was the result of deferred income tax for Amerihome which was an unconsolidated tax subsidiary as well as state income taxes primarily from states where the Company does not have net operating loss carryforwards.

We are subject to federal income taxes as a regular (Subchapter C) corporation and file a consolidated U.S. federal income tax return for qualifying subsidiaries.

We have significant NOL carry-forwards from prior years. At December 31, 2013, we have recognized a full valuation allowance against these NOL carry-forwards in our consolidated balance sheets.

Results of Operations by Business Segment

Mortgage Lending

Condensed Statements of Operations Data

	For the year ended December 31,			
	2013	**2012**	**Increase (Decrease)**	**% Change**
Gain on sale of loans, net	$ 55,302	$ 72,719	$ (17,417)	(24)%
Servicing income, net	4,240	1,198	3,042	254
Other	6,758	(901)	7,659	850
Total revenues	66,300	73,016	(6,716)	(9)
Other income (expense)	4	(673)	677	101
Personnel expense	(53,618)	(45,080)	(8,538)	(19)
General, administrative and other	(13,787)	(8,780)	(5,007)	(57)
Net earnings before income taxes	$ (1,101)	$ 18,483	$ (19,584)	(106)%

For the year ended December 31, 2013, gain on sale of loans, net were $55.3 million or 2.17% compared to $72.7 million or 3.01% in the comparable 2012 period. The $17.4 million decrease is primarily related to a $44.2 million decrease in premiums received from the sale of mortgage loans and a $6.6 million decrease in mark-to-market gains on loans held for sale, partially offset by a $26.3 million increase in realized and unrealized gains on derivative financial instruments, a $5.8 million increase in premiums from servicing retained loan sales and a $1.3 million decrease in net direct loan origination expenses. The decrease in gain on sale of loans, net was due to tighter lending spreads and gain on sale margins associated with $2.5 billion and $2.5 billion of loans originated and sold, respectively, during the year ended December 31, 2013, as compared to $2.4 billion and $2.3 billion of loans originated and sold, respectively, during the same period in 2012.

For the year ended December 31, 2013, servicing income, net was $4.2 million compared to $1.2 million in the comparable 2012 period. The increase in servicing income, net was primarily the result of the servicing portfolio increasing 120% to an average balance of $2.2 billion for the year ended December 31, 2013 as compared to an average balance of $1.0 billion for the same period in 2012. During 2013, we retained servicing rights on $2.4 billion in loan sales. Additionally, servicing income, net increased due to a reduction in loss mitigation costs. Servicing income, net includes certain loss mitigation costs associated with the acquired servicing portfolio from the 2010 acquisition of AmeriHome for defaulted loans, foreclosures and bankruptcies.

For the year ended December 31, 2013, other revenues were $6.8 million compared to ($901) thousand in the comparable 2012 period. The increase in other revenues was the result of $6.5 million in mark-to-market gains on MSRs during 2013 as compared to mark-to-market losses of $600 thousand during the comparable 2012 period. The increase in mark-to-market adjustment on the MSRs is primarily the result of the increase in interest rates since the middle of the second quarter of 2013. Additionally, for the year ended December 31, 2013, other revenue included a $77 thousand gain on the sale of MSRs as compared to a $(226) thousand loss on the sale of MSRs during the comparable 2012 period.

For the year ended December 31, 2013 personnel expense increased to $53.6 million as compared to $45.1 million for the comparable 2012 period. The $8.5 million increase in personnel expense was primarily due to salaries and benefits cost associated with the increase in average employees to 456 during 2013 as compared to 343 in 2012. During the third and fourth quarter, we reduced operational staff in the mortgage lending segment due to a reduction in loan origination volume. Additionally, during the fourth quarter we centralized our retail originations and consolidated our lending fulfillment centers to further right size our lending platform for the current mortgage lending environment. We will continue to monitor our pipeline and staffing levels to maximize efficiencies and maintain service levels based upon origination volumes.

The $5.0 million increase in general, administrative and other expense is primarily related to occupancy, professional fees and other costs incurred attributable to the expansion of our mortgage lending platform during the year. In addition, as we strive to increase brand awareness, increase purchase transactions and maximize other mortgage lead sources, we have incurred additional marketing costs. General, administrative and other expense also includes a non-operational $700 thousand legal settlement expense recorded during the first quarter of 2013.

Real Estate Services

	For the year ended December 31,			
	2013	**2012**	**Increase (Decrease)**	**% Change**
Real estate services fees, net	$ 19,370	$ 21,218	$ (1,848)	(9)%
Other income (expense)	19	27	(8)	(30)
Personnel expense	(5,317)	(7,291)	1,974	27
General, administrative and other	(822)	(1,373)	551	40
Net earnings before income taxes	$ 13,250	$ 12,581	$ 669	5%

For the year ended December 31, 2013, real estate services fees, net were $19.4 million compared to $21.2 million in the comparable 2012 period. The $1.8 million decrease in real estate services fees, net was the result of a $840 thousand decrease in real estate services, a $649 thousand decrease in loss mitigation fees and a $360 thousand decrease in real estate and recovery fees.

For the year ended December 31, 2013, personnel expense decreased to $5.3 million as compared to $7.3 million for the comparable 2012 period. The $2.0 million decrease is primarily related to a reduction in personnel associated with the decline in loans and balance of the long-term mortgage portfolio.

Long-Term Mortgage Portfolio

	For the year ended December 31,			
	2013	2012	Increase (Decrease)	% Change
Other revenue	$ 833	$ 1,904	(1,071)	(56)%
Personnel expense	(1,014)	(799)	(215)	(27)
General, administrative and other	(699)	(581)	(118)	(20)
Total expenses	(1,713)	(1,380)	(333)	(24)
Net interest income	994	2,495	(1,501)	(60)
Change in fair value of long-term debt	(687)	1,145	(1,832)	(160)
Change in fair value of net trust assets, including trust REO losses	(3,678)	(7,891)	4,213	53
Total other income (expense)	(3,371)	(4,251)	880	21
Net loss before income taxes	$ (4,251)	$ (3,727)	$ (524)	(14)%

For the year ended December 31, 2013, other revenue totaled $833 thousand as compared to $1.9 million for the comparable 2012 period. The $1.1 million decrease is primarily due to a $1.4 million decrease in investment earnings and a $250 thousand reduction in master servicing revenue earned on the long-term mortgage portfolio. The decrease was partially offset by a $529 thousand reduction in loss on extinguishment of debt incurred during the year ended December 31, 2012.

For the year ended December 31, 2013, personnel expense was $1.0 million as compared to $799 thousand for the comparable 2012 period. The $215 thousand increase in personnel expense was primarily due to an increase in allocated personnel expenses associated with ongoing activities in the long-term mortgage portfolio.

For the year ended December 31, 2013, general, administrative and other expense increased to $699 thousand as compared to $581 thousand for the comparable 2012 period. The $118 thousand increase in general, administrative and other expense for the year ended December 31, 2013 is related to an increase in legal and professional fees associated with the long-term mortgage portfolio.

For the year ended December 31, 2013, net interest income totaled $994 thousand as compared to $2.5 million for the comparable 2012 period. Net interest income decreased $1.5 million for the year ended December 31, 2013 primarily attributable to a $2.7 million decrease in net interest spread on the long-term mortgage portfolio due to increases in pricing and the corresponding reduction in investor yield requirements between periods on securitized mortgage collateral and securitized mortgage borrowings as well as a decrease in the balance of the long-term mortgage portfolio. Partially offsetting the decrease was a $1.2 million decrease in interest expense on the note payable. In April 2013, we fully satisfied the remaining scheduled payments on the note payable and the residuals listed as collateral were returned to us.

Change in the fair value of long-term debt was a loss of $687 thousand for the year ended December 31, 2013, compared to a gain of $1.1 million for the comparable 2012 period. The increase in the estimated fair value of long-term debt was attributable to an increase in forward LIBOR interest rates.

The change in fair value related to our net trust assets, including trust REO (residual interests in securitizations) was a loss of $3.7 million for the year ended December 31, 2013, compared to a loss of $7.9 million in the comparable 2012 period. The reduction in loss from change in fair value of net trust

assets, including REO was due to changes in fair value of securitized mortgage borrowings of ($465.2) million, securitized mortgage collateral of $452.1 million, investment securities available-for-sale of $36 thousand and net derivative liabilities of $574 thousand primarily associated with updating assumptions for defaults, severities, prepayments and future increases in interest rates. Partially offsetting the loss was an $8.8 million increase in NRV of REO attributed to lower expected loss severities on properties held in the long-term mortgage portfolio during the period.

Corporate

	For the year ended December 31,			
	2013	2012	Increase (Decrease)	% Change
Other revenue	$ (20)	$ (46)	26	57%
Personnel expense	(2,934)	(3,746)	812	22
General, administrative and other	(9,883)	(9,226)	(657)	(7)
Total expenses	(12,817)	(12,972)	155	1
Interest expense	(1,104)	(31)	(1,073)	(3461)
Other	1	1	—	0
Total other income (expense)	(1,103)	(30)	(1,073)	(3,577)
Net loss before income taxes	$ (13,940)	$ (13,048)	$ (892)	(7)%

For the year ended December 31, 2013, personnel expense was $2.9 million as compared to $3.7 million for the comparable 2012 period. The $812 thousand decrease in personnel expense was primarily due to an increase in allocated personnel expenses associated with the expansion of the mortgage lending segment throughout the year.

For the year ended December 31, 2013, general, administrative and other expense increased to $9.9 million as compared to $9.2 million for the comparable 2012 period. The $657 thousand increase in general, administrative and other expense for the year ended December 31, 2013 is related to an increase in legal and professional fees and equipment expense associated with capitalized leases.

For the year ended December 31, 2013, interest expense totaled $1.1 million as compared to $31 thousand for the comparable 2012 period. Interest expense increased $1.1 million for the year ended December 31, 2013 primarily attributable to a $1.0 million in interest expense on the $20.0 million Convertible Notes issued in April 2013. The remaining interest expense is attributable to the line of credit.

Discontinued Operations

	For the year ended December 31,			
	2013	2012	Increase (Decrease)	% Change
Provision for repurchases	$ (1,312)	$ (5,713)	$ 4,401	77%
General, administrative and other	(1,725)	(9,836)	8,111	82
Net loss after income taxes	$ (3,037)	$ (15,549)	$ 12,512	80%

Provision for repurchases decreased $4.4 million to a provision of $1.3 million for the year ended December 31, 2013, compared to a provision of $5.7 million for the same period in 2012. The decrease is

the result of decreases in estimated repurchase losses during 2013 related to repurchase claims received from Fannie Mae as compared to the same period in 2012. During 2013, we paid approximately $4.0 million to settle previous repurchase claims related to our previously discontinued operations and such amount was charged against the reserve.

For the year ended December 31, 2013, general, administrative and other expense decreased to $1.7 million as compared to $9.8 million for the comparable 2012 period. The decrease of $8.1 million between periods is primarily due to a decrease in legal settlement and professional expenses. During 2013, we accrued approximately $2.8 million in legal settlements for various matters pertaining to the discontinued non-conforming mortgage operations. Offsetting the legal settlement accrual was a $3.0 million recovery from a settlement of an insurance claim associated with previous litigation settlements. The insurance recovery settlement was reached in the third quarter of 2013. During 2012, we recorded a litigation settlement expense of $6.1 million within discontinued operations as a result of the settlement agreement reached on the Gilmor and Citigroup legacy lawsuits.

Liquidity and Capital Resources

Our results of operations and liquidity are materially affected by conditions in the markets for mortgages and mortgage-related assets, as well as the broader financial markets and the general economy. Concerns over economic recession, geopolitical issues, unemployment, the availability and cost of financing, the mortgage market and real estate market conditions contribute to increased volatility and diminished expectations for the economy and markets. Volatility and uncertainty in the marketplace may make it more difficult for us to obtain financing on favorable terms or at all. Our operations and profitability may be adversely affected if we are unable to obtain cost-effective financing.

We believe that current cash balances, cash flows from our mortgage lending operations, real estate services fees generated from our long-term mortgage portfolio, and residual interest cash flows from our long-term mortgage portfolio are adequate for our current operating needs. However, we believe the mortgage and real estate services market is volatile, highly competitive and subject to increased regulation. Competition in mortgage lending comes primarily from mortgage bankers, commercial banks, credit unions and other finance companies which have offices in our market area as well as operations throughout the United States. We compete for loans principally on the basis of the interest rates and loan fees we charge, the types of loans we originate and the quality of services we provide to borrowers. Additionally, competition for loss mitigation servicing, loan modification services and other portfolio services has increased due to the difficult mortgage environment, credit tightening and an uncertain economy. Our competitors include mega mortgage servicers, established subprime loan servicers, and newer entrants to the specialty servicing and recovery collections business. Efforts to market our ability to provide mortgage and real estate services for others is more difficult than many of our competitors because we have not historically provided such services to unrelated third parties, and we are not a rated primary or special servicer of residential mortgage loans as designated by a rating agency. Additionally, performance of the long-term mortgage portfolio is subject to the current real estate market and economic conditions. Cash flows from our residual interests in securitizations are sensitive to delinquencies, defaults and credit losses associated with the securitized loans. Losses in excess of current estimates will reduce the residual interest cash receipts from our long-term mortgage portfolio.

While we continue to pay our obligations as they become due, the ability to continue to meet our current and long-term obligations is dependent upon many factors, particularly our ability to successfully operate our mortgage lending segment, real estate services segment and realizing cash flows from the long-term mortgage portfolio. Our future financial performance and success are dependent in large part upon the ability to expand our mortgage lending platform and profitability.

Sources of Liquidity

Cash flows from our mortgage lending operations. We receive loan fees from loan originations. Fee income consists of application and underwriting fees and fees on cancelled loans. These loan fees are offset by the related direct loan origination costs including broker fees related to our wholesale and correspondent channels. In addition, we generally recognize net interest income on loans held for sale from the date of origination through the date of disposition. During 2013, the borrowing rates on warehouse facilities exceeded loan note rates whereby we are experiencing net interest expense from the mortgage loans held-for-sale due to the recent interest rate environment creating a flat yield curve. We sell or securitize substantially all of the loans we originate in the secondary mortgage market, with servicing rights released or retained. Loans are sold on a whole loan basis by entering into sales transactions with third-party investors in which we receive a premium for the loan and related servicing rights, if applicable. The mortgage lending operations sold $2.5 billion of mortgages through whole loan sales and securitizations during 2013. Additionally, the mortgage lending operations enter into interest rate lock commitments (IRLCs) and utilize forward sold Fannie Mae and Ginnie Mae mortgage-backed securities (Hedging Instruments) to hedge interest rate risk. We may be subject to pair-off gains and losses associated with these hedging instruments. Since we rely significantly upon loan sales to generate cash proceeds to repay warehouse borrowings and to create credit availability, any disruption in our ability to complete sales may require us to utilize other sources of financing, which, if available at all, may be on less favorable terms. In addition, delays in the disposition of our mortgage loans increase our risk by exposing us to credit and interest rate risk for this extended period of time.

We receive servicing income net of subservicing cost and other related servicing expenses from our mortgage servicing portfolio. During 2013, we grew our mortgage servicing portfolio to $3.1 billion at December 31, 2013, as compared to $1.5 billion at December 31, 2012. The growth in our mortgage servicing portfolio contributed to an increase in servicing income, net. Additionally, we occasionally generate liquidity through the sale of mortgage servicing rights.

Fees from our mortgage and real estate service business activities. We earn fees from various mortgage and real estate business activities, including mortgage lending, loss mitigation, real estate disposition, monitoring and surveillance services and real estate brokerage. We provide services to investors, servicers and individual borrowers primarily by focusing on loss mitigation and performance of our long-term mortgage portfolio.

Cash flows from our long-term mortgage portfolio (residual interests in securitizations). We receive residual cash flows on mortgages held as securitized mortgage collateral after distributions are made to investors on securitized mortgage borrowings to the extent required credit enhancements are maintained and performance covenants are complied with for credit ratings on the securitized mortgage borrowings. These cash flows represent the difference between principal and interest payments on the underlying mortgages, affected by the following:

- servicing and master servicing fees paid;
- premiums paid to mortgage insurers;
- cash payments / receipts on derivatives;
- interest paid on securitized mortgage borrowings;
- principal payments and prepayments paid on securitized mortgage borrowings;
- overcollateralization requirements;

- actual losses, net of any gains incurred upon disposition of other real estate owned or acquired in settlement of defaulted mortgages;
- unpaid interest shortfall;
- basis risk shortfall; and
- bond write-downs reinstated.

During 2012 and continuing through April 2013, certain residuals were pledged as collateral for a note payable. Residual cash flows were used to make principal and interest payments (See further details below under *Structured Debt Agreement*.)

Additionally, we act as the master servicer for mortgages included in our CMO and REMIC securitizations. The master servicing fees we earn are generally 0.03% per annum (3 basis points) on the declining principal balances of these mortgages plus interest income on cash held in custodial accounts until remitted to investors, less any interest shortfall. However, due to the decline in interest rates, the interest income earned on cash held in custodial accounts has declined significantly.

Uses of Liquidity

Acquisition and origination of mortgage loans. During 2013, the mortgage lending operations originated or acquired $2.5 billion of mortgage loans. Capital invested in mortgages is outstanding until we sell the loans, which is one of the reasons we attempt to sell within 10-15 days of acquisition or origination. Initial capital invested in mortgage loans includes premiums paid when mortgages are acquired and originated and our capital investment, or "haircut," required upon financing, which is generally determined by the type of collateral provided and the warehouse facility terms. The mortgage lending operations acquired and originated $2.5 billion of residential mortgages, which were financed with warehouse borrowings at a haircut generally between 2% to 10% of the outstanding principal balance of the mortgage loans. The haircuts are normally recovered from sales proceeds. In addition, warehouse lenders require cash to be posted as additional collateral for the facilities. At December 31, 2013, we had $1.1 million in restricted cash posted as additional collateral.

Investment in Mortgage Servicing Rights. As part of our business plan, we invest in mortgage servicing rights through the sale of mortgage loans on a servicing retained basis. During 2013, we capitalized $21.8 million in mortgage servicing rights from selling $2.4 billion in loans with servicing retained. Partially offsetting this investment was the sale of $3.0 million in servicing rights ($401.9 million of mortgage loans) from the servicing portfolio.

Cash flows from financing facilities and other lending relationships. We primarily fund our mortgage originations through warehouse facilities with third-party lenders which are primarily with national and regional banks. During 2013, the warehouse facilities borrowing capacity amounted to $265.0 million, of which $119.6 million was outstanding at December 31, 2013. The warehouse facilities are secured by and used to fund single-family residential mortgage loans until such loans are sold. The warehouse facilities have certain covenant tests which we are required to satisfy. At December 31, 2013, we were not in compliance with a warehouse covenant and we received a waiver. In order to mitigate the liquidity risk associated with warehouse borrowings, we attempt to sell our mortgage loans within 10-15 days from acquisition or origination. In addition to the warehouse facilities, we have borrowing capacity up to $4.0 million on a Line of Credit. There was a $3.0 million outstanding balance on the Line of Credit at December 31, 2013. During 2013, we raised additional capital with the issuance of $20.0 million in Convertible Notes.

Our ability to meet liquidity requirements and the financing needs of our customers is subject to the renewal of our warehouse facilities or obtaining other sources of financing, if required, including additional debt or equity from time to time. Any decision our lenders or investors make to provide available financing to us in the future will depend upon a number of factors, including:

- our compliance with the terms of existing warehouse lines and credit arrangements, including any financial covenants;
- the ability to obtain waivers upon any noncompliance;
- our financial performance;
- industry and market trends in our various businesses;
- the general availability of, and rates applicable to, financing and investments;
- our lenders or investors resources and policies concerning loans and investments; and
- the relative attractiveness of alternative investment or lending opportunities.

Repurchase Reserve. When we sell loans through whole loan sales we are required to make normal and customary representations and warranties about the loans to the purchaser. Our whole loan sale agreements generally require us to repurchase loans if we breach a representation or warranty given to the loan purchaser. In addition, we may be required to repurchase loans as a result of borrower fraud or if a payment default occurs on a mortgage loan shortly after its sale.

Investors have requested us to repurchase loans or to indemnify them against losses on certain loans which the investors believe either do not comply with applicable representations or warranties or defaulted shortly after its purchase. The Company records an estimated reserve for these losses at the time the loan is sold, and adjusts the reserve to reflect the estimated loss. During 2013, we paid approximately $4.0 million to settle previous repurchase claims related to our discontinued operations.

Financing Activities

Structured Debt Agreement (Note Payable). In February 2012, we refinanced the existing debt with the lender and entered into a new $7.5 million structured debt agreement (Note Payable) using eight of our residual interests (net trust assets) as collateral. We received proceeds of $7.0 million, net of the aforementioned payoff of $408 thousand and transaction costs of approximately $50 thousand. In April 2013, we fully satisfied the remaining scheduled payments on the Note Payable and hence, the residuals listed as collateral and monthly cash flows from the residuals are now remitted directly to us.

Convertible Notes. In April 2013, we raised $20.0 million from the issuance of Convertible Notes. The Convertible Notes accrue interest at a rate of 7.5% per annum to be paid quarterly and mature in April 2018. Note holders may convert all or a portion of the outstanding principal amount of the Convertible Notes to shares of IMH common stock at a rate of $10.875 per share, subject to adjustment for stock splits and dividends. We have the right to force a conversion if the stock price of IMH common stock reaches $16.3125 for 20 trading days during any period of 30 consecutive trading days.

Working Capital Line of Credit (Line of Credit). In June 2013, we amended the $4.0 million working capital line of credit agreement with a national bank at an interest rate of one-month LIBOR plus 3.50% extending the expiration to June 2014. We make monthly interest payments based on the unpaid balance of the Line of Credit. Under the terms of the agreement we are required to maintain various financial and other covenants. There was a $3.0 million outstanding balance on the working capital line

of credit as of December 31, 2013, and we were not in compliance with a covenant and received a waiver, which will remain effective until the end of 2013. We expect to renew the Line of Credit upon maturity.

Long-term Debt (Trust Preferred Securities and Junior Subordinated Notes). Trust Preferred Securities had an outstanding principal balance of $8.5 million at December 31, 2013 with a stated maturity of July 30, 2035. The Trust Preferred Securities require quarterly distributions initially at a fixed rate of 2.00% per annum through December 2013 with increases of 1.00% per year through 2017. Starting in 2018, the interest rates become variable at 3-month LIBOR plus 3.75% per annum. At December 31, 2013, the interest rate was 3.99%. The Junior Subordinated Notes are redeemable at par at any time after July 30, 2010 and requires quarterly distributions at a variable rate of three-month LIBOR plus 3.75% per annum. The Junior Subordinated Notes had an outstanding principal balance of $62.0 million at December 31, 2013 with a stated maturity of March 2034. We are current on all interest payments. At December 31, 2013, Long-term Debt had an estimated fair value of $15.9 million and is reflected on our consolidated balance sheets as long-term debt.

Operating activities. Net cash provided by operating activities was $174.5 million for 2013 as compared to $174.5 million for 2012. During 2013 and 2012, the primary sources of cash in operating activities were cash received from fees generated by our mortgage and real estate service business activities, cash received from mortgage lending and excess cash flows from our residual interests in securitizations offset by operating expenses.

Investing activities. Net cash provided by investing activities was $787.1 million for 2013 as compared to $743.8 million for 2012. For 2013 and 2012, the primary source of cash from investing activities was provided by principal repayments on our securitized mortgage collateral, proceeds from the liquidation of REO and the sale of mortgage servicing rights.

Financing activities. Net cash used in financing activities was $964.5 million for 2013 as compared to $913.2 million for 2012. For 2013 and 2012, net cash used in financing activities was primarily for principal repayments on securitized mortgage borrowings, repayments of the line of credit and principal repayments of notes payable, partially offset by net borrowings under warehouse agreements, borrowings under the line of credit and issuance of the Convertible Notes and Note Payable.

Inflation. The consolidated financial statements and corresponding notes to the consolidated financial statements have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. For the years ended December 31, 2013 and 2012, inflation had no significant impact on our revenues or net income. Unlike industrial companies, nearly all of our assets and liabilities are monetary in nature. As a result, interest rates have a greater effect on our performance than do the effects of general levels of inflation. Inflation affects our operations primarily through its effect on interest rates, since interest rates normally increase during periods of high inflation and decrease during periods of low inflation.

Off Balance Sheet Arrangements

When we sell or broker loans through whole-loan sales, we are required to make normal and customary representations and warranties to the loan originators or purchasers, including guarantees against early payment defaults typically 90 days, and fraudulent misrepresentations by the borrowers. Our agreements generally require us to repurchase loans if we breach a representation or warranty given to the loan purchaser. In addition, we may be required to repurchase loans as a result of borrower fraud or if a payment default occurs on a mortgage loan shortly after its sale. Because the loans are no longer on our balance sheet, the representations and warranties are considered a guarantee. During 2013, we

sold $2.5 billion and brokered $55.9 million of loans subject to representations and warranties compared to $2.3 billion and $65.5 million in 2012. At December 31, 2013, we maintained a $4.0 million reserve related to the sale of mortgage loans beginning in 2010 associated with our current mortgage lending operations as compared to a reserve of $2.4 million as December 31, 2012. Additionally, the repurchase reserve within discontinued operations was $5.5 million at December 31, 2013, as compared to $8.2 million at December 31, 2012. During 2013, we paid $4.0 million to settle repurchase demands on loans previously sold to third parties as compared to $2.8 million to settle or repurchase loans during 2012.

See disclosures in the notes to the consolidated financial statements under "Commitments and Contingencies" for other arrangements that qualify as off balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 is incorporated by reference to Impac Mortgage Holdings, Inc.'s Consolidated Financial Statements and Independent Auditors' Report beginning at page F-1 of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, with the participation of its chief executive officer (CEO) and its chief financial officer (CFO), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2013. Based on that evaluation, the Company's chief executive officer and chief financial officer concluded that, as of that date, the Company's disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Section 13a-15(f) of the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, the Company's CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for reporting purposes in conformity with U.S. generally accepted accounting principles and include those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

As of December 31, 2013, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the criteria established by COSO, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2013.

Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of

controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by improper management override of the controls. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, there is a risk that material misstatements due to error or fraud may occur and will not be detected on a timely basis.

Squar, Milner, Peterson, Miranda & Williamson, LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Company's internal control over financial reporting, a copy of which is included herein.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2013, there were no changes in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Impac Mortgage Holdings, Inc.

We have audited Impac Mortgage Holdings, Inc.'s (the Company) internal control over financial reporting as of December 31, 2013 based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Impac Mortgage Holdings, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Impac Mortgage Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Impac Mortgage Holdings, Inc. and subsidiaries as of December 31, 2013 and 2012 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended, and our report dated March 20, 2014 expressed an unqualified opinion on these financial statements.

/s/ SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

Newport Beach, California
March 20, 2014

ITEM 9B. OTHER INFORMATION

Sale of AmeriHome Mortgage Corporation

On December 3, 2013, Excel and IRES entered into an Equity Purchase Agreement whereby they agreed to sell all of the capital stock of AmeriHome Mortgage Corporation. The transaction was consummated on March 13, 2014 for aggregate consideration of $10.2 million. This information is included herewith for the purpose of providing the disclosure required under "Item 1.01—Entry into a Material Definitive Agreement" of Form 8-K.

Employment Agreements with Todd R. Taylor and Ron Morrison

On February 25, and March 11, 2014, the Company entered into employment agreements with Todd Taylor, Chief Financial Officer, and Ron Morrison, Executive Vice President and General Counsel, respectively. Each employment agreement is effective January 1, 2014 and continues through December 31, 2014, unless terminated earlier, and may be extended by mutual written consent.

Base Salary, Annual Bonus, and Other Compensation. The base salary for Mr. Taylor and Mr. Morrison is $360,000 and $390,000 per year, respectively. Each are eligible to receive a bonus of up to 65%, in the case of Mr. Taylor, and up to 50%, in the case of Mr. Morrison, of their respective base salary if mutually agreed management objectives are achieved (the "Incentive Bonus"). The Incentive Bonus will be paid quarterly within 30 days of each calendar year quarter end. Each officer (a) may elect to defer any portion of his base salary, bonuses, or incentive compensation into an approved Company-sponsored deferred compensation plan, (b) is eligible to receive stock options, paid vacation, an automobile allowance of $500 per month, and to be reimbursed for reasonable and necessary business and entertainment expenses, (c) may participate in the Company's health and other benefit plans, and (d) may receive other benefits at the discretion of the Board of Directors.

Each officer is prohibited, without approval from the Board of Directors, from receiving compensation, directly or indirectly, from any company with whom the Company or any of its affiliates has any financial, business, or affiliated relationship. Any amounts paid under the employment agreements are subject to any claw back policy that the Company is required to adopt pursuant to listing standards of any national securities exchange or as otherwise required under applicable law.

Severance Compensation. If either officer's employment is terminated (a) by the Company for cause, (b) voluntarily by the officer, (c) as a result of death, (d) by mutual agreement of the parties, or (e) because the officer is declared legally incompetent or he has a mental or physical condition that can reasonably be expected to prevent him from carrying out his essential duties for more than six months, then such officer will be entitled to receive the following:

(i) base salary earned through the termination date;

(ii) Incentive Bonus through the last consolidated quarter;

(iii) any expense reimbursements due and owing for reasonable and necessary business and entertainment expenses; and

(iv) the dollar value of accrued and unused paid time off.

If either officer is terminated (a) without cause or (b) resigns with good reason, in addition to the foregoing compensation, such officer will receive the following severance payments:

(i) additional payments of (A) the lesser of 12 months of base salary or the balance through the contract term, and (B) six months of base salary paid over the six-month period from the termination date, in each case to be paid after the officer executes a waiver and release agreement within 52 days of the termination date;

(ii) 100% of the unpaid portion of earned Incentive Bonus and the prorated Incentive Bonus for the current calendar year quarter as of and paid on the termination date; and

(iii) health insurance benefits for 12 months following the termination date.

Each officer has agreed that if he is terminated without cause or resigns for good reason, he will not compete with the Company during the 12 months after termination or the balance of the employment contract term, if shorter, provided that the agreement not to compete will be waived if the officer foregoes the severance compensation.

Termination with cause, which will be determined only by an affirmative majority vote of the Board of Directors (not including the officer if he is a director), includes (a) conviction of, or entry of plea of nolo contendere to a crime of dishonesty or a felony leading to incarceration of more than 90 days or a penalty or fine of $100,000 or more, (b) material and substantial failure by such officer to perform his duties after notice (and given a reasonable time to correct any failures, if possible), (c) willful misconduct or gross negligence that causes material harm, or (d) material breach of the terms of the employment agreement or any other obligation.

Good reason includes (a) material changes to such officer's duties without his prior written consent, (b) relocation, without his prior written consent, of the place of principal performance of his responsibilities and duties to a location more than 65 miles away, (c) a material breach by the Company of the terms of the employment agreement, including a material reduction in base salary, without such officer's consent, or (d) failure by the Company to obtain from any acquirer of the Company an agreement to assume the employment agreement prior to an acquisition. Each officer may terminate his employment for good reason upon providing the Company at least 90 days prior written notice and the Company has a reasonable time to cure any event constituting good reason.

Change of Control. The employment agreements will not be terminated by merger, an acquisition by another entity, or by transferring of all or substantially all of the Company's assets. In the event of any such change of control, the surviving entity or transferee would be bound by the employment

Waiver by Joseph Tomkinson

On March 17, 2014, Joseph Tomkinson, the Company's CEO, agreed to waive $150,000 of his annual incentive bonus earned pursuant to the terms of his employment agreement during the year ended December 31, 2012. The total annual incentive bonus for 2012 earned by Mr. Tomkinson was $1,007,500, which has been deferred for an indeterminate period of time. Based on the waiver, the amount due to Mr. Tomkinson for his 2012 annual incentive bonus is now $857,500.

The information above is include herewith for the purpose of providing disclosure required under subsection (e) of "Item 5.02—Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers" of Form 8-K.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item 10 is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 including Equity Compensation Plan Information is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(3) Exhibits

The exhibits listed on the accompanying Exhibit Index are incorporated by reference into this Item 15 of this Annual Report on Form 10-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Irvine, State of California, on the 20th day of March 2014.

IMPAC MORTGAGE HOLDINGS, INC.

by /s/ JOSEPH R. TOMKINSON

Joseph R. Tomkinson
Chairman of the Board
and Chief Executive Officer

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

Signature	Title	Date
/s/ JOSEPH R. TOMKINSON Joseph R. Tomkinson	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 20, 2014
/s/ WILLIAM S. ASHMORE William S. Ashmore	President and Director	March 20, 2014
/s/ TODD R. TAYLOR Todd R. Taylor	Chief Financial Officer (Principal Financial and Accounting Officer)	March 20, 2014
/s/ JAMES WALSH James Walsh	Director	March 20, 2014
/s/ FRANK P. FILIPPS Frank P. Filipps	Director	March 20, 2014
/s/ STEPHAN R. PEERS Stephan R. Peers	Director	March 20, 2014
/s/ LEIGH J. ABRAMS Leigh J. Abrams	Director	March 20, 2014

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Exhibit Index

Exhibit Number	Description
2.1	Equity Purchase Agreement dated December 3, 2013 among Aris Mortgage Holding Company, LLC, Excel Mortgage Servicing, Inc. and Integrated Real Estate Service Corporation.
3.1	Charter of the Registrant (incorporated by reference to the corresponding exhibit number to the Registrant's Registration Statement on Form S-11, as amended (File No. 33-96670), filed with the Securities and Exchange Commission on November 8, 1995).
3.1(a)	Certificate of Correction of the Registrant (incorporated by reference to exhibit 3.1(a) of the Registrant's 10-K for the year-ended December 31, 1998).
3.1(b)	Articles of Amendment of the Registrant (incorporated by reference to exhibit 3.1(b) of the Registrant's 10-K for the year-ended December 31, 1998).
3.1(c)	Articles of Amendment for change of name to Charter of the Registrant (incorporated by reference to exhibit number 3.1(a) of the Registrant's Current Report on Form 8-K/A Amendment No. 1, filed February 12, 1998).
3.1(d)	Articles of Amendment, filed with the State Department of Assessments and Taxation of Maryland on July 16, 2002, increasing authorized shares of Common Stock of the Registrant (incorporated by reference to exhibit 10 of the Registrant's Form 8-A/A, Amendment No. 2, filed July 30, 2002).
3.1(e)	Articles of Amendment, filed with the State Department of Assessments and Taxation of Maryland on June 22, 2004, amending and restating Article VII of the Registrant's Charter (incorporated by reference to exhibit 7 of the Registrant's Form 8-A/A, Amendment No. 1, filed June 30, 2004).
3.1(f)	Articles Supplementary designating the Company's 9.375 percent Series B Cumulative Redeemable Preferred Stock, liquidation preference $25.00 per share, par value $0.01 per share, filed with the State Department of Assessments and Taxation of Maryland on May 26, 2004 (incorporated by reference to exhibit 3.8 of the Registrant's Form 8-A/A, Amendment No. 1, filed June 30, 2004).
3.1(g)	Articles Supplementary designating the Company's 9.125 percent Series C Cumulative Redeemable Preferred Stock, liquidation preference $25.00 per share, par value $0.01 per share, filed with the State Department of Assessments and Taxation of Maryland on November 18, 2004 (incorporated by reference to exhibit 3.10 of the Registrant's Form 8-A filed November 19, 2004).
3.1(h)	Articles of Amendment of the Company, effective as of December 30, 2008, effecting 1-for-10 reverse stock split (incorporated by reference to exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 30, 2008).
3.1(i)	Articles of Amendment of the Company, effective as of December 30, 2008, amending par value (incorporated by reference to exhibit 3.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 30, 2008).

Exhibit Number	Description
3.1(j)	Articles of Amendment of Series B Preferred Stock (incorporated by reference to exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 30, 2009).
3.1(k)	Articles of Amendment of Series C Preferred Stock (incorporated by reference to exhibit 3.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 30, 2009).
3.1(l)	Articles Supplementary of Series A-1 Junior Participating Preferred Stock (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 4, 2013).
3.2	Bylaws, as amended and restated (incorporated by reference to the corresponding exhibit number of the Registrant's Quarterly Report on Form 10-Q for the period ending March 31, 1998).
3.2(a)	Amendment to Bylaws (incorporated by reference to exhibit 3.2(a) of the Registrant's Registration Statement of Form S-3 (File No. 333-111517) filed with the Securities and Exchange Commission on December 23, 2003).
3.2(b)	Second Amendment to Bylaws (incorporated by reference to Exhibit 3.2(b) of the Registrant's Form 8-K, filed with the Securities and Exchange Commission on April 1, 2005).
3.2(c)	Third Amendment to Bylaws of the Company (incorporated by reference to Exhibit 3.2(c) of the Registrant's Form 8-K, filed with the Securities and Exchange Commission on March 29, 2006).
3.2(d)	Fourth Amendment to Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Registrant's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on December 20, 2007).
3.2(e)	Fifth Amendment to Bylaws of the Company (incorporated by reference to Exhibit 3.2(e) of the Registrant's Form 8-K, filed with the Securities and Exchange Commission on February 13, 2008).
3.2(f)	Amendment No. 6 to Bylaws of the Company (incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 5, 2008).
4.1	Form of Stock Certificate of the Company (incorporated by reference to the corresponding exhibit number to the Registrant's Registration Statement on Form S-11, as amended (File No. 33-96670), filed with the Securities and Exchange Commission on September 7, 1995).
4.2	Indenture between Impac Mortgage Holdings, Inc. and Wilmington Trust Company, as trustee, dated October 18, 2005 (incorporated by reference to Exhibit 4.8 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005).
4.2(a)	First Supplemental Indenture dated as of July 14, 2009 between Wilmington Trust Company and Impac Mortgage Holdings, Inc. to Indenture dated October 18, 2005 (incorporated by reference to Exhibit 4.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).

Exhibit Number	Description
4.3	Junior Subordinated Indenture dated May 8, 2009 between Impac Mortgage Holdings, Inc. and The Bank of New York Mellon Trust Company, National Association, as trustee, related to Junior Subordinated Note due 2034 in the principal amount of $30,244,000 (incorporated by reference to exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
4.4	Junior Subordinated Indenture dated May 8, 2009 between Impac Mortgage Holdings, Inc. and The Bank of New York Mellon Trust Company, National Association, as trustee, related to Junior Subordinated Note due 2034 in the principal amount of $31,756,000 (incorporated by reference to exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
4.5	Tax Benefits Preservation Rights Agreement, dated as of September 3, 2013, by and between Impac Mortgage Holdings, Inc. and American Stock Transfer & Trust Company, LLC, as rights agent (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 4, 2013).
4.5(a)	First Amendment to Tax Benefits Preservation Rights Agreement, dated as of September 24, 2013, by and between Impac Mortgage Holdings, Inc. and American Stock Transfer & Trust Company, LLC, as rights agent (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2013).
10.1(a)	Form of 2002 Indemnification Agreement between the Registrant and its Directors and Officers (incorporated by reference to exhibit 10.1(a) of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2004).
10.1(b)	Schedule of each officer and director that is a party to an Indemnification Agreement (incorporated by reference to exhibit 10.2(b) of the Registrant's Annual Report on Form 10-K for the year-ended December 31, 2007).
10.2	Form of Loan Purchase and Administrative Services Agreement between the Registrant and Impac Funding Corporation (incorporated by reference to exhibit 10.9 to the Registrant's Registration Statement on Form S-11, as amended (File No. 33-96670), filed with the Securities and Exchange Commission on September 7,1995).
10.3	Servicing Agreement effective November 11, 1995 between the Registrant and Impac Funding Corporation (incorporated by reference to exhibit 10.14 to the Registrant's Registration Statement on Form S-11, as amended (File No. 333-04011), filed with the Securities and Exchange Commission on May 17, 1996).
10.4	Lease dated March 4, 2005 regarding 19500 Jamboree Road, Newport Beach California (incorporated by reference to exhibit 10.8 of the Registrant's Annual Report on Form 10-K for the year-ended December 31, 2004).
10.5*	Impac Mortgage Holdings, Inc. Omnibus Incentive Plan (as amended) (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2013)..
10.5(a)*	Form of Stock Option Agreement for 2010 Omnibus Incentive Plan (incorporated by reference to exhibit 99.6 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on September 10, 2010).

Exhibit Number	Description
10.5(b)*	Form of Restricted Stock Agreement for 2010 Omnibus Incentive Plan (incorporated by reference to exhibit 99.7 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on September 10, 2010).
10.5(c)*	Form of Stock Option Agreement for 2001 Stock Option, Deferred Stock and Restricted Stock Plan (incorporated by reference to exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2004).
10.6*	Non-Employee Director Deferred Stock Unit Award Program (incorporated by reference to Exhibit 10.6 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010).
10.6(a)*	Form of Notice of Grant Under Non-Employee Director Deferred Stock Unit Award Program (incorporated by reference to Exhibit 10.6(a) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010).
10.7*	Employment Agreement effective as of January 1, 2013 between Impac Mortgage Holdings, Inc. and Joseph Tomkinson (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2013).
10.7(a)*	First amendment to Employment Contract dated as of March 17, 2014 between Joseph Tomkinson and Impac Mortgage Holdings, Inc.
10.8*	Employment Agreement effective as of January 1, 2013 between Impac Mortgage Holdings, Inc. and William Ashmore (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2013).
10.9*	Employment Agreement effective as of January 1, 2014 between Impac Mortgage Holdings, Inc. and Todd Taylor.
10.10*	Employment Agreement effective as of January 1, 2014 between Impac Mortgage Holdings, Inc and Ron Morrison.
10.11	Amended and Restated Declaration of Trust among Impac Mortgage Holdings, Inc., Wilmington Trust Company, as Delaware and Institutional Trustee, and the Administrative Trustees named therein, dated October 18, 2005 (incorporated by reference to Exhibit 10.29 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005).
10.11(a)	Amendment No. 1 dated as of July 14, 2009 among Wilmington Trust Company, Impac Mortgage Holdings, Inc. and holders of Capital Securities to Amended and Restated Declaration of Trust dated October 18, 2005 (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
10.12	Exchange Agreement dated May 8, 2009 between Impac Mortgage Holdings, Inc., Taberna Preferred Funding I, Ltd., and Taberna Preferred Funding II, Ltd. (incorporated by reference to exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
10.13	Master Repurchase Agreement dated as of December 3, 2010 between New Century Bank (d/b/a Customers Bank), Excel Mortgage Servicing and AmeriHome Mortgage Corporation. (incorporated by reference to Exhibit 10.15 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010).

Exhibit Number	Description
10.13(a)	Guaranty and Suretyship Agreement dated as of December 3, 2010 made by the Registrant. (incorporated by reference to Exhibit 10.15(a) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010).
10.13(b)	Guaranty and Suretyship Agreement dated as of December 3, 2010 made by Integrated Real Estate Service Corp. (incorporated by reference to Exhibit 10.15(b) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010).
10.13(c)	First Amendment dated April 4, 2011 to Master Repurchase Agreement with New Century Bank (d/b/a Customers Bank) (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the period June 30, 2011).
10.13(d)	Second Amendment dated June 30, 2011 to Master Repurchase Agreement with Customers Bank (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the period June 30, 2011).
10.13(e)	Third Amendment dated April 13, 2012 to Master Repurchase Agreement with Customers Bank (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the period June 30, 2012).
10.13(f)	Fourth Amendment dated June 29, 2012 to Master Repurchase Agreement with Customers Bank (incorporated by reference to Exhibit 10.5 of the Registrant's Quarterly Report on Form 10-Q for the period June 30, 2012).
10.13(g)	Fifth Amendment dated October 26, 2012 to Master Repurchase Agreement with Customers Bank (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the period March 31, 2013).
10.13(h)	Sixth Amendment dated February 8, 2013 to Master Repurchase Agreement with Customers Bank (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the period March 31, 2013).
10.13(i)	Seventh Amendment dated June 21, 2013 to Master Repurchase Agreement with Customers Bank (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the period June 30, 2013).
10.14	Master Repurchase Agreement between Excel Mortgage Servicing, Inc. and Alliance Bank of Arizona dated March 30, 2011(incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the year period March 31, 2011).
10.14(a)	Amendment dated September 22, 2011 to Master Repurchase Agreement with Alliance Bank (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the year period September 30, 2011).
10.14(b)	Amendment dated August 20, 2012 to Master Repurchase Agreement with Alliance Bank (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2012).
10.14(c)	Amendment dated May 28, 2013 to Master Repurchase Agreement with Alliance Bank (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2013).
10.14(d)	Amendment dated September 30, 2013 to Master Repurchase Agreement with Alliance Bank (incorporated by reference to Exhibit 10.5 of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2013).

Exhibit Number	Description
10.15	Line of Credit Agreement dated April 1, 2011 among Excel Mortgage Servicing, Inc. and Wells Fargo (incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the year period June 30, 2011).
10.15(a)	First Modification to Promissory Note and First Modification Credit Agreement, each dated November 7, 2011, between Excel Mortgage Servicing, Inc. and Wells Fargo Bank (incorporated by reference to Exhibit 10.17(a) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011).
10.15(b)	Third Amendment dated April 1, 2012 to Line of Credit Agreement with Wells Fargo and Revolving Credit Note dated April 1, 2012 (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2012).
10.15(c)	Extension Letter to Line of Credit Agreement dated April 1, 2013 with Wells Fargo Bank (incorporated by reference to Exhibit 10.8 of the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2013).
10.15(d)	Fourth Amendment dated June 1, 2013 to Line of Credit Agreement with Wells Fargo Bank (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2013).
10.16	Master Repurchase Agreement dated as of August 31, 2011 between MetLife Bank, Excel Mortgage Servicing and AmeriHome Mortgage Corporation (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2011).
10.16(a)	First Amendment dated May 1, 2012 to Master Repurchase Agreement with Ever Bank (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2012).
10.16(b)	Second Amendment dated June 21, 2012 to Master Repurchase Agreement with EverBank (incorporated by reference to Exhibit 10.16(b) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012).
10.16(c)	Third Amendment dated August 28, 2012 to Master Repurchase Agreement with EverBank (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2012).
10.16(d)	Fourth Amendment dated November 26, 2012 to Master Repurchase Agreement with EverBank (incorporated by reference to Exhibit 10.6 of the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2013).
10.16(e)	Fifth Amendment dated March 28, 2013 to Master Repurchase Agreement with EverBank (incorporated by reference to Exhibit 10.7 of the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2013).
10.16(f)	Sixth Amendment dated June 18, 2013 to Master Repurchase Agreement and Pricing Letter with EverBank (incorporated by reference to Exhibit 10.6 of the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2013).
10.16(g)	Seventh Amendment dated September 26, 2013 to Master Repurchase Agreement with EverBank (incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2013).

Exhibit Number	Description
10.17	Master Repurchase Agreement and Side Letter each dated as of September 21, 2012 between Credit Suisse, and Excel Mortgage Servicing, and Integrated Real Estate Service Corp and Impac Mortgage Holdings, Inc. as guarantors (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2012).
10.17(a)	Amendment No. 1 to Master Repurchase Agreement dated February 21, 2013 between Credit Suisse First Boston Mortgage Capital LLC, and Excel Mortgage Servicing, and Integrated Real Estate Service Corp and Impac Mortgage Holdings, Inc. as guarantors (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2013).
10.17(b)	Amendment No. 1 to Pricing Side Letter dated November 19, 2012 between Credit Suisse First Boston Mortgage Capital LLC, and Excel Mortgage Servicing, and Integrated Real Estate Service Corp and Impac Mortgage Holdings, Inc. as guarantors (incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2013).
10.17(c)	Amendment No. 2 to Pricing Side Letter dated February 21, 2013 between Credit Suisse First Boston Mortgage Capital LLC, and Excel Mortgage Servicing, and Integrated Real Estate Service Corp and Impac Mortgage Holdings, Inc. as guarantors (incorporated by reference to Exhibit 10.5 of the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2013).
10.17(d)	Amendment No. 2 to Master Repurchase Agreement dated May 2, 2013 between Credit Suisse First Boston Mortgage Capital LLC, and Excel Mortgage Servicing, Inc. and Integrated Real Estate Service Corp and Impac Mortgage Holdings, Inc. as guarantors.
10.17(e)	Amendment No. 3 to Pricing Side Letter dated May 2, 2013 with Credit Suisse First Boston Mortgage Capital LLC.
10.17(f)	Amendment No. 4 to Pricing Side Letter dated June 7, 2013 with Credit Suisse First Boston Mortgage Capital LLC.
10.17(g)	Amendment No. 3 to Master Repurchase Agreement dated September 18, 2013 between Credit Suisse First Boston Mortgage Capital LLC, and Excel Mortgage Servicing, and Integrated Real Estate Service Corp and Impac Mortgage Holdings, Inc. as guarantors (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2013).
10.17(h)	Amendment No. 5 dated September 17, 2013 to Pricing Side Letter to Mortgage Repurchase Agreement with Credit Suisse First Boston Mortgage Capital LLC (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2013).
10.17(i)	Amendment No. 6 dated September 18, 2013 to Pricing Side Letter to Mortgage Repurchase Agreement with Credit Suisse First Boston Mortgage Capital LLC (incorporated by reference to Exhibit 10.3(a) of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2013).
10.17(j)	Master Repurchase Agreement (Repledge Facility) dated September 18, 2013 between Excel Mortgage Servicing, Inc. and Credit Suisse First Boston Mortgage Capital LLC (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2013).

Exhibit Number	Description
10.17(k)	Pricing Side Letter to Mortgage Repurchase Agreement (Repledge Facility) dated September 18, 2013 (incorporated by reference to Exhibit 10.1(a) of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2013).
10.18	Note Purchase Agreement dated as of April 29, 2013 by and among Impac Mortgage Holdings, Inc. and the Purchasers (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 30, 2013).
10.18(a)	Form of Convertible Promissory Note Due 2018 (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 30, 2013).
10.19	Registration Rights Agreement dated as of April 29, 2013 by and among Impac Mortgage Holdings, Inc. and the Purchasers (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 30, 2013).
21.1	Subsidiaries of the Registrant
23.1	Consent of Squar, Milner, Peterson, Miranda & Williamson, LLP
31.1	Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101**	The following financial information from our Annual Report on Form 10-K for the year ended December 31, 2013, formatted in XBRL (Extensible Business Reporting Language): (1) the Condensed Consolidated Balance Sheets, (2) the Condensed Consolidated Statements of Operations, (3) the Condensed Consolidated Statements of Stockholders' Equity, (4) the Condensed Consolidated Statements of Cash Flows, and (5) Notes to Consolidated Financial Statements, tagged as blocks of text.

* Denotes a management or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 601 of Regulation S-K

** This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

NOTE: Filings on Form 10-K, 10-Q and 8-K are under SEC File No. 001-14100.

CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Impac Mortgage Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Impac Mortgage Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Impac Mortgage Holdings, Inc. and subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 20, 2014, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

Newport Beach, California
March 20, 2014

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 9,969	$ 12,711
Restricted cash	1,467	3,230
Mortgage loans held-for-sale	129,191	118,786
Mortgage servicing rights	35,981	10,703
Securitized mortgage trust assets	5,513,166	5,810,506
Assets of discontinued operations	2,277	52
Other assets	26,274	30,600
Total assets	$ 5,718,325	$ 5,986,588
LIABILITIES		
Warehouse borrowings	$ 119,634	$ 107,604
Notes payable	—	3,451
Convertible notes	20,000	—
Long-term debt	15,871	12,731
Securitized mortgage trust liabilities	5,502,585	5,794,656
Liabilities of discontinued operations	12,883	18,808
Other liabilities	21,481	19,495
Total liabilities	5,692,454	5,956,745
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Series A-1 junior participating preferred stock, $0.01 par value; 2,500,000 shares authorized; none issued or outstanding	—	—
Series B 9.375% redeemable preferred stock, $0.01 par value; liquidation value $16,640; 2,000,000 shares authorized, 665,592 noncumulative shares issued and outstanding as of December 31, 2013 and December 31, 2012, respectively	7	7
Series C 9.125% redeemable preferred stock, $0.01 par value; liquidation value $35,127; 5,500,000 shares authorized; 1,405,086 noncumulative shares issued and outstanding as of December 31, 2013 and December 31, 2012, respectively	14	14
Common stock, $0.01 par value; 200,000,000 shares authorized; 8,988,910 and 8,474,017 shares issued and outstanding as of December 31, 2013 and December 31, 2012, respectively	90	85
Additional paid-in capital	1,084,173	1,079,083
Net accumulated deficit:	—	
Cumulative dividends declared	(822,520)	(822,520)
Retained deficit	(235,893)	(227,709)
Net accumulated deficit	(1,058,413)	(1,050,229)
Total Impac Mortgage Holdings, Inc. stockholders' equity	25,871	28,960
Noncontrolling interest	—	883
Total stockholders' equity	25,871	29,843
Total liabilities and stockholders' equity	$ 5,718,325	$ 5,986,588

See accompanying notes to consolidated financial statements.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	For the year ended December 31, 2013	2012
Revenues:		
Gain on sale of loans, net	$ 55,302	$ 72,719
Real estate services fees, net	19,370	21,218
Servicing income, net	4,240	1,198
Other	7,571	957
Total revenues	86,483	96,092
Expenses:		
Personnel expense	62,883	56,916
General, administrative and other	14,805	11,498
Occupancy expense	6,432	5,674
Legal and professional expense	3,954	2,788
Total expenses	88,074	76,876
Other income (expense):		
Interest income	310,391	478,647
Interest expense	(310,477)	(476,828)
Change in fair value of long-term debt	(687)	1,145
Change in fair value of net trust assets, including trust REO gains (losses)	(3,678)	(7,891)
Total other expense	(4,451)	(4,927)
(Loss) earnings from continuing operations before income taxes	(6,042)	14,289
Income tax (benefit) expense from continuing operations	(1,031)	1,244
Net (loss) earnings from continuing operations	(5,011)	13,045
Loss from discontinued operations, net of tax	(3,037)	(15,549)
Net loss	(8,048)	(2,504)
Net earnings attributable to noncontrolling interest	(136)	(871)
Net loss attributable to common stockholders	$ (8,184)	$ (3,375)
Earnings (loss) per common share—basic and diluted:		
(Loss) earnings from continuing operations attributable to IMH	$ (0.59)	$ 1.54
Loss from discontinued operations	(0.35)	(1.96)
Net loss per share available to common stockholders	$ (0.94)	$ (0.42)

See accompanying notes to consolidated financial statements

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except share amounts)

	Preferred Shares Outstanding	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Cumulative Dividends Declared	Retained Deficit	Total IMH Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
Balance, December 31, 2011	2,070,678	$ 21	7,814,946	$ 78	$1,076,723	$ (822,520)	$(224,334)	$ 29,968	$ 1,129	$ 31,097
										-
Proceeds and tax benefit from exercise of stock options	-	-	659,071	7	1,234	-	-	1,241	-	1,241
Stock based compensation	-	-	-	-	449	-	-	449	-	449
Settlement from noncontrolling interest	-	-	-	-	677	-	-	677	(1,117)	(440)
Net earnings (loss)	-	-	-	-	-	-	(3,375)	(3,375)	871	(2,504)
Balance, December 31, 2012	2,070,678	21	8,474,017	85	1,079,083	(822,520)	(227,709)	28,960	883	29,843
Proceeds and tax benefit from exercise of stock options	-	-	121,576	1	174	-	-	175	-	175
Stock based compensation	-	-	-		1,971	-	-	1,971	-	1,971
Settlement from noncontrolling interest	-	-	108,375	1	188	-	-	189	(1,019)	(830)
Legal Settlements	-	-	284,942	3	2,757	-		2,760	-	2,760
Net earnings (loss)	-	-	-	-	-	-	(8,184)	(8,184)	136	(8,048)
Balance, December 31, 2013	2,070,678	$ 21	8,988,910	$ 90	$1,084,173	$ (822,520)	$(235,893)	$ 25,871	$ -	$ 25,871

See accompanying notes to consolidated financial statements

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the year ended December 31, 2013	For the year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (8,048)	$ (2,504)
Change in fair value of mortgage servicing rights	(6,490)	600
Gain on sale of loans	(61,743)	(67,565)
Change in fair value of mortgage loans held-for-sale	2,895	(3,709)
Change in fair value of derivatives lending, net	1,797	(3,234)
Provision for repurchases	1,750	1,789
Origination of mortgage loans held-for-sale	(2,493,884)	(2,358,123)
Sale and principal reduction on mortgage loans held-for-sale	2,520,551	2,356,367
(Gains) losses from REO	(8,816)	13,226
Extinguishment of debt	-	423
Change in fair value of net trust assets, excluding REO	6,250	(15,803)
Change in fair value of long-term debt	687	(1,145)
Accretion of interest income and expense	215,653	260,470
Change in REO impairment reserve	4,906	(23,538)
Amortization of debt issuance costs and discount on note payable	30	89
Stock-based compensation	1,971	449
Net change in restricted cash	1,763	1,789
Net cash (used in) provided by operating activities of discontinued operations	(8,194)	9,120
Net change in other assets and liabilities	3,468	5,812
Net cash provided by operating activities	174,546	174,513
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in securitized mortgage collateral	739,154	640,610
Proceeds from the sale of mortgage servicing rights	2,988	8,800
Net change in mortgages held-for-investment	(55)	-
Purchase of premises and equipment	(362)	(252)
Net principal change on investment securities available-for-sale	72	182
Acquisition of noncontrolling interest	(350)	-
Proceeds from the sale of real estate owned	45,703	94,455
Net cash provided by investing activities	787,150	743,795
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of warehouse borrowings	(2,364,679)	(2,214,920)
Borrowings under warehouse agreement	2,376,709	2,263,798
Repayment of line of credit	(13,500)	(24,500)
Borrowings under line of credit	16,500	20,500
Repayment of securitized mortgage borrowings	(995,200)	(956,622)
Issuance of Convertible Notes	20,000	-
Issuance of note payable	-	7,500
Principal payments on notes payable	(3,451)	(9,943)
Principal payments on capital lease	(769)	(272)
Capitalized debt issuance costs	(267)	-
Proceeds from exercise of stock options	175	1,241
Net cash used in financing activities	(964,482)	(913,218)
Net change in cash and cash equivalents	(2,786)	5,090
Cash and cash equivalents at beginning of year	12,755	7,665
Cash and cash equivalents at end of period – continuing operations	9,969	12,711
Cash and cash equivalents at end of period – discontinued operations	-	44
Cash and cash equivalents at end of period	$ 9,969	$ 12,755

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS -(continued)

(in thousands)

	For the year ended December 31,	
	2013	**2012**
SUPPLEMENTARY INFORMATION (Continuing and Discontinued Operations):		
Interest paid	$ 65,525	$ 77,601
Taxes paid, net of refunds	209	20
NON-CASH TRANSACTIONS (Continuing and Discontinued Operations):		
Transfer of securitized mortgage collateral to real estate owned	$ 38,224	$ 50,151
Mortgage servicing rights retained from loan sales and issuance of mortgage backed securities	21,776	15,962
Common stock issued upon legal settlement	2,760	-
Increase in ownership of AmeriHome	911	677
Common stock issued for acquisition of noncontrolling interest	1,100	-
Acquisition of equipment purchased through capital leases	1,171	514

See accompanying notes to consolidated financial statements

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data or as otherwise indicated)

Note 1.—Summary of Business and Financial Statement Presentation including Significant Accounting Policies

Business Summary

Impac Mortgage Holdings, Inc. (the Company or IMH or Parent) is a Maryland corporation incorporated in August 1995 and has the following subsidiaries: Integrated Real Estate Service Corporation (IRES), IMH Assets Corp. (IMH Assets) and Impac Funding Corporation (IFC).

The Company's continuing operations include the mortgage lending operations and real estate services conducted by IRES and the long-term mortgage portfolio (residual interests in securitizations reflected as net trust assets and liabilities in the consolidated balance sheets) conducted by IMH. The discontinued operations include the former non-conforming mortgage and retail operations conducted by IFC and subsidiaries.

The information set forth in these notes is presented on a continuing operations basis, unless otherwise stated.

Financial Statement Presentation

Basis of Presentation

The balance sheets, results of operations and cash flows have been presented in the accompanying consolidated financial statements as of December 31, 2013 and 2012 and for each of the years in the two-year period ended December 31, 2013 and include the financial results of IMH, IRES and IMH Assets within continuing operations and Impac Warehouse Lending Group, Inc. (IWLG) and IFC within discontinued operations.

All significant inter-company balances and transactions have been eliminated in consolidation. In addition, certain amounts in the prior periods' consolidated financial statements have been reclassified to conform to the current year presentation.

Principles of Consolidation

The accompanying consolidated financial statements include accounts of IMH and other entities in which the Company has a controlling financial interest. The usual condition for a controlling financial interest is ownership of a majority of the voting interests of an entity. However, a controlling financial interest may also exist in entities, such as variable interest entities (VIEs), through arrangements that do not involve voting interests.

The VIE framework requires a variable interest holder (counterparty to a VIE) to consolidate the VIE if that party has the power to direct activities of the VIE that most significantly impact the entity's economic performance, will absorb a majority of the expected losses of the VIE, receive a majority of the residual returns of the VIE, or both, and directs the significant activities of the entity. This party is considered the primary beneficiary of the entity. The determination of whether the Company meets the criteria to be considered the primary beneficiary of a VIE requires an evaluation of all transactions (such as investments, liquidity commitments, derivatives and fee arrangements) with the entity.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data or as otherwise indicated)

Noncontrolling Interests in Consolidated Subsidiaries

The Company follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810-10-65-1, *Noncontrolling Interests in Consolidated Financial Statements* which requires a noncontrolling interest in a subsidiary to be reported as equity in the consolidated financial statements with sufficient disclosure provided to identify and distinguish between the interests of the parent and the interest of the noncontrolling owners. The Company reported the portion of AmeriHome Mortgage Corporation (AmeriHome) (a subsidiary of IRES) not owned by the Company as noncontrolling interests. At December 31, 2012, the noncontrolling interest in the consolidated balance sheet represents AmeriHome. During the third quarter of 2013, the Company and the noncontrolling interest holder entered into an agreement to transfer the remaining 20% ownership of AmeriHome to the Company. Effective July 1, 2013, the Company owned 100% of AmeriHome, which was subsequently sold in March 2014 (See Note 23—*Subsequent Events*).

Use of Estimates and Assumptions

The accompanying consolidated financial statements of IMH and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods to prepare these consolidated financial statements in conformity with GAAP. Actual results could differ from those estimates.

Significant Accounting Policies

Fair Value Option

The fair value option provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. The Company has elected the fair value option on investment securities available-for-sale, securitized mortgage collateral, mortgage servicing rights, mortgage loans held-for-sale within continuing operations, securitized mortgage borrowings and long-term debt. Elections were made to mitigate income statement volatility caused by differences in the measurement basis of elected instruments (for example, securitized mortgage collateral was previously accounted for at cost adjusted for net deferred origination costs and allowance for loan losses for credit losses inherent in the portfolio, where securitized mortgage borrowings was previously accounted for at amortized cost net of deferred financing costs).

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash and highly liquid investments with maturities of three months or less at the date of acquisition. The carrying amount of cash and cash equivalents approximates fair value.

Cash balances that have restrictions as to the Company's ability to withdraw funds are considered restricted cash. At December 31, 2013 and 2012, restricted cash totaled $1.5 million and $3.2 million, respectively. The restricted cash is the result of the terms of the Company's warehouse borrowings and

structured debt agreement. In accordance with the terms of the Master Repurchase Agreements related to the warehouse borrowings, the Company is required to maintain cash balances with the lender as additional collateral for the borrowings (See Note 5.—*Warehouse Borrowings*). In accordance with the terms of the structured debt agreement, any excess cash flows are deposited into a reserve account, which is included in restricted cash in the accompanying consolidated balance sheets (see Note 8.—*Note Payable*).

Mortgage Loans Held-for-Sale

During 2009, the Company established a residential mortgage lending operation after discontinuing its former residential and commercial lending operations in 2007 (see Note 21.—*Discontinued Operations*). Mortgage loans held-for-sale (LHFS) originated under the new lending operation are accounted for using the fair value option, with changes in fair value recorded in gain on sale of loans, net in the accompanying consolidated statements of operations. In accordance with FASB ASC 825, *Financial Instruments*, loan origination fees and expenses are recognized in earnings as incurred and not deferred.

Revenue derived from the Company's mortgage lending activities includes loan fees collected at the time of origination and gain or loss from the sale of LHFS. Loan fees consist of fee income earned on all loan originations, including loans closed and held for sale. Loan fees are recognized as earned and consist of amounts collected for application and underwriting fees, fees on cancelled loans and discount points. The related direct loan origination costs are recognized when incurred. Gain or loss from the sale and mark-to-market of LHFS includes both realized and unrealized gains and losses and are included in gain on sale of loans, net in the accompanying consolidated statements of operations. The valuation of LHFS approximates a whole-loan price, which includes the value of the related mortgage servicing rights.

The Company principally sells its LHFS to government sponsored entities and to a lesser extent investors. The Company evaluates its loan sales for sales treatment. To the extent the transfer of loans qualifies as a sale, the Company derecognizes the loans and records a realized gain or loss on the sale date. In the event the Company determines that the transfer of loans does not qualify as a sale, the transfer would be treated as a secured borrowing. Interest on loans is recorded as income when earned and deemed collectible. LHFS are placed on nonaccrual status when any portion of the principal or interest is 90 days past due or earlier if factors indicate that the ultimate collectability of the principal or interest is not probable. Interest received from loans on nonaccrual status is recorded as income when collected. Loans return to accrual status when the principal and interest become current and it is probable that the amounts are fully collectible.

Mortgage Servicing Rights

The Company accounts for mortgage loan sales in accordance with ASC 860, *Transfers and Servicing*. Upon sale of mortgage loans on a service-retained basis, the loan receivables are removed from the balance sheet, mortgage servicing rights (MSRs) are recorded as an asset for servicing rights retained. The Company elected to measure MSRs at fair value as prescribed by FASB ASC 860-50-35, and as such, servicing assets or liabilities are valued using discounted cash flow modeling techniques using assumptions regarding future net servicing cash flow, including prepayment rates, discount rates,

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data or as otherwise indicated)

servicing cost and other factors. Changes in estimated fair value are reported in the accompanying consolidated statement of operations within gain on sale of loans, net.

The Company occasionally sells mortgage servicing rights. At the time of sale, the Company records a gain or loss on such sale based on the selling price of the mortgage servicing rights less the carrying value and transaction costs.

Investment Securities Available-for-Sale

Investment securities classified as available-for-sale are reported at fair value within the long-term mortgage portfolio. Unrealized gains and losses are recognized in earnings as changes in fair value of net trust assets. Gains and losses realized on the sale of investment securities available-for-sale and declines in value considered to be other-than-temporary are based on the specific identification method and reported in current earnings.

Interest income from investment securities available-for-sale is recognized based on current market yields. Investment securities available-for-sale may be subject to credit, interest rate and/or prepayment risk.

Securitized Mortgage Collateral

The Company's long-term mortgage portfolio primarily includes adjustable rate and, to a lesser extent, fixed rate non-conforming mortgages and commercial mortgages that were acquired and originated by our mortgage and commercial operations prior to 2008.

Non-conforming mortgages may not have certain documentation or verifications that are required by government sponsored entities and, therefore, in making our credit decisions, we were more reliant upon the borrower's credit score and the adequacy of the underlying collateral.

Historically, the Company securitized mortgages in the form of collateralized mortgage obligations (CMO) or real estate mortgage investment conduits (REMICs). These securitizations are evaluated for consolidation based on the provisions of FASB ASC 810-10-25. Amounts consolidated are included in trust assets and liabilities as securitized mortgage collateral, real estate owned, derivative assets, securitized mortgage borrowings and derivative liabilities in the accompanying consolidated balance sheets.

The Company accounts for securitized mortgage collateral at fair value, with changes in fair value during the period reflected in earnings. Fair value measurements are based on the Company's estimated cash flow models, which incorporate assumptions, inputs of other market participants and quoted prices for the underlying bonds. The Company's assumptions include its expectations of inputs that other market participants would use. These assumptions include judgments about the underlying collateral, prepayment speeds, credit losses, investor yield requirements, forward interest rates and certain other factors.

Interest income on securitized mortgage collateral is recorded quarterly using the effective yield for the period based on the previous quarter-end's estimated fair value. Securitized mortgage collateral is generally not placed on nonaccrual status as the servicer remits the interest payments to the trust regardless of the delinquency status of the underlying mortgage loan.

Real Estate Owned

Real estate owned (REO) on the balance sheet, are primarily assets within the securitized trusts but are recorded as a separate asset for accounting and reporting purposes and are within the long-term mortgage portfolio. REO, which consists of residential real estate acquired in satisfaction of loans, is carried at net realizable value, which includes the estimated fair value of the residential real estate less estimated selling and holding costs. Adjustments to the loan carrying value required at the time of foreclosure affect the carrying amount of REO. Subsequent write-downs in the net realizable value of REO are included in losses from REO in the consolidated statements of operations.

Securitized Mortgage Borrowings

The Company records securitized mortgage borrowings in the accompanying consolidated balance sheets for the consolidated CMO and REMIC securitized trusts within the long-term mortgage portfolio. The debt from each issuance of a securitized mortgage borrowing is payable from the principal and interest payments on the underlying mortgages collateralizing such debt, as well as the proceeds from liquidations of REO. If the principal and interest payments are insufficient to repay the debt, the shortfall is allocated first to the residual interest holders (generally owned by the Company) then, if necessary, to the certificate holders (e.g. third party investors in the securitized mortgage borrowings) in accordance with the specific terms of the various respective indentures. Securitized mortgage borrowings typically are structured as one-month LIBOR "floaters" and fixed rate securities with interest payable to certificate holders monthly. The maturity of each class of securitized mortgage borrowing is directly affected by the amount of net interest spread, overcollateralization and the rate of principal prepayments and defaults on the related securitized mortgage collateral. The actual maturity of any class of a securitized mortgage borrowing can occur later than the stated maturities of the underlying mortgages.

When the Company issued securitized mortgage borrowings, the Company generally sought an investment grade rating for the Company's securitized mortgages by nationally recognized rating agencies. To secure such ratings, it was often necessary to incorporate certain structural features that provide for credit enhancement. This generally included the pledge of collateral in excess of the principal amount of the securities to be issued, a bond guaranty insurance policy for some or all of the issued securities, or additional forms of mortgage insurance. The Company's total loss exposure is limited to the Company's initial net economic investment in each trust, which is referred to as a residual interest.

The Company accounts for securitized mortgage borrowings at fair value, with changes in fair value during the period reflected in earnings. Fair value measurements are based on the Company's estimated cash flow models, which incorporate assumptions, inputs of other market participants and quoted prices for the underlying bonds. The Company's assumptions include its expectations of inputs that other market participants would use. These assumptions include judgments about the underlying collateral, prepayment speeds, credit losses, investor yield requirements, forward interest rates and certain other factors. Interest expense on securitized mortgage borrowings are recorded quarterly using the effective yield for the period based on the previous quarter-end's estimated fair value.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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Derivative Instruments

In accordance with FASB ASC 815-10 *Derivatives and Hedging—Overview*, the Company records all derivative instruments at fair value. The Company has accounted for all its derivatives as non-designated hedge instruments or free-standing derivatives.

Interest Rate Swaps, Caps and Floors

The Company's interest rate risk management objective was to limit the exposure to the variability in future cash flows attributable to the variability of one-month LIBOR, which is the underlying index of adjustable rate securitized mortgage borrowings. The Company's interest rate risk management policies were formulated with the intent to offset the potential adverse effects of changing interest rates on securitized mortgage borrowings.

To mitigate exposure to the effect of changing interest rates on cash flows on securitized mortgage borrowings, the Company purchased derivative instruments primarily in the form of interest rate swap agreements (swaps) and, to a lesser extent, interest rate cap agreements (caps) and interest rate floor agreements (floors). The Company has $10.2 million in derivative liabilities outstanding as of December 31, 2013 all of which are in the securitized trusts and included in trust liabilities in the consolidated balance sheets.

The fair value of the Company's swaps, caps, floors and other derivative instruments is generally based on market prices provided by dealers and market makers, or estimates of future cash flows from these financial instruments.

Lending derivatives

The mortgage lending operation enters into interest rate lock commitments (IRLCs) with consumers to originate mortgage loans at a specified interest rate. These IRLCs are accounted for as derivative instruments. The fair values of IRLCs utilize current secondary market prices for underlying loans and estimated servicing value with similar coupons, maturity and credit quality, subject to the anticipated loan funding probability (Pull-through Rate). The fair value of IRLCs is subject to change primarily due to changes in interest rates and the estimated Pull-through Rate. The Company reports IRLCs within other assets and other liabilities at fair value with changes in fair value being recorded in the accompanying statements of operations within gain on sale of loans, net.

The Company hedges the changes in fair value associated with changes in interest rates related to IRLCs and uncommitted mortgage loans held for sale by using forward sold commitments including Fannie Mae and Ginnie Mae mortgage-backed securities known as to-be-announced mortgage-backed securities (TBA MBS or Hedging Instruments). The Hedging Instruments are typically entered into at the time the IRLC is made and are accounted for as derivative instruments. The fair value of Hedging Instruments is subject to change primarily due to changes in interest rates. The Company reports Hedging Instruments within other assets and other liabilities at fair value with changes in fair value being recorded in the accompanying statements of operations within gain on sale of loans, net.

The fair value of IRLCs and Hedging Instruments are represented as derivative assets, lending and derivative liabilities, lending in Note 14. —*Fair Value of Financial Instruments.*

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Options

The Company had issued a call option and a put option in connection with the acquisition of AmeriHome. Options are derivative instruments and are recorded at fair value with changes in fair value reported in earnings. In July 2013, the Company acquired the remaining 20% ownership of AmeriHome from the noncontrolling interest holder. As of December 31, 2013, the Company owned 100% of AmeriHome resulting in the call and put option having no fair value.

Long-term Debt

Long-term debt (consisting of trust preferred securities and junior subordinated notes) is reported at fair value. These securities are measured based upon an analysis prepared by management, which considers the Company's own credit risk, including settlements with trust preferred debt holders and discounted cash flow analysis. Unrealized gains and losses are recognized in earnings in the accompanying consolidated statements of operations within change in fair value of long-term debt.

The Company does not consolidate trust preferred entities (which are sometimes hereinafter referred to as capital trusts) since the Company does not have a significant variable interest in the trust. Instead, the Company records its investment in the trust preferred entities (included in other assets in the accompanying consolidated balance sheets) and accounts for such under the equity method of accounting and reflects a liability for the issuance of the notes to the trust preferred entities.

Repurchase Reserve

The Company sells mortgage loans to the secondary market, including U.S. government sponsored entities and issues mortgage-backed securities through Ginnie Mae and Fannie Mae. When the Company sells or issues securities, it makes customary representations and warranties to the purchasers about various characteristics of each loan such as the origination and underwriting guidelines, including but not limited to the validity of the lien securing the loan, property eligibility, borrower credit, income and asset requirements, and compliance with applicable federal, state and local law. In the event of a breach of its representations and warranties, the Company may be required to either repurchase the mortgage loans with the identified defects or indemnify the investor or insurer for any loss. Also, the Company's loss may be reduced by proceeds from the sale or liquidation of the repurchased loan. The Company's loss may be reduced by any recourse it has to correspondent lenders that, in turn, had sold such mortgage loans to the Company and breached similar or other representations and warranties. In such event, the Company has the right to seek a recovery of related repurchase losses from that correspondent lender.

The Company records a provision for losses relating to such representations and warranties as part of its loan sale transactions. The method used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a combination of factors, including, but not limited to, estimated future defaults and loan repurchase rates and the potential severity of loss in the event of defaults including any loss on sale or liquidation of the repurchased loan and the probability of reimbursement by the correspondent loan seller. The Company establishes a liability at the time loans are sold and continually updates its estimated repurchase liability. The level of the repurchase liability for representations and warranties is difficult to estimate and requires considerable management judgment. The level of mortgage loan repurchase losses is dependent on

economic factors, investor demands for loan repurchases and other external conditions that may change over the lives of the underlying loans.

Revenue Recognition for Fees from Services

The Company follows SAB No. 104 *Revenue Recognition in Financial Statements*, which provides guidance on the application of GAAP to selected revenue recognition issues.

The Company's real estate services segment provides various real estate related services and loss mitigation services including (i) managing distressed mortgage portfolios and foreclosed real estate assets, (ii) the disposition of such assets, (iii) surveillance services for residential and multifamily mortgage portfolios, (iv) loan modification services and (v) the master servicing on various mortgage and multifamily loan pools for loans in the long-term portfolio of IMH, and to a lesser extent, non-affiliated entities. The revenues from these services are recognized in income in the period when services are rendered and collectability is reasonably certain.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with FASB ASC 718 *Compensation—Stock Compensation*. Accordingly, the Company measures the cost of stock-based awards using the grant-date fair value of the award and recognizes that cost over the requisite service period.

The fair value of each stock option granted under the Company's stock-based compensation plan is estimated on the date of grant using the Black-Scholes-Merton option-pricing model and assumptions noted in Note 19.—*Share Based Payments and Employee Benefit Plans*. The risk-free interest rate is based on the U.S. Treasury rate with a term equal to the expected term of the option grants on the date of grant.

FASB ASC 718 requires forfeitures to be estimated at the time of grant and prospectively revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Stock-based compensation expense is recorded net of estimated forfeitures for the years ended December 31, 2013 and 2012, such that the expense was recorded only for those stock-based awards that were expected to vest during such periods. Refer to Note 19.—*Share Based Payments and Employee Benefit Plans*.

Income Taxes

In accordance with ASC 740, the Company records income tax expense as well as deferred tax assets and liabilities. Current income tax expense approximates taxes to be paid or refunded for the current period and includes income tax expense related to uncertain tax positions and amortization/impairment of our deferred charge, explained below. The Company determines deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and recognizes enacted changes in tax rates and laws in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized subject to management's judgment that realization is "more likely than not." Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount

of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement.

The Company is subject to federal income taxes as a regular (Subchapter C) corporation and files a consolidated U.S. federal income tax return on qualifying subsidiaries. The Company files income tax returns in the U.S. for federal and various states.

In prior periods when the Company was taxed as a real estate investment trust (REIT), it recorded a deferred charge to eliminate the expense recognition of income taxes paid on inter-Company profits that result from the sale of mortgage loans from the taxable REIT subsidiaries to IMH. The deferred charge is included in other assets in the consolidated balance sheets and is amortized as a component of income tax expense in the consolidated statements of operations over the estimated life of the mortgages retained in the securitized mortgage collateral.

Earnings per Common Share

Basic earnings per common share is computed on the basis of the weighted average number of shares outstanding for the year divided into earnings for the year. Diluted earnings per common share is computed on the basis of the weighted average number of shares and dilutive common equivalent shares outstanding for the year divided by earnings for the year, unless anti-dilutive. Refer to Note 15.—*Reconciliation of Earnings Per Share*.

Recent Accounting Pronouncements

In July 2013, the FASB issued ASU 2013-11, *Preparation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* Prior to this ASU, U.S. GAAP did not include explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This ASU requires, with limited exception, that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset (DTA) for a net operating loss carryforward, or similar tax loss, or a tax credit carryforward. The amendments in ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Since the Company does not currently have unrecognized tax benefits, this ASU will not have an effect on the Company's financial position or results of operations

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Note 2.—Mortgage Loans Held-for-Sale

A summary of the unpaid principal balance of mortgage loans held-for-sale by type is presented below:

	December 31, 2013	December 31, 2012
Government (1)	$ 81,292	$ 57,992
Conventional (2)	44,303	54,303
Fair value adjustment	3,596	6,491
Total mortgage loans held-for-sale	$ 129,191	$ 118,786

(1) Includes all government-insured loans including FHA, VA and USDA.
(2) Includes loans eligible for sale to Fannie Mae and Freddie Mac.

The Company does not have any delinquent or nonaccrual mortgage loans held-for-sale as of December 31, 2013.

Gain on LHFS (included in gain on sale of loans, net in the consolidated statements of operations) is comprised of the following for the years ended December 31, 2013 and 2012:

	December 31, 2013	December 31, 2012
Gain on sale of mortgage loans	$ 69,422	$ 113,636
Premium from servicing retained loan sales	21,776	15,962
Unrealized (losses) gains from derivative financial instruments	(1,797)	3,234
Realized gains (losses) from derivative financial instruments	14,589	(16,697)
Mark to market (loss) gain on LHFS	(2,895)	3,709
Direct origination expenses, net	(44,043)	(45,336)
Provision for repurchases	(1,750)	(1,789)
Total gain on sale of loans, net	$ 55,302	$ 72,719

Note 3.—Mortgage Servicing Rights

The Company retains mortgage servicing rights (MSRs) from its sales of certain mortgage loans. MSRs are reported at fair value based on the income derived from the net positive cash flows associated with the servicing contracts. The Company receives servicing fees, less subservicing costs, on the unpaid principal balances (UPB) of the loans. The servicing fees are collected from the monthly payments made by the mortgagors or when the underlying real estate is foreclosed upon and liquidated. The Company may receive other remuneration from rights to various mortgagor-contracted fees such as late charges, collateral reconveyance charges, nonsufficient fund fees and the Company is generally entitled to retain the interest earned on funds held pending remittance (or float) related to its collection of mortgagor principal, interest, tax and insurance payments.

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Changes in the fair value of MSRs at December 31, 2013 and 2012 were as follows:

	December 31,	
	2013	2012
Balance at beginning of period	$ 10,703	$ 4,141
Additions from servicing retained loan sales	21,776	15,962
Reductions from bulk sales	(2,988)	(8,800)
Changes in fair value (1)	6,490	(600)
Fair value of MSRs at end of period	$ 35,981	$ 10,703

(1) Changes in fair value are included within other total revenues in the consolidated statements of operations.

At December 31, 2013, the mortgage servicing portfolio is comprised of the following:

	Outstanding Principal Balance	
	2013 (1)	2012
Government	$ 1,203,478	$ 655,566
Conventional	1,837,475	722,815
2010 Acquisition of AmeriHome (2)	87,693	113,687
Total loans serviced	$ 3,128,646	$ 1,492,068

(1) Includes approximately $702.1 million in unpaid principal balance of servicing that will be transferred with the completion of the sale of AmeriHome in the first quarter of 2014. See Note 23. *Subsequent Events* for more details.

(2) Represents servicing portfolio acquired in the 2010 acquisition of AmeriHome and includes government and conventional loans originated by AmeriHome prior to the Company's acquisition.

The table below illustrates hypothetical changes in the fair value of MSRs, caused by assumed immediate changes to key assumptions that are used to determine fair value.

Mortgage Servicing Rights Sensitivity Analysis	December 31, 2013
Fair value of MSRs	$ 35,981
Prepayment Speed:	
Decrease in fair value from 100 basis point (bp) adverse change	(1,433)
Decrease in fair value from 200 bp adverse change	(2,775)
Discount Rate:	
Decrease in fair value from 100 bp adverse change	(1,342)
Decrease in fair value from 200 bp adverse change	(2,594)

Sensitivities are hypothetical changes in fair value and cannot be extrapolated because the relationship of changes in assumptions to changes in fair value may not be linear. Also, the effect of a variation in a particular assumption is calculated without changing any other assumption, whereas a change in one factor may result in changes to another. Accordingly, no assurance can be given that actual results would be consistent with the results of these estimates. As a result, actual future changes in MSR values may differ significantly from those displayed above.

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Note 4.—Other Assets

Other Assets

Other assets consisted of the following:

	December 31,	
	2013	2012
Deferred charge (See Note 14)	$ 11,974	$ 11,974
Accounts receivable, net	4,012	4,544
Prepaid expenses	3,024	2,542
Premises and equipment, net	2,526	2,470
Derivatives assets – lending (See Note 11)	2,115	3,970
Servicing advances, net	1,343	1,086
Investment in limited partnership	322	2,042
Other	958	1,972
Total other assets	$ 26,274	$ 30,600

Premises and Equipment, net

Premises and equipment are stated at cost, less accumulated depreciation or amortization. Depreciation on premises and equipment is recorded using the straight-line method over the estimated useful lives of individual assets, typically three to twenty years. Premises and equipment and accumulated depreciation were as follows as of the dates indicated:

	December 31,	
	2013	2012
Premises and equipment	$ 14,805	$ 13,481
Less: Accumulated depreciation	(12,279)	(11,011)
Total premises and equipment, net	$ 2,526	$ 2,470

Servicer Advances

The Company is required to advance certain amounts to meet its contractual loan servicing requirements. The Company advances principal, interest, property taxes and insurance for borrowers that have insufficient escrow accounts, plus any other costs to preserve the property. Also, the Company will advance funds to maintain, repair and market foreclosed real estate properties. The Company is entitled to recover advances from the borrowers for reinstated and performing loans or from proceeds of liquidated properties. Servicer advances totaled $1.3 million and $1.1 million at December 31, 2013 and 2012, respectively.

Investment in Limited Partnership

The investment in limited partnership represents an investment the Company made in a non-affiliated limited partnership fund that invests primarily in mortgage and mortgage-related financial institutions. The investment is accounted for using the equity method of accounting. The Company

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records its share of the profits and losses based upon its relative ownership percentage. The carrying value of the investment in limited partnership is based upon information received from the fund manager and approximates fair value. As of December 31, 2013, there are no outstanding commitments to fund the investment. During 2013, the Company received $2.3 million in distributions from the limited partnership, including a return of capital of $1.7 million and investment earnings of $579 thousand.

Note 5.—Warehouse Borrowings

The Company, through its subsidiaries, enters into Master Repurchase Agreements with lenders providing warehouse facilities. The warehouse facilities are used to fund, and are secured by, residential mortgage loans that are held for sale. In accordance with the terms of the Master Repurchase Agreements, the Company is required to maintain cash balances with the lender as additional collateral for the borrowings which are included in restricted cash in the accompanying consolidated balance sheets.

At December 31, 2013, the Company was not in compliance with a covenant for a warehouse line, however the Company received a waiver.

The following table presents certain information on warehouse borrowings for the periods indicated:

	Maximum Borrowing Capacity	Balance Outstanding at December 31,		Allowable Advance Rates (%)	Rate Range (1)	Maturity Date
		2013	2012			
Short-term borrowings:						
Repurchase agreement 1	$ 75,000	$ 50,794	$ 31,600	90-98	1M L +3.5 - 6.5%	June 20, 2014
Repurchase agreement 2	40,000	19,493	19,780	75-98	Prime + 1-6%	July 1, 2014
Repurchase agreement 3 (2)	50,000	15,592	16,554	80-98	1M L +3.5 - 4.0%	March 27, 2014
Repurchase agreement 4 (3)	100,000	33,755	39,670	95	BR +3.5-4.0%	September 17, 2014
Total short-term borrowings	$ 265,000	$ 119,634	$ 107,604			

(1) 1 ML represents One-month LIBOR. BR represents the lender defined base rate.
(2) In September 2013, at the request of the Company, the maximum borrowing capacity was reduced from $75.0 million to $50.0 million. In March 2014, the maturity was extended to June 2014.
(3) In January 2014, the maximum borrowing capacity increased from $100.0 million to $125.0 million.

The following table presents certain information on warehouse borrowings for the periods indicated:

	For the year ended December 31,	
	2013	2012
Maximum outstanding balance during the year	$ 197,455	$ 159,669
Average balance outstanding for the year	111,335	79,707
Underlying collateral (mortgage loans)	124,688	112,103
Weighted average rate for period	4.02%	4.20%

Note 6.—Convertible Notes

In April 2013, the Company entered into a Note Purchase Agreement with the purchasers named therein (Noteholders), whereby the Company issued $20.0 million in original aggregate principal amount of Convertible Promissory Notes Due 2018 (Convertible Notes). The Convertible Notes mature on or before April 30, 2018 and accrue interest at a rate of 7.5% per annum, to be paid quarterly.

Noteholders may convert all or a portion of the outstanding principal amount of the Convertible Notes into shares of the Company's Common Stock (Conversion Shares) at a rate of $10.875 per share, subject to adjustment for stock splits and dividends (the Conversion Price). The Company has the right to convert the entire outstanding principal of the Convertible Notes into Conversion Shares at the Conversion Price if the market price per share of the Common Stock, as measured by the average volume-weighted closing stock price per share of the Common Stock on the NYSE MKT (or any other U.S. national securities exchange then serving as the principal such exchange on which the shares of Common Stock are listed), reaches the level of $16.31, for any twenty (20) trading days in any period of thirty (30) consecutive trading days after the Closing Date. Upon conversion of the Convertible Notes by the Company, the entire amount of accrued and unpaid interest (and all other amounts owing) under the Convertible Notes are immediately due and payable. Furthermore, if the conversion of the Convertible Notes by the Company occurs prior to the third anniversary of the Closing Date, then the entire amount of interest under the Convertible Notes through the third anniversary is immediately due and payable. To the extent the Company pays any cash dividends on its shares of common stock prior to conversion of the Convertible Notes, upon conversion of the Convertible Notes, the Noteholders will also receive such dividends on an as-converted basis of the Convertible Notes less the amount of interest paid by the Company prior to such dividend.

Unless an event of default has occurred and is continuing, each purchaser of the Convertible Notes agrees, for the three years after the Closing Date, to vote all Conversion Shares for each of the Company's nominees for election to the Company's board of directors and not to nominate any other candidate for election to the board of directors at any time within such three year period.

In conjunction with the issuance of the Convertible Notes, the Company incurred $0.3 million in debt issuance costs related to legal fees. The Company accounts for direct costs related to the issuance of debt in accordance with ASC Topic 470, Debt. The deferred debt issuance costs are amortized to interest expense over the term of the Note Purchase Agreement using the effective interest method.

Note 7.—Long-term Debt

Trust Preferred Securities

During 2005, the Company formed four wholly-owned trust subsidiaries (Trusts) for the purpose of issuing an aggregate of $99.2 million of trust preferred securities (the Trust Preferred Securities). All proceeds from the sale of the Trust Preferred Securities and the common securities issued by the Trusts were originally invested in $96.3 million of junior subordinated debentures (subordinated debentures), which became the sole assets of the Trusts. The Trusts pay dividends on the Trust Preferred Securities at the same rate as paid by the Company on the debentures held by the Trusts.

During 2008 and 2009, the Company purchased and cancelled $36.5 million in outstanding Trust Preferred Securities for $5.5 million. Additionally, during 2009, the Company exchanged an aggregate of

$51.3 million in outstanding Trust Preferred Securities for $62.0 million in Junior Subordinated Notes. As a result of these transactions, $8.5 million in Trust Preferred Securities remain outstanding.

The Company carries its Trust Preferred Securities at estimated fair value as more fully described in Note 14.—*Fair Value of Financial Instruments*. The following table shows the remaining principal balance and fair value of Trust Preferred Securities issued as of December 31, 2013 and 2012:

	December 31, 2013	December 31, 2012
Trust preferred securities (1)	$ 8,500	$ 8,500
Common securities	263	263
Fair value adjustment	(6,459)	(6,785)
Total	$ 2,304	$ 1,978

(1) Stated maturity of July 30, 2035. Redeemable at par at any time at a variable rate of three-month LIBOR plus 3.75% per annum. At December 31, 2013, the interest rate was 3.99%.

If an event of default occurs (such as a payment default that is outstanding for 30 days, a default in performance, a breach of any covenant or representation, bankruptcy or insolvency of the Company or liquidation or dissolution of the Trust), either the trustee of the Notes or the holders of at least 25% of the aggregate principal amount of the outstanding Notes may declare the principal amount of, and all accrued interest on, all the Notes to be due and payable immediately, or if the holders of the Notes fail to make such declaration, the holders of at least 25% in aggregate liquidation amount of the Trust Preferred Securities outstanding shall have a right to make such declaration.

Junior Subordinated Notes

The Company carries its Junior Subordinated Debt at estimated fair value as more fully described in Note 14.—*Fair Value of Financial Instruments*. The following table shows the remaining principal balance and fair value of junior subordinated notes issued as of December 31, 2013 and 2012:

	December 31, 2013	December 31, 2012
Junior subordinated notes (1)	$ 62,000	$ 62,000
Fair value adjustment	(48,433)	(51,247)
Total	$ 13,567	$ 10,753

(1) Stated maturity of March 2034; requires quarterly distributions initially at a fixed rate of 2.00% per annum through December 2013 with increases of 1.00% per year in 2014 through 2017. Starting in 2018, the interest rates become variable at 3-month LIBOR plus 3.75% per annum.

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Note 8.—Notes Payable

Note payable—Debt Agreement

In February 2012, the Company entered into a $7.5 million structured debt agreement using eight of the Company's residual interests (net trust assets) as collateral. The Company used a portion of the proceeds to pay off the $408 thousand balance owed on the previous debt agreement. The Company received proceeds of $7.0 million, net of the aforementioned payoff and transaction costs of approximately $50 thousand.

In April 2013, the Company fully satisfied the remaining scheduled payments on the note payable primarily using the related $1.5 million reserve balance, and the residuals held as collateral have been released to the Company.

Note 9.—Line of Credit Agreement

In June 2013, the Company, through its subsidiaries, amended the $4.0 million working capital line of credit agreement with a national bank at an interest rate of one-month LIBOR plus 3.50% extending the expiration to June 2014. Under the terms of the agreement the Company and its subsidiaries are required to maintain various financial and other covenants. There was a $3.0 million outstanding balance on the working capital line of credit as of December 31, 2013 which is included in other liabilities in the accompanying consolidated balance sheets. At December 31, 2013, the Company was not in compliance with a covenant and received a waiver, which will remain effective until the end of 2013.

The following table presents certain information on the line of credit for the periods indicated:

	For the year ended December 31,	
	2013	2012
Maximum outstanding balance during the year	$ 3,000	$ 4,000
Average balance outstanding for the year	597	1,753
Weighted average rate for period	3.85%	3.65%

Note 10.—Securitized Mortgage Trusts

Trust Assets

Trust assets, which are recorded at FMV, are comprised of the following at December 31, 2013 and 2012:

	December 31,	
	2013	2012
Investment securities available-for-sale	$ 108	$ 110
Securitized mortgage collateral	5,494,152	5,787,884
Derivative assets	-	37
Real estate owned	18,906	22,475
Total trust assets	$ 5,513,166	$ 5,810,506

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Securitized Mortgage Collateral

Securitized mortgage collateral consisted of the following:

	December 31, 2013	December 31, 2012
Mortgages secured by residential real estate	$ 6,581,235	$ 7,460,212
Mortgages secured by commercial real estate	810,500	1,026,086
Fair value adjustment	(1,897,583)	(2,698,414)
Total securitized mortgage collateral	$ 5,494,152	$ 5,787,884

As of December 31, 2013, the Company was also a master servicer of mortgages for others of approximately $1.1 billion that were primarily collateralizing REMIC securitizations, compared to $1.3 billion at December 31, 2012. Related fiduciary funds are held in trust for investors in non-interest bearing accounts and therefore not included in the Company's consolidated balance sheets. The Company may also be required to advance funds or cause loan servicers to advance funds to cover principal and interest payments not received from borrowers depending on the status of their mortgages.

Real Estate Owned (REO)

The Company's REO consisted of the following:

	December 31, 2013	December 31, 2012
REO	$ 23,601	$ 31,116
Impairment (1)	(4,680)	(8,605)
Ending balance	$ 18,921	$ 22,511
REO inside trusts	$ 18,906	$ 22,475
REO outside trusts	15	36
Total	$ 18,921	$ 22,511

(1) Impairment represents the cumulative write-downs of net realizable value subsequent to foreclosure.

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Trust Liabilities

Trust liabilities are comprised of the following at December 31, 2013 and 2012:

	December 31,	
	2013	2012
Securitized mortgage borrowings	$ 5,492,371	$ 5,777,456
Derivative liabilities	10,214	17,200
Total trust liabilities	$ 5,502,585	$ 5,794,656

Securitized Mortgage Borrowings

Selected information on securitized mortgage borrowings for the periods indicated consisted of the following (dollars in millions):

Year of Issuance	Original Issuance Amount	Securitized mortgage borrowings outstanding as of December 31, 2013	2012	Range of Interest Rates (1): Fixed Interest Rates	Interest Rate Margins over One-Month LIBOR (2)	Interest Rate Margins after Contractual Call Date (3)
2002	$ 3,876.1	$ 14.5	$ 18.4	5.25 - 12.00	0.27 - 2.75	0.54 - 3.68
2003	5,966.1	116.8	147.5	4.34 - 12.75	0.27 - 3.00	0.54 - 4.50
2004	17,710.7	1,035.1	1,212.0	3.58 - 5.56	0.25 - 2.50	0.50 - 3.75
2005	13,387.7	2,999.4	3,296.5	-	0.24 - 2.90	0.48 - 4.35
2006	5,971.4	3,321.2	3,603.6	6.25	0.10 - 2.75	0.20 - 4.13
2007	3,860.5	2,055.4	2,259.6	-	0.06 - 2.00	0.12 - 3.00
Subtotal securitized mortgage borrowings		9,542.4	10,537.6			
Fair value adjustment		(4,050.0)	(4,760.1)			
Total securitized mortgage borrowings		$ 5,492.4	$ 5,777.5			

(1) Some rates have been modified subsequent to original issuance.
(2) One-month LIBOR was 0.17% as of December 31, 2013.
(3) Interest rate margins are generally adjusted when the unpaid principal balance is reduced to less than 10-20% of the original issuance amount, or if certain other triggers are met.

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As of December 31, 2013, expected principal reductions of the securitized mortgage borrowings, which is based on contractual principal payments and expected prepayment and loss assumptions for securitized mortgage collateral, was as follows (dollars in millions):

	Payments Due by Period				
	Total	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years
Securitized mortgage borrowings	$ 9,542.4	$ 828.8	$ 1,244.6	$ 802.9	$ 6,666.1

Derivative Liabilities

As of December 31, 2013, the net derivative liability included in the securitization trusts was $10.2 million, as compared to $17.2 million at December 31, 2012. As of December 31, 2013, the notional balance of derivative assets and liabilities, securitized trusts was $99.8 million. The derivative values are based on the net present value of cash receipts or payments expected to be received or paid by the bankruptcy remote trusts. The fair value of the derivatives fluctuates with changes in the future expectation of cash receipts or payments based on notional balances and estimated LIBOR rates.

On September 15, 2008, Lehman Brothers Holdings Inc. (LBHI) filed a petition for protection under Chapter 11 of the U.S. Bankruptcy Code. As of that date, LBHI, through affiliated companies, was an interest rate swap counterparty to several of the Company's CMO and REMIC securitizations. During the third quarter of 2013, the terminated LBHI swaps were settled with the bankruptcy court and the trustees for the securitization trusts. CMB 2004-4, CMB 2004-5 and CMB 2004-10 were settled and the corresponding fair values of the net derivative liabilities were removed from the consolidated balance sheet at September 30, 2013. At December 31, 2013, there was no estimated fair value of derivatives with LBHI as compared to $1.1 million at December 31, 2012. As the related securitization trusts are non-recourse to the Company, the Company is not required to replace or otherwise settle any derivative positions affected by counterparty default within the consolidated trusts. Accordingly, the settlement of the net derivative liabilities did not result in any gain or loss for the Company.

Change in fair value of net trust assets, including trust real estate owned (REO) gains (losses)

Changes in fair value of net trust assets, including trust REO gains (losses) are comprised of the following for the years ended December 31, 2013 and 2012:

	For the year ended December 31,	
	2013	2012
Change in fair value of net trust assets, excluding REO	$ (12,495)	$ 5,335
Gains (losses) from REO	8,817	(13,226)
Change in fair value of net trust assets, including trust REO gains (losses)	$ (3,678)	$ (7,891)

Note 11.—Derivative Instruments

Derivative Assets and Liabilities, Lending

The mortgage lending operation enters into IRLCs with prospective borrowers to originate mortgage loans at a specified interest rate and Hedging Instruments to hedge the fair value changes associated with changes in interest rates relating to its mortgage loan origination operations. The fair value of IRLCs and Hedging Instruments are included in other assets and other liabilities, respectively, in the consolidated balance sheets. As of December 31, 2013, the estimated fair value of IRLCs and Hedging Instruments associated with mortgage lending totaled $1.0 million and $1.1 million, respectively.

The following table includes information for the derivative assets and liabilities—lending for the periods presented:

	Notional Balance		Total Gains (Losses) (1) For the Year Ended December 31,	
	December 31, 2013	December 31, 2012	2013	2012
Derivative – IRLC's	$ 137,254	$ 221,461	$ (3,057)	$ 2,791
Derivative – TBA's	182,809	236,682	15,849	(16,255)

(1) Amounts included in mortgage lending gains and fees, net within the accompanying consolidated statements of operations.

Other Derivatives

As part of the acquisition of AmeriHome, the purchase agreement included a call and put option. The call option allowed the Company to purchase an additional 39% of AmeriHome anytime between January 1, 2011 and December 31, 2013. Insofar that the Company does not exercise the call option, the Company wrote a put option to the founder of AmeriHome that provided the founder with the right to require the Company to acquire the remaining 49% of AmeriHome. In June 2012 and January 2013, the Company and the noncontrolling interest holder entered into an agreement to transfer an additional 27.5% and 1.5% ownership, respectively, of AmeriHome to the Company in exchange for the settlement of balances owed from the noncontrolling interest holder related to the Company for capital contributions made by the Company to AmeriHome and indemnification provisions included in the purchase agreement. In July 2013, the Company acquired the remaining 20% ownership of AmeriHome from the noncontrolling interest holder for $350 thousand in cash and $1.1 million in IMH common stock. As of December 31, 2013, the Company owned 100% of AmeriHome, which was subsequently sold in March 2014 (See Note 23—*Subsequent Events*).

These options are considered derivative instruments and recorded at fair value using a multinomial option pricing model. The estimated fair value is based on a model incorporating various assumptions including expected future book value of AmeriHome, the probability of the option being exercised, volatility, expected term and certain other factors. The fair value of the options is included in other assets and other liabilities, in the consolidated balance sheets. As of December 31, 2013, the

estimated fair value of the call and put options were zero. As of December 31, 2012, the estimated fair value of the call and put options were $368 thousand and $1 thousand, respectively.

Note 12.—Redeemable Preferred Stock

At December 31, 2013, the Company has outstanding $51.8 million liquidation preference of Series B and Series C Preferred Stock. The holders of each series of Preferred Stock, which are non-voting and redeemable at the option of the Company, retain the right to a $25.00/share liquidation preference in the event of a liquidation of the Company and the right to receive dividends on the Preferred Stock if any such dividends are declared.

Note 13.—Acquisition/Disposition of Noncontrolling Interest

In 2010, Excel Mortgage Servicing, Inc., a wholly-owned subsidiary of IRES, completed the acquisition of 51% of AmeriHome whereby the Company made a $1.1 million cash payment to AmeriHome and entered into a note payable for $720,000. As part of the transaction, the Company was granted an option to purchase an additional 39% of AmeriHome beginning January 1, 2011 for 1.5 times 39% of the lesser of $5 million or Issuer's Book Value (IBV) of AmeriHome plus $550,000 in cash (see call option in Note 14.—*Fair Value of Financial Instruments*). This option had a three-year term. In addition, the founder of AmeriHome had a put option to sell his remaining 49% ownership beginning January 1, 2014 to the Company for the lesser of $5 million or IBV (see put option in Note 14.—*Fair Value of Financial Instruments*).

In June 2012 and January 2013, the Company and the noncontrolling interest holder entered into an agreement to transfer an additional 27.5% and 1.5% ownership, respectively, of AmeriHome to the Company in exchange for the settlement of balances owed from the noncontrolling interest holder related to capital contributions made by the Company to AmeriHome and indemnification provisions included in the purchase agreement.

In July 2013, the Company and the noncontrolling interest holder entered into an agreement to transfer the remaining 20% ownership of AmeriHome to the Company in exchange for $350 thousand in cash and $1.1 million in IMH common stock. Effective July 1, 2013, the Company owned 100% of AmeriHome.

In December 2013, the Company announced the sale of its fully licensed and agency approved seller/servicer subsidiary AmeriHome which closed during the first quarter of 2014 (See Note 23.—*Subsequent Events*).

Note 14.—Fair Value of Financial Instruments

The use of fair value to measure the Company's financial instruments is fundamental to its consolidated financial statements and is a critical accounting estimate because a substantial portion of its assets and liabilities are recorded at estimated fair value.

FASB ASC 825 requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate such fair values. The following table presents

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the estimated fair value of financial instruments included in the consolidated financial statements as of the dates indicated:

	December 31, 2013				December 31, 2012			
	Carrying Amount	Estimated Fair Value			Carrying Amount	Estimated Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets								
Cash and cash equivalents	$ 9,969	$ 9,969	$ -	$ -	$ 12,711	$ 12,711	$ -	$ -
Restricted cash	1,467	1,467	-	-	3,230	3,230	-	-
Mortgage loans held-for-sale	129,191	-	129,191	-	118,786	-	118,786	-
Mortgage servicing rights	35,981	-	-	35,981	10,703	-	-	10,703
Derivative assets, lending, net	1,992	-	1,079	913	3,970	-	-	3,970
Investment securities available-for-sale	108	-	-	108	110	-	-	110
Securitized mortgage collateral	5,494,152	-	-	5,494,152	5,787,884	-	-	5,787,884
Derivative assets, securitized trusts, net	-	-	-	-	37	-	-	37
Call option	-	-	-	-	368	-	-	368
Liabilities								
Warehouse borrowings	$ 119,634	$ -	$ 119,634	$ -	$ 107,569	$ -	$ 107,569	$ -
Notes payable	-	-	-	-	3,451	-	-	3,451
Convertible notes	20,000	-	-	20,000	-	-	-	-
Long-term debt	15,871	-	-	15,871	12,731	-	-	12,731
Securitized mortgage borrowings	5,492,371	-	-	5,492,371	5,777,456	-	-	5,777,456
Derivative liabilities, securitized trusts	10,214	-	-	10,214	17,200	-	-	17,200
Derivative liabilities, lending	-	-	-	-	181	-	181	
Line of credit	3,000	-	3,000	-	-	-	-	-
Put option	-	-		-	1	-	-	1

The fair value amounts above have been estimated by management using available market information and appropriate valuation methodologies. Considerable judgment is required to interpret market data to develop the estimates of fair value in both inactive and orderly markets. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

For securitized mortgage collateral and securitized mortgage borrowings, the underlying Alt-A residential and commercial loans and mortgage-backed securities market have experienced significant declines in market activity, along with a lack of orderly transactions. The Company's methodology to estimate fair value of these assets and liabilities include the use of internal pricing techniques such as the net present value of future expected cash flows (with observable market participant assumptions, where available) discounted at a rate of return based on the Company's estimates of market participant requirements. The significant assumptions utilized in these internal pricing techniques, which are based on the characteristics of the underlying collateral, include estimated credit losses, estimated prepayment speeds and appropriate discount rates.

Refer to *Recurring Fair Value Measurements* below for a description of the valuation methods used to determine the fair value of investment securities available-for-sale, securitized mortgage

collateral and borrowings, derivative assets and liabilities, long-term debt, mortgage servicing rights, loans held-for-sale, and call and put options.

The carrying amount of cash and cash equivalents and restricted cash approximates fair value.

Warehouse borrowings carrying amounts approximates fair value due to the short-term nature of the liabilities and do not present unanticipated interest rate or credit concerns.

Line of credit carrying amount approximates fair value due to the short-term nature of the liability and does not present unanticipated interest rate or credit concerns.

Notes payable includes notes with maturities less than one year. Notes payable is recorded at amortized cost, net of any discounts. The estimated fair value is determined using a discounted cash flow model using estimated market rates.

Convertible notes are recorded at amortized cost. The estimated fair value is determined using a discounted cash flow model using estimated market rates.

Fair Value Hierarchy

The application of fair value measurements may be on a recurring or nonrecurring basis depending on the accounting principles applicable to the specific asset or liability or whether management has elected to carry the item at its estimated fair value.

FASB ASC 820-10-35 specifies a hierarchy of valuation techniques based on whether the inputs to those techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1—Quoted prices (unadjusted) in active markets for identical instruments or liabilities that an entity has the ability to assess at measurement date.

- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices that are observable for an asset or liability, including interest rates and yield curves observable at commonly quoted intervals, prepayment speeds, loss severities, credit risks and default rates; and market-corroborated inputs.

- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when estimating fair value.

As a result of the lack of observable market data resulting from inactive markets, the Company has classified its investment securities available-for-sale, mortgage servicing rights, call and put options, securitized mortgage collateral and borrowings, derivative assets and liabilities (trust and IRLCs), and long-term debt as Level 3 fair value measurements. Level 3 assets and liabilities were approximately 98% and 99%, respectively, of total assets and total liabilities measured at estimated fair value at December 31, 2013 and 2012.

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Recurring Fair Value Measurements

The Company assesses its financial instruments on a quarterly basis to determine the appropriate classification within the fair value hierarchy, as defined by ASC Topic 810. Transfers between fair value classifications occur when there are changes in pricing observability levels. Transfers of financial instruments among the levels occur at the beginning of the reporting period. There were no material transfers between Level 1 and Level 2 classified instruments during the year ended December 31, 2013.

The following tables present the Company's assets and liabilities that are measured at estimated fair value on a recurring basis, including financial instruments for which the Company has elected the fair value option at December 31, 2013 and December 31, 2012, based on the fair value hierarchy:

	Recurring Fair Value Measurements					
	December 31, 2013			December 31, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment securities available-for-sale	$ -	$ -	$ 108	$ -	$ -	$ 110
Mortgage loans held-for-sale	-	129,191	-	-	118,786	-
Derivative assets, lending, net (1)	-	1,079	913	-	-	3,970
Mortgage servicing rights	-	-	35,981	-	-	10,703
Call option (2)	-	-	-	-	-	368
Securitized mortgage collateral	-	-	5,494,152	-	-	5,787,884
Total assets at fair value	$ -	$ 130,270	$ 5,531,154	$ -	$ 118,786	$ 5,803,035
Liabilities						
Securitized mortgage borrowings	$ -	$ -	$ 5,492,371	$ -	$ -	$ 5,777,456
Derivative liabilities, net, securitized trusts (3)	-	-	10,214	-	-	17,163
Long-term debt	-	-	15,871	-	-	12,731
Derivative liabilities, lending (1)	-	-	-	-	181	-
Put option (4)	-	-	-	-	-	1
Total liabilities at fair value	$ -	$ -	$ 5,518,456	$ -	$ 181	$ 5,807,351

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(1) At December 31, 2013, derivative assets, lending, net included $913 thousand in IRLCs and $1.1 million in Hedging Instruments, respectively, associated with the Company's mortgage lending operations, and is included in other assets and other liabilities in the accompanying consolidated balance sheets. At December 31, 2012, derivative assets, lending, net included $4.0 million in IRLCs and $181 thousand in Hedging Instruments, respectively.

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(2) Included in other assets in the accompanying consolidated balance sheets.
(3) At December 31, 2013, derivative liabilities, net—securitized trusts, included no derivative assets and $10.2 million in derivative liabilities, included within trust assets and trust liabilities, respectively. At December 31, 2012, derivative liabilities, net—securitized trusts, included $37 thousand in derivative assets and $17.2 million in derivative liabilities, included within trust assets and trust liabilities, respectively.
(4) At December 31, 2012, derivative liabilities, lending included $181 thousand in Hedging Instruments.
(5) Included in other liabilities in the accompanying consolidated balance sheets.

The following tables present reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2013 and December 31, 2012:

	Level 3 Recurring Fair Value Measurements For the year ended December 31, 2013								
	Investment securities available-for-sale	Securitized mortgage collateral	Securitized mortgage borrowings	Derivative liabilities, net, securitized trusts	Mortgage servicing rights	Interest rate lock commitments, net	Call option	Put option	Long-term debt
Fair value, December 31, 2012	$ 110	$ 5,787,884	$ (5,777,456)	$ (17,163)	$ 10,703	$ 3,970	$ 368	$ (1)	$ (12,731)
Total gains (losses) included in earnings:									
Interest income (1)	34	31,562	-	-	-	-	-	-	-
Interest expense (1)	-	-	(244,796)		-	-	-	-	(2,453)
Change in fair value	36	452,084	(465,189)	574	6,490	(3,057)	111	1	(687)
Total gains (losses) included in earnings	70	483,646	(709,985)	574	6,490	(3,057)	111	1	(3,140)
Transfers in and/or out of Level 3	-	-	-	-					-
Purchases, issuances and settlements									
Purchases	-	-	-	-	-	-	-	-	-
Issuances	-	-	-	-	21,776	-	-	-	-
Settlements	(72)	(777,378)	995,070	6,375	(2,988)	-	(479)	-	-
Fair value, December 31, 2013	$ 108	$ 5,494,152	$ (5,492,371)	$ (10,214)	$ 35,981	$ 913	$ -	$ -	$ (15,871)
Unrealized gains (losses) still held (2)	$ 72	$ (1,897,583)	$ 4,050,051	$ (9,640)	$ 35,981	$ 913	$ -	$ -	$ 54,892

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities. Net interest income, including cash received and paid, was $5.3 million for the year ended December 31, 2013. The difference between accretion of interest income and expense and the amounts of interest income and expense recognized in the consolidated statements of operations is primarily from contractual interest on the securitized mortgage collateral and borrowings.

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(2) Represents the amount of unrealized gains (losses) relating to assets and liabilities classified as Level 3 that are still held and reflected in the fair values at December 31, 2013.

	Level 3 Recurring Fair Value Measurements For the year ended December 31, 2012								
	Investment securities available-for-sale	Securitized mortgage collateral	Securitized mortgage borrowings	Derivative liabilities, net, securitized trusts	Mortgage servicing rights	Interest rate lock commitments, net	Call option	Put option	Long-term debt
Fair value, December 31, 2011	$ 688	$ 5,449,001	$ (5,454,901)	$ (24,749)	$ 4,141	$ 1,179	$ 253	$ -	$ (11,561)
Total gains (losses) included in earnings:									
Interest income (1)	38	140,491	-	-	-	-	-	-	-
Interest expense (1)	-	-	(398,683)	-	-	-	-	-	(2,316)
Change in fair value	(434)	889,145	(880,538)	(2,838)	(600)	2,791	115	(1)	1,146
Total (losses) gains included in earnings	(396)	1,029,636	(1,279,221)	(2,838)	(600)	2,791	115	(1)	(1,170)
Transfers in and/or out of Level 3	-	-	-	-	-	-	-	-	
Purchases, issuances and settlements									
Purchases	-	-	-	-	-	-	-	-	-
Issuances	-	-	-	-	15,962	-	-	-	-
Settlements	(182)	(690,753)	956,666	10,424	(8,800)	-	-	-	-
Fair value, December 31, 2012	$ 110	$ 5,787,884	$ (5,777,456)	$ (17,163)	$ 10,703	$ 3,970	$ 368	$ (1)	$ (12,731)
Unrealized gains (losses) still held (2)	$ 43	$ (2,698,414)	$ 4,760,166	$ (16,458)	$ 10,703	$ 3,970	$ 368	$ (1)	$ 58,032

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities. Net interest income, including cash received and paid, was $8.0 million for the year ended December 31, 2012. The difference between accretion of interest income and expense and the amounts of interest income and expense recognized in the consolidated statements of operations is primarily from contractual interest on the securitized mortgage collateral and borrowings.

(2) Represents the amount of unrealized gains (losses) relating to assets and liabilities classified as Level 3 that are still held and reflected in the fair values at December 31, 2012.

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The following table presents quantitative information about the valuation techniques and unobservable inputs applied to Level 3 fair value measurements for financial instruments measured at fair value on a recurring and non-recurring basis at December 31, 2013.

Financial Instrument	Estimated Fair Value	Valuation Technique	Unobservable Input	Range of Inputs
Assets and liabilities backed by real estate				
Investment securities available-for-sale,	$ 108	DCF	Discount rates	4.0 - 30.0%
Securitized mortgage collateral, and	5,494,152		Prepayment rates	0.6 - 28.2%
Securitized mortgage borrowings	(5,492,371)		Default rates	0.6 - 21.9%
			Loss severities	11.8 - 72.3%
Other assets and liabilities				
Mortgage servicing rights	$ 35,981	DCF	Discount rate	10.5 - 11.5%
			Prepayment rates	7.7 - 24.0%
Derivative liabilities, net, securitized trusts	(10,214)	DCF	1M forward LIBOR	0.2 - 4.8%
Interest rate lock commitments, net	913	Market pricing	Pull -through rate	41.0 - 99.0%
Long-term debt	(15,871)	DCF	Discount rate	25.0%
Lease liability	(1,623)	DCF	Discount rate	12.0%

DCF = Discounted Cash Flow
1M = 1 Month

For assets and liabilities backed by real estate, a significant increase in discount rates, default rates or loss severities would result in a significantly lower estimated fair value. The effect of changes in prepayment speeds would have differing effects depending on the seniority or other characteristics of the instrument. For other assets and liabilities, a significant increase in discount rates would result in a significantly lower estimated fair value. A significant increase in one-month LIBOR would result in a significantly higher estimated fair value for derivative liabilities, net, securitized trusts. A significant increase or decrease in pull-through rate assumptions would result in a significant increase or decrease in the fair value of IRLCs. The Company believes that the imprecision of an estimate could be significant.

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The following tables present the changes in recurring fair value measurements included in net earnings for the years ended December 31, 2013 and 2012:

	Recurring Fair Value Measurements						
	Changes in Fair Value Included in Net Earnings						
	For the year ended December 31, 2013						
			Change in Fair Value of				
	Interest Income (1)	Interest Expense (1)	Net Trust Assets	Long-term Debt	Other Revenue	Gain on sale of loans, net	Total
Investment securities available-for-sale	$ 34	$ -	$ 36	$ -	$ -	$ -	$ 70
Securitized mortgage collateral	31,562	-	452,084	-	-	-	483,646
Securitized mortgage borrowings	-	(244,796)	(465,189)	-	-	-	(709,985)
Mortgage servicing rights	-	-	-	-	6,490	-	6,490
Call option	-	-	-	-	111	-	111
Put option	-	-	-	-	1	-	1
Derivative liabilities, net	-	-	574(2)	-	-	-	574
Long-term debt	-	(2,453)	-	(687)	-	-	(3,140)
Mortgage loans held-for-sale	-	-	-	-	-	(2,895)	(2,895)
Derivative assets—IRLCs	-	-	-	-	-	(3,057)	(3,057)
Derivative liabilities—Hedging Instruments	-	-	-	-	-	1,260	1,260
Total	**$ 31,596**	**$ (247,249)**	**$ (12,495)(3)**	**$ (687)**	**$ 6,602**	**$ (4,692)**	**$ (226,925)**

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities.

(2) Included in this amount is $6.8 million in changes in the fair value of derivative instruments, offset by $6.2 million in cash payments from the securitization trusts for the year ended December 31, 2013.

(3) For the year ended December 31, 2013, change in the fair value of trust assets, excluding REO was $12.5 million. Excluded from the $6.3 million change in fair value of net trust assets, excluding REO, in the accompanying consolidated statement

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of cash flows is $6.2 million in cash payments from the securitization trusts related to the Company's net derivative liabilities.

	Recurring Fair Value Measurements						
	Changes in Fair Value Included in Net Earnings						
	For the year ended December 31, 2012						
			Change in Fair Value of				
	Interest Income (1)	Interest Expense (1)	Net Trust Assets	Long-term Debt	Other Revenue	Gain on sale of loans, net	Total
Investment securities available-for-sale	$ 38	$ -	$ (434)	$ -	$ -	$ -	$ (396)
Securitized mortgage collateral	140,491	-	889,145	-	-	-	1,029,636
Securitized mortgage borrowings	-	(398,683)	(880,538)	-	-	-	(1,279,221)
Mortgage servicing rights	-	-	-	-	-	(600)	(600)
Call option	-	-	-	-	115	-	115
Put option	-	-	-	-	(1)	-	(1)
Derivative liabilities, net	-	-	(2,838) (2)	-	-	-	(2,838)
Long-term debt	-	(2,316)	-	1,146	-	-	(1,170)
Mortgage loans held-for-sale	-	-	-	-	-	3,709	3,709
Derivative assets—IRLCs	-	-	-	-	-	2,791	2,791
Derivative liabilities—Hedging Instruments	-	-	-	-	-	442	442
Total	**$ 140,529**	**$ (400,999)**	**$ 5,335 (3)**	**$ 1,146**	**$ 114**	**$ 6,342**	**$ (247,533)**

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities.

(2) Included in this amount is $7.7 million in changes in the fair value of derivative instruments, offset by $10.5 million in cash payments from the securitization trusts for the year ended December 31, 2012.

(3) For the year ended December 31, 2012, change in the fair value of trust assets, excluding REO was $5.3 million. Excluded from the $15.8 million change in fair value of net trust assets, excluding REO, in the accompanying consolidated statement of cash flows is $10.5 million in cash payments from the securitization trusts related to the Company's net derivative liabilities.

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The following is a description of the measurement techniques for items recorded at estimated fair value on a recurring basis.

Investment securities available-for-sale—Investment securities available-for-sale are carried at fair value. The investment securities consist primarily of non-investment grade mortgage-backed securities. The fair value of the investment securities is measured based upon the Company's expectation of inputs that other market participants would use. Such assumptions include judgments about the underlying collateral, prepayment speeds, future credit losses, forward interest rates and certain other factors. Given the lack of observable market data as of December 31, 2013 and 2012 relating to these securities, the estimated fair value of the investment securities available-for-sale was measured using significant internal expectations of market participants' assumptions. Investment securities available-for-sale are classified as a Level 3 measurement at December 31, 2013.

Mortgage servicing rights—The Company elected to carry its entire mortgage servicing rights arising from its mortgage loan origination operation at fair value. The fair value of mortgage servicing rights is based upon a discounted cash flow model. The valuation model incorporates assumptions that market participants would use in estimating the fair value of servicing. These assumptions include estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fee income, prepayment and late fees, among other considerations. Mortgage servicing rights are considered a Level 3 measurement at December 31, 2013.

Mortgage loans held-for-sale—The Company elected to carry its mortgage loans held-for-sale originated or acquired from its mortgage lending operation at fair value. Fair value is based on quoted market prices, where available, prices for other traded mortgage loans with similar characteristics, and purchase commitments and bid information received from market participants. Given the meaningful level of secondary market activity for mortgage loans, active pricing is available for similar assets and accordingly, the Company classifies its mortgage loans held-for-sale as a Level 2 measurement at December 31, 2013.

Call option—As part of the initial acquisition of AmeriHome, the purchase agreement included a call option to purchase an additional 39% of AmeriHome. In June 2012 and January 2013, the Company and the noncontrolling interest holder entered into agreements to transfer an additional 27.5% and 1.5% ownership, respectively, of AmeriHome to the Company in exchange for the settlement of balances owed from the noncontrolling interest holder related to the Company for capital contributions made by the Company to AmeriHome and indemnification provisions included in the purchase agreement. In July 2013, the Company acquired the remaining 20% ownership of AmeriHome from the noncontrolling interest holder for $350 thousand in cash and $1.1 million in IMH common stock. As of December 31, 2013, the Company owned 100% of AmeriHome. The estimated fair value was based on a model incorporating various assumptions including expected future book value of AmeriHome, the probability of the option being exercised, volatility, expected term and certain other factors.

Put option—As part of the initial acquisition of AmeriHome, the purchase agreement included a put option which allows the noncontrolling interest holder to sell his then remaining 49% of AmeriHome to the Company in the event the Company does not exercise the call option discussed above. In June 2012 and January 2013, the Company and the noncontrolling interest holder entered into agreements to transfer an additional 27.5% and 1.5% ownership, respectively, of AmeriHome to the Company in exchange for the settlement of balances owed from the noncontrolling interest holder related to capital contributions made by the Company to AmeriHome and indemnification provisions included in the

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purchase agreement. In July 2013, the Company acquired the remaining 20% ownership of AmeriHome from the noncontrolling interest holder for $350 thousand in cash and $1.1 million in IMH common stock. As of December 31, 2013, the Company owned 100% of AmeriHome. The estimated fair value was based on a model incorporating various assumptions including expected future book value of AmeriHome, the probability of the option being exercised, volatility, expected term and certain other factors.

Securitized mortgage collateral—The Company elected to carry all of its securitized mortgage collateral at fair value. These assets consist primarily of non-conforming mortgage loans securitized between 2002 and 2007. Fair value measurements are based on the Company's internal models used to compute the net present value of future expected cash flows, with observable market participant assumptions, where available. The Company's assumptions include its expectations of inputs that other market participants would use in pricing these assets. These assumptions include judgments about the underlying collateral, prepayment speeds, estimated future credit losses, forward interest rates, investor yield requirements and certain other factors. As of December 31, 2013, securitized mortgage collateral had an unpaid principal balance of $7.4 billion, compared to an estimated fair value on the Company's balance sheet of $5.5 billion. The aggregate unpaid principal balance exceeds the fair value by $1.9 billion at December 31, 2013. As of December 31, 2013, the unpaid principal balance of loans 90 days or more past due was $1.3 billion compared to an estimated fair value of $0.5 billion. The aggregate unpaid principal balances of loans 90 days or more past due exceed the fair value by $0.8 billion at December 31, 2013. Securitized mortgage collateral is considered a Level 3 measurement at December 31, 2013.

Securitized mortgage borrowings—The Company elected to carry all of its securitized mortgage borrowings at fair value. These borrowings consist of individual tranches of bonds issued by securitization trusts and are primarily backed by non-conforming mortgage loans. Fair value measurements include the Company's judgments about the underlying collateral and assumptions such as prepayment speeds, estimated future credit losses, forward interest rates, investor yield requirements and certain other factors. As of December 31, 2013, securitized mortgage borrowings had an outstanding principal balance of $7.4 billion, net of $2.2 billion in bond losses, compared to an estimated fair value of $5.5 billion. The aggregate outstanding principal balance exceeds the fair value by $1.9 billion at December 31, 2013. Securitized mortgage borrowings are considered a Level 3 measurement at December 31, 2013.

Long-term debt—The Company elected to carry all of its long-term debt (consisting of trust preferred securities and junior subordinated notes) at fair value. These securities are measured based upon an analysis prepared by management, which considered the Company's own credit risk, including settlements with trust preferred debt holders and discounted cash flow analysis. As of December 31, 2013, long-term debt had an unpaid principal balance of $70.5 million compared to an estimated fair value of $15.9 million. The aggregate unpaid principal balance exceeds the fair value by $54.6 million at December 31, 2013. The long-term debt is considered a Level 3 measurement at December 31, 2013.

Derivative assets and liabilities, Securitized trusts—For non-exchange traded contracts, fair value is based on the amounts that would be required to settle the positions with the related counterparties as of the valuation date. Valuations of derivative assets and liabilities are based on observable market inputs, if available. To the extent observable market inputs are not available, fair values measurements include the Company's judgments about future cash flows, forward interest rates and certain other factors, including counterparty risk. Additionally, these values also take into account the Company's

own credit standing, to the extent applicable; thus, the valuation of the derivative instrument includes the estimated value of the net credit differential between the counterparties to the derivative contract. As of December 31, 2013, the notional balance of derivative assets and liabilities, securitized trusts was $99.8 million. These derivatives are included in the consolidated securitization trusts, which are nonrecourse to the Company, and thus the economic risk from these derivatives is limited to the Company's residual interests in the securitization trusts. Derivative assets and liabilities, securitized trusts are considered a Level 3 measurement at December 31, 2013.

Derivative assets and liabilities, Lending—The Company's derivative assets and liabilities are carried at fair value as required by GAAP and are accounted for as free standing derivatives. The derivatives include IRLCs with prospective residential mortgage borrowers whereby the interest rate on the loan is determined prior to funding and the borrowers have locked in that interest rate. These commitments are determined to be derivative instruments in accordance with GAAP. The derivatives also include hedging instruments (typically TBA MBS) used to hedge the fair value changes associated with changes in interest rates relating to its mortgage lending operations. The Company hedges the period from the interest rate lock (assuming a fall-out factor) to the date of the loan sale. The estimated fair value of IRLCs are based on underlying loan types with similar characteristics using the TBA MBS market, which is actively quoted and easily validated through external sources. The data inputs used in this valuation include, but are not limited to, loan type, underlying loan amount, note rate, loan program, and expected sale date of the loan, adjusted for current market conditions. These valuations are adjusted at the loan level to consider the servicing release premium and loan pricing adjustments specific to each loan. For all IRLCs, the base value is then adjusted for the anticipated Pull-through Rate. The anticipated Pull-through Rate is an unobservable input based on historical experience, which results in classification of IRLCs as a Level 3 measurement at December 31, 2013.

The fair value of the Hedging Instruments is based on the actively quoted TBA MBS market using observable inputs related to characteristics of the underlying MBS stratified by product, coupon and settlement date. Therefore, the Hedging Instruments are classified as a Level 2 measurement at December 31, 2013.

Nonrecurring Fair Value Measurements

The Company is required to measure certain assets and liabilities at estimated fair value from time to time. These fair value measurements typically result from the application of specific accounting pronouncements under GAAP. The fair value measurements are considered nonrecurring fair value measurements under FASB ASC 820-10.

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The following tables present financial and non-financial assets and liabilities measured using nonrecurring fair value measurements at December 31, 2013 and 2012, respectively:

	Nonrecurring Fair Value Measurements December 31, 2013			Total Gains (Losses) For the Year Ended December 31, 2013 (3)
	Level 1	Level 2	Level 3	
REO (1)	$ -	$ 3,109	$ -	$ 8,760
Lease liability (2)	-	-	(1,623)	(202)

(1) Balance represents REO at December 31, 2013 which has been impaired subsequent to foreclosure. Amounts are included in continuing operations. For the year ended December 31, 2013, the $8.8 million gain represents recovery of the net realizable value (NRV) attributable to an improvement in state specific loss severities on properties held during the period which resulted in an increase to NRV.
(2) For the year ended December 31, 2013, the Company recorded $202 thousand in losses resulting from changes in lease liabilities as a result of changes in the Company's expected minimum future lease payments, net.
(3) Total losses reflect losses from all nonrecurring measurements during the period.

	Non-recurring Fair Value Measurements December 31, 2012			Total Gains (Losses) For the Year Ended December 31, 2012 (3)
	Level 1	Level 2	Level 3	
REO (1)	$ -	$ 10,172	$ -	$ (13,260)
Lease liability (2)	-	-	(2,155)	(625)

(1) Balance represents REO at December 31, 2012 which has been impaired subsequent to foreclosure. Amounts are included in continuing operations. For the year ended December 31, 2012, the $13.3 million loss represents additional impairment write-downs during 2012.
(2) For the year ended December 31, 2012, the Company recorded $625 thousand in losses resulting from changes in lease liabilities as a result of changes in the Company's expected minimum future lease payments, net.
(3) Total losses reflect losses from all nonrecurring measurements during the period.

Real estate owned—REO consists of residential real estate acquired in satisfaction of loans. Upon foreclosure, REO is adjusted to the estimated fair value of the residential real estate less estimated selling and holding costs, offset by expected contractual mortgage insurance proceeds to be received, if any. Subsequently, REO is recorded at the lower of carrying value or estimated fair value less costs to sell. REO balance representing REOs which have been impaired subsequent to foreclosure are subject to nonrecurring fair value measurement and included in the nonrecurring fair value measurements tables. Fair values of REO are generally based on observable market inputs, and considered Level 2 measurements at December 31, 2013.

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Lease liability—In connection with the discontinuation of our non-conforming mortgage, retail mortgage, warehouse lending and commercial operations, a significant amount of office space that was previously occupied is no longer being used by the Company. The Company has subleased a significant amount of this office space. The Company has recorded a liability representing the present value of the minimum lease payments over the remaining life of the lease, offset by the expected proceeds from sublet revenue related to this office space. This liability is based on present value techniques that incorporate the Company's judgments about estimated sublet revenue and discount rates. Therefore, this liability is considered a Level 3 measurement at December 31, 2013.

Deferred charge—Deferred charge represents the deferral of income tax expense on inter-company profits that resulted from the sale of mortgages from taxable subsidiaries to IMH in prior years. The Company evaluates the deferred charge for impairment quarterly using internal estimates of estimated cash flows and lives of the related mortgages retained in the securitized mortgage collateral. If the deferred charge is determined to be impaired, it is recognized as a component of income tax expense. There was no impairment of the deferred charge in 2013 or 2012. Deferred charge is considered a Level 3 measurement at December 31, 2013.

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Note 15.—Reconciliation of Earnings Per Share

The following table presents the computation of basic and diluted earnings per common share, including the dilutive effect of stock options and cumulative redeemable preferred stock outstanding for the periods indicated:

	For the year ended December 31, 2013	2012
Numerator for basic earnings (loss) per share:		
(Loss) earnings from continuing operations	$ (5,011)	$ 13,045
Net earnings attributable to noncontrolling interest	(136)	(871)
(Loss) earnings from continuing operations attributable to IMH	(5,147)	12,174
Loss from discontinued operations	(3,037)	(15,549)
Net loss attributable to IMH common stockholders	$ (8,184)	$ (3,375)
Numerator for diluted earnings (loss) per share:		
(Loss) earnings from continuing operations attributable to IMH	$ (5,147)	$ 12,174
Interest expense attributable to convertible notes	-	-
(Loss) earnings from continuing operations attributable to IMH plus interest expense attributable to convertible notes	(5,147)	12,174
Loss from discontinued operations	(3,037)	(15,549)
Net loss attributable to IMH common stockholders plus interest expense attributable to convertible notes	$ (8,184)	$ (3,375)
Denominator for basic earnings (loss) per share (1):		
Basic weighted average common shares outstanding during the year	8,749	7,914
Denominator for diluted earnings (loss) per share (1):		
Basic weighted average common shares outstanding during the year	8,749	7,914
Net effect of dilutive convertible notes	-	-
Net effect of dilutive stock options and RSU's	-	-
Diluted weighted average common shares	8,749	7,914
Earnings (loss) per common share – basic and diluted:		
(Loss) earnings from continuing operations attributable to IMH	$ (0.59)	$ 1.54
Loss from discontinued operations	$ (0.35)	(1.96)
Net loss per share available to common stockholders	$ (0.94)	$ (0.42)

(1) Share amounts presented in thousands.

The anti-dilutive stock options outstanding for the years ending December 31, 2013 and 2012 were 2.6 million and 797 thousand shares, respectively. Included in the anti-dilutive shares for 2013 are 1.8 million shares attributable to the Convertible Notes.

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Note 16.—Income Taxes

The Company is subject to federal income taxes as a regular (Subchapter C) corporation and files a consolidated U.S. federal income tax return.

Income taxes for the years ended December 31, 2013 and 2012 were as follows:

	For the year ended December 31,	
	2013	2012
Current income taxes:		
Federal	$ 21	$ -
State	144	48
Total current income taxes	165	48
Deferred income taxes:		
Federal	(1,038)	1,081
State	(158)	115
Total deferred income tax (benefit) expense	(1,196)	1,196
Total income tax (benefit) expense	$ (1,031)	$ 1,244

The Company recorded income tax (benefit) expense of $(1.0) million and $1.2 million for the years ended December 31, 2013 and 2012, respectively. The income tax benefit for 2013 is the result of the inclusion of AmeriHome in the IMH federal income tax return due to the Company's increased ownership of AmeriHome during the first quarter of 2013. Additionally, federal alternative minimum tax was expensed during 2013. The state income taxes are primarily from states where the Company does not have net operating loss carryforwards. The income tax expense for 2012 is the result of deferred income tax for AmeriHome which was an unconsolidated tax subsidiary as well as state income taxes primarily from states where the Company does not have net operating loss carryforwards.

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Deferred tax assets are comprised of the following temporary differences between the financial statement carrying value and the tax basis of assets:

	For the year ended December 31,	
	2013	2012
Deferred tax assets:		
Fair value and REMIC transactions (1)	$ 420,342	$ 428,910
Federal and state net operating losses	88,701	85,037
Derivative liabilities	2,980	5,641
Real estate owned	1,892	3,612
Depreciation and amortization	614	1,324
Compensation and other accruals	3,485	2,688
Other	1,622	1,005
Total gross deferred tax assets	519,636	528,217
Deferred tax liabilities:		
Mortgage servicing rights	(14,359)	(4,233)
Total gross deferred tax liabilities	(14,359)	(4,233)
Valuation allowance	(505,277)	(525,180)
Total net deferred tax liability	$ -	$ (1,196)

(1) Includes the (i) change in fair value of net trust assets and LHFS, (ii) REMIC transactions—tax versus book difference (iii) loan losses, and (iv) interest accretion.

The following is a reconciliation of income taxes to the expected statutory federal corporate income tax rates for the years ended December 31, 2013 and 2012:

	For the year ended December 31,	
	2013	2012
Expected income tax (benefit) expense	$ (2,115)	$ 5,001
State tax, net of federal benefit	(178)	955
Change in valuation allowance	1,214	(4,288)
Other	48	(424)
Total income tax (benefit) expense	$ (1,031)	$ 1,244

As of December 31, 2013, the Company had estimated federal and California net operating loss (NOL) carryforwards of approximately $518.7 million and $437.0 million, respectively, of which approximately $293.1 million (federal) relate to discontinued operations. Federal and state net operating loss carryforwards begin to expire in 2027 and 2018, respectively.

The Company has recorded a valuation allowance against its net deferred tax assets as management believes that as of December 31, 2013 and 2012, it is more likely than not that the deferred tax assets will not be recoverable. For December 31, 2012 the net deferred tax liability relates to AmeriHome and primarily represents mortgage servicing rights. At December 31, 2012, AmeriHome was not part of the Company's federal consolidated tax group, therefore the NOL carryforward of IMH could not be utilized to offset the subsidiary's income tax expense and deferred tax liabilities.

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At December 31, 2013 discontinued operations had gross deferred tax assets of $113.0 million which had a full valuation allowance.

The Company files numerous tax returns in various jurisdictions. While the Company is subject to examination by various taxing authorities, the Company believes there are no unresolved issues or claims likely to be material to its financial position. A subsidiary of the Company had been examined by the IRS for tax years 2006 and 2008. The Company classifies interest and penalties on taxes as provision for income taxes. As of December 31, 2013 and 2012, the Company has no material uncertain tax positions.

The Company recognizes tax benefits associated with the exercise of stock options directly to stockholders' equity only when realized. A windfall tax benefit occurs when the actual tax benefit realized upon an employee's disposition of a share-based award exceeds the deferred tax asset, if any, associated with the award. At December 31, 2013, deferred tax assets do not include $3.8 million of excess tax benefits from stock-based compensation.

Note 17.—Segment Reporting

The Company has three primary reporting segments within continuing operations which include mortgage lending, real estate services and long-term mortgage portfolio. Unallocated corporate and other administrative costs, including the costs associated with being a public company, are presented in Corporate.

The following table presents selected balance sheet data by reporting segment as of the dates indicated:

Balance Sheet Items as of December 31, 2013:	Mortgage Lending	Real Estate Services	Long-term Portfolio	Corporate	Discontinued Operations	Consolidated
Cash and cash equivalents	$ 9,451	$ (74)	$ -	$ 592	$ -	$ 9,969
Restricted cash	1,467	-	-	-	-	1,467
Mortgage loans held-for-sale	129,191	-	-	-	-	129,191
Mortgage servicing rights	35,981	-	-	-	-	35,981
Trust assets	-	-	5,513,166	-	-	5,513,166
Other assets (1)	(671)	8,122	56	18,767	2,277	28,551
Total assets	175,419	8,048	5,513,222	19,359	2,277	5,718,325
Total liabilities	141,857	1,305	5,502,765	33,644	12,883	5,692,454

Balance Sheet Items as of December 31, 2012:	Mortgage Lending	Real Estate Services	Long-term Portfolio	Corporate	Discontinued Operations	Consolidated
Cash and cash equivalents	$ 10,617	$ 1,010	$ -	$ 1,084	$ -	$ 12,711
Restricted cash	1,760	-	-	1,470	-	3,230
Mortgage loans held-for-sale	118,786	-	-	-	-	118,786
Mortgage servicing rights	10,703	-	-	-	-	10,703
Trust assets	-	-	5,810,506	-	-	5,810,506
Other assets (1)	(4,133)	11,823	3,182	19,728	52	30,652
Total assets	137,733	12,833	5,813,688	22,282	52	5,986,588
Total liabilities	117,555	3,278	5,794,822	22,282	18,808	5,956,745

(1) Amounts represent reclassifications of balances within the discontinued operations segment to reflect balances within continuing operations as presented in the accompanying consolidated balance sheets.

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The following table presents selected statement of operations information by reporting segment for the years ended December 31, 2013 and 2012:

Statement of Operations Items for the year ended December 31, 2013:	Mortgage Lending	Real Estate Services	Long-term Portfolio	Corporate	Consolidated
Gain on sale of loans, net	$ 55,302	$ -	$ -	$ -	$ 55,302
Servicing income, net	4,240	-	-	-	4,240
Real estate services fees, net	-	19,370	-	-	19,370
Other revenue	6,758	-	833	(20)	7,571
Other income (expense)	4	19	(3,371)	(1,103)	(4,451)
Total expense	(67,405)	(6,139)	(1,713)	(12,817)	(88,074)
(Loss) earnings from continuing operations before income taxes	$ (1,101)	$ 13,250	$ (4,251)	$ (13,940)	(6,042)
Income tax benefit from continuing operations					(1,031)
Loss from continuing operations					(5,011)
Loss from discontinued operations, net of tax					(3,037)
Net loss					(8,048)
Net earnings attributable to noncontrolling interest					(136)
Net loss attributable to common stockholders					$ (8,184)

Statement of Operations Items for the year ended December 31, 2012:	Mortgage Lending	Real Estate Services	Long-term Portfolio	Corporate	Consolidated
Gain on sale of loans, net	$ 72,719	$ -	$ -	$ -	$ 72,719
Servicing income, net	1,198	-	-	-	1,198
Real estate services fees, net	-	21,218	-	-	21,218
Other revenue	(901)	-	1,904	(46)	957
Other income (expense)	(673)	27	(4,251)	(30)	(4,927)
Total expense	(53,860)	(8,664)	(1,380)	(12,972)	(76,876)
Earnings (loss) from continuing operations before income taxes	$ 18,483	$ 12,581	$ (3,727)	$ (13,048)	14,289
Income tax expense from continuing operations					1,244
Earnings from continuing operations					13,045
Loss from discontinued operations, net of tax					(15,549)
Net loss					(2,504)
Net earnings attributable to noncontrolling interest					(871)
Net loss attributable to common stockholders					$ (3,375)

Note 18.—Commitments and Contingencies (Continuing and Discontinued Operations)

Legal Proceedings

The Company is a defendant in or a party to a number of legal actions or proceedings that arise in the ordinary course of business. In some of these actions and proceedings, claims for monetary damages are asserted against the Company. In view of the inherent difficulty of predicting the outcome of such legal actions and proceedings, the Company generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss related to each pending matter may be, if any.

In accordance with applicable accounting guidance, the Company establishes an accrued liability for litigation when those matters present loss contingencies that are both probable and estimable. In any cases, there may be an exposure to losses in excess of any such amounts whether accrued or not. Any estimated loss is subject to significant judgment and is based upon currently available information, a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimated loss will change from time to time, and actual results may vary significantly from the current estimate. Therefore, an estimate of possible loss represents what the Company believes to be an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Company's maximum loss exposure. At December 31, 2013, the Company has a $4.2 million accrued liability recorded for such estimated loss exposure.

Based on the Company's current understanding of these pending legal actions and proceedings, management does not believe that judgments or settlements arising from pending or threatened legal matters, individually or in the aggregate, will have a material adverse effect on the consolidated financial position, operating results or cash flows of the Company. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Company's control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company's results of operations or cash flows for any particular reporting period.

The legal matters summarized below are ongoing and may have an effect on the Company's business and future financial condition and results of operations:

On or about April 20, 2011, an action was filed entitled Federal Home Loan Bank of Boston v. Ally Financial Inc., et al, naming IMH Assets Corp, IFC, the Company, and ISAC as defendants. The complaint alleges misrepresentations in the materials used to market mortgage-backed securities that the plaintiff purchased. The complaint seeks damages and attorney's fees in an amount to be established at time of trial. The case was removed to the United States District Court for the District of Massachusetts and on September 30, 2013, the Court granted the Company's motion to dismiss claims against it arising under the Massachusetts Uniform Securities Act. The case remains pending as to other claims against the Company.

On January 30, 2012, a Summons with Notice was filed entitled Deutsche Zentral-Genossenschaftsbank AG New York Branch, dba DZ Bank AG, New York Branch v. JPMorgan Chase & Co., et al. Named as a defendant in that action is ISAC. On August 3, 2012, a Consolidated Complaint was filed in which the above matter was consolidated with two other cases by the same plaintiff and DG Holding Trust. ISAC first received a copy of the complaint during the third quarter of

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2012. The Consolidated Complaint alleges misrepresentations in connection with the marketing and sale of mortgage backed securities issued by ISAC that the plaintiff purchased. The complaint seeks rescission, damages, prejudgment interest, punitive damages, and attorney's fees in an amount to be proven at trial. On November 15, 2013, the plaintiff filed an amended complaint. Discovery in this matter is proceeding at this time.

On April 30, 2012 a purported class action was filed entitled Marentes v. Impac Mortgage Holdings, Inc., alleging that certain loan modification activities of the Company constitute an unfair business practice, false advertising and marketing, and that the fees charged are improper. The complaint seeks unspecified damages, restitution, injunctive relief, attorney's fees and pre-judgment interest. On August 22, 2012, the plaintiff filed an amended complaint adding Impac Funding Corporation as a defendant. On October 2, 2012, the plaintiff dismissed Impac Mortgage Holdings, Inc., without prejudice. On December 27, 2012, the court granted IFC's motion to dismiss and on January 30, 2013, the plaintiffs appealed the court's dismissal. The plaintiff's appeal remains pending.

In October 2011 and November 2012, the Company received letters from Countrywide Securities Corporation (Countrywide), Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch), and UBS Securities LLC (UBS) claiming indemnification relating to mortgage backed securities bonds issued, originated or sold by ISAC, IFC, IMH Assets Corp. and the Company. The claims seek indemnification from claims asserted against Countrywide, Merrill Lynch, and UBS in specified legal actions entitled American International Group Inc. v. Bank of America Corp., et al, in the United States District Court for the Southern District of New York and Federal Home Loan Bank of Boston v. Ally Financial, Inc., et al, in the United States District Court for the District of Massachusetts. The notices each seek indemnification for all losses, liabilities, damages and legal fees and costs incurred in those actions. Further related to these claims, the Company received a demand from American International Group (AIG) for claims it purports to have based upon 12 Residential Mortgage Backed Securities it purchased in which the Company was depositor, sponsor, seller and/or originator. AIG contends it has suffered almost $800 million in losses on the securities and contends there were misrepresentations and breaches of representations and warranties regarding the securities. In October 2012 and January 2013, Deutsche Bank issued indemnification demands to IFC for claims asserted against them in the Superior Court of New York in a case entitled Royal Park Investments SA/NV v. Merrill Lynch, et. al and Dealink Funding Ltd. v. Deutsche Bank. In February of 2013 the Company also received a notice of intent to seek indemnification on behalf of Deutsche Bank AG, Deutsche Bank Securities, Inc., DB Structured Products, Inc., ACE Securities Corp and Deutsche Alt-A Securities, Inc. The claim relates to an action filed against those entities in the Superior Court of New York.

On December 7, 2011 a purported class action was filed entitled Timm, v. Impac Mortgage Holdings, Inc, et al. alleging on behalf of holders of the Company's 9.375% Series B Cumulative Redeemable Preferred Stock (Preferred B) and 9.125% Series C Cumulative Redeemable Preferred Stock (Preferred C) who did not tender their stock in connection with the Company's 2009 completion of its Offer to Purchase and Consent Solicitation that the Company failed to achieve the required consent of the Preferred B and C holders, the consents to amend the Preferred stock were not effective because they were given on unissued stock (after redemption), the Company tied the tender offer with a consent requirement that constituted an improper "vote buying" scheme, and that the tender offer was a breach of a fiduciary duty. The action seeks the payment of two quarterly dividends for the Preferred B and C holders, the unwinding of the consents and reinstatement of the cumulative dividend on the Preferred B and C stock, and the election of two directors by the Preferred B and C holders. The action also seeks

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punitive damages and legal expenses. The court, on January 28, 2013, dismissed all individual director and officer defendants from the case and further dismissed the Second, Third and Fifth causes of action. The remaining causes of action against the Company allege the Preferred B holders did not approve amendments to its Articles Supplementary and the holders thereof seek to recover two quarters of dividends and to elect two members to the Board of Directors of the Company. On November 27, 2013, the court denied the plaintiff's motion to reconsider the court's January 28, 2013, order. The Company has filed a motion for summary judgment on the remaining claims and that motion is currently pending.

The legal matters summarized below are ongoing but management believes these matters have been resolved in a satisfactory manner.

On October 16, 2012, a matter was filed entitled Deutsche Bank National Trust Company, in its individual capacity, and as Indenture Trustee of Impac Secured Assets CMB Trust Series 1998-1, Impac CMB Trust Series 1999-2, 2000-2, 2001-4, 2002-1, and 2003-5, and Impac Real Estate Asset Trust Series 2006-SD1 v. Impac Mortgage Holdings, Inc., et al. The action alleges the defendants owe the plaintiff indemnification for settlements that the plaintiff allegedly entered into in connection with the Gilmor, et al. v. Preferred Credit Corp., et al. matter described above. The plaintiff seeks declaratory and injunctive relief and unspecified damages and the case remains pending. On March 11, 2014, the parties entered into a settlement agreement, subject to court approval, whereby the Company agreed to pay$1.65 million which is payable in installments in either cash or Company stock, at the Company's option.

On May 15, 2013, a matter was filed entitled Wilmington Trust Company, in its individual capacity, and as Owner Trustee of Impac Secured Assets CMN Trust Series 1998-1 and Impac CMB Trust Series 1999-1, 1999-2, 2000-1, 2000-2, 2001-4, 2002-1, and 2003-5 v. Impac Secured Assets Corp., et al. The action alleges the defendants owe the plaintiff indemnification for settlements that the plaintiff allegedly entered into in connection with the Gilmor, et al. v. Preferred Credit Corp., et al. matter, which was settled and approved by the court in March 2013. The plaintiff seeks declaratory and injunctive relief and unspecified damages. On January 10, 2014, the parties entered into a settlement agreement whereby the Company agreed to pay $1.05 million, which is payable in either cash or Company stock, at the Company's option.

We are a party to other litigation and claims which are normal in the course of our operations. While the results of such other litigation and claims cannot be predicted with certainty, we believe the final outcome of such matters will not have a material adverse effect on our financial condition or results of operations.

The Company believes that it has meritorious defenses to the above claims and intends to defend these claims vigorously and as such the Company believes the final outcome of such matters will not have a material adverse effect on its financial condition or results of operations. Nevertheless, litigation is uncertain and the Company may not prevail in the lawsuits and can express no opinion as to their ultimate resolution. An adverse judgment in any of these matters could have a material adverse effect on the Company's financial position and results of operations.

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Lease Commitments

The Company leases office space and certain office equipment under long-term leases expiring at various dates through 2016. Future minimum commitments under non-cancelable leases are as follows:

	Operating Leases	Capital Leases	Total
Year 2014	$ 8,697	$ 657	$ 9,354
Year 2015	8,391	516	8,907
Year 2016	6,543	145	6,688
Year 2017	-	-	-
Year 2018 and thereafter	-	-	-
Subtotal	23,631	1,318	24,949
Sublet income	(8,415)	-	(8,415)
Total lease commitments	$ 15,216	$ 1,318	$ 16,534

Total rental expense for the years ended December 31, 2013 and 2012 was $5.8 million and $5.3 million, respectively. During 2013 and 2012, approximately $5.7 million and $5.3 million, respectively, were charged to continuing operations, and are included in occupancy expense in the consolidated statements of operations. Included in rent expense for 2013 and 2012, is an increase of $202 thousand and $625 thousand, respectively, related to changes in estimated lease liabilities as a result of changes in our expected minimum future lease payments.

Interest expense on the capital leases was $58 thousand and $25 thousand for the years ended December 31, 2013 and 2012, respectively.

Repurchase Reserve

When the Company sells mortgage loans, it makes customary representations and warranties to the purchasers about various characteristics of each loan such as the origination and underwriting guidelines, including but not limited to the validity of the lien securing the loan, property eligibility, borrower credit, income and asset requirements, and compliance with applicable federal, state and local law. The Company's whole loan sale agreements generally required it to repurchase loans if the Company breached a representation or warranty given to the loan purchaser.

The activity related to the continuing operations repurchase reserve for previously sold loans for the years ended December 31, 2013 and 2012 is as follows:

	For the year ended December 31,	
	2013	2012
Beginning balance	$ 2,392	$ 603
Provision for repurchases	1,750	1,789
Settlements	(129)	-
Total repurchase reserve	$ 4,013	$ 2,392

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The activity related to the discontinued operations repurchase reserve for previously sold loans for the years ended December 31, 2013 and 2012 is as follows:

	For the year ended December 31,	
	2013	2012
Beginning balance	$ 8,170	$ 5,213
Provision for repurchases	1,312	5,713
Settlements	(4,017)	(2,756)
Total repurchase reserve	$ 5,465	$ 8,170

Concentration of Risk

The aggregate unpaid principal balance of loans in the Company's long-term mortgage portfolio secured by properties in California and Florida was $3.8 billion and $802.2 million, or 52% and 11%, respectively, at December 31, 2013.

The Company does not have a significant concentration of risk to any individual client except for the U.S. government and its agencies relating to its concentration of loan sales. However, a geographic concentration arises because the Company originates mortgage loans primarily in the following states California (33%), Oregon (16%), Washington (11%) and Idaho (5%).

Note 19.—Share Based Payments and Employee Benefit Plans

The Company maintains a stock-based incentive compensation plan, the terms of which are governed by the 2010 Omnibus Incentive Plan (the 2010 Incentive Plan). The 2010 Incentive Plan provides for the grant of stock appreciation rights, restricted stock units, performance shares and other stock and cash-based incentive awards. Employees, directors, consultants or other persons providing services to the Company or its affiliates are eligible to receive awards pursuant to the 2010 Incentive Plan. In connection with the adoption of the 2010 Incentive Plan, the Company's 2001 Stock Plan, which was scheduled to expire in March 2011, was frozen. Further, all outstanding awards under the 2001 Stock Plan, as well as the Company's previous 1995 Stock Option, Deferred Stock and Restricted Stock Plan (together with the 2001 Stock Plan, the "Prior Plans"), were assumed by the 2010 Incentive Plan. During the third quarter of 2013, the shareholders voted on and approved the amendment to the 2010 Omnibus Incentive Plan to increase the shares subject to the plan by 300,000 shares. As of December 31, 2013, the aggregate number of shares reserved under the 2010 Incentive Plan is 1,136,510 shares (including all outstanding awards assumed from Prior Plans), and there were 77,322 shares available for grant as stock options, restricted stock and deferred stock awards. The Company issues new shares of common stock to satisfy stock option exercises. There were 255,000 options granted during the third quarter of 2013.

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The fair value of options granted, which is amortized to expense over the option vesting period, is estimated on the date of grant with the following weighted average assumptions:

	For the year ended December 31,	
	2013	2012
Risk-free interest rate	1.46%	0.60% - 0.65%
Expected lives (in years)	5.56	4.55 - 4.90
Expected volatility (1)	78.58%	209.30% - 214.13%
Expected dividend yield	0.00%	0.00%
Fair value per share	$7.03	$13.51 - $13.53

(1) Expected volatilities are based on both the implied and historical volatility of the Company's stock over the expected option life.

The following table summarizes activity, pricing and other information for the Company's stock options for the years presented below:

	For the year ended December 31,			
	2013		2012	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Options outstanding at beginning of year	796,795	$ 7.89	1,241,808	$ 3.64
Options granted	255,000	10.65	269,500	13.81
Options exercised	(121,576)	1.45	(659,071)	1.88
Options forfeited / cancelled	(143,087)	11.76	(55,442)	12.96
Options outstanding at end of year	787,132	$ 9.07	796,795	$ 7.89
Options exercisable at end of year	424,888	$ 6.72	420,475	$ 5.39

The aggregate intrinsic value in the following table represents the total pre-tax intrinsic value, based on the Company's closing stock price of $5.98 and $14.10 per common share as of December 31, 2013 and 2012, respectively. Aggregate intrinsic value represents the amount of proceeds the option

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holders would have received had all option holders exercised their options and sold the stock as of that date.

	As of December 31,			
	2013		2012	
	Weighted-Average Remaining Life (Years)	Aggregate Intrinsic Value (in thousands)	Weighted-Average Remaining Life (Years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at end of year	7.92	$ 1,325,207	7.32	$ 5,766
Options exercisable at end of year	6.73	$ 1,325,207	5.51	$ 4,476

As of December 31, 2013, there was approximately $3.0 million of total unrecognized compensation cost related to stock option compensation arrangements granted under the plan, net of estimated forfeitures. That cost is expected to be recognized over the remaining weighted average period of 1.97 years.

For the years ended December 31, 2013 and 2012, the aggregate grant-date fair value of stock options granted was approximately $2.7 million and $3.7 million, respectively.

For the years ended December 31, 2013 and 2012, total stock-based compensation expense was $2.0 million and $449 thousand, respectively.

Additional information regarding stock options outstanding as of December 31, 2013 is as follows:

	Stock Options Outstanding			Options Exercisable	
Exercise Price Range	Number Outstanding	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 0 - 0.53	132,510	5.44	$ 0.53	132,510	$ 0.53
0.54 - 2.73	114,000	6.93	2.73	114,000	2.73
2.74 - 2.80	73,122	6.58	2.80	73,122	2.80
2.81 - 10.65	227,000	9.56	10.65	-	-
10.66 - 13.81	236,500	8.76	13.81	101,256	13.81
13.82 - 217.70	4,000	0.47	217.70	4,000	217.70
$ 0.53 - 217.70	787,132	7.92	9.07	424,888	6.72

In addition to the options granted, the Company has granted deferred stock units (DSU's), which vest over two and three year periods. The fair value of each DSU was measured on the date of grant using the grant date price of the Company's stock. For the years ended December 31, 2013 and 2012,

the aggregate grant-date fair value of DSU's granted was approximately $320 thousand and $249 thousand, respectively.

The following table summarizes activity, pricing and other information for the Company's DSU's for the years presented below:

	For the year ended December 31,			
	2013		2012	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
DSU's outstanding at beginning of year	42,000	$ 7.48	24,000	$ 2.73
DSU's granted	30,000	10.65	18,000	13.81
DSU's exercised	-	-	-	-
DSU's forfeited/cancelled	-	-	-	-
DSU's outstanding at end of period	72,000	$ 8.80	42,000	$ 7.48

As of December 31, 2013, there was approximately $385 thousand of total unrecognized compensation cost related to the DSU compensation arrangements granted under the plan. This cost is expected to be recognized over a weighted average period of 2.08 years.

401(k) Plan

After meeting certain employment requirements, employees can participate in the Company's 401(k) plan. Under the 401(k) plan, employees may contribute up to 25% of their salaries, pursuant to certain restrictions. The Company matches 50% of the first 4% of employee contributions. Additional contributions may be made at the discretion of the board of directors. During the year ended December 31, 2013, the Company recorded approximately $473 thousand for basic matching contributions. During the year ended December 31, 2012, the Company recorded approximately $274 thousand for basic matching contributions. There were no discretionary matching contributions recorded during the years ended December 31, 2013 or 2012.

Note 20.—Related Party Transactions

Historically, mortgage loans have been extended to officers and directors of the Company. All such loans were made at the prevailing market rates and conditions existing at the time. During 2013, no mortgage loans were extended to officers or directors. During 2012, a mortgage loan was extended to an officer at market terms. The loan was subsequently sold to a third party.

During 2013, the Company incurred an expense of $132,000 from a vendor partially owned by an officer. Services were at arms-length and performed at prevailing market rates.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data or as otherwise indicated)

During 2012, Excel acquired assets from a company which was partially owned by certain officers of IMH for consideration of $72 thousand.

The Company earns mortgage lending gains and fees and real estate service fees by providing such services to its long-term mortgage portfolio.

Note 21.—Discontinued Operations

During 2007, the Company announced plans to exit substantially all of its non-conforming mortgage, commercial, retail, and warehouse lending operations. Consequently, the amounts related to these operations are presented as discontinued operations in the Company's consolidated statements of operations and comprehensive loss and its consolidated statements of cash flows, and the asset groups exited are reported as assets and liabilities of discontinued operations in its consolidated balance sheets for the periods presented.

The following table presents the discontinued operations' condensed balance sheets as of December 31, 2013 and 2012:

	At December 31,	
	2013	2012
Cash and cash equivalents	$ -	$ 44
Other assets	2,277	8
Total assets	$ 2,277	$ 52
Repurchase reserve	$ 5,465	$ 8,170
Legal settlements	3,775	6,100
Other liabilities	3,643	4,538
Total liabilities	$ 12,883	$ 18,808

The following table presents discontinued operations' condensed statement of operations for the years ended December 31, 2013 and 2012:

	For the years ended December 31,	
	2013	2012
Provision for repurchases	$ (1,312)	$ (5,713)
Legal settlements	(3,775)	(6,100)
Other income (expense)	2,050	(3,736)
Net loss	$ (3,037)	$ (15,549)

Note 22.—Tax Benefits Preservation Rights Plan

In September 2013, the Company adopted a Tax Benefits Preservation Rights Agreement (Rights Plan), which is subject to stockholder approval, to help preserve the value of certain deferred tax benefits, including those generated by net operating losses (collectively, Tax Benefits). In general, the Company may "carry forward" net operating losses in certain circumstances to offset current and future

taxable income, which will reduce federal and state income tax liability, subject to certain requirements and restrictions. The Company's ability to use these Tax Benefits would be substantially limited and impaired if it were to experience an "ownership change" for purposes of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder. Generally, the Company will experience an "ownership change" if the percentage of the shares of Common Stock owned by one or more "five-percent shareholders" increases by more than 50 percentage points over the lowest percentage of shares of Common Stock owned by such stockholder at any time during the prior three year on a rolling basis. As such, the Rights Plan has a 4.99% "trigger" threshold that is intended to act as a deterrent to any person or entity seeking to acquire 4.99% or more of the outstanding Common Stock without the prior approval of the Board. The Rights Plan also has certain ancillary anti-takeover effects. The rights accompany each share of common stock of the Company and are evidenced by ownership of common stock. The rights are not exercisable except upon the occurrence of certain change of control events. Once triggered, the rights would entitle the stockholders, other than a person qualifying as an "Acquiring Person" pursuant to the rights plan, to certain "flip-in", "flip-over" and exchange rights. The rights issued under the Rights Plan may be redeemed by the board of directors at a nominal redemption price of $0.001 per right, and the board of directors may amend the rights in any respect until the rights are triggered.

Note 23.—Subsequent Events

On January 15, 2014, pursuant to the terms of the Settlement Agreement with Citigroup Global Market, Inc. ("Citigroup"), the Company made its final installment with the issuance to Citigroup of 75,000 shares of the Company's common stock. As previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, on December 20, 2012, the Company entered into a Settlement Agreement with Citigroup regarding a lawsuit initially filed on May 26, 2011 in the U.S. District Court of Central District of California. Pursuant to the Settlement Agreement, the Company agreed to pay Citigroup an aggregate of $3.1 million of its common stock within a 12 month period. On January 24, 2013, the court approved the Settlement Agreement. The Company previously issued to Citigroup 84,942 shares of its common stock on January 30, 2013, 100,000 shares of common stock on June 26, 2013 and 100,000 shares on December 23, 2013.

In January 2014, repurchase agreement 4 was amended to increase the maximum borrowing capacity from $100.0 million to $125.0 million.

In March 2014, the Company sold AmeriHome for $10.2 million in cash, recording a gain of approximately $3.0 million dollars. In conjunction with the transaction, as required by Fannie Mae, the Company used $3.0 million of the proceeds to reduce our legacy repurchase liability with Fannie Mae.

In March 2014, repurchase agreement 3 was amended to extend the maturity date to June 2014.

Subsequent events have been evaluated through the date of this filing.

Exhibit 2.1

EXECUTION VERSION

EQUITY PURCHASE AGREEMENT

Dated as of December 3, 2013

among

Aris Mortgage Holding Company, LLC,

Excel Mortgage Servicing, Inc.

and

Integrated Real Estate Service Corporation

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EQUITY PURCHASE AGREEMENT

EQUITY PURCHASE AGREEMENT, dated as of December 3, 2013, among Aris Mortgage Holding Company, LLC, a Delaware limited liability company ("Buyer"), Excel Mortgage Servicing, Inc., a California corporation ("Seller"), and Integrated Real Estate Service Corporation, a Maryland corporation ("IRES").

RECITALS:

WHEREAS, Seller is the owner, beneficially and of record, of all of the issued and outstanding shares of capital stock (which shares of capital stock will become membership interests of a limited liability company by virtue of the conversion contemplated by Section 7.6) (the "Equity Interests") of AmeriHome Mortgage Corporation, a Michigan corporation (the "Company");

WHEREAS, the Company is engaged in the Mortgage Banking Business (the "Business");

WHEREAS, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, all of the equity interests of the Company on the terms and subject to the conditions set forth herein; and

WHEREAS, IRES is the parent company of Seller and will derive significant benefit from the consummation of the transactions contemplated by this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties to this Agreement agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1. Definitions. In this Agreement, the following terms have the meanings specified or referred to in this Section 1.1 and shall be equally applicable to both the singular and plural forms.

"**Accounting Firm**" has the meaning specified in Section 3.3(e).

"**Adjusted Purchase Price**" has the meaning specified in Section 3.3(a).

"**Adjustment Period**" has the meaning specified in Section 3.3(d).

"**Affiliate**" means, with respect to any Person, any other Person which, at the time of determination, directly or indirectly through one or more intermediaries Controls, is Controlled by or is under Common Control with such Person.

"**Agency**" means FHA, FNMA, FHLMC, GNMA, HUD, RHS, VA or a State Agency, as applicable.

"**Agency Guides**" means the FNMA Single Family Selling Guide, the FNMA Single Family Servicing Guide, the FHLMC Single-Family Seller/Servicer Guide, the GNMA Mortgage-Backed Securities Guide and any other guide issued by any Agency.

"**Agreed Accounting Principles**" means GAAP consistently applied; provided that, with respect to any matter as to which there is more than one generally accepted accounting principle, Agreed Accounting Principles means the generally accepted accounting principles applied in the

preparation of the audited balance sheet of the Company as of December 31, 2012 included in Schedule 5.4; provided further that, notwithstanding the foregoing, Agreed Accounting Principles shall include the accounting policies and be subject to the exceptions described in Schedule 1.1(A).

"**Agreed Adjustments**" has the meaning specified in Section 3.3(d).

"**Agreed Rate**" means an interest rate per annum equal to the average of the one month British Bankers Association LIBOR for U.S. dollars that appears on page 3750 (or a successor page) of the Dow Jones Telerate Screen as of 11:00 a.m. (London time) on each day during the period for which interest is to be paid, or if that rate is no longer published, a comparable rate.

"**Anti-Money Laundering Laws**" means any applicable anti-money laundering laws and regulations, including the Bank Secrecy Act, the USA PATRIOT Act and the OFAC Regulations.

"**Applicable Requirements**" means: (i) all contractual obligations relating to the Mortgage Banking Business, including those contractual obligations under any Warehouse Agreement, Servicing Agreement, Investor Agreement or Contract with any Insurer; (ii) all Requirements of Laws and Orders applicable to the Mortgage Banking Business; (iii) the Agency Guides; and (iv) the Credit Policies.

"**Associate**" has the meaning specified in Section 5.25(a).

"**Balance Sheet**" means the unaudited balance sheet of the Company as of September 30, 2013 included in Schedule 5.4.

"**Balance Sheet Date**" means September 30, 2013.

"**Balance Sheet MSR Loan**" means any loan secured by real estate for which the Company owns the mortgage servicing rights.

"**Benefit Plan**" means any "employee benefit plan" (as defined in Section 3(3) of ERISA), whether or not subject to ERISA, any other employee benefit plan, program, policy, arrangement or Contract, including any pension, retirement, profit-sharing, thrift, savings, bonus plan, incentive, stock option or other equity or equity-based compensation, or deferred compensation arrangement, stock purchase, severance pay, retention, change of control, unemployment benefits, sick leave, vacation pay, salary continuation for disability, hospitalization, health or medical insurance, life insurance, fringe benefit, compensation, flexible spending account or scholarship program, and any employment or severance Contract or similar practice, policy or arrangement.

"**Book Value**" means an amount equal to the Company's total assets minus its total liabilities, in each case calculated in accordance with the Agreed Accounting Principles.

"**Business**" has the meaning specified in the second recital of this Agreement.

"**Business Day**" means any day other than a Saturday, a Sunday or other day on which banks are not open for business in Los Angeles, California.

"**Buyer**" has the meaning specified in the first paragraph of this Agreement.

"**Buyer Ancillary Agreements**" means all agreements, instruments and documents being or to be executed and delivered by Buyer under this Agreement or in connection herewith.

"**Buyer Group Member**" means (i) Buyer and its Affiliates (including the Company after the Closing), (ii) the equity holders, directors, officers, employees, agents and representatives of each of Buyer and its Affiliates and (iii) the respective successors and assigns of each of the foregoing.

"**Claim Notice**" has the meaning specified in Section 11.3(a).

"**Closing**" has the meaning specified in Section 4.1.

"**Closing Date**" has the meaning specified in Section 4.1.

"**Code**" means the Internal Revenue Code of 1986.

"**Company**" has the meaning specified in the first recital to this Agreement.

"**Company Agreements**" has the meaning specified in Section 5.19.

"**Company Group**" means any "affiliated group" (as defined in Section 1504(a) of the Code without regard to the limitations contained in Section 1504(b) of the Code) that, at any time on or before the Closing Date, includes, has included or was required to include the Company or any direct or indirect predecessor of the Company, or any other group of corporations filing, or required to file, Tax Returns on a combined, consolidated or unitary basis that, at any time on or before the Closing Date, includes, has included or was required to includethe Company or any direct or indirect predecessor of the Company.

"**Confidentiality Agreement**" means the Confidentiality Agreement dated July 11, 2012 between Seller and Athene Asset Management LLC.

"**Contract**" means any contract, agreement, lease, license, sublicense, note, commitment, understanding or arrangement, including any amendment thereto, whether written or oral.

“**Control**” means, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The terms “Controlled by,” “under Common Control with” and “Controlling” shall have correlative meanings.

“**Copyrights**” means United States and non-U.S. copyrights, copyrightable works and mask works (as defined in 17 U.S.C. §901), whether registered or unregistered, and pending applications to register the same.

“**Credit Policies**” means the policies and procedures of the Company and its Affiliates relating to the extension of credit with respect to the Mortgage Loans, in effect at the time each Mortgage Loan was originated or acquired.

“**Encumbrance**” means any lien (statutory or other), claim, charge, security interest, mortgage, deed of trust, pledge, hypothecation, assignment, conditional sale or other title retention agreement, preference, priority or other security agreement or preferential arrangement of any kind, and any easement, encroachment, covenant, restriction, right of way, defect in title or other encumbrance of any kind.

“**Environmental Laws**” has the meaning specified in Section 5.21(a).

“**Equity Interests**” has the meaning set forth in the first recital to this Agreement.

“**ERISA**” means the Employee Retirement Income Security Act of 1974.

“**ERISA Affiliate**” means any trade or business (whether or not incorporated) which, together with the Company, would be treated as a single employer under Section 414 of the Code or Section 4001 of ERISA.

“**Estimated Purchase Price**” has the meaning specified in Section 3.2.

“**Executive Order**” has the meaning specified in Section 5.13(b).

“**Expenses**” means all reasonable internal and out-of-pocket expenses incurred in connection with investigating, defending or asserting any Proceeding incident to any matter indemnified against hereunder (including court filing fees, court costs, arbitration fees or costs, witness fees, and reasonable fees and disbursements of legal counsel, investigators, expert witnesses, consultants, accountants and other professionals).

“**FHA**” means the Federal Housing Administration.

“**FHLMC**” means the Federal Home Loan Mortgage Corporation.

“**FNMA**” means the Federal National Mortgage Association.

“**GAAP**” means accounting principles generally accepted in the United States.

“**GNMA**” means the Government National Mortgage Association.

“**Governmental Body**” means any United States federal, state or local government, political subdivision, governmental, regulatory or administrative authority, instrumentality, agency, body, commission, self-regulatory organization, government-sponsored entity, court, tribunal or judicial or arbitral body, including any Agency.

“**Governmental Permits**” has the meaning specified in Section 5.9(a).

“**Hazardous Substances**” has the meaning specified in Section 5.21(c).

“**HUD**” means the United States Department of Housing and Urban Development.

“**Indebtedness**” of any Person means, without duplication, (i) all indebtedness for borrowed money, (ii) all obligations issued, undertaken or assumed as the deferred purchase price of property or services, other than trade accounts arising in the ordinary course of business, (iii) all reimbursement obligations with respect to surety bonds, letters of credit (to the extent not collateralized with cash or cash equivalents), bankers’ acceptances and similar instruments (in each case, whether or not matured), (iv) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (v) all obligations to return security deposits held by or on behalf of such Person, (vi) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by such Person, (vii) all obligations of such Person under any interest rate, currency or other hedging agreement, (viii) all obligations of such Person as lessee which should be capitalized in accordance with GAAP, (ix) all indebtedness referred to in clauses (i) through (viii) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Encumbrance upon or in property (including accounts and contracts rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such Indebtedness, and (x) all agreements, undertakings or arrangements by which such Person guarantees, endorses or otherwise becomes or is contingently liable for (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise assure a creditor against loss) the Indebtedness or other similar obligation or liability of any other Person, or guarantees the payment of dividends or other distributions upon the equity securities or interests of any other Person.

“**Indemnified Party**” has the meaning specified in Section 11.3(a).

“**Indemnitor**” has the meaning specified in Section 11.3(a).

"**Insurer**" means any Person who insures or guarantees all or any portion of the risk of loss on any Mortgage Loan, any Agency and any provider of private mortgage insurance, hazard insurance, flood insurance, earthquake insurance or title insurance with respect to any Mortgage Loan or the real property to which such Mortgage Loan relates.

"**Intellectual Property**" means Copyrights, Patent Rights, Trademarks and Trade Secrets.

"**Investor**" means any Agency, private investor, trust or other Person who owns or holds or is committed to purchase or acquire Mortgage Loans, any interest therein or any servicing rights with respect thereto.

"**Investor Agreement**" means any Contract between the Company or any of its Affiliates and any Investor for the purchase or acquisition of any Mortgage Loans, any interest therein or any servicing rights with respect thereto.

"**IRES**" has the meaning specified in the first paragraph of this Agreement.

"**IRS**" means the Internal Revenue Service.

"**Knowledge of Buyer**" means the actual knowledge after reasonable inquiry of Nancy De Liban, James Furash, John Golden, Imran Siddiqui and Neil Mehta.

"**Knowledge of Seller**" means the actual knowledge after reasonable inquiry of Joseph R. Tomkinson, William Ashmore, Ron Morrison, Todd Taylor and B. Thomas Smith III.

"**Leased Real Property**" has the meaning specified in Section 5.10(b).

"**Liability**" means any debt, liability, commitment or obligation of any kind (whether known or unknown, asserted or unasserted, fixed, absolute or contingent, matured or unmatured, determined or determinable, accrued or unaccrued, liquidated or unliquidated, due or to become due), including any liability for Taxes.

"**Loan Held for Sale**" means a Mortgage Loan that is intended to be sold to an Investor in the ordinary course.

"**Losses**" means any and all losses, costs, obligations, liabilities, settlement payments, awards, judgments, fines, penalties, damages, deficiencies, Taxes or other charges.

"**Material Adverse Change**" or "**Material Adverse Effect**" means any fact, occurrence, condition, circumstance, change, effect, event or development that has resulted in, or could reasonably be expected to result in, a material adverse effect on the Equity Interests, the Business or the assets, Liabilities, profits, condition (financial or otherwise), results of operations, cash flow or liquidity of the Company, except for any such changes or effects resulting, directly or indirectly, from (i) events, circumstances, changes or effects that generally affect the industry or markets in which the Company operates (including legal and regulatory changes), (ii) any change in national or international political, economic or social conditions or the securities markets, including events, circumstances, changes or effects caused by any outbreak or escalation of war, act of foreign enemies, hostilities, terrorist activities, or acts of nature, (iii) any failure by the Company to meet forecasts (provided, that the facts or events giving rise to such failure to meet forecasts may be taken into account in determining whether there has been a "Material Adverse Change" or "Material Adverse Effect"), (iv) changes or effects arising from or related to the consummation of the transactions contemplated by, or the announcement of the execution of, this Agreement, or (v) any changes in Requirements of Laws or accounting requirements or principles or the interpretations thereof (other than any changes in Requirements of Law specifically directed at the Company), in each case after the date hereof.

"**Mortgage Banking Business**" means the business of (i) originating, acquiring, holding, selling, transferring, securitizing or hedging loans secured by real estate or (ii) servicing such loans, or acquiring or holding the rights to service such loans, including engaging in such activities with respect to (A) loans transferred to, serviced for, holding servicing rights with respect to, or directly or indirectly insured by, an Agency, (B) securitizations or other secondary market activity guaranteed by or otherwise involving a Governmental Body, including an Agency, and (C) private label, non-conforming and other non-Agency loans, securitizations and secondary market activity.

"**Mortgage Loan**" means any loan secured by real estate that is owned by the Company or for which the Company owns the mortgage servicing rights.

"**Mortgage Loan Data Tape**" means the data tape, dated as of October 31, 2013, setting forth the categories of information with respect to each Mortgage Loan as specified on Schedule 1.1(B).

"**Mortgagor**" means the obligor or co-signer under a Mortgage Loan.

"**OFAC Regulations**" has the meaning specified in Section 5.13(b).

"**Order**" means any judgment, ruling, order, decree, award, stipulation, injunction or other similar determination or action of any Governmental Body.

"**Patent Rights**" means United States and non-U.S. patents, provisional patent applications, patent applications, continuations, continuations-in-part, divisions, reissues, patent disclosures, inventions or improvements thereto.

"**Permitted Encumbrances**" means (i) liens for Taxes and other governmental charges and assessments which are not yet delinquent or the validity or amount of which is being contested in good faith by appropriate proceedings and for which an adequate reserve was taken in accordance with GAAP (to the extent required under GAAP); (ii) liens of landlords and liens of carriers, warehousemen, mechanics and materialmen and other similar liens imposed by law arising in the ordinary course of business for sums not yet due and payable, or the validity or amount of which is being contested in good faith by appropriate proceedings and for which an adequate reserve was taken in accordance with GAAP (to the extent required under GAAP), (iii) statutory obligations (including workers' compensation, unemployment insurance or other social security legislation); (iv) Encumbrances identified on Schedule 1.1(C) to this Agreement; (v) other Encumbrances or imperfections on property which do not materially detract from the value of, or materially impair the existing use of, the property affected by such lien or imperfection; (vi) restrictions on transfer imposed by the Securities Act of 1933 or any applicable state securities law and (vii) Encumbrances that are set forth on the face of the Balance Sheet.

"**Person**" means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization or Governmental Body.

"**Pipeline Loans**" means applications in process for mortgage loans to be made by the Company which have not closed or funded as of the Closing Date.

"**Preliminary Closing Date Balance Sheet**" has the meaning specified in Section 3.3(c).

"**Prior Period**" means January 1, 2009 through September 30, 2010.

"**Proceeding**" means any claim, suit, action, proceeding, arbitration, audit, hearing or investigation (in each case, whether civil, criminal, administrative, investigative or informal), brought, or threatened to be brought, conducted or heard by or before, or otherwise involving, any Governmental Body.

"**Related Person**" has the meaning specified in Section 5.25(a).

"**Requirements of Laws**" means any federal, state or local law, statute, constitution, treaty, principle of common law, directive, resolution, ordinance, code, edict, writ, decree, rule, regulation, judgment, ruling, injunction or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body, including (A) the federal Truth in Lending Act, Equal Credit Opportunity Act, Fair Credit Reporting Act, Fair Housing Act and Real Estate Settlement Procedures Act, (B) any Anti-Money Laundering Laws, (C) any requirements relating to predatory lending, usury or fee limits, fair lending, unfair, deceptive or abusive acts or practices, disclosures, or other consumer protection, and (D) any requirements relating to recordation, foreclosure or other actions taken with respect to loans secured by real estate, mortgage insurance or other insurance with respect to such loans, including insurance provided directly or indirectly by an Agency, and the eligibility for or claims made with respect to any such insurance.

"**REO**" means any property owned by the Company acquired in the conduct of its servicing business as a result of foreclosure or any other method in satisfaction of indebtedness (whether for its own account or on behalf of an Investor or Insurer).

"**RHS**" means the Rural Housing Service, an agency of the United States Department of Agriculture, including the Farmers Home Administration, as the predecessor in interest to the Rural Housing Service.

"**Seller**" has the meaning specified in the first paragraph of this Agreement.

"**Seller Ancillary Agreements**" means all agreements, instruments and documents being or to be executed and delivered by Seller under this Agreement or in connection herewith.

"**Seller Benefit Plans**" has the meaning specified in Section 5.16(a).

"**Seller Group Member**" means (i) Seller and its Affiliates, (ii) the equity holders, directors, officers, employees, agents and representatives of each of Seller and its Affiliates and (iii) the respective successors and assigns of each of the foregoing.

"**Seller Transferor Plan**" has the meaning specified in Section 5.16(a).

"**Servicer Advance**" means all customary, reasonable and necessary out of pocket costs and expenses (including reasonable attorney's fees and disbursements) incurred in connection with the performance by the Company of the servicing obligations under the applicable Servicing Agreement, including (i) advances for the payment of property taxes and insurance amounts due with respect to the related Mortgage Loans advanced on behalf of the Mortgagor, (ii) principal and interest advances made in accordance with the applicable Servicing Agreement and (iii) advances related to a delinquent Mortgage Loan made in accordance with the Servicing Agreement, including attorney fees and costs, property preservation, property inspection, and valuation fees, as well as other default related expenses.

"**Servicing Agreement**" means any Contract whereby the Company has agreed to service any Mortgage Loan on behalf of a third Person (including any Agency), including the Agency Guides.

"**Servicing Rights**" means, with respect to a Mortgage Loan, the right or rights to service such Mortgage Loan and the duties and obligations associated therewith, all as further described or set forth in the related Servicing Agreement.

"**Software**" means computer software programs and software systems, including all databases, compilations, tool sets, compilers, higher level or "proprietary" languages, related documentation and materials, whether in source code, object code or human readable form.

"**State Agency**" means any state governmental entity with authority to regulate the mortgage-related activities of the Company or the Business or to determine the investment or servicing requirements with regard to mortgage loan origination, purchasing or servicing performed by the Company.

"**Straddle Period**" means any taxable year or period beginning on or before and ending after the Closing Date.

"**Subservicing Agreement**" means any Contract whereby the Company has a Contract with a third Person to subservice any Mortgage Loan on behalf of the Company.

"**Tax**" (and, with correlative meaning, "Taxes") shall mean (i) any federal, state, local or foreign net income, gross income, gross receipts, windfall profit, severance, property, production, sales, use, license, excise, franchise, employment, payroll, withholding, alternative or add-on minimum, ad valorem, value-added, transfer, stamp, or environmental tax (including taxes under Code Section 59A), escheat payments or any other tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, addition to tax or additional amount imposed by any Governmental Body and (ii) any liability for the payment of amounts with respect to payments of a type described in clause (i) as a result of being a member of any group of corporations that files, will file or has filed Tax Returns on a consolidated, combined or unitary basis, or as a result of any obligation under any agreement or arrangement (including any Tax Sharing Arrangement or Tax indemnity arrangement) as a result of being a transferee, successor or otherwise.

"**Tax Return**" means any return, report or similar statement required to be filed with respect to any Taxes (including any attached schedules), including any information return, claim for refund, amended return or declaration of estimated Tax.

"**Tax Sharing Arrangement**" means any written or unwritten agreement or arrangement for the allocation or payment of Tax liabilities or payment for Tax benefits between or among members of any group of corporations filing Tax Returns that files, will file, or has filed Tax Returns on a combined, consolidated or unitary basis.

"**Third Person Claim**" has the meaning specified in Section 11.3(a).

"**Trademarks**" means United States, state and non-U.S. trademarks, service marks, trade names, Internet domain names, moral rights, designs, logos, slogans and general intangibles of like nature, whether registered or unregistered, and pending registrations and applications to register the foregoing, and all goodwill of the business associated therewith.

"**Trade Secrets**" means confidential ideas, trade secrets, know-how, concepts, methods, processes, formulae, technology, algorithms, models, reports, data, customer lists, supplier lists, mailing lists, business plans, or other proprietary information.

"**VA**" means the United States Department of Veterans Affairs.

"**Warehouse Agreement**" means any Contract between the Company or any of its Affiliates and any third Person for a warehouse line of credit or repurchase agreement to be used, in whole or in part, to obtain funding for the origination of Mortgage Loans by the Company or any of its Affiliates.

"**WARN**" has the meaning specified in Section 5.17.

"**Whole Loan Sale Agreement**" means any Contract pursuant to which the Company or any of its Affiliates has sold or may sell Mortgage Loans to any third Person.

1.2. **Interpretation**. For purposes of this Agreement, (i) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation," (ii) the word "or" is not exclusive and (iii) the words "herein", "hereof", "hereby", "hereto" and "hereunder" refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (i) to Articles, Sections and Schedules mean the Articles and Sections of, and the Schedules attached to, this Agreement; (ii) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and by this Agreement; and (iii) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any rules or regulations promulgated thereunder. The Schedules referred to herein shall be construed with and as an integral part of this Agreement to the same extent as if they were set forth verbatim herein. Titles to Articles and headings of Sections are inserted for convenience of reference only and shall not be deemed a part of or to affect the meaning or interpretation of this Agreement. This Agreement, the Buyer Ancillary Agreements and the Seller Ancillary Agreements shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any

instrument to be drafted. All references herein to the Company shall include any predecessor of the Company. All references herein to a Governmental Body shall include any predecessor or successor to such Governmental Body. All amounts required to be paid hereunder shall be paid on or prior to the applicable date specified herein or, if such date is not a Business Day, on the first Business Day following such date.

ARTICLE II

PURCHASE AND SALE

2.1. **Purchase and Sale of Equity Interests**. Upon the terms and subject to the conditions of this Agreement, on the Closing Date, Seller shall sell, transfer, assign, convey and deliver to Buyer, and Buyer shall purchase from Seller, the Equity Interests, free and clear of all Encumbrances.

ARTICLE III

PURCHASE PRICE

3.1. **Initial Purchase Price**. Seller and Buyer agree that the initial purchase price for the Equity Interests shall be equal to Ten Million Dollars ($10,000,000), which represents the sum of (a) Book Value as of October 31, 2013 plus (b) $3,563,139.

3.2. **Determination of Estimated Purchase Price.** At least two (2) Business Days prior to the Closing Date, Seller shall deliver to Buyer (a) a projected consolidated balance sheet with respect to the Company as of the close of business on the Closing Date, (b) an updated data tape, as of the date that is three (3) Business Days prior to the Closing Date, containing the information of the same categories and same format as in the Mortgage Loan Data Tape, and (c) a statement, duly executed by the Chief Financial Officer of Seller, setting forth in reasonable detail Seller's estimate of the Adjusted Purchase Price (the "Estimated Purchase Price"). Such consolidated balance sheet and executed statement shall be prepared in good faith and in accordance with the Agreed Accounting Principles, be based on the books and records of the Company and be subject to reasonable approval by Buyer.

3.3. **Determination of Adjusted Purchase Price**.

(a) The adjusted purchase price for the Equity Interests (the "Adjusted Purchase Price") shall be equal to the sum of (i) Book Value as of the Closing Date plus (ii) $3,563,139; provided, that, if such sum is greater than $9,500,000 and less than $10,500,000, the Adjusted Purchase Price shall be deemed to be $10,000,000.

(b) As promptly as practicable following the Closing Date (but not later than sixty (60) days after the Closing Date), Buyer shall:

(i) prepare, in accordance with the Agreed Accounting Principles, a balance sheet of the Company as of 11:59 p.m. on the Closing Date (the "Preliminary Closing Date Balance Sheet");

(ii) calculate the Adjusted Purchase Price in accordance with the provisions of this Agreement; and

(iii) deliver to Seller the Preliminary Closing Date Balance Sheet, an updated data tape, as of 11:59 p.m. on the Closing Date, containing the information of the same categories and same format as in the Mortgage Loan Data Tape and a certificate setting forth Buyer's calculation of the Adjusted Purchase Price.

(c) Promptly following receipt of the Preliminary Closing Date Balance Sheet and the calculation of the Adjusted Purchase Price, Seller may review the same and, within thirty (30) days after the date of such receipt, may deliver to Buyer a certificate setting forth its objections to the Preliminary Closing Date Balance Sheet and the calculation of the Adjusted Purchase Price, together with a summary of the reasons therefor and calculations which, in its view, are necessary to illustrate such objections. If Seller does not so object within such thirty (30) day period, the Preliminary Closing Date Balance Sheet and Buyer's calculation of the Adjusted Purchase Price shall be final and binding as the "Closing Date Balance Sheet" and the "Adjusted Purchase Price", respectively, for purposes of this Agreement, but shall not limit the representations, warranties, covenants and agreements of the parties set forth elsewhere in this Agreement.

(d) If Seller so objects within such thirty (30) day period, Buyer and Seller shall use their reasonable efforts to resolve by written agreement (the "Agreed Adjustments") any differences as to the Preliminary Closing Date Balance Sheet and the Adjusted Purchase Price and, in the event Buyer and Seller so resolve any such differences, the Preliminary Closing Date Balance Sheet, together with the Adjusted Purchase Price calculation contained therein, as adjusted by the Agreed Adjustments shall be final and binding as the "Closing Date Balance Sheet" and the "Adjusted Purchase Price", respectively, for purposes of this Agreement, but shall not limit the representations, warranties, covenants and agreements of the parties set forth elsewhere in this Agreement. Buyer and Seller shall have thirty (30) days to negotiate any Agreed Adjustments (the "Adjustment Period").

(e) In the event any objections raised by Seller are not resolved within the Adjustment Period, then Buyer and Seller shall submit the objections that are then unresolved to BDO USA, LLP (or, in the event such accounting firm declines to act in this capacity, to such other national accounting firm approved by both Buyer and Seller) and such firm (the "Accounting Firm") shall be directed by Buyer and Seller to resolve the unresolved objections (based solely on the presentations by Buyer and Seller as to whether any disputed matter had been determined in a manner consistent with the Agreed Accounting Principles) by selecting an amount within the range of dollar amounts advocated by Buyer, on the one hand, and Seller, on the other hand, as promptly as reasonably practicable and to deliver written notice to each of Buyer and Seller setting forth its resolution of the disputed matters. The Preliminary Closing Date Balance Sheet, together with the Adjusted Purchase Price calculation contained therein, after giving effect to any Agreed Adjustments and to the resolution of disputed matters by the Accounting Firm, shall be final and binding as the "Closing Date Balance Sheet" and the "Adjusted Purchase Price", respectively, for purposes of this Agreement, but shall not limit the representations, warranties, covenants and agreements of the parties set forth elsewhere in this Agreement.

(f) The parties hereto shall make available and afford reasonable access to Buyer and Seller and, if applicable, the Accounting Firm, such books, records and other information (including work papers) as any of the foregoing may reasonably request to prepare or review the Preliminary Closing Date Balance Sheet, Adjusted Purchase Price or any matters submitted to the Accounting Firm. The fees and expenses of the Accounting Firm hereunder shall be allocated between Buyer and Seller in proportion to the amount unsuccessfully disputed by each party (as determined by the Accounting Firm) as a fraction of the total amount in dispute.

3.4. **Adjustment Procedure**.

(a) Promptly (but not later than five (5) Business Days) after the determination of the Adjusted Purchase Price pursuant to Section 3.3 that is final and binding as set forth therein:

(i) if the Adjusted Purchase Price exceeds the Estimated Purchase Price, Buyer shall pay to Seller, by wire transfer of immediately available funds to such bank account of Seller as Seller shall designate in writing to Buyer, an amount equal to the excess of the Adjusted Purchase Price over the Estimated Purchase Price, plus interest on such excess from the Closing Date to the date of payment thereof at the Agreed Rate; or

(ii) if the Estimated Purchase Price exceeds the Adjusted Purchase Price, Seller shall pay to Buyer, by wire transfer of immediately available funds to such bank account of Buyer as Buyer shall designate in writing to Seller, an amount equal to the excess of the Estimated Purchase Price over the Adjusted Purchase Price, plus interest on such excess from the Closing Date to the date of payment thereof at the Agreed Rate.

3.5 Allocation of Purchase Price.

(a) For federal and applicable state, local and other income Tax purposes, Buyer and Seller shall treat the sale and purchase of the Equity Interests contemplated by this Agreement as a purchase by Buyer of the assets of the Company in accordance with Revenue Ruling 99-6, 1999-1 C.B. 432 (Situation 2) and shall file all Tax Returns consistently with such treatment. In accordance with such tax treatment, within 60 days following the completion of the Closing Date Balance Sheet, Buyer shall deliver to Seller a schedule (the "Preliminary Allocation Schedule") allocating the Purchase Price (which for this purpose shall be deemed to include any liabilities properly taken into account pursuant to Section 1001 of the Code) among the assets of the Company. The Preliminary Allocation Schedule shall be reasonable and shall be prepared in accordance with Section 1060 of the Code and the Treasury Regulations thereunder. If, within ten (10) days following receipt of the Preliminary Allocation Schedule, the Seller does not notify Buyer in writing of its disagreement with the Preliminary Allocation Schedule, the Preliminary Allocation Schedule shall be final and binding. If, within such ten (10)-day period, the Seller so notifies Buyer, Seller and Buyer shall endeavor to resolve such disagreement, and if they are able to do so shall make such revisions to the Preliminary Allocation Schedule to reflect such resolution, which as revised shall be final and binding. The Preliminary Allocation Schedule, upon becoming final and binding in accordance with the foregoing, shall constitute the "Final Allocation Schedule." Each of Buyer and Seller agrees that neither it nor any of its Affiliates shall file any federal, state, local and foreign Tax Returns in a manner that is inconsistent with the Final Allocation Schedule. The Final Allocation Schedule shall be amended by Buyer and Seller upon any adjustment to the Purchase Price pursuant to Section 3.3.

(b) If, within 30 days following receipt of the Preliminary Allocation Schedule by Seller (or such longer period as Seller and Buyer mutually agree), Seller and Buyer are unable to resolve such disagreement, then each of Seller and Buyer shall be entitled to allocate the Purchase Price among the assets of the Company in any manner it so determines in its sole discretion and neither shall have any obligation or liability to the other with respect to any such allocation.

ARTICLE IV

CLOSING

4.1. Closing Date. The closing of the transactions contemplated hereby (the "Closing") shall take place on a date mutually agreed to by the parties, but no later than five (5) Business Days, after the satisfaction or waiver of each of the conditions set forth in ARTICLE IX and ARTICLE X (other than those conditions that, by their nature, are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions). The date on which the Closing actually occurs is referred to herein as the "Closing Date". The Closing shall take place at the offices of Sidley Austin LLP, 1 South Dearborn Street, Chicago, Illinois, at 10:00 a.m., local time, or at such other location or time as the parties hereto may agree.

4.2. Payment on the Closing Date. Subject to satisfaction or waiver of the conditions set forth in ARTICLE IX, at the Closing, Buyer shall pay Seller an amount equal to the Estimated Purchase Price by wire transfer of immediately available funds to a bank account in the United States specified by Seller in writing to Buyer at least three (3) Business Days prior to the Closing.

4.3. Additional Deliveries by Buyer. Subject to satisfaction or waiver of the conditions set forth in ARTICLE IX, at the Closing Buyer shall deliver to Seller all the following:

(a) a certificate of the secretary or an assistant secretary of Buyer, dated the Closing Date, in form and substance reasonably satisfactory to Seller, as to: (i) the resolutions of the board of managers of Buyer authorizing the execution, delivery and performance of this Agreement and the Buyer Ancillary Agreements and the transactions contemplated hereby and thereby; and (ii) incumbency and signatures of the officers of Buyer executing this Agreement and any Buyer Ancillary Agreement;

(b) the certificates of Buyer contemplated by Sections 10.1 and 10.2, duly executed by an authorized officer of Buyer; and

(c) such other documents and other instruments as Seller may reasonably request or as may be otherwise necessary to evidence and effect the sale, assignment, transfer, conveyance and delivery of the Equity Interests by Seller.

4.4. Deliveries by Seller. Subject to satisfaction or waiver of the conditions set forth in ARTICLE X, at Closing Seller and IRES shall deliver or cause to be delivered to Buyer all the following:

(a) a certificate of the secretary or an assistant secretary of Seller, dated the Closing Date, in form and substance reasonably satisfactory to Buyer, as to: (i) the resolutions of the Board of Directors of Seller authorizing the execution, delivery and performance of this Agreement and the Seller Ancillary Agreements and the transactions contemplated hereby and thereby; and (ii) incumbency and signatures of the officers of Seller executing this Agreement and any Seller Ancillary Agreement;

(b) a copy of the articles of organization of the Company certified as of a recent date by the Secretary of State of the State of Michigan;

(c) a unit power duly executed in blank by Seller;

(d) the certificates of Seller contemplated by Sections 9.1, 9.2 and 9.3, each duly executed by an authorized officer of Seller;

(e) a signed resignation by each of the directors of the Company and each of the officers of the Company other than, in each case, B. Thomas Smith III; and

(f) such other documents and other instruments as Buyer may reasonably request or as may be otherwise necessary to evidence and effect the sale, assignment, transfer, conveyance and delivery of the Equity Interests to Buyer.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF SELLER

As an inducement to Buyer to enter into this Agreement and to consummate the transactions contemplated hereby, Seller represents and warrants to Buyer and agrees as follows:

5.1. Organization of the Company; Title to Equity Interests.

(a) As of the date hereof, the Company is: (i) a corporation duly organized, validly existing and in good standing under the laws of the State of Michigan; and (ii) duly qualified to transact business as a foreign corporation and in good standing in each jurisdiction in which the ownership or leasing of its assets and properties or the conduct of the Business requires such qualification, except where the failure to be so qualified could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and no other jurisdiction has demanded, requested or otherwise indicated that the Company is required so to qualify on account of the ownership or leasing of its assets and properties or the conduct of the Business. The Company has all requisite power and authority to own or lease and to operate and use its properties and assets and to carry on the Business as now conducted.

(b) True and complete copies of the articles of incorporation and all amendments thereto and of the by-laws, as amended to date, of the Company have been made available to Buyer.

(c) The Equity Interests constitute all of the isued and outstanding equity securities of the Company. Except (i) as set forth in Schedule 5.1 and (ii) for this Agreement, there are no agreements, arrangements, options, warrants, calls, rights (including preemptive rights) or commitments of any character relating to the issuance, sale, purchase or redemption of any equity securities of the Company. All of the outstanding equity securities of the Company are validly issued, fully paid and nonassessable. All of the outstanding equity securities of the Company are owned, of record and beneficially, by Seller, free and clear of all Encumbrances.

(d) Upon delivery to Buyer on the Closing Date of the Equity Interests as contemplated by Section 4.4, Seller will thereby transfer to Buyer good and marketable title to the Equity Interests, free and clear of all Encumbrances.

5.2. Subsidiaries and Investments. The Company does not, directly or indirectly (a) own, of record or beneficially, any outstanding voting securities or other equity interests in any corporation, partnership, limited liability company, joint venture or other entity or (b) Control any corporation, partnership, limited liability company, joint venture or other entity.

5.3. Organization and Authority of Seller; No Conflict.

(a) Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of California. Seller has all requisite corporate power and authority to own the Equity Interests and to execute, deliver and perform this Agreement and all of the Seller Ancillary Agreements. The execution, delivery and performance of this Agreement and the Seller Ancillary Agreements by Seller and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized and approved by all necessary action on the part of Seller and its stockholder and do not require any further authorization or consent of Seller or its stockholder. This Agreement has been duly authorized, executed and delivered by Seller and (assuming due authorization, execution and delivery by the other parties hereto) is the legal, valid and binding obligation of Seller enforceable in accordance with its terms, and each of the Seller Ancillary Agreements has been duly authorized by Seller and upon execution and delivery by Seller (assuming due authorization, execution and delivery by the other parties thereto) will be a legal, valid and binding obligation of Seller enforceable in accordance with its terms, in each case subject to bankruptcy, insolvency, moratorium and similar laws of general application relating to or affecting creditors' rights and to general equity principles.

(b) Neither the execution and delivery of this Agreement or any of the Seller Ancillary Agreements or the consummation of any of the transactions contemplated hereby or thereby nor compliance with or fulfillment of the terms, conditions and provisions hereof or thereof, in each case by Seller, will conflict with, result in a breach of the terms, conditions or provisions of, or constitute a default, an event of default or an event creating rights of acceleration, termination or cancellation or a loss of rights under, or result in the creation or imposition of any Encumbrance upon any of the Equity Interests or any assets or properties of

Seller or the Company, under (i) the certificate of incorporation or by-laws of Seller or the organizational documents of the Company, (ii) any Company Agreement or any Agency Guide, (iii) any material note, instrument, agreement, mortgage, lease, license, franchise, permit or other authorization, right, restriction or obligation to which Seller is a party or the Equity Interests are subject or by which Seller is bound (other than any such material note, instrument, agreement, mortgage, lease, license, franchise, permit or other authorization, right, restriction or obligation to which the Company will not be a party and by which the Equity Interests will not be subject as of the Closing), (iv) any Order to which Seller or the Company is a party or any of the Equity Interests are subject or by which Seller or the Company is bound, or (v) any Requirements of Laws affecting Seller or the Company, the Equity Interests or the Business, except in the case of clauses (ii), (iii), (iv) and (v), as could not, individually or in the aggregate, (A) materially and adversely affect the ability of Seller to carry out its obligations under, or to consummate the transactions contemplated by, this Agreement or (B) have a Material Adverse Effect.

5.4. Financial Statements.(a) Schedule 5.4 contains (i) the audited balance sheets of the Company as of December 31, 2012 and 2011 and the related statements of income for each of the years then ended, together with the appropriate notes to such financial statements and (ii) the unaudited balance sheet of the Company as of September 30, 2013 and the related statement of income for the nine (9) months then ended. Except as set forth therein or in the notes thereto, such balance sheets and statements of income (x) have been prepared in conformity with GAAP consistently applied, (y) are complete and correct in all material respects and (z) present fairly the financial position and results of operations of the Company as of their respective dates and for the respective periods covered thereby, in each case except as set forth in Schedule 5.4.

(b) The Company maintains a system of internal control over financial reporting which provides reasonable assurance regarding the reliability of its financial reporting and preparation of financial statements for external reporting in accordance with GAAP. Based on the Company's management's past and most recent assessment, no material weaknesses or significant deficiencies have ever been noted over the Company's internal control over financial reporting and management therefore concludes that the Company's internal control over financial reporting is operating effectively.

5.5. Operations Since Balance Sheet Date. Except as set forth in Schedule 5.5, since the Balance Sheet Date there has not been, any fact, occurrence, condition, circumstance, change, effect, event or development that has had, individually or in the aggregate, a Material Adverse Change and, to the Knowledge of Seller, no circumstances exist that constitute or would reasonably be expected to cause, individually or in the aggregate, a Material Adverse Change in the future. Since the Balance Sheet Date, the Business has been conducted only in the ordinary course consistent with past practice. Without limiting the foregoing, except as set forth in Schedule 5.5, since the Balance Sheet Date, the Company has not taken any action that, if taken after the date hereof, would constitute a breach of Section 7.4.

5.6. No Undisclosed Liabilities. Except as set forth in Schedule 5.6, the Company is not subject to any material Liability which is not shown or which is in excess of amounts shown or reserved for in the Balance Sheet, other than Liabilities of the same nature as those set forth in the Balance Sheet and reasonably incurred in the ordinary course of the Business after the Balance Sheet Date.

5.7. Taxes. Except as set forth on Schedule 5.7 or such matter or matters that would not, individually or in the aggregate, have a Material Adverse Effect, (i) all Taxes whether or not shown to be payable on any Tax Return for which the Company may be liable have been timely paid to the extent required by applicable law; (ii) all Tax Returns required to have been filed by or with respect to the Company have been timely filed (taking into account any extensions of time within which to file such Tax Returns); (iii) all such Tax Returns are complete and accurate and disclose all Taxes required to be paid by or with respect to the Company for the periods covered thereby; (iv) no extension of time within which to file any such Tax Return is in effect; (v) no waiver of any statute of limitations relating to Taxes for which the Company may be liable is in effect, and no written request for such a waiver is outstanding; (vi) there are no Tax Returns referred to in clause (ii) with respect to which the appropriate Governmental Body has not completed its examination (with all issues finally resolved) and the period for assessment of the associated Taxes (taking into account all applicable extensions and waivers) has not expired; (vii) there is no audit, claim or assessment pending or proposed or threatened in writing with respect to Taxes for which the Company may be liable; (viii) no claim has ever been made by a Governmental Body in a jurisdiction where the Company has never paid Taxes or filed Tax Returns asserting that the Company is or may be subject to Taxes assessed by such jurisdiction; (ix) all deficiencies asserted or assessments made against the Company in writing by a Governmental Body as a result of any examination of the Tax Returns referred to in clause (ii) have been paid in full or otherwise finally resolved; (x) there are no Tax rulings, requests for rulings, or closing agreements relating to Taxes for which the Company may be liable that could affect the liability for Taxes for any taxable period ending after the Closing Date; (xi) the Company will not be required to include or accelerate the recognition of any item in income, or exclude or defer any deduction or other tax benefit, in each case in any taxable period (or portion thereof) after Closing, as a result of any change in method of accounting, closing agreement, intercompany transaction, installment sale, or the receipt of any prepaid amount, in each case prior to Closing; (xii) all Tax Sharing Arrangements and Tax indemnity arrangements relating to the Company (other than this Agreement) will terminate prior to the Closing Date and the Company will not have any liability thereunder on or after the Closing Date; (xiii) there are no liens for Taxes upon the assets of the Company except Permitted Encumbrances; (xiv) all Taxes which the Company is required by law to withhold or to collect for payment have been duly

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withheld and collected and, to the extent required by applicable law, have been paid to the appropriate Governmental Body; (xv) the Company has not been a member of any Company Group; (xvi) the Company does not have any liability for Taxes of another Person under Treasury Regulation § 1.1502-6 (or any similar provision of state, local or foreign law) or under any agreement or arrangement, as a transferee or successor; (xvii) with respect to each transaction in which the Company has participated that is a "reportable transaction" within the meaning of Treasury Regulation § 1.6011-4(b)(1), such participation has been properly disclosed on IRS Form 8886 (Reportable Transaction Disclosure Statement) and on any corresponding form required under state, local or other law; (xviii) any powers of attorney granted by the Company prior to the Closing relating to Taxes will terminate and be of no effect following the Closing; (xix) during the last two (2) years, the Company has not been a party to any transaction treated by the parties thereto as one to which Section 355 of the Code (or any similar provision of state, local or foreign law) applied; (xx) the sale of the Equity Interests pursuant to this Agreement is not subject to the rules of Treasury Regulation § 1.1502-36; (xxi) the Company is not, nor during the past twelve (12) month period has been, a United States shareholder (within the meaning of Section 951(b) of the Code) of a controlled foreign corporation (within the meaning of Section 957 of the Code); (xxii) there are no Tax credits, grants or similar amounts that are or could be subject to clawback or recapture as a result of (1) the transactions contemplated by this Agreement or (2) a failure by the Company to satisfy one or more requirements on which the credit, grant or similar amount is or was conditioned; (xxiii) no intercompany obligation between the Company and any Affiliate of the Company will remain outstanding following the Closing; (xxiv) the Company is not a "taxable mortgage pool" as defined in Section 7701(i)(2) of the Code and applicable Treasury Regulations; and (xxv) at all times from the date it was organized until October 1, 2010, the Company qualified as an "S corporation" within the meaning of Section 1361 of the Code, and applicable corresponding state Tax purposes.

5.8. Availability of Assets. Except as set forth in Schedule 5.8, the assets and properties owned or leased by the Company constitute all the material assets and properties used in the operation of the Business as currently conducted (including all books, records, computers and computer programs and data processing systems) and are in good condition (subject to normal wear and tear) and serviceable condition and are suitable for the uses for which intended.

5.9. Governmental Permits.

(a) The Company owns, holds or possesses, and, to the extent so required, each employee of the Company owns, holds or possesses, all licenses, franchises, permits, privileges, immunities, approvals and other authorizations from a Governmental Body which are necessary to entitle the Company to engage in the Mortgage Banking Business with respect to loans secured by real estate located in each state listed on Schedule 5.9 (collectively, the "Governmental Permits"), except for Governmental Permits the failure of which to hold could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Schedule 5.9 sets forth a list of each material Governmental Permit. Complete and correct copies of all of the material Governmental Permits have heretofore been delivered or made available to Buyer by Seller. The Company is, and since October 1, 2010 has been, and, to the Knowledge of Seller, was during the Prior Period, in compliance with, and no event has occurred which would make the Company unable to comply with, the Applicable Requirements, including eligibility requirements under the Agency Guides, except where such failure or inability to comply could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth in Schedule 5.9 or as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i) the Company and, to the Knowledge of Seller and to the extent so required, each employee of the Company, has fulfilled and performed its obligations under each of the Governmental Permits, and no event has occurred or condition or state of facts exists which constitutes or, after notice or lapse of time or both, would constitute a breach or default under any such Governmental Permit or which permits or, after notice or lapse of time or both, would permit revocation or termination of any such Governmental Permit, or which might adversely affect the rights of the Company under any such Governmental Permit; (ii) no notice of cancellation, of default or of any dispute concerning any Governmental Permit, or of any event, condition or state of facts described in the preceding clause, has been received by, or is Known to, the Company or Seller; and (iii) each of the Governmental Permits is valid, subsisting and in full force and effect and will continue in full force and effect as of and immediately after the Closing, in each case without (x) the occurrence of any breach, default or forfeiture of rights thereunder, or (y) the consent, approval, or act of, or the making of any filing with, any Governmental Body.

5.10. Real Property.

(a) As of the Closing, the Company will not own any real property.

(b) Schedule 5.10(B) sets forth a list of each lease or similar Contract under which the Company is lessee of, or holds or operates, any real property owned by any third Person (the "Leased Real Property"). Except as set forth in Schedule 5.10(B) or as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, the Company has the right to quiet enjoyment of all the Leased Real Property for the full term of the lease or similar agreement (and any renewal option related thereto) relating thereto, and the leasehold or other interest of the Company in the Leased Real Property is not subject or subordinate to any Encumbrance except for Permitted Encumbrances. Except as set forth on Schedule 5.10(B) or as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and except for Permitted Encumbrances, there are no Contracts governing or affecting the occupancy or tenancy of any of the Leased Real Property by the Company. Neither the whole nor any part of the Leased Real Property is subject to any pending suit for condemnation or other taking by any Governmental Body, and, to the Knowledge of Seller, no such condemnation or other taking is threatened or contemplated.

5.11. Personal Property.

(a) Schedule 5.11(A) contains a list of all equipment, vehicles, furniture and other tangible personal property owned by the Company having an original cost of $25,000 or more.

(b) Schedule 5.11(B) contains a list of each lease or other Contract involving amounts in excess of $25,000 under which the Company is lessee of, or holds or operates, any equipment, vehicle or other tangible personal property owned by a third Person.

5.12. Intellectual Property; Software.

Other than as set forth on Schedule 5.12:

(a) There are no Copyrights, Patent Rights and Trademarks (including any assumed or fictitious names used by the Company within the previous two (2) years) owned by or licensed to the Company.

(b) There is no Software owned by or licensed to the Company except for mass market Software licensed to the Company that is commercially available and subject to "shrink-wrap" or "click-through" license agreements.

(c) The Company is not a party to Contracts which relate to: (i) any Copyrights, Patent Rights or Trademarks; (ii) any Trade Secrets owned by or licensed to the Company; and (iii) any Software, other than market Software licensed to the Company that is commercially available and subject to "shrink-wrap" or "click-through" license agreements.

(d) The Company owns the entire right, title and interest in and to, or has the valid and enforceable right to use, the Intellectual Property and Software used in the Business as currently conducted, and to the Knowledge of Seller there is no other Intellectual Property necessary for the Company to conduct the Business as currently conducted.

(e) (i) No infringement, misappropriation or violation of any Intellectual Property, or any rights of publicity or privacy relating to the use of names, likenesses, voices, signatures or biographical information, of any other Person has occurred or results in any way from the operation of the Business or the use, sale or distribution of any Intellectual Property owned by or licensed exclusively to the Company; (ii) no claim of any infringement, misappropriation, violation or dilution of any Intellectual Property or any such rights of any other Person has been made or asserted in respect of the operation of the Business; (iii) no claim of invalidity of any Intellectual Property owned by the Company has been made by any other Person; (iv) no Proceedings are pending or, to the Knowledge of Seller, threatened that challenge the validity, ownership or use of any Intellectual Property owned by the Company; (v) the Company has not had notice of, and, to the Knowledge of Seller, there is no basis for, a claim against the Company that the operations, activities, products, Software, equipment or processes of the Business infringe, misappropriate, violate or dilute any Intellectual Property or any such rights of any other Person;

and (vi) to the Knowledge of Seller, no Person infringes, misappropriates or violates any Intellectual Property owned or exclusively licensed by or to Seller, in each case except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.13. Mortgage Loans.

(a) Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, each Mortgage Loan was underwritten or re-underwritten in compliance with the Credit Policies and originated in compliance with the Applicable Requirements. Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, there has been no act or omission or alleged act or omission, or error by the Company, any of its Affiliates or any employee, agent or representative acting on the

Company's or any such Affiliate's behalf, with respect to the origination, acquisition or transfer of any of the Mortgage Loans that was not in conformity with the Applicable Requirements. No Mortgage Loan is a "high-cost loan" or "covered loan" under any of the Home Ownership Equity Protection Act, the Truth in Lending Act (Regulation Z) or a similar federal, state or local Requirements of Laws. Seller has made available to Buyer a true and complete copy of the Credit Policies as in effect as of the date hereof.

(b) Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, no Mortgage Loan is subject to nullification pursuant to Executive Order 13224 (the "Executive Order") or the regulations promulgated by the Office of Foreign Assets Control of the United States Department of Treasury (the "OFAC Regulations") or in violation of the Executive Order or the OFAC Regulations, and no Mortgagor is subject to the provisions of such Executive Order or the OFAC Regulations nor listed as a "blocked person" for purposes of the OFAC Regulations. Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, the Company has established an anti-money laundering compliance program as required by the Anti-Money Laundering Laws, has conducted the requisite due diligence in connection with the origination of each Mortgage Loan for purposes of the Anti-Money Laundering Laws, including with respect to the legitimacy of the applicable Mortgagor and the origin of the assets used by the said Mortgagor to purchase the property in question, and maintains sufficient information to identify the applicable Mortgagor for purposes of the Anti-Money Laundering Laws.

(c) Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, the forms of documentation used by the Company and its Affiliates for the origination of Mortgage Loans originated by them, and all forms of documentation used by any other lender to originate all other Mortgage Loans, contain customary and enforceable provisions, such that (i) the rights and remedies of the holder thereof shall be adequate for realization against the collateral of the benefits thereof and (ii) in the event of full prepayment of a Mortgage Loan, there will be full payment of the outstanding principal balance and accrued but unpaid interest.

(d) Except as set forth on Schedule 5.13(D) or as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, since October 1, 2010, there have been no Proceedings against the Company or any of its Affiliates relating to (i) any failure to comply with the Applicable Requirements in connection with the underwriting, origination or sale of any Mortgage Loan, (ii) the rescission of any insurance or guaranty Contract of the Company or (iii) the payment by the Company of a penalty or fine to any Governmental Body, Investor or Insurer relating to or arising out of the underwriting, origination or sale of any Mortgage Loan.

(e) Except for the Investor Agreements listed in Schedule 5.18, the Company is not a party to any Contract pursuant to which the Company may be required to repurchase any Mortgage Loans or indemnify HUD for insurance. Except as set forth in Schedule 5.13(E), since October 1, 2010, the Company has not (i) repurchased any Mortgage Loan or paid an indemnity claim to HUD due to a breach or claimed breach of any representation or warranty made by the Company, (ii) received notice that it is in breach of any representation or warranty made by the Company in connection with the sale of any Mortgage Loan or (iii) received any request for the repurchase or indemnification of any Mortgage Loan.

(f) The Company is a member in good standing of the Mortgage Electronic Registration Systems, Incorporated system.

(g) A copy of the Mortgage Loan Data Tape has been delivered to Buyer. All the information included in the Mortgage Loan Data Tape is true and correct in all material respects as of October 31, 2013.

(h) Each Balance Sheet MSR Loan was eligible in all material respects for sale to, or insurance by, the applicable Investor or Insurer upon such sale or issuance of insurance, except for any Balance Sheet MSR Loan as to which the ineligibility for such sale or issuance of insurance would not be the contractual or legal responsibility of the Company under the Applicable Requirements. There exists no fact or circumstance that would entitle the applicable Insurer or Investor to (i) impose on the Company sanctions, penalties or special requirements in respect of any Balance Sheet MSR Loan or (ii) rescind any insurance policy or reduce insurance benefits in respect of any Balance Sheet MSR Loan which would result in a breach of any obligation of the Company under any Contract. Each Pipeline Loan and each Loan Held for Sale complies in all material respects with the Applicable Requirements for the stage of processing that has been achieved based on the Investor or Insurer program under which the Company originated the Pipeline Loan or Loan Held for Sale, including compliance with applicable Requirements of Laws and procurement of required settlement services (including appraisal, title and insurance). The Company has handled each REO in accordance with the Applicable Requirements.

(i) Except as set forth on Schedule 5.13(i), there is not pending or threatened any request by any Agency that the Company repurchase any Mortgage Loans.

5.14. Servicing Rights; Servicer Advances.

(a) The Company owns the entire right, title and interest in and to the Servicing Rights with respect to each Mortgage Loan and the sole right to service the Mortgage Loans, free and clear of all Encumbrances, except for Permitted Encumbrances and subservicers' rights to reimbursement of advances.

(b) Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, each Mortgage Loan has been, serviced and administered in compliance with the Applicable Requirements and in accordance with the Company's standard loan servicing and

operating procedures, true and complete copies of which have been made available to Buyer. Except as set forth in Schedule 5.14(B) or as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, since October 1, 2010, the Company has not received any notice from any Governmental Body regarding a violation of the Applicable Requirements in connection with the servicing of any Mortgage Loan.

(c) Each Servicer Advance was made in compliance in all respects with the Applicable Requirements, is a valid and subsisting amount owing to the Company and is a valid receivable of the Company under GAAP, except as could not, individually or in the aggregate,

reasonably be expected to have a Material Adverse Effect. Each Servicer Advance is documented and supported on a loan level basis and is not subject to any set-offs or claims of the account debtor arising from acts or omissions of the Company, except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has not received any notice from any Investor, Insurer or other Person in which such Investor, Insurer or other Person disputes or denies a material claim by the Company for reimbursement in connection with a Servicer Advance. All Servicer Advances required to be made by the Company prior to the date hereof have been made, and all Servicer Advances required to be made by the Company prior to the Closing Date will have been made.

5.15. **Title to Property**. The Company has good and marketable title to all of its assets and properties, including all Mortgage Loans that are owned by the Company, free and clear of all Encumbrances, except for Permitted Encumbrances, and except as set forth in Schedule 5.15.

5.16. **Employees and Related Agreements; ERISA**.

(a) Schedule 5.16(A) sets forth the name of each Benefit Plan maintained by the Seller or any ERISA Affiliate, or to which the Seller or any ERISA Affiliate is obligated to contribute, on behalf of any officer, director, employee or consultant of the Company or any other person who provides services thereto (collectively, the "Seller Benefit Plans"). The Company has never maintained any Benefit Plan and has no present or potential future liability whatsoever, whether direct, indirect, contingent or otherwise, with respect to any Seller Benefit Plan or any other Benefit Plan previously maintained by Seller or any ERISA Affiliate. Each Seller Benefit Plan from which any plan of Buyer will be accepting an "eligible rollover distribution" within the meaning of Code Section 402(c)(4) (a "Seller Transferor Plan") has been in all material respects maintained and operated in conformity with all applicable Requirements of Laws, including the Code and ERISA, and in accordance with the terms of such Transferor Benefit Plan, and no circumstances exist which could result in loss of qualification under Section 401(a) of the Code. With respect to each Seller Transferor Plan, there is no pending or, to the Knowledge of Seller, threatened (i) Proceeding (other than routine claims for benefits) or (ii) audit, inquiry or examination by any Governmental Body. Each Seller Transferor Plan has received a favorable determination letter from the IRS that such Seller Transferor Plan is so qualified under the Code or is based on a prototype document that has received a favorable opinion letter from the IRS.

(b) There are no payments of compensation due but unpaid to any director, officer, employee or consultant of the Company (or any other person who provides services to the Company) other than amounts accrued in the ordinary course of business and reflected on the Balance Sheet.

(c) The Company has no liability whatsoever, whether direct, indirect, contingent or otherwise, with respect to (i) a plan subject to Title IV of ERISA, including any defined benefit plan (as defined in Section 3(35) of ERISA), a multiemployer plan (as defined in Section 3(37) of ERISA), or a multiple employer plan subject to Section 4063 or 4064 of ERISA, (ii) a multiple employer welfare benefit arrangement (as defined in Section 3(40)(A) of ERISA), or (iii) a plan subject to Section 302 of ERISA or Section 412 of the Code.

(d) Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby or thereby (either alone or in combination with another event) will or can be reasonably expected to entitle any director, officer, employee or consultant to any material payment (including severance pay or similar compensation), any cancellation of material Indebtedness, accelerated payment or vesting or any material increase in compensation. No amount paid or payable (whether in cash, in property, or in the form of benefits) by Seller or the Company in connection with the transactions contemplated hereby or by any other agreement (either solely as a result thereof or as a result of such transactions in conjunction with any other event) could reasonably be expected to be an "excess parachute payment" within the meaning of Section 280G of the Code.

5.17. **Employee Relations**. Except as set forth in Schedule 5.17, the Company has complied, in all material respects, with all applicable Requirements of Laws relating to prices, wages, hours, discrimination in employment and collective bargaining and is not liable for any arrears of wages or any Taxes or penalties for failure to comply with any of the foregoing. The Company is not a party to, and the Company is not affected by or, to the Knowledge of Seller, threatened with, any dispute or controversy with a union or with respect to unionization or collective bargaining involving the employees of the Company. The Company is not adversely affected by any dispute or controversy with a union or with respect to unionization or collective bargaining involving any supplier or customer of the Company. Schedule 5.17 sets forth a description of any union organizing or election activities involving any non-union employees of the Company which have occurred since October 1, 2010 or, to the Knowledge of Seller, during the Prior Period, or are threatened as of the date hereof. The Company is in compliance in all material respects with the Workers Adjustment and Retraining Notification Act ("WARN") and has no material liabilities pursuant to WARN.

5.18. **Contracts**. Except as set forth in Schedule 5.18 or any other Schedule hereto, as of the Closing, the Company will not be a party to or bound by any Contract.

5.19. **Status of Contracts**. Except as set forth in Schedule 5.19 or as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, each of the Contracts listed in Schedules 5.10(B), 5.11(B), 5.12(C) and 5.18 (collectively, the "Company Agreements") constitutes a valid and binding obligation of the parties thereto and is in full force and effect and (except for those Company Agreements which by their terms will expire prior to the Closing Date or are otherwise terminated prior to the Closing Date in accordance with the provisions hereof) will continue in full force and effect after the Closing, in each case without breaching the terms thereof or resulting in the forfeiture or impairment of any rights thereunder and without the consent, approval or act of, or the making of any filing with, any other party. The Company has fulfilled and performed its obligations under each of the Company Agreements, and the Company is not in, or, to the Knowledge of Seller, alleged to be in, breach or default under, nor is there or, to the Knowledge of Seller, is there alleged to be any basis for termination of, any of the Company Agreements and, to the Knowledge of Seller, no other party to any of the Company Agreements has breached or defaulted thereunder, and no event has occurred and no condition or state of facts exists which, with the passage of time or the giving of notice or both, would constitute such a default or breach by Seller or, to the Knowledge of Seller, by any such other party. The Company

is not currently renegotiating any of the Company Agreements or paying liquidated damages in lieu of performance thereunder. Complete and correct copies of each of the Company Agreements have heretofore been delivered to Buyer by Seller.

5.20. No Violation or Litigation. Except as set forth in Schedule 5.20:

(i) none of the Equity Interests, the Company or any of its assets or properties are subject to any Order;

(ii) the assets and properties of the Company and their uses comply, and since October 1, 2010 and, to the Knowledge of Seller, during the Prior Period, have complied, with all applicable Requirements of Laws, Agency Guides and Orders, other than such instances of noncompliance as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(iii) (A) Seller is, and since October 1, 2010 and, to the Knowledge of Seller, during the Prior Period, has been, in compliance with all Requirements of Laws, Agency Guides and Orders which are applicable to the Equity Interests and (B) the Company is, and since October 1, 2010 and, to the Knowledge of Seller, during the Prior Period, has been, in compliance with all Requirements of Laws, Agency Guides and Orders which are applicable to the assets or business of the Company, other than such instances of noncompliance as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(iv) there are no Proceedings pending or, to the Knowledge of Seller, threatened against or affecting the Equity Interests, the Company, its assets or business nor, to the Knowledge of Seller, is there any basis for any of the same, other than such Proceedings as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(v) there are no Proceedings pending in which the Company is the plaintiff or claimant;

(vi) there is no Proceeding pending or, to the Knowledge of Seller, threatened which questions the legality or propriety of the transactions contemplated by this Agreement; and

(vii) to the Knowledge of Seller, no legislative or regulatory proposal has been adopted or is pending which could reasonably be expected to materially adversely affect the Equity Interests, the Company or the Business.

5.21. Environmental Matters. Except as set forth in Schedule 5.21:

(a) Except as has not had and could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, the Company and the Leased Real Property is, and has been during the Company's occupancy thereof, in compliance with all applicable laws concerning pollution, the protection of the environment or human health, worker health and safety, or Hazardous Substances (as defined herein) (collectively, "Environmental Laws").

(b) There are no pending or, to the Knowledge of Seller, threatened Proceedings against the Company that seek to impose, or that are reasonably likely to result in, any material liability or obligation on the part of the Company under any Environmental Laws, and the Company is not subject to any agreement, order, judgment, decree, letter or memorandum by or with any Governmental Body or third Person imposing any liability or obligation with respect to any of the foregoing under any Environmental Laws or in relation to any environmental matter.

(c) Except as would not be expected to give rise to any material Liability or Losses, there has been no release, discharge, or disposal by the Company of any substance, material, or waste that is defined, listed, or identified as a pollutant or contaminant, or as hazardous, toxic, explosive, corrosive, radioactive, or carcinogenic under any Environmental Law or that is otherwise regulated pursuant to Environmental Laws, including asbestos, polychlorinated biphenyls, petroleum, petroleum derived substances, by-products or wastes (collectively "Hazardous Substances") nor are Hazardous Substances present in, or on, any Leased Real Property.

(d) Neither the Seller nor the Company has received any claim or demand relating to the presence of asbestos in or on any Leased Real Property.

5.22. Insurance. The Company maintains policies of liability (general and other liability), errors and omissions, workers' compensation and other forms of insurance and bonds in such amounts and against such risks and losses as are insured against by companies engaged in the same or a similar business. Schedule 5.22 sets forth a list and brief description (including nature of coverage, limits, deductibles, premiums and the loss experience for the most recent two (2) years with respect to each type of coverage) of all policies of insurance maintained, owned or held by Seller or the Company on the date hereof with respect to the Company's assets or properties or the Business. The Company has complied with each of such insurance policies and has not failed to give any notice or present any claim thereunder in a due and timely manner. Seller has made available to Buyer correct and complete copies of the most recent inspection reports, if any, received from insurance underwriters as to the condition of the Company's assets or properties.

5.23. No Finder. Neither Seller or the Company nor any Person acting on their behalf has paid or become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of the transactions contemplated by this Agreement.

5.24. Bank Accounts; Powers of Attorney; Minute Book.

(a) Schedule 5.24 sets forth a complete and correct list of all bank accounts and safe deposit boxes of the Company and persons authorized to sign or otherwise act with respect thereto as of the date hereof and a complete and correct list of all persons holding a general or special power of attorney granted by the Company and a complete and correct copy thereof.

(b) True and complete copies of the minute books of the Company have been delivered to Buyer. Such minute books contain true and complete records of all meetings and other action taken by the Board of Directors (or similar governing body) and equityholder of the Company.

5.25. **Related and Other Transactions**.

(a) As of the Closing, the Company will not, directly or indirectly, purchase, lease or otherwise acquire any material property or obtain any material services, or sell, lease or otherwise dispose of any material property or furnish any material services (except with respect to remuneration for services rendered as a director, officer or employee of the Company), in the ordinary course of the Business or otherwise, from or to (i) Seller, (ii) any other Affiliate of the Company, (iii) any Person who is an officer or director of the Company or (iv) any Associate of any person referred to in clause (i), (ii) or (iii) above (collectively, "Related Persons"). Except as set forth in Schedule 5.25(A), as of the Closing, the Company will not owe any amount to, or have any contract with or commitment to, any Related Person (other than for compensation for current services not yet due and payable and reimbursement of expenses arising in the ordinary course of the Business) and none of such Related Persons will owe any amount to the Company. An "Associate" of any Person means (x) a corporation or organization of which such Person is an officer or partner or is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of equity securities, (y) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity and (z) any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person or who is a director or officer of the person or any of its parents or subsidiaries.

(b) Except as set forth in Schedule 5.25(B), neither the Company nor any officer, employee or agent or other person acting on its behalf has, directly or indirectly, since October 1, 2010 or, to the Knowledge of Seller, during the Prior Period, offered, given or agreed to give any gift or similar benefit (other than with respect to bona fide payments for which adequate consideration has been given) to any governmental employee or other person who is or may be in a position to help or hinder the Business (or assist the Company in connection with any actual or proposed transaction) (i) which might subject the Company to any damage or penalty in any Proceeding, (ii) which, if not continued in the future, would, individually or in the aggregate, have a Material Adverse Effect on the Business, assets, operations or prospects of the Company or which would subject the Company to suit or penalty in any Proceeding, (iii) for any of the purposes described in Section 162(c) of the Code or (iv) for establishment or maintenance of any concealed fund or concealed bank account.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF BUYER

As an inducement to Seller to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer hereby represents and warrants to Seller and agrees as follows:

6.1. **Organization of Buyer**. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite limited liability company power and authority to own or lease and to operate and use its assets and properties and to carry on its business as now conducted.

6.2. **Authority of Buyer; No Conflict**.

(a) Buyer has all requisite limited liability company power and authority to execute, deliver and perform this Agreement and all of the Buyer Ancillary Agreements and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Buyer Ancillary Agreements by Buyer have been duly authorized and approved by all necessary action on the part of Buyer and its board of managers and do not require any further authorization or consent of Buyer or its board of managers. This Agreement has been duly authorized, executed and delivered by Buyer and (assuming due authorization, execution and delivery by the other parties hereto) is the legal, valid and binding agreement of Buyer enforceable in accordance with its terms, and each of the Buyer Ancillary Agreements has been duly authorized by Buyer and upon execution and delivery by Buyer (assuming due authorization, execution and delivery by the other parties thereto) will be a legal, valid and binding obligation of Buyer enforceable in accordance with its terms, in each case subject to bankruptcy, insolvency, moratorium and similar laws of general application relating to or affecting creditors' rights and to general equity principles.

(b) Except as provided in Schedule 6.2, neither the execution and delivery of this Agreement or any of the Buyer Ancillary Agreements or the consummation of any of the transactions contemplated hereby or thereby nor compliance with or fulfillment of the terms, conditions and provisions hereof or thereof, in each case by Buyer, will:

(i) conflict with, result in a breach of the terms, conditions or provisions of, or constitute a default, an event of default or an event creating rights of acceleration, termination or cancellation or a loss of rights under (A) the certificate of formation or operating agreement of Buyer, (B) any material Contract, license, franchise, permit or other authorization, right, restriction or obligation to which Buyer is a party or any of its assets or properties is subject or by which Buyer is bound, (C) any Order to which Buyer is a party or by which it is bound or (D) any Requirements of Laws affecting Buyer, except in the case of clauses (B), (C) and (D), as could not, individually or in the aggregate, materially and adversely affect the ability of Buyer to carry out its obligations under, or to consummate the transactions contemplated by, this Agreement; or

(ii) require the approval, consent, authorization or act of, or the making by Buyer of any declaration, filing or registration with, any Person, except where the failure by Buyer to obtain such approval, consent, authorization or act, or make such declaration, filing or registration, could not, individually or in the aggregate, materially and adversely affect the ability of Buyer to carry out its obligations under, or to consummate the transactions contemplated by, this Agreement.

6.3. **No Finder**. Neither Buyer nor any Person acting on its behalf has paid or become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of the transactions contemplated by this Agreement.

6.4. **No Litigation**. There is no Proceeding pending or, to the Knowledge of Buyer, threatened against Buyer which questions the legality or propriety of the transactions contemplated by this Agreement.

6.5. **Investment Representation.** The Equity Interests are being acquired by Buyer for its own account for investment, and not with a view to the sale or distribution of any part thereof without registration under the Securities Act of 1933 or pursuant to an applicable exemption therefrom. Buyer has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its purchase of the Equity Interests. Buyer has been furnished access to such information and documents as it has requested and has been afforded an opportunity to ask questions of and receive answers from representatives of the Company concerning the terms and conditions of this Agreement and the transactions contemplated hereby.

6.6. **Financial Capability.** Buyer has sufficient funds, together with financial commitments from third parties, to purchase the Equity Interests on the terms and conditions contemplated by this Agreement and to consummate the transactions contemplated hereby and has sufficient funds to perform its obligations after the Closing Date. Buyer has provided Seller with evidence of Buyer's financial capacity, including financial commitments from third parties, to consummate to transactions contemplated by this Agreement.

ARTICLE VII

ACTION PRIOR TO THE CLOSING DATE

The respective parties hereto covenant and agree to take the following actions between the date hereof and the Closing Date:

7.1. **Investigation by Buyer**. Seller shall, and shall cause the Company to, afford the officers, employees and authorized representatives of Buyer (including independent public accountants and attorneys) reasonable access during normal business hours, upon reasonable advance notice, to the offices, properties, employees, Contracts and business and financial records (including computer files, retrieval programs and similar documentation) of the Company and its Affiliates to the extent Buyer shall reasonably deem necessary and shall furnish to Buyer or its authorized representatives such additional information concerning the Equity Interests, the Business and the assets, properties and operations of the Company and its Affiliates as shall be reasonably requested, including all such information as shall be reasonably necessary to enable Buyer or its representatives to verify the accuracy of the representations and warranties contained in this Agreement, to verify that the covenants of Seller contained in this Agreement have been complied with and to determine whether the conditions set forth in ARTICLE IX have been satisfied; provided, however, that: (i) Seller and the Company shall not be required to violate any Requirements of Laws or Orders or obligation of confidentiality to which Seller or the Company is subject or to waive any attorney-client privilege which any of them may possess

in discharging their obligations pursuant to this Section 7.1; (ii) Seller and the Company shall not be required to furnish or otherwise make available to Buyer nonpublic personal information of borrowers; and (iii) Buyer shall not, without the prior written consent of Seller, contact or communicate with any correspondent lender of the Company with respect to or in connection with the transactions contemplated by this Agreement. Buyer agrees that such investigation shall be conducted in such a manner as not to interfere unreasonably with the operations of the Business. No investigation made by Buyer or its representatives hereunder shall affect the representations and warranties of Seller hereunder. Prior to the Closing, Buyer shall use its commercially reasonable efforts to notify Seller if, to the Knowledge of Buyer, Seller is in breach of its representations and warranties hereunder; provided that failure to give such notice shall not relieve Seller of its indemnification obligations hereunder except (and only) to the extent that Seller shall have been materially prejudiced by such failure.

7.2. **Notification of Certain Matters**.

(a) Each party shall promptly notify the other of any Proceeding that shall be instituted or, to such party's Knowledge, threatened against such party to restrain, prohibit or otherwise challenge the legality of any transaction contemplated by this Agreement.

(b) During the period prior to the Closing Date, Seller will notify Buyer of (i) any Material Adverse Change, (ii) any Proceeding that is brought, asserted, commenced or, to the Knowledge of Seller, threatened against the Company which would have been listed in Schedule 5.20 if such Proceeding had arisen prior to the date hereof, (iii) any notice or other communication from any third Person alleging that the consent of such third Person is or may be required in connection with the transactions contemplated by this Agreement, and (iv) any material default under any Company Agreement or event which, with notice or lapse of time or both, would become such a default on or prior to the Closing Date and of which Seller has Knowledge.

7.3. **Consents of Third Parties; Governmental Approvals**.

(a) Seller and Buyer will act diligently and reasonably in attempting to obtain, before the Closing Date, the consent, approval or waiver, in form and substance reasonably satisfactory to Buyer, from any party to any Company Agreement required to be obtained to assign and transfer the Equity Interests and Control of the Company to Buyer or to otherwise satisfy the conditions set forth in Section 9.7; provided that neither Seller nor Buyer nor the Company shall have any obligation to offer or pay any consideration in order to obtain any such consents or approvals; and provided, further, that Seller shall not make any agreement or understanding affecting the Equity Interests, the Company or the Business as a condition for obtaining any such consents or waivers except with the prior written consent of Buyer, which consent will not be unreasonably withheld or delayed.

(b) During the period prior to the Closing Date, Seller and Buyer shall act diligently and reasonably, and shall cooperate with each other, in making any required filing or notification with, and in attempting to obtain any consents and approvals of any Governmental Body required to be obtained by them in order to assign or transfer any Governmental Permits to Buyer, to permit the consummation of the transactions contemplated by this Agreement, or to

otherwise satisfy the conditions set forth in Section 9.6; provided that Seller shall not make any agreement or understanding affecting the Equity Interests, the Company or its assets or Business as a condition for obtaining any such consents or approvals except with the prior written consent of Buyer, which consent will not be unreasonably withheld or delayed. For the avoidance of doubt, nothing in this Section 7.3 shall be deemed to affect or in any way alter the conditions to Closing set forth in ARTICLE IX.

7.4. Operations Prior to the Closing Date.

(a) Except as set forth in Schedule 7.4 or as contemplated by this Agreement or except with the written approval of Buyer, which Buyer agrees shall not be unreasonably withheld or delayed, Seller shall use its reasonable efforts to operate and shall use its reasonable efforts to cause the Company to carry on the Business only in the ordinary course and substantially as presently operated. Consistent with the foregoing, Seller shall cause the Company to keep and maintain the material assets of the Company in good operating condition and repair and shall use its reasonable best efforts consistent with good business practice to maintain the business organization of the Company intact and preserve the goodwill of the employees, brokers, lenders and others having business relations with the Company. In connection therewith, Seller shall not, and shall not permit the Company to, with respect to any employee of the Company, (i) transfer such employee to Seller or an Affiliate of Seller, (ii) offer such employee employment by Seller or an Affiliate of Seller after the Closing Date or (iii) otherwise attempt to persuade any such employee to terminate his or her relationship with the Company or not to continue employment with the Company after the Closing.

(b) In addition, and without limiting Section 7.4(a), except as expressly contemplated by this Agreement or except with the express written approval of Buyer (which Buyer agrees shall not be unreasonably withheld or delayed), Seller shall not, with respect to the Equity Interests, the Company or the Business, and Seller cause the Company not to:

(i) amend its articles of incorporation or by-laws (or similar organizational documents);

(ii) issue, grant, sell or encumber any shares of its capital stock or other securities, or issue, grant, sell or encumber any security, option, warrant, put, call, subscription or other right of any kind, fixed or contingent, that directly or indirectly calls for the acquisition, issuance, sale, pledge or other disposition of any shares of its capital stock or other securities or make any other changes in the equity capital structure of the Company;

(iii) make any change in the Business or the operations of the Company outside the ordinary course of business;

(iv) make any capital expenditure or enter into any contract or commitment therefor in excess of $50,000; provided that, in the ordinary course of business consistent with past practice, the Company may originate loans secured by 1-to-4 family residential real estate in an aggregate principal amount not to exceed $2,000,000 per month; provided further that Seller shall not originate any loans secured by real estate on behalf of the Company or transfer any loans secured by real estate to the Company;

(v) (A) enter into any Contract which would have been a Company Agreement if in effect on the date hereof, (B) enter into any Contract which would require the consent of a third party in connection with the consummation of the transactions contemplated by this Agreement or (C) modify, amend, terminate or grant any consent or waiver under any Company Agreement or any Contract that would have been a Company Agreement if it were in effect on the date hereof;

(vi) sell, lease (as lessor), transfer or otherwise dispose of (including any transfers from the Company to Seller or any of its Affiliates), or mortgage or pledge, or impose or suffer to be imposed any Encumbrance on, any of (A) the Equity Interests or (B) the assets or properties of the Company, other than, in the case of this clause (B), Permitted Encumbrances;

(vii) cancel any debts owed to or claims held by the Company (including the settlement of any claims or litigation) other than in the ordinary course of the Business consistent with past practice;

(viii) create, incur or assume, or agree to create, incur or assume, any Indebtedness or enter into, as lessee, any capitalized lease obligations (as defined in Statement of Financial Accounting Standards No. 13), other than in the ordinary course of business;

(ix) accelerate or delay collection of any notes or accounts receivable in advance of or beyond their regular due dates or the dates involving more than $25,000 when the same would have been collected in the ordinary course of the Business consistent with past practice;

(x) delay or accelerate payment of any account payable or other liability of the Company beyond or in advance of its due date or the date involving more than $25,000 when such liability would have been paid in the ordinary course of the Business consistent with past practice;

(xi) except as expressly contemplated by Section 7.9, make, or agree to make, any distribution or other disposition of assets (other than cash and cash equivalents) to Seller or any of its Affiliates;

(xii) institute any material increase in any profit-sharing, bonus, incentive, deferred compensation, insurance, pension, retirement, medical, hospital, disability, welfare or other employee benefit plan with respect to employees of the Company, except for payments related to stay bonus, transaction completion bonus, severance payments or other similar payments made on or prior to the Closing Date as a result of this Agreement or the transactions contemplated hereby;

(xiii) make any material increase in the compensation of the employees of the Company, other than changes made in accordance with normal compensation practices and consistent with past compensation practices;

(xiv) (A) except as required by applicable Requirements of Law, prepare or file any Tax Return inconsistent with past practice or, on any such Tax Return, take any position, make any election, or adopt any method that is inconsistent with positions taken, elections made or methods used in preparing or filing similar Tax Returns in prior periods (including positions, elections or methods that would have the effect of deferring income to periods ending after the Closing Date or accelerating deductions to periods ending on or before the Closing Date), or (B) settle or otherwise compromise any claim related to Taxes, enter into any closing agreement or similar agreement related to Taxes, otherwise settle any dispute relating to Taxes, or request any ruling or similar guidance with respect to Taxes;

(xv) make any change in the accounting policies applied in the preparation of the financial statements contained in Schedule 5.4, unless such change is required by GAAP;

(xvi) originate, acquire, hold, sell, transfer, securitize or hedge loans secured by real estate; provided that, in the ordinary course of business consistent with past practice, the Company may originate loans secured by 1-to-4 family residential real estate in an aggregate principal amount not to exceed $2,000,000 per month; provided further that Seller shall not originate any loans secured by real estate on behalf of the Company or transfer any loans secured by real estate to the Company; or

(xvii) make any material change in internal control over financial reporting, other than any change required by GAAP or any change made by Seller with respect to all of its Controlled Affiliates.

(c) The Company shall keep all insurance policies set forth on Schedule 5.22, or suitable replacements therefor, in full force and effect through the Closing Date.

7.5. Acquisition Proposals. Seller shall not, and shall not authorize or permit any officer, director or employee of Seller or any Affiliate of Seller or authorize any investment banker, attorney, accountant or other representative retained by Seller or any Affiliate of Seller to, directly or indirectly, solicit or encourage, or furnish information with respect to the Equity Interests or the Company to or engage in any discussions with any Person in connection with, any proposal for the acquisition of any portion of the Equity Interests or assets or properties of the Company, other than as contemplated by this Agreement and except in the ordinary course of Business consistent with past practice.

7.6. Conversion. Prior to the Closing, Seller shall cooperate with Buyer in causing the conversion of the Company from a corporation to a limited liability company in accordance with the Requirements of Law of the State of Michigan on terms acceptable to Buyer.

7.7. Interim Financial Statements. As promptly as practicable following the completion of the audit for the 2013 fiscal year, Seller shall deliver to Buyer the audited balance

sheet of the Company as of December 31, 2013 and the related statements of income and cash flows for the year then ended, together with the appropriate notes to such financial statements. As promptly as practicable following the last day of each month, prior to the Closing Date, Seller shall deliver to Buyer monthly financial reports in the form that the Company customarily prepares for internal use and, if available, unaudited statements of the financial position of the Company as of the last day of each month and statements of income and changes in cash flows of the Company for the month then ended. Such financial statements shall be prepared in conformity with GAAP consistently applied.

7.8. Mortgage Loan Data Tape. Seller shall deliver to Buyer not later than three (3) Business Days prior to the Closing Date an updated data tape containing the information of the same categories and same format as in the Mortgage Loan Data Tape with respect to each Mortgage Loan. All the information included in such data tape will be true and correct in all material respects as of the date that is three (3) Business Days prior to the Closing Date.

7.9. Termination of Contracts and Obligations.

(a) Effective as of the Closing, and except as set forth on Schedule 7.9, Seller shall cause (a) all Contracts between or among the Company, on the one hand, and Seller or any of its Affiliates, on the other hand, to be terminated in full, without any liability or obligation of the Company thereunder following the Closing, and (b) all liabilities and obligations arising between the Company, on the one hand, and Seller or any of its Affiliates (other than the Company), on the other hand, to be settled, extinguished and released; provided, however, that the foregoing shall not apply to any Buyer Ancillary Agreement or Seller Ancillary Agreement or any liability or obligation thereunder.

(b) Prior to the Closing, and except as set forth on Schedule 5.18, Seller shall cause all Contracts between or among the Company, on the one hand, and any other Person or Persons, on the other hand, to be terminated in full, or shall cause the Company to be released therefrom, in each case without any liability or obligation of the Company thereunder following the Closing.

7.10. FIRPTA Certificate. Seller shall deliver to Buyer a certification of non-foreign status, in form and substance reasonably satisfactory to Buyer, in accordance with Treasury Regulation § 1.445-2(b), with respect to which Buyer shall not have actual knowledge that such certification is false and shall not have received a notice that such certification is false pursuant to Treasury Regulation § 1.445-4.

ARTICLE VIII

ADDITIONAL AGREEMENTS

8.1. Guarantee(a). IRES hereby unconditionally and irrevocably guarantees to Buyer, and covenants and agrees to be jointly and severally liable with Seller for, the due and punctual performance of each and every obligation of Seller arising under this Agreement, including under ARTICLE XI. The obligation of IRES under this Section 8.1 is a continuing guaranty and shall remain in effect, and the obligations of IRES shall not be affected, modified or impaired

upon the happening from time to time of any of the following events, whether or not with notice to or consent of IRES: (i) the compromise, settlement, release, change, modification, amendment (except to the extent of such compromise, settlement, release, change, modification or amendment) of any or all of the obligations, duties, covenants, or agreements of any party under this Agreement; or (ii) the extension of the time for performance or payment of money pursuant to this Agreement, or of the time for performance of any other obligations, covenants or agreements under or arising out of this Agreement or the extension or the renewal thereof, except to the extent of such extension of time.

(b) IRES hereby represents and warrants to and agrees with Buyer as follows:

(i) IRES is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Maryland and has all requisite corporate power and authority to own or lease and to operate and use its assets and properties and to carry on its business as now conducted.

(ii) IRES has all requisite corporate power and authority to execute, deliver and perform this Agreement. The execution, delivery and performance of this Agreement by IRES have been duly authorized and approved by all necessary action on the part of IRES and its stockholder and do not require any further authorization or consent of IRES or its stockholder. This Agreement has been duly authorized, executed and delivered by IRES and (assuming due authorization, execution and delivery by the other parties hereto) is the legal, valid and binding agreement of IRES enforceable in accordance with its terms.

(iii) Neither the execution and delivery of this Agreement nor compliance with or fulfillment of the terms, conditions and provisions hereof, in each case by IRES, will:

(A) conflict with, result in a breach of the terms, conditions or provisions of, or constitute a default, an event of default or an event creating rights of acceleration, termination or cancellation or a loss of rights under (1) the articles of incorporation or by-laws of IRES, (2) any material Contract, license, franchise, permit or other authorization, right, restriction or obligation to which IRES is a party or any of its assets or properties is subject or by which IRES is bound, (3) any Order to which IRES is a party or by which it is bound or (4) any Requirements of Laws affecting IRES, except in the case of clauses (2), (3) and (4) as could not, individually or in the aggregate, materially and adversely affect the ability of IRES to carry out its obligations under, or to consummate the transaction contemplated by, this Agreement; or

(B) require the approval, consent, authorization or act of, or the making by IRES of any declaration, filing or registration with, any Person, except where the failure by IRES to obtain such approval, consent, authorization or act, or to make such declaration, filing or registration, could not, individually or in the aggregate, materially and adversely affect the ability of IRES to carry out its obligations under, or to consummate the transactions contemplated by, this Agreement.

(iv) There is no Proceeding pending or, to the knowledge of IRES, threatened against IRES which questions the legality or propriety of the transactions contemplated by this Agreement.

8.2. **Taxes**.

(a) Liability for Taxes.

(i) Seller shall be liable for and pay, and pursuant to ARTICLE XI shall indemnify and hold harmless each Buyer Group Member from and against any and all Losses and Expenses incurred by such Buyer Group Member in connection with or arising from (A) Taxes imposed on the Company or for which the Company may otherwise be liable as a result of having been a member of a Company Group (including Taxes for which the Company may be liable pursuant to Treasury Regulation § 1.1502-6 or similar provisions of state, local or foreign law as a result of having been a member of a Company Group and any Taxes resulting from the ceasing to be a member of any Company Group) and (B) Taxes imposed on the Company or for which the Company may otherwise be liable for any taxable year or period that ends on or before the Closing Date and the portion of any Straddle Period ending on and including the Closing Date (the "Pre-Closing Tax Period"), except, in each case, to the extent such Taxes were included on the Closing Date Balance Sheet and taken into account in determining the Adjusted Purchase Price.

(ii) For purposes of paragraph (a)(i), whenever it is necessary to determine the liability for Taxes of the Company for a Straddle Period, the determination of the Taxes of the Company for the portion of the Straddle Period ending on and including the Closing Date shall be determined by assuming that the Straddle Period consisted of two taxable years or periods, one which ended at the close of the Closing Date and the other which began at the beginning of the day following the Closing Date and items of income, gain, deduction, loss or credit of the Company for the Straddle Period shall be allocated between such two taxable years or periods on a "closing of the books basis" by assuming that the books of the Company were closed at the close of the Closing Date, provided, however, that exemptions, allowances, deductions or Taxes that are calculated on an annual basis, such as property Taxes and depreciation deductions, shall be apportioned between such two taxable years or periods on a daily basis.

(iii) Seller shall be entitled to the amount of any refund or credit of Taxes of the Company (including any interest relating thereto) with respect to a Pre-Closing Tax Period to the extent such Taxes were paid by the Company prior to the Closing or by a Seller after the Closing pursuant to Section 8.2(a) or ARTICLE XI which refund or credit is actually recognized by Buyer or its Affiliates (including the Company) after the Closing, net of any cost to Buyer and its Affiliates attributable to the obtaining and receipt of such refund or credit, except to the extent such refund or credit arises as the result of a carryback of a loss or other tax benefit from a Tax period (or portion thereof) beginning after the Closing Date or such refund or credit was included on the Closing Date Balance Sheet and taken into account in determining the Adjusted Purchase Price. Buyer shall pay, or cause to be paid, to Seller any amount to which Seller is entitled pursuant to the prior sentence within fifteen (15) days of the receipt or recognition of the applicable refund or credit by Buyer or its Subsidiaries. To the extent requested by Seller, Buyer will reasonably cooperate with Seller in obtaining such refund or credit, including through the

filing of amended Tax Returns for periods ending before or on the Closing Date or refund claims. To the extent such refund or credit is subsequently disallowed or required to be returned to the applicable Governmental Body, Seller agrees promptly to repay the amount of such refund or credit to Buyer. Buyer shall be entitled to any refund or credit with respect to Taxes (including any interest relating thereto) that results from the carryback of losses, credits or similar items from a taxable year or period that begins after the Closing Date and is attributable to the Company and, to the extent such refund is actually received by Seller or its Affiliates, any such refund or credit shall be paid by Seller to Buyer within fifteen (15) days of the receipt of such refund by Seller. Buyer shall be entitled to any refund or credit included on the Closing Date Balance Sheet and taken into account in determining the Adjusted Purchase Price. Buyer and Seller shall take reasonable steps as may be requested by the other Party to obtain any refund or credit to which such Party is entitled under this subparagraph (iii).

(iv) Buyer shall be liable for and pay, and pursuant to ARTICLE XI shall indemnify and hold harmless Seller from and against any and all Losses incurred by Seller in connection with or arising from any real property transfer Tax, sales Tax, use Tax, stamp Tax, stock transfer Tax, or other similar Tax imposed on the transactions contemplated by this Agreement.

(b) Tax Returns. Seller shall timely file or cause to be timely filed when due (taking into account all extensions properly obtained) (x) all Tax Returns that are required to be filed by or with respect to the Company on a combined, consolidated or unitary basis with Seller or any Affiliate thereof (other than the Company) and (y) all other Tax Returns that are required to be filed by or with respect to the Company on or prior to the Closing Date (including the final federal, state, local and other income Tax Returns of the Company). In each case Seller shall remit or cause to be remitted any Taxes due in respect of such Tax Returns. Buyer shall timely file or cause to be timely filed when due (taking into account all extensions properly obtained) all other Tax Returns that are required to be filed by or with respect to the Company after the Closing Date and Buyer shall remit or cause to be remitted any Taxes due in respect of such Tax Returns. At least thirty (30) days prior to the due date (taking into account any extension) for the filing of Tax Returns relating to Taxes arising or with respect to periods on or prior to the Closing Date, Buyer shall deliver to Seller a draft of such Tax Returns. Buyer shall consider in good faith any comment that Seller submits to Buyer at least fifteen (15) days prior to the due date of such Tax Returns. Seller or Buyer shall reimburse the other party the Taxes for which Seller or Buyer is liable pursuant to paragraph (a) of this Section 8.2 but which are remitted in respect of any Tax Return to be filed by the other party pursuant to this paragraph (b) upon the written request of the party entitled to reimbursement setting forth in detail the computation of the amount owed by Seller or Buyer, as the case may be, but in no event earlier than ten (10) days prior to the due date for paying such Taxes, except, in the case of amounts owed by Seller to Buyer, to the extent such Taxes were included on the Closing Date Balance Sheet and taken into account in determining the Adjusted Purchase Price. For the avoidance of doubt, such reimbursement obligations shall not be subject to the limitations on indemnification set forth in ARTICLE XI.

(c) Contest Provisions.

(i) Buyer shall notify Seller in writing upon receipt by Buyer, any of its Affiliates or, after the Closing Date, the Company of notice of any pending or threatened federal, state, local or foreign Tax audits or assessments relating to any Pre-Closing Tax Period; provided, that failure to comply with this provision shall not affect Buyer's right to indemnification under this Agreement except to the extent such failure materially impairs Seller's ability to contest any such Tax liabilities.

(ii) Seller shall have the sole right to represent the Company's interests in any Tax audit or administrative or court proceeding relating to a Tax liability for which Seller would be required to indemnify Buyer Group Members pursuant to paragraph (a) of this Section 8.2 and that relates solely to a taxable year or period ending on or before the Closing Date, and to employ counsel of Seller's choice at Seller's expense; provided, however, that Seller shall have no right to represent the Company's interests in any Tax audit or administrative or court proceeding unless (1) Seller shall have first notified Buyer in writing of Seller's intention to do so and of the identity of counsel, if any, chosen by Seller in connection therewith, and (2) that Seller agrees with Buyer that, as between Buyer and Seller, Seller shall be liable for any Losses or Expenses relating to Taxes for a Pre-Closing Tax Period that result from such audit or proceeding; provided, further, that Buyer and its representatives shall be permitted, at Buyer's expense, to be present at, and participate in, any such audit or proceeding. Notwithstanding the foregoing, neither Seller nor any Affiliate of Seller shall be entitled to settle, either administratively or after the commencement of litigation, any claim for Taxes which could adversely affect the liability for Taxes of any Buyer Group Member, the Company or any Affiliate thereof for any period after the Closing Date without the prior written consent of Buyer, which consent shall not be unreasonably withheld.

(iii) Buyer shall have the sole right to represent the Company's interests in any Tax audit or administrative or court proceeding relating to Tax liabilities other than those for which Seller has exercised such right pursuant to paragraph (c)(ii) of this Section 8.2 and to employ counsel of Buyer's choice at Buyer's expense, provided, that Seller and its representatives shall be permitted, at Seller's expense, to be present at, and participate in, any such audit or proceeding relating to Taxes arising or with respect to Pre-Closing Tax Periods, and, provided, further, that Buyer shall not be entitled to settle or compromise, either administratively or after the commencement of litigation, any such audit or proceeding relating to Taxes arising or with respect to periods on or before the Closing Date without the prior written consent of Seller, which consent shall not be unreasonably withheld. Buyer shall have the sole right to defend the Company with respect to any issue, and settle or compromise any issue, arising in connection with any Tax audit or administrative or court proceeding to the extent Buyer shall have agreed in writing to forego any indemnification under this Agreement with respect to such issue and to indemnify Seller and hold Seller harmless from any Losses or Expenses resulting from any such settlement or compromise. In such case, Buyer agrees to keep Seller reasonably informed of the progress of any such audit or proceeding.

(iv) Nothing herein shall be construed to impose on Buyer any obligation to defend the Company in any Tax audit or administrative or court proceeding. Any proceeding with respect to which Seller does not assume control in accordance with this Section 8.2(c) may be settled or compromised in the discretion of Buyer, and any such settlement or compromise shall not affect any Buyer Group Member's right to indemnification under this Agreement.

(d) Assistance and Cooperation. After the Closing Date, each of Seller and Buyer shall (and shall cause their respective Affiliates to):

(i) timely sign and deliver such certificates or forms as may be reasonably necessary or appropriate to establish an exemption from (or otherwise reduce), or file Tax Returns or other reports with respect to, Taxes described in paragraph (a)(iii) of this Section 8.2 (relating to sales, transfer and similar Taxes);

(ii) reasonably assist the other party in preparing any Tax Returns which such other party is responsible for preparing and filing in accordance with paragraph (b) of this Section 8.2, and in connection therewith, provide the other party with any necessary powers of attorney;

(iii) reasonably cooperate in preparing for and defending any audits of, or disputes with taxing authorities regarding, any Tax Returns of the Company;

(iv) make available to the other and to any taxing authority as reasonably requested all information, records, and documents relating to Taxes of the Company or such other information as is reasonably necessary to enable the other to prepare its Tax Returns; and

(v) furnish the other with copies of all correspondence received from any taxing authority in connection with any Tax audit or information request with respect to any such taxable period.

(e) Termination of Tax Allocation Arrangements. Any Tax Sharing Arrangement entered into by Seller or any Affiliate of Seller, on the one hand, and the Company, on the other hand, shall be terminated as to the Company on or prior to the Closing, and after the Closing the Company shall not have any liability thereunder.

(g) Survival of Obligations. Notwithstanding anything to the contrary in this Agreement, and notwithstanding Section 13.1 of this Agreement, the obligations of the parties set forth in this Section 8.2 shall survive until sixty (60) days after the expiration of all applicable statutes of limitation (taking into account extensions thereof), and shall not be subject to the limitations on indemnification set forth in ARTICLE XI; provided, however, that Seller's obligation to indemnify Buyer pursuant to Section 8.2(a)(i)(B) shall not exceed the Adjusted Purchase Price. Buyer shall not, without the prior written consent of Seller (which shall not be unreasonably withheld), cause the Company to engage in any transaction on the Closing Date after the Closing that is outside the ordinary course of business, that may result in any increased Tax liability for which Seller would be required to provide indemnification pursuant to this Agreement.

ARTICLE IX

CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER

The obligations of Buyer under this Agreement shall be subject to the satisfaction (or waiver by Buyer), on or prior to the Closing Date, of the following conditions:

9.1. **Representations and Warranties of Seller**. (i) Each of the representations and warranties of Seller contained in this Agreement that is qualified by materiality, in all material respects, Material Adverse Change, Material Adverse Effect or words of like import (disregarding all such qualifications) shall be true and correct in all respects as of the Closing Date as though made on the Closing Date, except for those representations and warranties that address matters only as of a particular date (which shall have been true and correct in all respects as of such date), and except where the failure of such representations and warranties to be true and correct could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (ii) each of the representations and warranties of Seller that is not qualified by materiality, in all material respects, Material Adverse Change, Material Adverse Effect or words of like import shall be true and correct in all material respects as of the Closing Date as though made on the Closing Date, except for those representations and warranties that address matters only as of a particular date (which shall have been true and correct in all material respects as of such date), and (iii) Buyer shall have received a certificate to the effect set forth in clauses (i) and (ii), dated the Closing Date and signed by an authorized officer of Seller.

9.2. **Performance of Obligations and Covenants of Seller**. Seller shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Seller on or before the Closing Date, and Buyer shall have received a certificate to such effect, dated the Closing Date and signed by an authorized officer of Seller.

9.3. **No Material Adverse Change**. Between the date hereof and the Closing Date, there has been no fact, occurrence, condition, circumstance, change, effect, event or development that has had, individually or in the aggregate, a Material Adverse Change, and Buyer shall have received certificate to such effect, dated the Closing Date and signed by an authorized officer of Seller.

9.4. **No Injunctions or Restraints**. No Requirements of Laws or Order enacted, entered, promulgated, enforced or issued by any Governmental Body or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement shall be in effect.

9.5. **Absence of Proceedings**. There shall not be pending or threatened any Proceeding challenging or seeking to restrain or prohibit any transaction contemplated by this Agreement or seeking to obtain any damages from any party hereto or any of its Affiliates in connection with the transactions contemplated by this Agreement.

9.6. **Necessary Governmental Approvals**. The parties shall have received all approvals and actions of or by all Governmental Bodies which are necessary to consummate the transactions contemplated hereby, which are either specified in Schedule 6.2 or otherwise required to be obtained prior to the Closing by applicable Requirements of Laws or Agency Guides or which are necessary to prevent a Material Adverse Change, and such approvals and actions shall not have (a) imposed any restrictions, limitations or other conditions, or required Buyer to take or refrain from taking any action, in each case that, individually or in the aggregate, would (i) result in a material impairment of the benefits, taken as a whole, which Buyer reasonably expects to derive from the consummation of the transactions contemplated by

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this Agreement and the Buyer Ancillary Agreements had Buyer not been obligated to take or refrain from taking or agreeing to take or refrain from taking such action or suffer to exist such restriction, limitation or other condition, (ii) have a material adverse effect the assets, liabilities, properties, operations, results of operations or condition (financial or otherwise) of Buyer or its Affiliates or (iii) have a Material Adverse Effect or (b) imposed any requirement to

operate in a specified manner or discontinue or limit, before or after the Closing Date, any assets, liabilities, businesses, operations, or interest in any assets or businesses of Buyer, the Company or any of their respective Affiliates, including any requirement to retain a specified number of employees.

9.7. **Necessary Consents**. Seller shall have received consents, in form and substance reasonably satisfactory to Buyer, to the transactions contemplated hereby from the other parties to all Contracts to which the Company is a party or by which the Company or any of the its assets is affected and which are specified in Schedule 9.7.

9.8. **Conversion**. The Company shall have been converted from a corporation to a limited liability company in accordance with Section 7.6.

9.9. **Closing Deliveries**. Seller and IRES shall have delivered or caused to be delivered to Buyer all of the other documents and agreements required to be delivered at Closing pursuant to Section 4.4.

ARTICLE X

CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER

The obligations of Seller under this Agreement shall be subject to the satisfaction (or waiver by Seller), on or prior to the Closing Date, of the following conditions:

10.1. **Representations and Warranties of Buyer**. (i) Each of the representations and warranties of Buyer contained in this Agreement that is qualified by materiality, in all material respects or words of like import (disregarding all such qualifications) shall be true and correct in all respects as of the Closing Date as though made on the Closing Date, except for those representations and warranties that address matters only as of a particular date (which shall have been true and correct in all respects as of such date), and except where the failure of such representations and warranties to be true and correct could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of Buyer to consummate the transactions contemplated by this Agreement, (ii) each of the representations and warranties of Buyer that is not qualified by materiality, in all material respects or words of like import shall be true and correct in all material respects as of the Closing Date as though made on the Closing Date, except for those representations and warranties that address matters only as of a particular date (which shall have been true and correct in all material respects as of such date), and (iii) Seller shall have received a certificate to the effect set forth in clauses (i) and (ii), dated the Closing Date and signed by an authorized officer of Buyer.

10.2. **Performance of Obligations and Covenants of Buyer**. Buyer shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Buyer on or before the Closing Date, and Seller shall have received a certificate to such effect, dated the Closing Date and signed by an authorized officer of Buyer.

10.3. **No Injunctions or Restraints**. No Requirements of Laws or Order enacted, entered, promulgated, enforced or issued by any Governmental Body or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement shall be in effect.

10.4. **Absence of Proceedings**. There shall not be pending or threatened any Proceeding challenging or seeking to restrain or prohibit any transaction contemplated by this Agreement or seeking to obtain any damages from any party hereto or any of its Affiliates in connection with the transactions contemplated by this Agreement.

10.5. **Necessary Governmental Approvals**. The parties shall have received all approvals and actions of or by all Governmental Bodies which are necessary to consummate the transactions contemplated hereby, which are either specified in Schedule 6.2 or otherwise required to be obtained prior to the Closing by applicable Requirements of Laws or Agency Guides or which are necessary to prevent a Material Adverse Change.

10.6. **Closing Deliveries**. Buyer shall have delivered or caused to be delivered to Seller all of the other documents and agreements required to be delivered at Closing pursuant to Section 4.3.

ARTICLE XI

INDEMNIFICATION

11.1. **Indemnification by Seller**.

(a) From and after the Closing Date, Seller agrees to indemnify and hold harmless each Buyer Group Member from and against any and all Losses and Expenses incurred by such Buyer Group Member in connection with, as a result of or arising from:

(i) any breach of any warranty or the inaccuracy of any representation of Seller contained or referred to in this Agreement or any certificate delivered by or on behalf of Seller pursuant hereto;

(ii) any breach by Seller of any of its covenants or agreements, or any failure of Seller to perform any of its obligations, in this Agreement;

(iii) any claim by B. Thomas Smith III, including any Proceeding brought by B. Thomas Smith III arising out of or relating to the acquisition of issued and oustanding capital stock of the Company by Seller on March 30, 2013 or August 9, 2013, whether brought prior to, on or after the Closing Date; and

(iv) any repurchase liabilities or other obligations with respect to any loan secured by real estate that is or was originated, acquired, owned, sold, transferred, securitized, hedged or serviced by or on behalf of the Company or any predecessor to the

Company prior to the Closing, except to the extent such Losses or Expenses arise from the performance by the Company of the servicing obligations with respect to such loan after the Closing and do not arise out of any breach or default by the Company or any Seller Group Member on or prior to the Closing Date;

provided, however, that:

(A) Seller shall not be required to indemnify and hold harmless under clause (i) of this Section 11.1(a) with respect to Losses and Expenses incurred by Buyer Group Members (other than Losses and Expenses incurred as a result of inaccuracies of the representations and warranties contained in Sections 5.1 (Organization of the Company; Title to Equity Interests), 5.2 (Subsidiaries and Investments), 5.3(a) (Organization and Authority of Seller), 5.7 (Taxes) and 5.23 (No Finder), as to which this proviso shall have no effect) if the aggregate amount of such Losses and Expenses related to any individual claim or series of related claims does not exceed $10,000; provided, that, once such amount is exceeded, Seller shall indemnify the Buyer Group Members for the entire amount of such Losses and Expenses (subject to clauses (B) and (C) below);

(B) Seller shall not be required to indemnify and hold harmless under clause (i) of this Section 11.1(a) with respect to Losses and Expenses incurred by Buyer Group Members (other than Losses and Expenses incurred as a result of inaccuracies of the representations and warranties contained in Sections 5.1 (Organization of the Company; Title to Equity Interests), 5.2 (Subsidiaries and Investments), 5.3(a) (Organization and Authority of Seller), 5.7 (Taxes) and 5.23 (No Finder), as to which this proviso shall have no effect) unless the aggregate amount of such Losses and Expenses subject to indemnification by Seller exceeds $100,000, and once such amount is exceeded, Seller shall indemnify the Buyer Group Members for the amount of such Losses and Expenses in excess of $100,000; and

(C) the aggregate amount required to be paid by Seller pursuant to clause (i) of this Section 11.1(a) (other than Losses and Expenses incurred as a result of inaccuracies of the representations and warranties contained in Sections 5.1 (Organization of the Company; Title to Equity Interests), 5.2 (Subsidiaries and Investments), 5.3(a) (Organization and Authority of Seller; No Conflict), 5.7 (Taxes) and 5.23 (No Finder), as to which this proviso shall have no effect) shall not exceed $1,500,000.

(b) The indemnification provided for in Section 11.1(a) shall terminate eighteen (18) months after the Closing Date (and no claims shall be made by any Buyer Group Member under Section 11.1(a) thereafter), except that the indemnification by Seller shall continue as to:

(i) the representations and warranties set forth in Sections 5.1 (Organization of the Company; Title to Equity Interests), 5.2 (Subsidiaries and Investments), 5.3(a) (Organization and Authority of Seller) and 5.23 (No Finder) and the covenants of Seller set forth in Sections 8.2 and 13.2, as to all of which no time limitation shall apply;

(ii) the covenants of Seller set forth in Sections 13.6 and 13.13, which shall survive until thirty-six (36) months after the Closing Date;

(iii) the representations and warranties set forth in Sections 5.7 (Taxes) and 5.16 (Employees and Related Agreements; ERISA), which shall survive until thirty (30) days after the expiration of the applicable statute of limitations;

(iv) the covenants of Seller set forth in Sections 7.9(b) and 11.1(a)(iii), as to which no time limitation shall apply;

(v) the covenants of Seller set forth in Section 11.1(a)(iv), which shall survive until four (4) years after the Closing Date; and

(vi) any Loss or Expense of which any Buyer Group Member has notified Seller in accordance with the requirements of Section 11.3 on or prior to the date such indemnification would otherwise terminate in accordance with this Section 11.1, as to which the obligation of Seller shall continue until the liability of Seller shall have been determined pursuant to this ARTICLE XI, and Seller shall have reimbursed all Buyer Group Members for the full amount of such Loss and Expense in accordance with this ARTICLE XI.

(c) For purposes of this Section 11.1, if any representation or warranty of Seller contained in this Agreement is qualified in any respect by materiality, in all material respects, Material Adverse Change, Material Adverse Effect or words of like import, such materiality, in all material respects, Material Adverse Change and Material Adverse Effect qualifiers or other qualifiers of like import shall be ignored in determining whether such representation is inaccurate or warranty has been breached and in determining the amount of any Loss or Expense.

11.2. Indemnification by Buyer.

(a) Buyer agrees to indemnify and hold harmless each Seller Group Member from and against any and all Losses and Expenses incurred by such Seller Group Member in connection with, as a result of or arising from:

(i) any breach of any warranty or the inaccuracy of any representation of Buyer contained or referred to in this Agreement or in any certificate delivered by or on behalf of Buyer pursuant hereto; and

(ii) any breach by Buyer of any of its covenants or agreements, or any failure by Buyer to perform any of its obligations, in this Agreement;

provided, however, that:

(A) Buyer shall not be required to indemnify and hold harmless under clause (i) of this Section 11.2(a) with respect to Losses and Expenses incurred by Seller Group Members (other than Losses and Expenses incurred as a result of inaccuracies of the representations and warranties contained in Sections 6.1 (Organization of Buyer), 6.2(a) (Authority of Buyer) and 6.3 (No Finder), as to which this proviso shall have no effect) if the aggregate amount of such Losses and Expenses related to any individual claim or series of related claims does not exceed $10,000; provided, that, once such amount is exceeded, Buyer shall indemnify the Seller Group Members for the entire amount of such Losses and Expenses (subject to clauses (B) and (C) below);

(B) Buyer shall not be required to indemnify and hold harmless under clause (i) of this Section 11.2(a) with respect to Losses and Expenses incurred by Seller Group Members (other than Losses and Expenses incurred as a result of inaccuracies of the representations and warranties contained in Sections 6.1 (Organization of Buyer), 6.2(a) (Authority of Buyer) and 6.3 (No Finder), as to which this proviso shall have no effect) unless the aggregate amount of such Losses and Expenses subject to indemnification by Buyer exceeds $100,000, and once such amount is exceeded, Buyer shall indemnify the Seller Group Members for the amount of such Losses and Expenses in excess of $100,000; and

(C) the aggregate amount required to be paid by Buyer pursuant to clause (i) of this Section 11.1(a) (other than Losses and Expenses incurred as a result of inaccuracies of the representations and warranties contained in Sections 6.1 (Organization of Buyer), 6.2(a) (Authority of Buyer) and 6.3 (No Finder), as to which this proviso shall have no effect) shall not exceed $1,500,000.

(b) The indemnification provided for in Section 11.2(a) shall terminate eighteen (18) months after the Closing Date (and no claims shall be made by Seller under Section 11.2(a) thereafter), except that the indemnification by Buyer shall continue as to:

(i) the representations and warranties of Buyer set forth in Sections 6.1 (Organization of Buyer), 6.2(a) (Authority of Buyer) and 6.3 (No Finder) and the covenants of Buyer set forth in Sections 8.2 and 13.2, as to all of which no time limitation shall apply; and

(ii) the covenants of Buyer set forth in Sections 13.6 and 13.13, which shall survive thirty-six (36) months after the Closing Date; and

(iii) any Loss or Expense of which Seller has notified Buyer in accordance with the requirements of Section 11.3 on or prior to the date such indemnification would otherwise terminate in accordance with this Section 11.2, as to which the obligation of Buyer shall continue until the liability of Buyer shall have been determined pursuant to this ARTICLE XI, and Buyer shall have reimbursed all Seller Group Members for the full amount of such Loss and Expense in accordance with this ARTICLE XI.

11.3. Notice of Claims.

(a) Any Buyer Group Member or Seller Group Member (the "Indemnified Party") seeking indemnification hereunder shall give to the party obligated to provide indemnification to such Indemnified Party (the "Indemnitor") a notice (a "Claim Notice") describing in reasonable detail the facts giving rise to any claim for indemnification hereunder and shall include in such Claim Notice (if then known) the amount or the method of computation of the amount of such claim, and a reference to the provision of this Agreement or any other agreement, document or instrument executed hereunder or in connection herewith upon which such claim is based; provided, that a Claim Notice in respect of (i) any pending or threatened claim, action at law or

suit in equity by or against a third Person as to which indemnification will be sought (each such claim, action or suit being a "Third Person Claim") shall be given promptly after the action or suit is commenced and (ii) any Third Person Claim that involves a written demand by a third Person that the Company repurchase any mortgage loan sold to such third Person shall be given within ten (10) days after the Company's receipt of such written demand; provided further that failure to give such notice shall not relieve the Indemnitor of its obligations hereunder except (and only) to the extent it shall have been materially prejudiced by such failure.

(b) After the giving of any Claim Notice pursuant hereto, the amount of indemnification to which an Indemnified Party shall be entitled under this ARTICLE XI shall be determined: (i) by the written agreement between the Indemnified Party and the Indemnitor; (ii) by a final judgment or decree of any court of competent jurisdiction; or (iii) by any other means to which the Indemnified Party and the Indemnitor shall agree. The judgment or decree of a court shall be deemed final when the time for appeal, if any, shall have expired and no appeal shall have been taken or when all appeals taken shall have been finally determined.

11.4. Third Person Claims.

(a) Subject to Section 11.4(b), the Indemnified Party shall have the right to conduct and control, through counsel of its choosing, the defense, compromise or settlement of any Third Person Claim against such Indemnified Party as to which indemnification will be sought by any Indemnified Party from any Indemnitor hereunder, and in any such case the Indemnitor shall cooperate in connection therewith and shall furnish such records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Indemnified Party in connection therewith; provided, that:

(i) the Indemnitor may participate, through counsel chosen by it and at its own expense, in the defense of any such Third Person Claim as to which the Indemnified Party has so elected to conduct and control the defense thereof; and

(ii) the Indemnified Party shall not, without the written consent of the Indemnitor (which written consent shall not be unreasonably withheld), pay, compromise or settle any such Third Person Claim, except that no such consent shall be required if, following a written request from the Indemnified Party, the Indemnitor shall fail, within fourteen (14) days after the making of such request, to acknowledge and agree in writing that, if such Third Person Claim shall be adversely determined, such Indemnitor has an obligation to provide indemnification hereunder to such Indemnified Party.

Notwithstanding the foregoing, the Indemnified Party shall have the right to pay, settle or compromise any such Third Person Claim without such consent, provided that in such event the Indemnified Party shall waive any right to indemnity therefor hereunder unless such consent is unreasonably withheld.

(b) If any Third Person Claim against any Indemnified Party involves a claim for money damages and the amount of such money damages, together with the aggregate amount of any Losses or Expenses previously paid or payable by the Indemnitor hereunder, is less than $1,500,000 and, where Seller is the Indemnitor, (i) will have no continuing effect in any material

respect on the Business or the assets, properties or operations of the Company and (ii) does not involve a Governmental Body or Governmental Permit, then the Indemnitor shall have the right to conduct and control, through counsel of its choosing, the defense, compromise or settlement of any such Third Person Claim against such Indemnified Party as to which indemnification will be sought by any Indemnified Party from any Indemnitor hereunder if the Indemnitor has acknowledged and agreed in writing that, if the same is adversely determined, the Indemnitor has an obligation to provide indemnification to the Indemnified Party in respect thereof, and in any such case the Indemnified Party shall cooperate in connection therewith and shall furnish such records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Indemnitor in connection therewith; provided, that the Indemnified Party may participate, through counsel chosen by it and at its own expense, in the defense of any such Third Person Claim as to which the Indemnitor has so elected to conduct and control the defense thereof. Notwithstanding the foregoing, the Indemnified Party shall have the right to pay, settle or compromise any such Third Person Claim, provided that in such event the Indemnified Party shall waive any right to indemnity therefor hereunder unless the Indemnified Party shall have sought the consent of the Indemnitor to such payment, settlement or compromise and such consent was unreasonably withheld, in which event no claim for indemnity therefor hereunder shall be waived.

11.5. Adjustment to Adjusted Purchase Price. Buyer and Seller agree to report each indemnification payment made in respect of a Loss or Expense as an adjustment to the Adjusted Purchase Price for federal income Tax purposes except as otherwise required by applicable Requirements of Law.

11.6. Coordination with Tax Contest. If there shall be any conflicts between the provisions of this ARTICLE XI and Section 8.2(c) (relating to Tax contests), the provisions of Section 8.2(c) shall control with respect to Tax contests.

11.7. Exclusive Remedy. Except for remedies that cannot be waived as a matter of law, claims based on fraud, claims for equitable relief and injunctive and provisional relief (including specific performance), if the Closing occurs, this ARTICLE XI shall be the exclusive remedy for breaches of this Agreement.

11.8. Mitigation. Each of the parties agrees to take all commercially reasonable steps to mitigate their respective Losses and Expenses upon and after becoming aware of any event or condition which could reasonably be expected to give rise to any Losses or Expenses that are indemnifiable hereunder.

ARTICLE XII

TERMINATION

12.1. Termination. Anything contained in this Agreement to the contrary notwithstanding, this Agreement may be terminated at any time prior to the Closing Date:

(a) by the mutual consent of Buyer and Seller;

(b) by Buyer or Seller if the Closing shall not have occurred on or before June 3, 2014 (or such later date as may be mutually agreed to by Buyer and Seller);

(c) by Buyer in the event of any material breach by Seller of any of Seller's agreements, representations or warranties contained herein and the failure of Seller to cure such breach within seven (7) days after receipt of notice from Buyer requesting such breach to be cured; or

(d) by Seller in the event of any material breach by Buyer of any of Buyer's agreements, representations or warranties contained herein and the failure of Buyer to cure such breach within seven (7) days after receipt of notice from Seller requesting such breach to be cured.

12.2. Notice of Termination. Any party desiring to terminate this Agreement pursuant to Section 12.1 shall give notice of such termination to the other party to this Agreement.

12.3. Effect of Termination. If this Agreement is terminated pursuant to this ARTICLE XII, all further obligations of the parties under this Agreement (other than Sections 13.2 and 13.10) shall be terminated without further liability of any party to the other, provided, that nothing herein shall relieve any party from liability for its willful breach of this Agreement. Each party's right of termination under Section 12.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies.

ARTICLE XIII

GENERAL PROVISIONS

13.1. Survival of Obligations. All covenants, agreements and obligations contained in this Agreement shall survive the consummation of the transactions contemplated by this Agreement. Each representation and warranty contained in ARTICLE V or ARTICLE VI shall survive the consummation of the transactions contemplated by this Agreement through the period during which claims for indemnification may be made pursuant to ARTICLE XI (at which time such representation or warranty shall terminate).

13.2. Confidential Nature of Information. Each party agrees that it will treat in confidence all documents, materials and other information which it shall have obtained regarding the other party during the course of the negotiations leading to the consummation of the transactions contemplated hereby (whether obtained before or after the date of this Agreement), the investigation provided for herein and the preparation of this Agreement and other related documents, and, if the transactions contemplated hereby are not consummated, each party will return to the other party all copies of nonpublic documents and materials which have been furnished in connection therewith. Such documents, materials and information shall not be communicated to any third Person (other than, in the case of Buyer, to its counsel, accountants, financial advisors or lenders, and in the case of Seller, to its counsel, accountants or financial advisors). No other party shall use any confidential information in any manner whatsoever except solely for the purpose of evaluating the proposed purchase and sale of the Equity

Interests; provided, however, that after the Closing, Buyer may use or disclose any confidential information with respect to or about the Company or otherwise reasonably related to the Business or the Equity Interests. The obligation of each party to treat such documents, materials and other information in confidence shall not apply to any information which (i) is or becomes available to such party from a source other than the other party, (ii) is or becomes available to the public other than as a result of disclosure by such party or its agents, (iii) is required to be disclosed under applicable Requirements of Laws or judicial process, but only to the extent it must be disclosed, or (iv) such party reasonably deems necessary to disclose to obtain any of the consents or approvals contemplated hereby.

13.3. **No Public Announcement**. No party hereto shall, without the approval of the other parties, make any press release or other public announcement concerning the transactions contemplated by this Agreement, except as and to the extent that any such party shall be so obligated by Requirements of Laws or the rules of any stock exchange, in which case the other party shall be advised and the parties shall use their best efforts to cause a mutually agreeable release or announcement to be issued. Notwithstanding the foregoing, in no event shall any press release or other public announcement disclose the identity of Buyer or any of its Affiliates, other than with the prior written approval of Buyer.

13.4. **Notices**. All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given or delivered (i) when delivered, if delivered personally, (ii) if transmitted by fax, when confirmation of transmission is received, (iii) when sent, if sent by email, or (iv) if sent by registered or certified mail, return receipt requested, or by private courier, when received; and shall be addressed as follows:

If to Buyer, to:

Aris Mortgage Holding Company, LLC

with copies (which shall not constitute notice) to:

Athene Asset Management LLC

and

Sidley Austin LLP
One South Dearborn Street
Chicago, Illinois 60603
Attention: Luke J. Valentino (email: lvalentino@sidley.com)
Facsimile: (312) 853-7036

If to Seller, to:

Excel Mortgage Servicing, Inc.
19500 Jamboree Road
Irvine, California 92612
Attention: Ron Morrison (email: ron.morrison@impaccompanies.com)
Facsimile: (949) 706-6208

with a copy (which shall not constitute notice) to:

Latham & Watkins LLP
650 Town Center Drive, 20th Floor
Costa Mesa, California 92626
Attention: William J. Cernius (email: william.cernius@lw.com)
Facsimile: (714) 755-8290

or to such other address as such party may indicate by a notice delivered to the other party hereto.

13.5. **Successors and Assigns; No Third-Party Beneficiaries**.

(a) This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and permitted assigns, provided, however, that, prior to the Closing, no party hereto may assign any right or obligation hereunder without the prior written consent of all other parties hereto, except that Buyer may without the prior written consent of Seller or IRES assign its rights or obligations under this Agreement to any Affiliate of Buyer. Following the Closing, any party hereto may assign any of its rights hereunder, but no such assignment shall relieve it of its obligations hereunder.

(b) Except for ARTICLE XI, which is intended to benefit, and to be enforceable by, the Buyer Group Members and Seller Group Members, nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon any Person (other than the parties hereto and their respective successors and permitted assigns) any right, remedy or claim under or by reason of this Agreement.

13.6. **Access to Records after Closing**.

(a) For a period of six (6) years after the Closing Date, Seller and its representatives shall have reasonable access to all of the books and records of the Company transferred to Buyer hereunder to the extent that such access may reasonably be required by Seller in connection with matters relating to or affected by the operations of the Company or the Business prior to the Closing Date. Such access shall be afforded by Buyer upon receipt of reasonable advance notice and during normal business hours. Seller shall be solely responsible for any costs or expenses incurred by it pursuant to this Section 13.6. If

Buyer shall desire to dispose of any of such books and records prior to the expiration of such six (6) year period, Buyer shall, prior to such disposition, give Seller a reasonable opportunity, at Seller's expense, to segregate and remove such books and records as Seller may select.

(b) For a period of six (6) years after the Closing Date, Buyer and its representatives shall have reasonable access to all of the books and records relating to the Equity Interests, the Company or the Business which Seller or any of its Affiliates may retain after the Closing Date. Such access shall be afforded by Seller and its Affiliates upon receipt of reasonable advance

notice and during normal business hours. Buyer shall be solely responsible for any costs and expenses incurred by it pursuant to this Section 13.6. If Seller or any of its Affiliates shall desire to dispose of any of such books and records prior to the expiration of such six (6) year period, Seller shall, prior to such disposition, give Buyer a reasonable opportunity, at Buyer's expense, to segregate and remove such books and records as Buyer may select.

13.7. Entire Agreement; Amendments. This Agreement and the Schedules referred to herein, the Buyer Ancillary Agreements, the Seller Ancillary Agreements, and the documents delivered pursuant hereto and thereto contain the entire understanding of the parties hereto with regard to the subject matter contained herein or therein, and supersede all prior agreements, understandings or letters of intent between or among any of the parties hereto, including that certain letter agreement dated November 8, 2012 between Athene Annuity Life Assurance Company, Impac Mortgage Holdings, Inc. and Seller; provided, however, that the Confidentiality Agreement shall survive the execution of this Agreement until the Closing, at which time it shall terminate. This Agreement shall not be modified, in whole or in part, except by a written instrument signed by the parties. Any party may waive compliance by any other party with any of the covenants or conditions of this agreement, but no waiver shall be binding unless executed in writing by the party making the waiver. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. Any consent under this Agreement shall be in writing and shall be effective only to the extent specifically set forth in such writing.

13.8. Partial Invalidity. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating the remainder of such invalid, illegal or unenforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

13.9. Waivers. Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the party or parties entitled to the benefit thereof. Any such waiver shall be validly and sufficiently authorized for the purposes of this Agreement if, as to any party, it is authorized in writing by an authorized representative of such party. The failure of any party hereto to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

13.10. Expenses. Each party hereto will pay all costs and expenses incident to its negotiation and preparation of this Agreement and to its performance and compliance with all agreements and conditions contained herein on its part to be performed or complied with, including the fees, expenses and disbursements of its counsel and accountants. All costs and expenses, if any, incurred by the Company in connection with this Agreement and the transactions contemplated hereby, including the fees, expenses and disbursements of counsel and accountants to the Company shall be paid by Seller.

13.11. Execution in Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement, and shall become binding when one or more counterparts have been signed by each of the parties hereto and delivered to each of Seller and Buyer. Delivery of an executed counterpart of a signature page to this Agreement shall be as effective as delivery of a manually executed counterpart of this Agreement.

13.12. Enforcement of Agreement. In the event of an action at law or in equity between the parties hereto to enforce any of the provisions hereof, the unsuccessful party to such Proceeding shall pay to the successful party all Expenses, including reasonable attorneys' fees, incurred therein by such successful party on trial and appeal as adjudged by the court, and if such successful party or parties shall recover judgment in any such Proceeding, such Expenses may be included as part of such judgment.

13.13. Further Assurances. From time to time following the Closing, Seller shall execute and deliver, or cause to be executed and delivered, to Buyer such other instruments of conveyance and transfer as Buyer may reasonably request or as may be otherwise necessary to more effectively convey and transfer to Buyer the Equity Interests, and, in the case of any licenses, certificates, approvals, authorizations, agreements, contracts, leases, easements and other commitments (a) which cannot be transferred or assigned effectively without the consent of third parties which consent has not been obtained prior to the Closing, to cooperate with Buyer at its request in endeavoring to obtain such consent promptly, and if any such consent is unobtainable, to use its best efforts to secure to Buyer the benefits thereof in some other manner, or (b) which are otherwise not transferable or assignable, to use its best efforts jointly with Buyer to secure to Buyer the benefits thereof in some other manner (including the exercise of the rights of Seller thereunder); provided, however, that nothing herein shall relieve Seller of its obligations under Section 7.3. Notwithstanding anything in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any license, certificate, approval, authorization, agreement, contract, lease, easement or other commitment if an attempted assignment thereof without the consent of a third party thereto would constitute a breach thereof.

13.14. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws (as opposed to the conflicts of law provisions) of the State of New York.

13.15. Time is of the Essence. With respect to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

13.16. Submission to Jurisdiction. Seller and Buyer hereby irrevocably submit in any Proceeding arising out of or related to this Agreement or any of the transactions contemplated hereby or thereby to the jurisdiction of any state or federal court located in the State of New York, New York County and

waive any and all objections to jurisdiction that they may have under the laws of any state or the United States and any claim or objection that any such court is in an inconvenient forum.

13.17. **Schedules**. Disclosure of any fact or item in any Schedule hereto referenced by a particular section in this Agreement shall be deemed to have been disclosed with respect to every other section in this Agreement to which such disclosure is reasonably apparent on its face.

Neither the specification of any dollar amount in any representation or warranty contained in this Agreement nor the inclusion of any specific item in any Schedule hereto is intended to imply that such amount, or higher or lower amounts, or the item so included or other items, are or are not material, and no party shall use the fact of the setting forth of any such amount or the inclusion of any such item in any dispute or controversy between the parties as to whether any obligation, item or matter not described herein or included in any Schedule is or is not material for purposes of this Agreement. Unless this Agreement specifically provides otherwise, neither the specification of any item or matter in any representation or warranty contained in this Agreement nor the inclusion of any specific item in any Schedule hereto is intended to imply that such item or matter, or other items or matters, are or are not in the ordinary course of business, and no party shall use the fact of the setting forth or the inclusion of any such item or matter in any dispute or controversy between the parties as to whether any obligation, item or matter not described herein or included in any Schedule is or is not in the ordinary course of business for purposes of this Agreement.

* * * *

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

ARIS MORTGAGE HOLDING COMPANY, LLC

By: /s/ James Furash
Name: James Furash
Title: Chief Executive Officer

EXCEL MORTGAGE SERVICING, INC.

By: /s/ J. Tomkinson
Name: J. Tomkinson
Title: CEO

INTEGRATED REAL ESTATE SERVICE CORPORATION

By: /s/ William S. Ashmore
Name: William S. Ashmore
Title: President

[*Signature page to Equity Purchase Agreement*]

Exhibit 10.7(a)

FIRST AMENDMENT TO EMPLOYMENT CONTRACT

Effective as of January 1, 2012 an employment contract (the “Employment Contract”) was entered into by and between Impac Mortgage Holdings, Inc. (“Employer”) and Joseph Tomkinson (“Employee”).

WHEREAS, the contract term was from January 1, 2012 through December 31, 2014;

WHEREAS, the contract has been in force for approximately;

WHEREAS, the parties thereto wish to amend the terms thereof for the calendar year 2012;

Now, therefore the parties agree and understand that pursuant to the terms thereof Employee is entitled to an Annual Bonus consistent with the terms specified in Section 3.1(b) of the Employment Contract. For valid consideration, the receipt of which is hereby acknowledged, the parties agree that the amount of the earned bonus for the calendar year 2012 shall be reduced by the amount of $150,000. Employee specifically acknowledges that he understands that as a result, he will receive a bonus amount for 2012, but the amount will be as identified in Section 3.1(b) less $150,000.

In all other regards the Employment Contract and its terms hereby ratified and restated.

Dated:

/s/ Joseph Tomkinson

Joseph Tomkinson

/s/ Ron Morrison

Impac Mortgage Holdings, Inc.
By Ron Morrison
EVP

Exhibit 10.9

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of January 1, 2014, by and between Impac Mortgage Holdings, Inc., a Maryland corporation ("Employer" or the "Company"), and Todd Taylor, an individual ("Employee").

R E C I T A L S

WHEREAS, Employee is knowledgeable of and skillful in the business of Employer, which includes acquiring for investment and sale residential mortgage loans and mortgage backed securities and overseeing and performing mortgage and real estate operations for affiliates or related entities of Employer (the "Business");

WHEREAS, Employer believes that Employee is an integral part of its management and currently is and will become more knowledgeable of and be in part responsible for developing the Business;

WHEREAS, Employee possesses extensive management experience and knowledge regarding the Business, including confidential information concerning service marketing plans and strategy, business plans and projections and the formulas and models pertaining thereto, customer needs and peculiarities, finances, operations, billing methods and customer lists;

WHEREAS, Employer desires that Employee continue his employment as Chief Financial Officer of Employer; and

WHEREAS, Employee is willing to be employed by Employer and provide services to Employer and any affiliates or related entities of Employer (as more fully described in Exhibit A attached hereto) under the terms and conditions herein stated.

A G R E E M E N T

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained, and for other good and valuable consideration, it is hereby agreed by and between the parties hereto as follows:

1. Employment, Services and Duties.

1.1 Employer hereby employs Employee and Employee hereby accepts such employment full-time (subject to those exceptions, if any, set forth below) as Executive Vice President and Chief Financial Officer ("CFO") of Employer to perform the duties and functions generally required by such a position to insure and work for the profitability of Employer and its affiliates and subsidiaries , to perform such other duties or functions as are reasonably required or as may be prescribed from time to time or as otherwise agreed. Employee shall render his services by and subject to the instructions and under the direction of the Chief Executive Officer ("CEO") of Employer to whom Employee shall directly report and/or such persons as the Board of Directors of Employer may reasonably designate.

1.2 Employee acknowledges and agrees that Employee may be required by Employer to devote a portion of his working time to perform functions for Employer's affiliates or related entities and that such services are to be performed pursuant to and consistent with Employee's duties and obligations under this Agreement.

1.3 Employee will at all times faithfully, industriously and to the best of his ability, experience and talents perform all of the duties required of and from him pursuant to the terms of this Agreement. Employee will devote his full business energies and abilities and all of his business time to the performance of his duties hereunder and will not, without Employer's prior written consent, render to others any service of any kind (whether or not for compensation) that would interfere with the full performance of Employee's duties hereunder, and in no event will engage in any activities that compete with the Business or that could create a reasonably foreseeable conflict of interest or the appearance of a reasonably foreseeable conflict of interest; provided that nothing contained in this Section 1.3 shall preclude Employee from engaging in or managing Employee's outside investments.

2. Term and Termination.

2.1 The term of this Agreement shall be through December 31, 2014, unless extended by the mutual written agreement of Employer and Employee.

2.2 Employee's employment shall terminate prior to the expiration of the term set forth in Section 2.1 upon the happening of any of the following events:

(a) Voluntary termination by Employee other than for Good Reason (as defined below); provided that Employee shall be required to provide Employer with at least 90 days prior written notice of such voluntary termination;

(b) Death of Employee;

(c) Employer may terminate Employee under this Agreement for "cause" if any of the following occurs (any determination of "cause" as used in this Agreement shall be made only by an affirmative majority vote of the Board of Directors (not including Employee in the deliberations or vote on the same, if a director) of Employer):

(i) Employee is convicted of (or pleads nolo contendere to) (A) a crime of dishonesty or breach of trust, including such a crime involving either the property of Employer (or any affiliate, subsidiary, or related entity of Employer) or the property entrusted to Employer (or any affiliate, subsidiary, or related entity of Employer) by its clients, including fraud, or embezzlement or other misappropriation of funds belonging to Employer (or any affiliate, subsidiary, or related entity of Employer) or any of their

respective clients, or (B) a felony leading to incarceration of more than 90 days or the payment of a penalty or fine of $100,000 or more;

(ii) Employee materially and substantially fails to perform Employee's job duties properly assigned to Employee after being provided 30 days prior written notification by the Board of Directors of Employer setting forth those duties that are not being performed by Employee; provided that Employee shall have a reasonable time to correct any such failures to the extent that such failures are correctable and Employer may not terminate Employee for "cause" on the basis on any such failure that is cured within a reasonable time.

(iii) Employee has engaged in willful misconduct or gross negligence in connection with his service to Employer (or any affiliate, subsidiary, or related entity of Employer) that has caused or is causing material harm to Employer (or any affiliate, subsidiary, or related entity of Employer); or

(iv) Employee's material breach of any of the terms of this Agreement or any other obligation that Employee owes to Employer (or any affiliate, subsidiary, or related entity of Employer), including a material breach of trust or fiduciary duty or a material breach of any proprietary rights and inventions or confidentiality agreement between Employer and Employee (or between Employee and any affiliate, subsidiary, or related entity of Employer)(as such agreements may be adopted or amended from time to time by Employer and Employee).

(d) By mutual agreement between Employer and Employee;

(e) The date when Employee is declared legally incompetent under the laws of the State of California, or if Employee has a mental or physical condition that can reasonably be expected to prevent Employee from carrying out his essential duties and obligations under this Agreement for a period of greater than six months (any such condition an "Incapacitating Condition"), notwithstanding Employer's reasonable accommodations (to the extent required by law);

(f) Employer may terminate Employee under this Agreement at will (and without cause) upon written notice at any time. Unless otherwise provided in such notice, such termination shall be effective immediately upon providing written notice to Employee; or

(g) Employee may terminate his employment under this Agreement for Good Reason upon providing Employer at least 90 days prior written notice of such termination which notice must be given within 90 days after the initial existence of a condition set forth in subparagraphs (i) through (iv) below) and must state the basis on which Employee has determined that he has Good Reason to terminate his employment; provided that Employer shall have a reasonable time (but in any event not less than 30 days) after receiving such notice to cure any event that would constitute Good Reason for Employee to terminate his employment (provided such event is curable) and Employee may not terminate his employment for Good Reason on the basis of any such event that is cured within a reasonable time. "Good Reason" shall mean:

(i) the assignment to Employee of duties materially inconsistent with, or a material reduction or alteration in, the authority, duties or responsibilities of Employee as set forth in this Agreement, without Employee's prior written consent;

(ii) the principal place of the performance of Employee's responsibilities and duties is changed to a location more than 65 miles from the location of such place as of the date of this Agreement, without Employee's prior written consent;

(iii) a material breach by Employer of this Agreement, including a material reduction by Employer of Employee's Base Salary, without Employee's prior written consent; or

(iv) a failure by Employer to obtain from any acquirer of Employer, before any Acquisition (as defined below) takes place, an agreement to assume and perform this Agreement.

2.3 Except as set forth in Section 4, in the event that Employee's employment is terminated pursuant to Section 2.2(a), 2.2(b), 2.2(c), 2.2(d) or 2.2(e) herein, neither Employer nor Employee shall have any remaining duties or obligations under this Agreement, except that Employer shall pay to Employee, or his legal representatives, on the date of termination of employment (the "Termination Date") or, with respect to any bonuses, incentive compensation payments or reimbursement for expenses, as promptly as practical after the Termination Date (except (1) that Employee shall not be permitted, directly or indirectly, to designate the taxable year of the payment and (2) to the extent a different payment date is expressly provided below), the following:

(a) Such compensation as is due pursuant to Sections 3.1(a) earned through the Termination Date;

(b) An Incentive Bonus pursuant to Section 3.1(b) through the last consolidated quarter;

(c) Any expense reimbursements due and owing to Employee for reasonable and necessary business and entertainment expenses of Employer incurred by Employee prior to the Termination Date; and

(d) The dollar value of all accrued and unused paid time off that Employee is entitled to through the Termination Date.

2.4 Except as set forth in Section 4, in the event that Employee's employment is terminated pursuant to Section 2.2(f) or 2.2(g), neither Employer nor Employee shall have any remaining duties or obligations under this Agreement, except that Employer shall pay to Employee, or his representatives, the amounts set forth in Section 2.3 at the times set forth in Section 2.3 and the following (provided that payments for health insurance coverage shall be made to an insurance provider):

(a) An additional payment of up to 12 month's worth of Base Salary or through the balance of the contract term (whichever is less) to be paid as follows:

(i) The lesser of (A) 12 month's worth of Base Salary, or (B) Base Salary for the balance of the contract term following the Termination Date, paid as set forth in Section 2.5 below; and

(ii) A payment of 6 month's worth of Base Salary following the Termination Date paid over the 6-month period succeeding the Termination Date (paid at the times set forth in Section 3.1(a); provided, however, that the first such payment shall be made on the next business day following the Release Deadline Date pursuant to Section 2.5 below and shall, in accordance with Section 2.5, include any payments that would have otherwise been payable to Employee pursuant to this Section 2.4(a)(ii) on or before the Release Deadline Date).

(b) Premiums for continuation of Employee's health insurance benefits under Employer's group health insurance plan, pursuant to COBRA, for the 12 month period succeeding the Termination Date (with such health insurance coverage to be at a level and quality equivalent to the health insurance coverage provided by Employer to Employee immediately prior to the Termination Date, "Equivalent Coverage"); provided that Employer shall pay such premiums only so long as (during said 12 month period) Employee remains eligible for such Equivalent Coverage under COBRA.

(c) Incentive Compensation to be determined and paid as follows:

(i) On the Termination Date, Employee will be paid an amount equal to 100% of the unpaid portion of earned Incentive Bonus (as defined in Section 3.1(b) herein) and the prorated Incentive Bonus for the current calendar year quarter as of the Termination Date.

(d) The payments set forth in Sections 2.4(a), (b) and (c) above are referred to herein collectively as the "Severance Payments" and each as a "Severance Payment."

2.5 As a condition precedent of Employee or his estate receiving any Severance Payment from Employer, whether in a lump sum payment or a string of payments or in the form of payment of benefits, Employee or his estate shall, in consideration for payment of such amount or benefit, sign and deliver to Employer (against the execution and delivery of the same by the other parties thereto) the form of Waiver and Release Agreement attached hereto as Exhibit B (the "Waiver and Release"). The Waiver and Releas will not be construed to include any release of any indemnification rights Employee may have against Employer pursuant to Employer's Articles of Incorporation or bylaws, any indemnification agreement or California Labor Code Section 2802. "In order for Employee to receive any Severance Payments under this Agreement, the Waiver and Release must become effective and non-revocable on or before fifty-two (52) days following Employee's Termination Date or such earlier date as required by the

Waiver and Release (such deadline, the "Release Deadline Date"). No Severance Payments will be paid or provided to Employee unless the Waiver and Release becomes effective and non-revocable on or before the Release Deadline Date. Any Severance Payments to which Employee is entitled during such 52-day period shall be paid by Employer to Employee in cash (without interest) on the next business day following the Release Deadline Date or such later date as is required to avoid the imposition of additional taxes under Internal Revenue Code Section 409A.

2.6 This Agreement shall not be terminated by Employer merging with or otherwise being acquired by another entity, whether or not Employer is the surviving entity, or by Employer transferring of all or substantially all of its assets (any such event, an "Acquisition").

2.7 In the event of any Acquisition, the surviving entity or transferee, as the case may be, shall be bound by and shall have the benefits of this Agreement, and Employer shall not enter into any Acquisition unless the surviving entity or transferee, as the case may be, agrees to be bound by the provisions of this Agreement.

3. Compensation.

3.1 As the total consideration for Employee's services rendered hereunder, Employee shall be entitled to the following during the period that Employee is employed hereunder:

(a) A base salary of $360,000 per year ("Base Salary"), payable in equal installments semi-monthly on those days when Employer normally pays its employees;

(b) An Incentive Bonus ("Incentive Bonus") in an amount up to 65% of Employee's Annual Base Salary to be paid quarterly and based on mutually agreed Management By Objectives ("MBO's") being achieved. The Incentive Bonus will be prorated if all MBO's are not attained. This Incentive Bonus is payable within thirty (30) days of each calendar year quarter end. Employee will receive an automobile allowance of $500.00 per month.

(c) Stock options in Employer will be granted and may be exercised in accordance with company guidelines.

(d) Employee shall accrue paid time off during the period he is employed hereunder at the rate of five weeks per calendar year, subject to any vacation benefit accrual cap established by Employer (i.e., once the cap has been reached, further accrual shall cease until Employee uses some or all of his accrued time to fall below the accrual cap). The timing of Employee's vacation shall be governed by Employer's usual policies applicable to all employees;

(e) Employee is entitled to participate in any policies or plans regarding benefits of employment, including pension, group health, disability insurance and other employee welfare benefit plans now existing or hereafter established to the extent that Employee is eligible under the terms of such plans. Despite the foregoing,

Employee is entitled to participate in any such plan or program only if the executive officers of Employer generally are eligible to participate in such plan or program. Employer may, in its sole discretion and from time to time, establish additional senior management benefit programs as it deems them appropriate. Employee understands that any such plans may be modified or eliminated in Employer's sole discretion in accordance with applicable law; and

(f) Such other benefits as the Board of Directors of Employer, in its sole discretion, may from time to time provide.

3.2 During the period that Employee is employed hereunder, Employer shall reimburse Employee for reasonable and necessary business and entertainment expenses incurred by Employee on behalf of Employer in connection with the performance of Employee's duties hereunder.

3.3 Employee may elect to defer any portion of his Base Salary, bonuses, or incentive compensation into an approved, Employer sponsored deferred compensation plan; provided that Employer has no obligation to provide such a deferred compensation plan.

3.4 There shall be no inflation or any other automatic adjustments to any of the compensation paid to Employee under this Agreement.

3.5 Employer shall have the right to deduct from the compensation due to Employee hereunder any and all sums required for income, social security and withholding taxes and for any other federal, state, or local tax or charge which may be in effect or hereafter enacted or required as a charge on the compensation of Employee.

3.6 Employer shall maintain Directors and Officers insurance, and such coverage shall be substantially similar to coverage provided by Employer's affiliates and related entities.

4. Non-Competition.

4.1 At all times during Employee's employment hereunder (unless otherwise allowed for herein or by the Board of Directors of Employer), and, if Employee's employment is terminated pursuant to Section 2.2(f) or 2.2(g), during the 12 month period of time (or less, if the payment period provided for in 2.4 herein is less) after such termination (the "Post-Termination Payment Period") and in consideration for any and all payments and benefits provided to Employee pursuant to this Agreement, during the Post-Termination Payment Period, Employee shall not (without Employer's express written consent), directly or indirectly, engage or participate in, prepare or set up, assist (unless through a passive investment) or have any interest in any person, partnership, corporation, limited liability company, firm, association, or other business organization, entity or enterprise (whether as an employee, officer, director, member, agent, security holder, creditor, consultant or otherwise) that engages in any activity in those geographic areas where Employer conducts the Business, which activity is the same as, similar to, or competitive with any activity now engaged in by Employer or its affiliates or related entities or in any way relating to the Business. Notwithstanding the foregoing, Employee may elect at any point during the Post-Termination Payment Period to forego any future remaining payments or benefits payable under Section 2.4, in which case the limitations set forth in this Section 4.1 shall terminate at the time of such election.

4.2 Nothing contained in Section 4.1 shall be deemed to preclude Employee from purchasing or owning, directly or beneficially, as a passive investment, less than five percent of any class of publicly traded securities of any entity so long as Employee does not actively participate in or control, directly or indirectly, any investment or other decisions with respect to such entity.

5. No Compensation from Related Entities. Without prior approval from Employer's Board of Directors, Employee shall not directly receive compensation from any company with whom Employer or any of its affiliates (as "affiliate" is defined in Rule 405 promulgated under the Securities Act of 1933) has any financial, business, ownership or affiliated relationship. It being understood and agreed to the Employee may, subject to the approval of Employer's Board of Directors, be compensated by such related entities in certain circumstances.

6. Confidentiality; Non-Solicitation and Proprietary Rights. Concurrently with signing this Agreement, Employee and Employer will sign a Proprietary Rights and Inventions Agreement in the form attached hereto as Exhibit D (the "Proprietary Rights and Inventions Agreement").

7. Non-Disparagement. During Employee's employment and as further consideration for the payments under 2.4 herein) , and thereafter, Employee shall make no negative or derogatory comments, oral or written, directly, indirectly or by innuendo about the Company, its officers, directors or employees. If Employee disparages Employer, then any payments not yet paid under 2.4 shall terminate (if not yet paid).

8. Copies of Agreement. Employee authorizes Employer to send a copy of the Proprietary Rights and Inventions Agreement to any and all future employers which Employee may have, and to any and all persons, firms, and corporations, with whom Employee may become affiliated in a business or commercial enterprise, and to inform any and all such employers, persons, firms or corporations that Employer intends to exercise its legal rights should Employee breach the terms of the Proprietary Rights and Inventions Agreement or should another party induce a breach of that agreement on Employee's part.

9. Severable Provisions. The provisions of this Agreement are severable and if any one or more provisions is determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions, and any partially unenforceable provisions to the extent enforceable, shall nevertheless be binding and enforceable.

10. Arbitration. To the fullest extent allowed by law, any controversy, claim or dispute between Employee and Employer (or any of its stockholders, directors, officers, employees, affiliates, agents, successors or assigns) relating to or arising out of Employee's employment or the cessation of

that employment will be submitted to final and binding arbitration in Orange County, California for determination in accordance with the American Arbitration Association's ("AAA") National Rules for the Resolution of Employment Disputes,

as the exclusive remedy for such controversy, claim or dispute. A copy of these Rules may be obtained from Employer's Human Resources Department or on-line at www.adr.org. By signing this arbitration agreement, Employee acknowledges that Employee had an opportunity to read and review these Rules prior to entering into this arbitration agreement. In any such arbitration, the parties may conduct discovery to the same extent as would be permitted in a court of law. The arbitrator shall issue a written decision, and shall have full authority to award all remedies which would be available in court. The arbitrator shall be required to determine all issues in accordance with existing case law and the statutory laws of the State of California. Employer shall pay the arbitrator's fees and any AAA administrative expenses. In the event Employee files a claim to collect unpaid payments or benefits payable under Section 2.4, the prevailing party shall be awarded reasonable attorneys fees and costs. Any judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Possible disputes covered by the above include unpaid wages, breach of contract, torts, violation of public policy, discrimination, harassment, or any other employment-related claims under laws including Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, the Age Discrimination in Employment Act, the California Fair Employment and Housing Act, the California Labor Code, and any other federal or state constitutional provisions, statutes or laws relating to an employee's relationship with his employer. However, claims for workers' compensation benefits and unemployment insurance (or any other claims where mandatory arbitration is prohibited by law) are not covered by this arbitration agreement, and such claims may be presented to the appropriate court or government agency. Claims shall be brought in the parties' individual capacity, and not as a plaintiff or class member in any purported class or representative proceeding. The arbitrator may not consolidate more than one party's claims, and may not otherwise preside over any form of representative or class proceeding. BY AGREEING TO THIS MUTUAL AND BINDING ARBITRATION PROVISION, BOTH EMPLOYEE AND EMPLOYER GIVE UP ALL RIGHTS TO TRIAL BY JURY. This arbitration policy is to be construed as broadly as is permissible under relevant law. EMPLOYER AND EMPLOYEE HAVE READ THIS PARAGRAPH 10 AND IRREVOCABLY AGREE TO ARBITRATE ANY DISPUTE IDENTIFIED ABOVE.

/s/ JT	/s/ TT
Employer's Initials	Employee's Initials

11. Injunctive Relief. The parties hereto agree that any breach or threatened breach of Section 4 of this Agreement or the Proprietary Rights and Inventions Agreement will cause substantial and irreparable damage to Employer in an amount and of a character difficult to ascertain. Accordingly, to prevent any such breach or threatened breach, and in addition to any other relief to which Employer may otherwise be entitled, Employer will be entitled to immediate temporary, preliminary and permanent injunctive relief through appropriate legal proceedings in any arbitration, without proof of actual damages that have been incurred or may be incurred by Employer with respect to such breach or threatened breach. Employee expressly agrees that Employer will not be required to post any bond or other security as a condition to obtaining any injunctive relief pursuant to this Section 11, and Employee expressly waives any right to the contrary. Employee agrees that this Section 11 is without prejudice to the rights of the parties to compel arbitration pursuant to Section 10.

12. Compliance with Section 409A.

12.1 This Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code (the "Code"), and the regulations and other guidance promulgated thereunder. Accordingly, all provisions herein shall be construed and interpreted to comply with Code Section 409A and if necessary, any such provision shall be deemed amended to comply with Code Section 409A and the regulations and other guidance promulgated thereunder.

12.2 Any payments to which Employee becomes entitled under this Agreement, including without limitation, under Section 2.4 hereof, shall be treated as the right to receive a series of separate payments for purposes of Code Section 409A.

12.3 Section 12.1 above shall not be construed as a guarantee by Employer of any particular tax effect to Employee under this Agreement, however. Employer shall not be liable to Employee if any payment or benefit made or provided under this Agreement is determined to result in additional tax, penalty or interest under Code Section 409A, nor for reporting to the Internal Revenue Service or other taxing authority in good faith any payment or benefit made or provided under this Agreement as an amount includible in gross income under Section 409A or as a violation of Section 409A.

12.4 Notwithstanding anything to the contrary in this Agreement, no severance payments or benefits payable to Employee pursuant to Sections 2.3 and/or 2.4 of this Agreement, if any, that, when considered together with any other severance payments or separation benefits, is considered deferred compensation under Code Section 409A (together, the "Deferred Compensation Separation Benefits") will be payable until Employee has a "Separation from Service" (within the meaning of Code Section 409(a)(2)(A)(i)). Similarly, no amount payable to Employee pursuant to Sections 2.3 and/or 2.4 of this Agreement, if any, that would not be payable to Employee other than as a result of Employee's Separation from Service and that otherwise would be exempt from Code Section 409A will be payable until Employee has a Separation from Service.

12.5 Notwithstanding anything to the contrary in this Agreement, if Employee is a "specified employee" within the meaning of Code Section 409A at the time of Employee's Separation from Service (other than due to death), any Deferred Compensation Separation Benefits payable to Employee (if any) pursuant to Sections 2.3 and/or 2.4 of this Agreement that would otherwise have been payable within the first six (6) months following Employee's Separation from Service will be payable (without interest) on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Employee's Separation from Service. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule set forth herein that is applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Employee dies following Employee's Separation from Service but prior to the six (6) month anniversary of Employee's Separation from Service, then any payments delayed in accordance with this Section 12.5 will be payable (without interest) in a lump sum as soon as administratively practicable after the date of Employee's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule set forth herein that is applicable to each payment or benefit.

12.6 With respect to any reimbursement of expenses to which Employee is entitled under this Agreement, or any provision of in-kind benefits to Employee as specified under this Agreement, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (i) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code, solely to the extent that the arrangement provides for a limit on the amount of expenses that may be reimbursed under such arrangement over some or all of the period in which the reimbursement arrangement remains in effect; (ii) the reimbursement of an eligible expense shall be made no later than the end of the calendar year after the calendar year in which such expense was incurred; and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

13. **Clawback Compliance**. Any amounts paid hereunder shall be subject to recoupment in accordance with any claw back policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law.

14. **Entire Agreement**. This Agreement and the Exhibits attached hereto contain the entire agreement of the parties relating to the subject matter hereof, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement that are not set forth otherwise herein or the Exhibits attached hereto. This Agreement supersedes any and all prior agreements, written or oral, with Employer relating to Employees employment with Employer and any other subject matter of this Agreement. Any such prior agreements are hereby terminated and of no further effect and Employee, by the execution hereof, agrees that any compensation provided for under any such prior agreement is specifically superseded and replaced by the provision of this Agreement; subject to the following: (i) any and all compensation previously deferred under any pre-existing deferred compensation plan shall immediately be paid to Employee without condition or limitation; and (ii) this Agreement is not intended to supercede, cancel or replace any stock option or dividend equivalent right payments that Employee may have or otherwise be entitled to receive. The parties hereto agree that in no event shall an oral modification of this Agreement be enforceable or valid.

15. **Governing Law**. This Agreement is and shall be governed and construed in accordance with the laws of the State of California, regardless of any laws on choice of law or conflicts of law of any jurisdiction.

16. **Notice**. All notices hereunder must be in writing and shall be sufficiently given for all purposes hereunder if properly addressed and delivered personally by documented overnight delivery service, by certified or registered mail, return receipt requested, or by facsimile or other electronic transmission service at the address or facsimile number, as the case may be, set forth below. Any notice given personally or by documented overnight delivery service is effective upon receipt. Any notice given by registered mail is effective upon receipt, to the extent such receipt is confirmed by return receipt. Any notice given by facsimile transmission

is effective upon receipt, to the extent that receipt is confirmed, either verbally or in writing by the recipient. Any notice which is refused, unclaimed or undeliverable because of an act or omission of the party to be notified, if such notice was correctly addressed to the party to be notified, shall be deemed communicated as of the first date that said notice was refused, unclaimed or deemed undeliverable by the postal authorities, or overnight delivery service.

If to Employer:

Impac Mortgage Holdings, Inc.
19500 Jamboree Blvd.
Irvine, California 92612
Telephone: (949) 475-3600
Facsimile: (949) 475-3969
Attention: Ronald Morrison, Esq.
General Counsel

If to Employee:

Todd Taylor

17. **Amendments And Waivers**. This Agreement may not be amended, modified, superseded, canceled, or any terms waived, except by written instrument signed by both parties, or in the case of waiver, by the party to be charged.

18. **Successor and Assigns**. This Agreement is not assignable by Employee, nor by Employer except to an affiliated or successor entity. This Agreement is binding on the parties' heirs, executors, administrators, other legal representatives, successors, and, to the extent assignable, their assigns.

19. **Representations**. The person executing this Agreement on behalf of Employer hereby represents and warrants on behalf of himself and Employer that he is authorized to represent and bind Employer. Employee specifically represents and warrants to Employer that he is not now under any contractual or quasi-contractual obligations that is inconsistent or in conflict with this Agreement or that would prevent, limit or impair Employee's performance of his obligations under this Agreement, (b) he has had the opportunity to be represented by legal counsel of his choosing in preparing, negotiating, executing and delivering this Agreement; and (c) fully understands the terms and provisions of this Agreement.

20. **Counterparts; Facsimile Signatures**. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original for all purposes. This Agreement may be executed by a party's signature transmitted by facsimile ("fax"), and copies of this Agreement executed and delivered by means of faxed signatures shall have the same force and effect as copies hereof executed and delivered with original signatures. All parties hereto

may rely upon faxed signatures as if such signatures were originals. Any party executing and delivering this Agreement by fax shall promptly thereafter deliver a counterpart signature page of this Agreement containing said party's original signature. All parties hereto agree that a faxed signature page may be introduced into evidence in any proceeding arising out of or related to this Agreement as if it were an original signature page.

21. **Rules of Construction**. This Agreement has been negotiated by the parties and is to be interpreted according to its fair meaning as if the parties had prepared it together and not strictly for or against any party. References in this Agreement to "Sections" refer to Sections of this Agreement, unless the context expressly indicates otherwise. References to "provisions" of this Agreement refer to the terms, conditions, restrictions and promises contained in this Agreement. References in this Agreement to laws and regulations refer to such laws and regulations as in effect on this date and to the corresponding provisions, if any, of any successor law or regulation. At each place in this Agreement where the context so requires, the masculine, feminine or neuter gender includes the others and the singular or plural number includes the other. Forms of the verb "including" mean "including without limitation" unless the context expressly indicates otherwise. "Or" is inclusive and includes "and" unless the context expressly indicates otherwise. The introductory headings at the beginning of Sections of this Agreement are solely for the convenience of the parties and do not affect any provision of this Agreement.

[SIGNATURE PAGE FOLLOWS THIS PAGE]

IN WITNESS WHEREOF, this Agreement is executed as of the day and year first above written.

"EMPLOYER"

IMPAC MORTGAGE HOLDINGS, INC.,
a Maryland corporation

By: /s/ Joseph R. Tomkinson
Name: Joseph R. Tomkinson
Title: CEO

"EMPLOYEE"

/s/ Todd Taylor
TODD TAYLOR

EXHIBIT A

JOB DESCRIPTION AND RELATED ENTITIES

For Executive Vice President, Chief Financial Officer ("CFO") of Impac Mortgage Holdings, Inc. and affiliates and subsidiaries ("IMH").

Employee shall oversee the financial management of the Organization in support of policies, goals and objectives established by the Board of Directors of Employer and the CEO of Impac Mortgage Holdings, Inc. For purposes of this Exhibit A, "Organization means Employer and any affiliates or related entities of Employer for whom Employee is requested to provide services pursuant to this Employment Agreement.

Employee shall provide senior financial accounting oversight for the Organization and shall bear responsibility for its development, growth and success.

Employee's major responsibilities shall include:

A) Regularly report to the CEO of IMH and the Board of Directors of IMH on the monthly and quarterly financial performance of the Company. Prepare books and records in accordance with Generally Accepted Accounting Principals ("GAAP"). Review and explain budget variances. Review financial records and make recommendations on financial performance objectives of the company. Review critical accounting policies and critical transactions to ensure that the Company is employing the correct accounting treatment for complicated transactions;

B) Responsible for reviewing the Company's liquidity and credit facilities to ensure that the Company maintains the sufficient liquidity and credit facilities to manage the growth of loan acquisitions and originations;

C) Responsible for developing and maintaining budges and monthly forecasts of earnings and budget variances that include the calculation of taxable income;

D) Be an active member of Employer's Executive Committee, Risk Committee, Disclosure Committee and HR Committee; and

E) Have direct reports of specific departments and directed and identified by the CEO.

Employee acknowledges, understands and agrees that Employee will be requested by Employer to devote some or all of Employee's time and efforts during the term of employment pursuant to this Agreement (and consistent with the above job descriptions) to the businesses of Employer's affiliates or related entities pursuant to certain agreements between and among Employer and such affiliates or related entities. Employee further understand and acknowledges that, pursuant to this Agreement, Employee may be directed by Employer to provide services consistent with the above job descriptions to additional real estate investment trusts or other entities which Employer establishes or with which Employer affiliates or becomes related to and for which there exists an agreement with Employer or any of the above entities to provide such services.

Employee understand and acknowledges that Employee's obligations under this Agreement, including Employee's duties under Section 4 thereof and the Proprietary Rights and Inventions Agreement entered into pursuant to Section 6 thereof, shall apply and extend to Employee's knowledge of the business of Employer's affiliates or related entities and any trade secret or other confidential or proprietary information relating to the same.

EXHIBIT B

WAIVER AND RELEASE AGREEMENT

For full and valuable consideration, including, but not limited to, severance payments made and to be made by Impac Mortgage Holdings, Inc., and any affiliate, subsidiary, or related entity of Impac Mortgage Holdings, Inc. (collectively, "Employer") to Todd Taylor ("Employee") pursuant to the Employment Agreement between Employer and Employee dated as of January 1, 2014, (the "Employment Agreement"), Employee agrees to waive and release Employer and Employer's stockholders, directors, officers, employees, affiliates, agents, successors and assigns, if any, from all known and unknown claims, agreements or complaints related to or arising under Employee's employment with Employer, including, but not limited to, any claim arising out of Employee's termination, any express or implied agreement between Employee and Employer (other than each party's respective rights and obligations under Sections 2.3, 2.4 and 4.1 of the Employment Agreement and the Proprietary Rights and Inventions Agreement), and any other federal or state constitutional provisions, statutes or laws relating to an employee's relationship with his employer, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Employee Retirement Income Security Act, the Age Discrimination in Employment Act, the Americans With Disabilities Act, the Fair Labor Standards Act, the California Fair Employment and Housing Act, and the California Labor Code.

This Waiver shall not include a waiver of any of the following: (i) any right to defense and/or indemnification that Employee may have under California Labor Code section 2802, or under any defense and indemnification policy or agreement; (ii) any claim for breach of any pension, 401k, deferred compensation or stock option plan of Employer; or (iii) any claim that Employee may have against any officer, director, employee, or agent of Employer for defamation or intentional interference with prospective employment or business advantage.

This Waiver includes a waiver of any rights the parties may have under Section 1542 of the California Civil Code, which states:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Employee's Waiver is conditioned upon Employer's performance of all of its severance obligations pursuant to Sections 2.3 and 2.4 of the Employment Agreement. In the event that Employer materially breaches its severance obligations under the Employment Agreement, then Employee shall be entitled to pursue any claims as though this Waiver did not exist, and the statute of limitations for any such claims shall be deemed to have been tolled during the period from the date of Employee's termination through the date Employer breached its obligations.

Employee is advised as follows: (i) Employee should consult an attorney regarding this Waiver before executing it; (ii) Employee has 21 days in which to consider this Waiver and whether Employee will enter into it; (iii) this Waiver does not waive rights or claims that may arise after it is executed; and (iv) at anytime within seven days after executing this Waiver, Employee may revoke this Waiver. This Waiver shall not become effective or enforceable until the seven day revocation period set forth herein has passed.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Employment Agreement.

Dated: ______________________________

____
TODD TAYLOR

IMPAC MORTGAGE HOLDINGS, INC.

By: ______________________________
Print Name: ______________________________
Title: ______________________________

EXHIBIT C

PROPRIETARY RIGHTS AND INVENTIONS AGREEMENT

In consideration of my employment by Impac Mortgage Holdings, Inc., a Maryland corporation (the "Company"), and the compensation I receive from the Company, I agree to certain restrictions placed by the Company on my use and development of information and technology, as more fully set out below.

1. Proprietary Information. I understand that the Company possesses and will possess Proprietary Information which is important to its business. For purposes of this Agreement, "Proprietary Information" is information that was or will be developed, created, or discovered by or on behalf of the Company or any of its affiliates, subsidiaries, or related entities, or which became or will become known by, or was or is conveyed to the Company, which

has commercial value in the Company's business or the business of any of the Company's affiliates or related entities, unless (i) the information is or becomes publicly known through lawful means; (ii) the information was rightfully in my possession or part of my general knowledge prior to my employment by the Company as specifically identified and disclosed by me in Exhibit A attached hereto; or (iii) the information is disclosed to me without confidential or proprietary restriction by a third party who rightfully possesses the information (without confidential or proprietary restriction) and who did not learn of it directly from the Company or any of its affiliates or related entities.

Proprietary Information includes information (whether conveyed orally or in writing) relating to (i) client/customer lists, vendor lists or other lists or compilations containing client, customer or vendor information; (ii) information about investment techniques or strategies, investment research or analysis, business techniques or strategies, processes, costs, profits, markets, marketing plans, forecasts, sales or commissions; (iii) plans for new investment techniques and strategies; (iv) the compensation, performance and terms of employment of other employees; (v) all other information that has been or will be given to me in confidence by the Company (or any affiliate or related entity of the Company); (vi) software in various stages of development, and any designs, drawings, schematics, specifications, techniques, models, data, source code, algorithms, object code, documentation, diagrams, flow charts, research development, processes and procedures relating to any software; (vii) any documents, books, papers, drawings, schematics, models, sketches, computer programs, databases or other data, including electronic data recorded or retrieved by any means, that contain any Proprietary Information; and (viii) any information described above which the Company or any of its affiliates or related entities obtains from another party and which the Company or any of its affiliates or related entities treats as proprietary or designates as Proprietary Information.

2. Company Materials. I understand that the Company and its affiliates, subsidiaries, and related entities possess or will possess "Company Materials" which are important to their respective businesses. For purposes of this Agreement, "Company Materials" are documents or other media or tangible items that contain or embody Proprietary Information or any other information concerning the business, operations or plans of the Company or any of its affiliates or related entities, whether such documents have been prepared by me or by others. "Company Materials" include charts, graphs, notebooks, customer lists, computer software, media or printouts, sound recordings and other printed, typewritten or handwritten documents, as well as financial models and the like.

3. Intellectual Property.

3.1 All Proprietary Information and all right, title and interest in and to any patents, patent rights, copyrights, trademark rights, mask work rights, trade secret rights, and all other intellectual and industrial property and proprietary rights that currently exist or may exist in the future anywhere in the world (collectively "Rights") in connection therewith shall be the sole property of the Company or its affiliates or related entities, as the case may be. I hereby assign to the Company any Rights I may have or acquire in such Proprietary Information. At all times, both during my employment with the Company and after its termination, I will keep in confidence and trust and will not use or disclose any Proprietary Information or anything relating to it without the prior written consent of an officer of the Company except as may be necessary and appropriate in the ordinary course of performing my duties to the Company. The disclosure restrictions of this Agreement shall not apply to any information that I can document is generally known to the public through no fault of mine. Nothing contained herein will prohibit me from disclosing to anyone the amount of my wages.

3.2 All Company Materials shall be the sole property of the Company. I agree that during my employment with the Company, I will not remove any Company Materials from the business premises of the Company or deliver any Company Materials to any person or entity outside the Company, except as I am required to do in connection with performing the duties of my employment. I further agree that, immediately upon the termination of my employment by me or by the Company for any reason, or for no reason, or during my employment if so requested by the Company, I will return all Company Materials, apparatus, equipment and other physical property, and any reproduction of such property, excepting only (i) my personal copies of records relating to my compensation and (ii) my copy of this Agreement.

3.3 I agree that all "Inventions" (which term includes patentable or non-patentable inventions, original works of authorship, derivative works, trade secrets, trademarks, copyrights, service marks, discoveries, patents, technology, algorithms, computer software, application programming interfaces, protocols, formulas, compositions, ideas, designs, processes, techniques, know-how, data and all improvements, rights and claims related to the foregoing), which I make, conceive, reduce to practice or develop (in whole or in part, either alone or jointly with others) during my employment, shall be the sole property of the Company to the maximum extent permitted by Section 2870 of the California Labor Code. I hereby assign, without further consideration, all such Inventions to the Company (free and clear of all liens and encumbrances), and the Company shall be the sole owner of all Rights in connection therewith. No assignment in this Agreement shall extend to Inventions, the assignment of which is prohibited by Labor Code Section 2870, which states:

> Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

> 1. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.
>
> 2. Result from any work performed by the employee for the employer.

I acknowledge that all original works of authorship which are made by me (in whole or in part, either alone or jointly with others) within the scope of my employment and which are protectable by copyright are "works made for hire," as defined in the United States Copyright Act (17 USCA, Section 101). I will not disclose Inventions covered by this Section 3.3 to any person outside the Company, unless I am requested to do so by management personnel of the Company.

3.4 I agree to disclose promptly to the Company all Inventions and relevant records, which records will remain the sole property of the Company. I further agree that all information and records pertaining to any idea, process, trademark, service mark, invention, technology, computer program, original work or authorship, design, formula, discovery, patent, or copyright that I do not believe to be an Invention, but is conceived, developed, or reduced to practice by me (in whole or in part, either alone or jointly with others) during my employment, shall be promptly disclosed to the Company (such disclosure to be received in confidence). I will also disclose to the Company all Inventions conceived, reduced to practice, used, sold, exploited or developed

by me (in whole or in part, either alone or jointly with others) within one (1) year of the termination of my employment with the Company ("Presumed Inventions"); such disclosures shall be received by the Company in confidence, to the extent they are not assigned to the Company in Section 3.3, and do not extend such assignment. Because of the difficulty of establishing when any Presumed Invention is first conceived or developed by me, or whether it results from access to Proprietary Information or the Company's equipment, facilities, and data, I agree that all Presumed Inventions and all Rights associated therewith shall be presumed to be Inventions subject to assignment under Section 3.3. I can rebut this presumption if I prove that a Presumed Invention is not an Invention subject to assignment under Section 3.3.

3.5 I agree to perform, during and after my employment, all acts deemed necessary or desirable by the Company to permit and assist it, at the Company's expense, in evidencing, perfecting, obtaining, maintaining, defending and enforcing Rights or my assignment with respect to such Inventions in any and all countries. Should the Company be unable to secure my signature on any document necessary to apply for, prosecute, obtain, enforce or defend any Rights relating to any assigned Invention, whether due to my mental or physical incapacity or any other cause, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents, as my agents and attorneys-in-fact, with full power of substitution, to act for and in my behalf and instead of me, to execute and file any documents and to do all other lawfully permitted acts to further the above purposes with the same legal force and effect as if executed by me.

3.6 Any assignment of copyright hereunder (and any ownership of a copyright as a work made for hire) includes all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as or referred to as "moral rights" (collectively "Moral Rights"). To the extent such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, I hereby waive such Moral Rights and consent to any action of the Company that would violate such Moral Rights in the absence of such waiver and consent. I will confirm any such waivers and consents from time to time as requested by the Company.

3.7 Attached hereto as Exhibit A is a complete list of all existing Inventions to which I claim personal ownership of as of the date of this Agreement and that I desire to specifically clarify are not subject to this Agreement, and I acknowledge and agree that such list is complete. If no such list is attached to this Agreement, I represent that I have no such Inventions at the time of signing this Agreement.

3.8 I understand that nothing in this Agreement is intended to expand the scope of protection provided me by Sections 2870 through 2872 of the California Labor Code.

4. Prior Actions and Knowledge. I represent and warrant that from the time of my first contact or communication with the Company, I have held in strict confidence all Proprietary Information and have not (i) disclosed any Proprietary Information or delivered any Company Materials to anyone outside of the Company or any affiliate or related entity of the Company, or (ii) used, copied, published, or summarized any Proprietary Information or removed any Company Materials from the business premises of the Company, except to the extent necessary to carry out my responsibilities as an employee of the Company.

5. Non-Solicitation of Employees. I agree that for a period of twelve months following the termination of my employment with the Company, I will not, on behalf of myself or any other person or entity, solicit the services of any person who was employed by the Company or any affiliate, subsidiary, or related entity of the Company on the date of my termination of employment or at any time during the six month period prior to the termination of my employment.

6. No Conflict with Obligations to Third Parties. I represent that my performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary or confidential information acquired by me in confidence or in trust prior to my employment with the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith or in conflict with my employment with the Company.

7. Remedies. I recognize that nothing in this Agreement is intended to limit any remedy of the Company under the California Uniform Trade Secrets Act. I recognize that my violation of this Agreement could cause the Company irreparable harm, the amount of which may be extremely difficult to estimate, making any remedy at law or in damages inadequate. Therefore, I agree that the Company shall have the right to apply to any court of competent jurisdiction for an order restraining any breach or threatened breach of this Agreement and for any other relief the Company deems appropriate. This right shall be in addition to any other remedy available to the Company.

8. Survival. I agree that my obligations under Sections 3.1 through 3.6, 5 and 6 shall continue in effect after termination of my employment, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary on my part, and that the Company is entitled to communicate my obligations under this Agreement to any future employer or potential employer of mine.

9. Controlling Law. This Agreement is and shall be governed and construed in accordance with the laws of the State of California, regardless of any laws on choice of law or conflicts of law of any jurisdiction.

10. Severable Provisions. The provisions of this Agreement are severable and if any one or more provisions is determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions, and any partially unenforceable provisions to the extent enforceable, shall nevertheless be binding and enforceable.

11. Successors and Assigns. This Agreement shall be effective as of the date I execute this Agreement and shall be binding upon me, my heirs, executors, assigns, and administrators and shall inure to the benefit of the Company, its subsidiaries, successors and assigns.

12. Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original for all purposes. This Agreement may be executed by a party's signature transmitted by facsimile ("fax"), and copies of this Agreement executed and delivered by means of faxed signatures shall have the same force and effect as copies hereof executed and delivered with original signatures. All parties hereto may rely upon faxed signatures as if such signatures were originals. Any party executing and delivering this Agreement by fax shall promptly

thereafter deliver a counterpart signature page of this Agreement containing said party's original signature. All parties hereto agree that a faxed signature page may be introduced into evidence in any proceeding arising out of or related to this Agreement as if it were an original signature page.

13. Rules of Construction. This Agreement has been negotiated by the parties and is to be interpreted according to its fair meaning as if the parties had prepared it together and not strictly for or against any party. References in this Agreement to "Sections" refer to Sections of this Agreement, unless the context expressly indicates otherwise. References to "provisions" of this Agreement refer to the terms, conditions, restrictions and promises contained in this Agreement. References in this Agreement to laws and regulations refer to such laws and regulations as in effect on this date and to the corresponding provisions, if any, of any successor law or regulation. At each place in this Agreement where the context so requires, the masculine, feminine or neuter gender includes the others and the singular or plural number includes the other. Forms of the verb "including" mean "including without limitation" unless the context expressly indicates otherwise. "Or" is inclusive and includes "and" unless the context expressly indicates otherwise. The introductory headings at the beginning of Sections of this Agreement are solely for the convenience of the parties and do not affect any provision of this Agreement.

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14. Amendments and Waivers. This Agreement may not be amended, modified, superseded, canceled, or any terms waived, except by written instrument signed by both parties, or in the case of waiver, by the party to be charged.

I HAVE READ THIS AGREEMENT CAREFULLY AND I UNDERSTAND AND ACCEPT THE OBLIGATIONS WHICH IT IMPOSES UPON ME WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO ME TO INDUCE ME TO SIGN THIS AGREEMENT OTHER THAN THE PROMISES AND REPRESENTATIONS EXPRESSLY STATED IN THIS AGREEMENT AND IN THE EMPLOYMENT AGREEMENT ENTERED INTO BETWEEN ME AND THE COMPANY CONCURRENTLY HEREWITH. I HAVE COMPLETELY NOTED ON EXHIBIT A TO THIS AGREEMENT ANY PROPRIETARY INFORMATION AND INVENTIONS THAT I DESIRE TO EXCLUDE FROM THIS AGREEMENT.

Dated as of: January 1, 2014

____
TODD TAYLOR

Accepted and Agreed to:

IMPAC MORTGAGE HOLDINGS, INC.,
a Maryland corporation

By: ____________________________________

Name: ____________________________________

Title: ____________________________________

EXHIBIT A

EMPLOYEE'S DISCLOSURE

Gentlemen:

1. Except for the information and ideas listed below that rightfully became part of my general knowledge prior to my first contact or communication with the Company or any of its affiliates, subsidiaries, or related entities, I represent that I am not in the possession of and have no knowledge of any information that can be considered the Proprietary Information of Impac Mortgage Holdings, Inc., a Maryland Corporation and/or Any of it's Affiliates and Subsidiaries (the "Company"), other than information disclosed by Company or any of its affiliates or related entities during my employment negotiations or my prior employment with the Company or any of its affiliates or related entities, which I understand and agree is the Proprietary Information of Company or its affiliates, subsidiaries, or related entities, as the case may be.

2. Except for the complete list of Inventions set forth below, I represent that I (in whole or in part, either alone or jointly with others) have not made, conceived, developed or first reduced to practice any Inventions relevant to the subject matter of my employment with the Company prior to my employment with the Company or any of its affiliates, subsidiaries, or related entities.

No Inventions

See below:

Additional sheets attached

____
TODD TAYLOR

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of January 1, 2014, by and between Impac Mortgage Holdings, Inc., a Maryland corporation ("Employer" or the "Company"), and Ron Morrison, an individual ("Employee").

R E C I T A L S

WHEREAS, Employee is knowledgeable of and skillful in the business of Employer, which includes acquiring for investment and sale residential mortgage loans and mortgage backed securities and overseeing and performing mortgage and real estate operations for affiliates or related entities of Employer (the "Business");

WHEREAS, Employer believes that Employee is an integral part of its management and currently is and will become more knowledgeable of and be in part responsible for developing the Business;

WHEREAS, Employee possesses extensive management experience and knowledge regarding the Business, including confidential information concerning service marketing plans and strategy, business plans and projections and the formulas and models pertaining thereto, customer needs and peculiarities, finances, operations, billing methods and customer lists;

WHEREAS, Employer desires that Employee continue his employment as General Counsel and Executive Vice President of Employer; and

WHEREAS, Employee is willing to be employed by Employer and provide services to Employer and any affiliates or related entities of Employer (as more fully described in Exhibit A attached hereto) under the terms and conditions herein stated.

A G R E E M E N T

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained, and for other good and valuable consideration, it is hereby agreed by and between the parties hereto as follows:

1. Employment, Services and Duties.

1.1 Employer hereby employs Employee and Employee hereby accepts such employment full-time (subject to those exceptions, if any, set forth below) as Executive Vice President and General Counsel ("GC") of Employer to perform the duties and functions generally required by such a position to insure and work for the profitability of Employer and its affiliates and subsidiaries , to perform such other duties or functions as are reasonably required or as may be prescribed from time to time or as otherwise agreed. Employee shall render his services by and subject to the instructions and under the direction of the Chief Executive Officer ("CEO") of Employer to whom Employee shall directly report and/or such persons as the Board of Directors of Employer may reasonably designate.

1.2 Employee acknowledges and agrees that Employee may be required by Employer to devote a portion of his working time to perform functions for Employer's affiliates or related entities and that such services are to be performed pursuant to and consistent with Employee's duties and obligations under this Agreement.

1.3 Employee will at all times faithfully, industriously and to the best of his ability, experience and talents perform all of the duties required of and from him pursuant to the terms of this Agreement. Employee will devote his full business energies and abilities and all of his business time to the performance of his duties hereunder and will not, without Employer's prior written consent, render to others any service of any kind (whether or not for compensation) that would interfere with the full performance of Employee's duties hereunder, and in no event will engage in any activities that compete with the Business or that could create a reasonably foreseeable conflict of interest or the appearance of a reasonably foreseeable conflict of interest; provided that nothing contained in this Section 1.3 shall preclude Employee from engaging in or managing Employee's outside investments.

2. Term and Termination.

2.1 The term of this Agreement shall be through December 31, 2014, unless extended by the mutual written agreement of Employer and Employee.

2.2 Employee's employment shall terminate prior to the expiration of the term set forth in Section 2.1 upon the happening of any of the following events:

(a) Voluntary termination by Employee other than for Good Reason (as defined below); provided that Employee shall be required to provide Employer with at least 90 days prior written notice of such voluntary termination;

(b) Death of Employee;

(c) Employer may terminate Employee under this Agreement for "cause" if any of the following occurs (any determination of "cause" as used in this Agreement shall be made only by an affirmative majority vote of the Board of Directors (not including Employee in the deliberations or vote on the same, if a director) of Employer):

(i) Employee is convicted of (or pleads nolo contendere to) (A) a crime of dishonesty or breach of trust, including such a crime involving either the property of Employer (or any affiliate, subsidiary, or related entity of Employer) or the property entrusted to Employer (or any affiliate, subsidiary, or related entity of Employer) by its clients, including fraud, or embezzlement or other misappropriation of funds belonging to Employer (or any affiliate, subsidiary, or related entity of Employer) or any of their

respective clients, or (B) a felony leading to incarceration of more than 90 days or the payment of a penalty or fine of $100,000 or more;

(ii) Employee materially and substantially fails to perform Employee's job duties properly assigned to Employee after being provided 30 days prior written notification by the Board of Directors of Employer setting forth those duties that are not being performed by Employee; provided that Employee shall have a reasonable time to correct any such failures to the extent that such failures are correctable and Employer may not terminate Employee for "cause" on the basis on any such failure that is cured within a reasonable time.

(iii) Employee has engaged in willful misconduct or gross negligence in connection with his service to Employer (or any affiliate, subsidiary, or related entity of Employer) that has caused or is causing material harm to Employer (or any affiliate, subsidiary, or related entity of Employer); or

(iv) Employee's material breach of any of the terms of this Agreement or any other obligation that Employee owes to Employer (or any affiliate, subsidiary, or related entity of Employer), including a material breach of trust or fiduciary duty or a material breach of any proprietary rights and inventions or confidentiality agreement between Employer and Employee (or between Employee and any affiliate, subsidiary, or related entity of Employer)(as such agreements may be adopted or amended from time to time by Employer and Employee).

(d) By mutual agreement between Employer and Employee;

(e) The date when Employee is declared legally incompetent under the laws of the State of California, or if Employee has a mental or physical condition that can reasonably be expected to prevent Employee from carrying out his essential duties and obligations under this Agreement for a period of greater than six months (any such condition an "Incapacitating Condition"), notwithstanding Employer's reasonable accommodations (to the extent required by law);

(f) Employer may terminate Employee under this Agreement at will (and without cause) upon written notice at any time. Unless otherwise provided in such notice, such termination shall be effective immediately upon providing written notice to Employee; or

(g) Employee may terminate his employment under this Agreement for Good Reason upon providing Employer at least 90 days prior written notice of such termination which notice must be given within 90 days after the initial existence of a condition set forth in subparagraphs (i) through (iv) below) and must state the basis on which Employee has determined that he has Good Reason to terminate his employment; provided that Employer shall have a reasonable time (but in any event not less than 30 days) after receiving such notice to cure any event that would constitute Good Reason for Employee to terminate his employment (provided such event is curable) and Employee may not terminate his employment for Good Reason on the basis of any such event that is cured within a reasonable time. "Good Reason" shall mean:

(i) the assignment to Employee of duties materially inconsistent with, or a material reduction or alteration in, the authority, duties or responsibilities of Employee as set forth in this Agreement, without Employee's prior written consent;

(ii) the principal place of the performance of Employee's responsibilities and duties is changed to a location more than 65 miles from the location of such place as of the date of this Agreement, without Employee's prior written consent;

(iii) a material breach by Employer of this Agreement, including a material reduction by Employer of Employee's Base Salary, without Employee's prior written consent; or

(iv) a failure by Employer to obtain from any acquirer of Employer, before any Acquisition (as defined below) takes place, an agreement to assume and perform this Agreement.

2.3 Except as set forth in Section 4, in the event that Employee's employment is terminated pursuant to Section 2.2(a), 2.2(b), 2.2(c), 2.2(d) or 2.2(e) herein, neither Employer nor Employee shall have any remaining duties or obligations under this Agreement, except that Employer shall pay to Employee, or his legal representatives, on the date of termination of employment (the "Termination Date") or, with respect to any bonuses, incentive compensation payments or reimbursement for expenses, as promptly as practical after the Termination Date (except (1) that Employee shall not be permitted, directly or indirectly, to designate the taxable year of the payment and (2) to the extent a different payment date is expressly provided below), the following:

(a) Such compensation as is due pursuant to Sections 3.1(a) earned through the Termination Date;

(b) An Incentive Bonus pursuant to Section 3.1(b) through the last consolidated quarter;

(c) Any expense reimbursements due and owing to Employee for reasonable and necessary business and entertainment expenses of Employer incurred by Employee prior to the Termination Date; and

(d) The dollar value of all accrued and unused paid time off that Employee is entitled to through the Termination Date.

2.4 Except as set forth in Section 4, in the event that Employee's employment is terminated pursuant to Section 2.2(f) or 2.2(g), neither Employer nor Employee shall have any remaining duties or obligations under this Agreement, except that Employer shall pay to Employee, or his representatives, the amounts set forth in Section 2.3 at the times set forth in Section 2.3 and the following (provided that payments for health insurance coverage shall be made to an insurance provider):

(a) An additional payment of up to 12 month's worth of Base Salary or through the balance of the contract term (whichever is less) to be paid as follows:

(i) The lesser of (A) 12 month's worth of Base Salary, or (B) Base Salary for the balance of the contract term following the Termination Date, paid as set forth in Section 2.5 below; and

(ii) 6 Month's worth of Base Salary following the Termination Date, , paid over the 6-month period succeeding the Termination Date (paid at the times set forth in Section 3.1(a); provided, however, that the first such payment shall be made on the next business day following the Release Deadline Date pursuant to Section 2.5 below and shall, in accordance with Section 2.5, include any payments that would have otherwise been payable to Employee pursuant to this Section 2.4(a)(ii) on or before the Release Deadline Date).

(b) Premiums for continuation of Employee's health insurance benefits under Employer's group health insurance plan, pursuant to COBRA, for the 12 month period succeeding the Termination Date (with such health insurance coverage to be at a level and quality equivalent to the health insurance coverage provided by Employer to Employee immediately prior to the Termination Date, "Equivalent Coverage"); provided that Employer shall pay such premiums only so long as (during said 12 month period) Employee remains eligible for such Equivalent Coverage under COBRA.

(c) Incentive Compensation to be determined and paid as follows:

(i) On the Termination Date, Employee will be paid an amount equal to 100% of the unpaid portion of earned Incentive Bonus (as defined in Section 3.1(b) herein) and the prorated Incentive Bonus for the current calendar year quarter as of the Termination Date.

(d) The payments set forth in Sections 2.4(a), (b) and (c) above are referred to herein collectively as the "Severance Payments" and each as a "Severance Payment."

2.5 As a condition precedent of Employee or his estate receiving any Severance Payment from Employer, whether in a lump sum payment or a string of payments or in the form of payment of benefits, Employee or his estate shall, in consideration for payment of such amount or benefit, sign and deliver to Employer (against the execution and delivery of the same by the other parties thereto) the form of Waiver and Release Agreement attached hereto as Exhibit B (the "Waiver and Release"). The Waiver and Releas will not be construed to include any release of any indemnification rights Employee may have against Employer pursuant to Employer's Articles of Incorporation or bylaws, any indemnification agreement or California Labor Code Section 2802. "In order for Employee to receive any Severance Payments under this Agreement, the Waiver and Release must become effective and non-revocable on or before fifty-two (52) days following Employee's Termination Date or such earlier date as required by the

Waiver and Release (such deadline, the "Release Deadline Date"). No Severance Payments will be paid or provided to Employee unless the Waiver and Release becomes effective and non-revocable on or before the Release Deadline Date. Any Severance Payments to which Employee is entitled during such 52-day period shall be paid by Employer to Employee in cash (without interest) on the next business day following the Release Deadline Date or such later date as is required to avoid the imposition of additional taxes under Internal Revenue Code Section 409A.

2.6 This Agreement shall not be terminated by Employer merging with or otherwise being acquired by another entity, whether or not Employer is the surviving entity, or by Employer transferring of all or substantially all of its assets (any such event, an "Acquisition").

2.7 In the event of any Acquisition, the surviving entity or transferee, as the case may be, shall be bound by and shall have the benefits of this Agreement, and Employer shall not enter into any Acquisition unless the surviving entity or transferee, as the case may be, agrees to be bound by the provisions of this Agreement.

3. <u>Compensation</u>.

3.1 As the total consideration for Employee's services rendered hereunder, Employee shall be entitled to the following during the period that Employee is employed hereunder:

(a) A base salary of $390,000 per year ("Base Salary"), payable in equal installments semi-monthly on those days when Employer normally pays its employees;

(b) An Incentive Bonus ("Incentive Bonus") in an amount up to 50% of Employee's Annual Base Salary to be paid quarterly and based on mutually agreed Management By Objectives ("MBO's") being achieved. The Incentive Bonus will be prorated if all MBO's are not attained. This Incentive Bonus is payable within thirty (30) days of each calendar year quarter end. Employee will receive an automobile allowance of $500.00 per month.

(c) Stock options in Employer will be granted and may be exercised in accordance with company guidelines.

(d) Employee shall accrue paid time off during the period he is employed hereunder at the rate of five weeks per calendar year, subject to any vacation benefit accrual cap established by Employer (i.e., once the cap has been reached, further accrual shall cease until Employee uses some or all of his accrued time to fall below the accrual cap). The timing of Employee's vacation shall be governed by Employer's usual policies applicable to all employees;

(e) Employee is entitled to participate in any policies or plans regarding benefits of employment, including pension, group health, disability insurance and other employee welfare benefit plans now existing or hereafter established to the extent that Employee is eligible under the terms of such plans. Despite the foregoing, Employee is entitled to participate in any such plan or program only if the executive officers of Employer generally are eligible to participate in such plan or program. Employer may, in its sole discretion and from time to time, establish additional senior management benefit programs as it deems them appropriate. Employee understands that any such plans may be modified or eliminated in Employer's sole discretion in accordance with applicable law; and

(f) Such other benefits as the Board of Directors of Employer, in its sole discretion, may from time to time provide.

3.2 During the period that Employee is employed hereunder, Employer shall reimburse Employee for reasonable and necessary business and entertainment expenses incurred by Employee on behalf of Employer in connection with the performance of Employee's duties hereunder.

3.3 Employee may elect to defer any portion of his Base Salary, bonuses, or incentive compensation into an approved, Employer sponsored deferred compensation plan; provided that Employer has no obligation to provide such a deferred compensation plan.

3.4 There shall be no inflation or any other automatic adjustments to any of the compensation paid to Employee under this Agreement.

3.5 Employer shall have the right to deduct from the compensation due to Employee hereunder any and all sums required for income, social security and withholding taxes and for any other federal, state, or local tax or charge which may be in effect or hereafter enacted or required as a charge on the compensation of Employee.

3.6 Employer shall maintain Directors and Officers insurance, and such coverage shall be substantially similar to coverage provided by Employer's affiliates and related entities.

4. **Non-Competition**.

4.1 At all times during Employee's employment hereunder (unless otherwise allowed for herein or by the Board of Directors of Employer), and, if Employee's employment is terminated pursuant to Section 2.2(f) or 2.2(g), during the 12 month period of time (or less, if the payment period provided for in 2.4 herein is less) after such termination (the "Post-Termination Payment Period") and in consideration for any and all payments and benefits provided to Employee pursuant to this Agreement, during the Post-Termination Payment Period, Employee shall not (without Employer's express written consent), directly or indirectly, engage or participate in, prepare or set up, assist (unless through a passive investment) or have any interest in any person, partnership, corporation, limited liability company, firm, association, or other business organization, entity or enterprise (whether as an employee, officer, director, member, agent, security holder, creditor, consultant or otherwise) that engages in any activity in those geographic areas where Employer conducts the Business, which activity is the same as, similar to, or competitive with any activity now engaged in by Employer or its affiliates or related

entities or in any way relating to the Business. Notwithstanding the foregoing, Employee may elect at any point during the Post-Termination Payment Period to forego any future remaining payments or benefits payable under Section 2.4, in which case the limitations set forth in this Section 4.1 shall terminate at the time of such election.

4.2 Nothing contained in Section 4.1 shall be deemed to preclude Employee from purchasing or owning, directly or beneficially, as a passive investment, less than five percent of any class of publicly traded securities of any entity so long as Employee does not actively participate in or control, directly or indirectly, any investment or other decisions with respect to such entity.

5. **No Compensation from Related Entities**. Without prior approval from Employer's Board of Directors, Employee shall not directly receive compensation from any company with whom Employer or any of its affiliates (as "affiliate" is defined in Rule 405 promulgated under the Securities Act of 1933) has any financial, business, ownership or affiliated relationship. It being understood and agreed to the Employee may, subject to the approval of Employer's Board of Directors, be compensated by such related entities in certain circumstances.

6. **Confidentiality; Non-Solicitation and Proprietary Rights**. Concurrently with signing this Agreement, Employee and Employer will sign a Proprietary Rights and Inventions Agreement in the form attached hereto as Exhibit D (the "Proprietary Rights and Inventions Agreement").

7. **Non-Disparagement**. During Employee's employment and as further consideration for the payments under 2.4 herein) , and thereafter, Employee shall make no negative or derogatory comments, oral or written, directly, indirectly or by innuendo about the Company, its officers, directors or employees. If Employee disparages Employer, then any payments not yet paid under 2.4 shall terminate (if not yet paid).

8. **Copies of Agreement**. Employee authorizes Employer to send a copy of the Proprietary Rights and Inventions Agreement to any and all future employers which Employee may have, and to any and all persons, firms, and corporations, with whom Employee may become affiliated in a business or commercial enterprise, and to inform any and all such employers, persons, firms or corporations that Employer intends to exercise its legal rights should Employee breach the terms of the Proprietary Rights and Inventions Agreement or should another party induce a breach of that agreement on Employee's part.

9. **Severable Provisions**. The provisions of this Agreement are severable and if any one or more provisions is determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions, and any partially unenforceable provisions to the extent enforceable, shall nevertheless be binding and enforceable.

10. **Arbitration**. To the fullest extent allowed by law, any controversy, claim or dispute between Employee and Employer (or any of its stockholders, directors, officers, employees, affiliates, agents, successors or assigns) relating to or arising out of Employee's employment or the cessation of that employment will be submitted to final and binding

arbitration in Orange County, California for determination in accordance with the American Arbitration Association's ("AAA") National Rules for the Resolution of Employment Disputes, as the exclusive remedy for such controversy, claim or dispute. A copy of these Rules may be obtained from Employer's Human Resources Department or on-line at www.adr.org. By signing this arbitration agreement, Employee acknowledges that Employee had an opportunity to read and review these Rules prior to entering into this arbitration agreement. In any such arbitration, the parties may conduct discovery to the same extent as would be permitted in a court of law. The arbitrator shall issue a written decision, and shall have full authority to award all remedies which would be available in court. The arbitrator shall be required to determine all issues in accordance with existing case law and the statutory laws of the State of California. Employer shall pay the arbitrator's fees and any AAA administrative expenses. In the event Employee files a claim to collect unpaid payments or benefits payable under Section 2.4, the prevailing party shall be awarded reasonable attorneys fees and costs. Any judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Possible disputes covered by the above include unpaid wages, breach of contract, torts, violation of public policy, discrimination, harassment, or any other employment-related claims under laws including Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, the Age Discrimination in Employment Act, the California Fair Employment and Housing Act, the California Labor Code, and any other federal or state constitutional provisions, statutes or laws relating to an employee's relationship with his employer. However, claims for workers' compensation benefits and unemployment insurance (or any other claims where mandatory arbitration is prohibited by law) are not covered by this arbitration agreement, and such claims may be presented to the appropriate court or government agency. Claims shall be brought in the parties' individual capacity, and not as a plaintiff or class member in any purported class or representative proceeding. The arbitrator may not consolidate more than one party's claims, and may not otherwise preside over any form of representative or class proceeding. BY AGREEING TO THIS MUTUAL AND BINDING ARBITRATION PROVISION, BOTH EMPLOYEE AND EMPLOYER GIVE UP ALL RIGHTS TO TRIAL BY JURY. This arbitration policy is to be construed as broadly as is permissible under relevant law. EMPLOYER AND EMPLOYEE HAVE READ THIS PARAGRAPH 10 AND IRREVOCABLY AGREE TO ARBITRATE ANY DISPUTE IDENTIFIED ABOVE.

/s/JT	/s/RM
Employer's Initials	Employee's Initials

11. <u>Injunctive Relief</u>. The parties hereto agree that any breach or threatened breach of Section 4 of this Agreement or the Proprietary Rights and Inventions Agreement will cause substantial and irreparable damage to Employer in an amount and of a character difficult to ascertain. Accordingly, to prevent any such breach or threatened breach, and in addition to any other relief to which Employer may otherwise be entitled, Employer will be entitled to immediate temporary, preliminary and permanent injunctive relief through appropriate legal proceedings in any arbitration, without proof of actual damages that have been incurred or may be incurred by Employer with respect to such breach or threatened breach. Employee expressly agrees that Employer will not be required to post any bond or other security as a condition to obtaining any injunctive relief pursuant to this Section 11, and Employee expressly waives any right to the contrary. Employee agrees that this Section 11 is without prejudice to the rights of the parties to compel arbitration pursuant to Section 10.

12. Compliance with Section 409A.

12.1 This Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code (the "Code"), and the regulations and other guidance promulgated thereunder. Accordingly, all provisions herein shall be construed and interpreted to comply with Code Section 409A and if necessary, any such provision shall be deemed amended to comply with Code Section 409A and the regulations and other guidance promulgated thereunder.

12.2 Any payments to which Employee becomes entitled under this Agreement, including without limitation, under Section 2.4 hereof, shall be treated as the right to receive a series of separate payments for purposes of Code Section 409A.

12.3 Section 12.1 above shall not be construed as a guarantee by Employer of any particular tax effect to Employee under this Agreement, however. Employer shall not be liable to Employee if any payment or benefit made or provided under this Agreement is determined to result in additional tax, penalty or interest under Code Section 409A, nor for reporting to the Internal Revenue Service or other taxing authority in good faith any payment or benefit made or provided under this Agreement as an amount includible in gross income under Section 409A or as a violation of Section 409A.

12.4 Notwithstanding anything to the contrary in this Agreement, no severance payments or benefits payable to Employee pursuant to Sections 2.3 and/or 2.4 of this Agreement, if any, that, when considered together with any other severance payments or separation benefits, is considered deferred compensation under Code Section 409A (together, the "Deferred Compensation Separation Benefits") will be payable until Employee has a "Separation from Service" (within the meaning of Code Section 409(a)(2)(A)(i)). Similarly, no amount payable to Employee pursuant to Sections 2.3 and/or 2.4 of this Agreement, if any, that would not be payable to Employee other than as a result of Employee's Separation from Service and that otherwise would be exempt from Code Section 409A will be payable until Employee has a Separation from Service.

12.5 Notwithstanding anything to the contrary in this Agreement, if Employee is a "specified employee" within the meaning of Code Section 409A at the time of Employee's Separation from Service (other than due to death), any Deferred Compensation Separation Benefits payable to Employee (if any) pursuant to Sections 2.3 and/or 2.4 of this Agreement that would otherwise have been payable within the first six (6) months following Employee's Separation from Service will be payable (without interest) on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Employee's Separation from Service. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule set forth herein that is applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Employee dies following Employee's Separation from Service but prior to the six (6) month anniversary of Employee's Separation from Service, then any payments delayed in accordance with this Section 12.5 will be payable (without interest) in a lump sum as soon as administratively practicable after the date of Employee's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule set forth herein that is applicable to each payment or benefit.

12.6 With respect to any reimbursement of expenses to which Employee is entitled under this Agreement, or any provision of in-kind benefits to Employee as specified under this Agreement, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (i) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code, solely to the extent that the arrangement provides for a limit on the amount of expenses that may be reimbursed under such arrangement over some or all of the period in which the reimbursement arrangement remains in effect; (ii) the reimbursement of an eligible expense shall be made no later than the end of the calendar year after the calendar year in which such expense was incurred; and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

13. **Clawback Compliance**. Any amounts paid hereunder shall be subject to recoupment in accordance with any claw back policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law.

14. **Entire Agreement**. This Agreement and the Exhibits attached hereto contain the entire agreement of the parties relating to the subject matter hereof, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement that are not set forth otherwise herein or the Exhibits attached hereto. This Agreement supersedes any and all prior agreements, written or oral, with Employer relating to Employees employment with Employer and any other subject matter of this Agreement. Any such prior agreements are hereby terminated and of no further effect and Employee, by the execution hereof, agrees that any compensation provided for under any such prior agreement is specifically superseded and replaced by the provision of this Agreement; subject to the following: (i) any and all compensation previously deferred under any pre-existing deferred compensation plan shall immediately be paid to Employee without condition or limitation; and (ii) this Agreement is not intended to supercede, cancel or replace any stock option or dividend equivalent right payments that Employee may have or otherwise be entitled to receive. The parties hereto agree that in no event shall an oral modification of this Agreement be enforceable or valid.

15. **Governing Law**. This Agreement is and shall be governed and construed in accordance with the laws of the State of California, regardless of any laws on choice of law or conflicts of law of any jurisdiction.

16. **Notice**. All notices hereunder must be in writing and shall be sufficiently given for all purposes hereunder if properly addressed and delivered personally by documented overnight delivery service, by certified or registered mail, return receipt requested, or by facsimile or other electronic transmission service at the address or facsimile number, as the case

may be, set forth below. Any notice given personally or by documented overnight delivery service is effective upon receipt. Any notice given by registered mail is effective upon receipt, to the extent such receipt is confirmed by return receipt. Any notice given by facsimile transmission is effective upon receipt, to the extent that receipt is confirmed, either verbally or in writing by the recipient. Any notice which is refused, unclaimed or undeliverable because of an act or omission of the party to be notified, if such notice was correctly addressed to the party to be notified, shall be deemed communicated as of the first date that said notice was refused, unclaimed or deemed undeliverable by the postal authorities, or overnight delivery service.

If to Employer:

Impac Mortgage Holdings, Inc.
19500 Jamboree Blvd.
Irvine, California 92612
Telephone: (949) 475-3600
Facsimile: (949) 475-3969
Attention: Ronald Morrison, Esq.
General Counsel

If to Employee:

17. **Amendments And Waivers**. This Agreement may not be amended, modified, superseded, canceled, or any terms waived, except by written instrument signed by both parties, or in the case of waiver, by the party to be charged.

18. **Successor and Assigns**. This Agreement is not assignable by Employee, nor by Employer except to an affiliated or successor entity. This Agreement is binding on the parties' heirs, executors, administrators, other legal representatives, successors, and, to the extent assignable, their assigns.

19. **Representations**. The person executing this Agreement on behalf of Employer hereby represents and warrants on behalf of himself and Employer that he is authorized to represent and bind Employer. Employee specifically represents and warrants to Employer that he is not now under any contractual or quasi-contractual obligations that is inconsistent or in conflict with this Agreement or that would prevent, limit or impair Employee's performance of his obligations under this Agreement, (b) he has had the opportunity to be represented by legal counsel of his choosing in preparing, negotiating, executing and delivering this Agreement; and (c) fully understands the terms and provisions of this Agreement.

20. **Counterparts; Facsimile Signatures**. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original for all purposes. This Agreement may be executed by a party's signature transmitted by facsimile ("fax"), and copies of this Agreement executed and delivered by means of faxed signatures shall have the same force and effect as copies hereof executed and delivered with original signatures. All parties hereto may rely upon faxed signatures as if such signatures were originals. Any party executing and

delivering this Agreement by fax shall promptly thereafter deliver a counterpart signature page of this Agreement containing said party's original signature. All parties hereto agree that a faxed signature page may be introduced into evidence in any proceeding arising out of or related to this Agreement as if it were

an original signature page.

21. **Rules of Construction**. This Agreement has been negotiated by the parties and is to be interpreted according to its fair meaning as if the parties had prepared it together and not strictly for or against any party. References in this Agreement to "Sections" refer to Sections of this Agreement, unless the context expressly indicates otherwise. References to "provisions" of this Agreement refer to the terms, conditions, restrictions and promises contained in this Agreement. References in this Agreement to laws and regulations refer to such laws and regulations as in effect on this date and to the corresponding provisions, if any, of any successor law or regulation. At each place in this Agreement where the context so requires, the masculine, feminine or neuter gender includes the others and the singular or plural number includes the other. Forms of the verb "including" mean "including without limitation" unless the context expressly indicates otherwise. "Or" is inclusive and includes "and" unless the context expressly indicates otherwise. The introductory headings at the beginning of Sections of this Agreement are solely for the convenience of the parties and do not affect any provision of this Agreement.

[SIGNATURE PAGE FOLLOWS THIS PAGE]

IN WITNESS WHEREOF, this Agreement is executed as of the day and year first above written.

"EMPLOYER"

IMPAC MORTGAGE HOLDINGS, INC.,
a Maryland corporation

By: /s/ Joe Tomkinson
Name: Joe Tomkinson
Title: CEO

"EMPLOYEE"

/s/ Ron Morrison
RON MORRISON

EXHIBIT A
JOB DESCRIPTION AND RELATED ENTITIES

For Executive Vice President, General Counsel ("GC") of Impac Mortgage Holdings, Inc. and affiliates and subsidiaries ("IMH").

Employee shall oversee the legall management of the Organization in support of policies, goals and objectives established by the Board of Directors of Employer and the CEO of Impac Mortgage Holdings, Inc. For purposes of this Exhibit A, "Organization means Employer and any affiliates or related entities of Employer for whom Employee is requested to provide services pursuant to this Employment Agreement.

Employee shall provide senior legal oversight for the Organization and shall bear responsibility for its development, growth and success.

Employee's major responsibilities shall include:

A) Regularly report to the CEO of IMH and the Board of Directors of IMH on the monthly and quarterly legal obligations and performance of the Company. Oversee the general legal operations of the company. Make recommendations to Company to insure its compliance with legal obligations;
B) Responsible for reviewing the Company's contracts and obligations and to aid in structuring and overseeing acquisitions and originations;
C) Responsible for developing and maintaining compliance programs, human relations department and client administration department;
D) Be an active member of Employer's Executive Committee, Risk Committee, Disclosure Committee and HR Committee; and
E) Have direct reports of specific departments and directed and identified by the CEO; and
F) Act as corporate secretary for the company and as such report in that capacity to the Board of Directors.

Employee acknowledges, understands and agrees that Employee will be requested by Employer to devote some or all of Employee's time and efforts during the term of employment pursuant to this Agreement (and consistent with the above job descriptions) to the businesses of Employer's affiliates or related entities pursuant to certain agreements between and among Employer and such affiliates or related entities. Employee further understand and acknowledges that, pursuant to this Agreement, Employee may be directed by Employer to provide services consistent with the above job descriptions to additional real estate investment trusts or other entities which Employer establishes or with which Employer affiliates or becomes related to and for which there exists an agreement with Employer or any of the above entities to provide such services.

Employee understand and acknowledges that Employee's obligations under this Agreement, including Employee's duties under Section 4 thereof and the Proprietary Rights and Inventions Agreement entered into pursuant to Section 6 thereof, shall apply and extend to Employee's knowledge of the business of Employer's affiliates or related entities and any trade secret or other confidential or proprietary information relating to the same.

EXHIBIT B

WAIVER AND RELEASE AGREEMENT

For full and valuable consideration, including, but not limited to, severance payments made and to be made by Impac Mortgage Holdings, Inc., and any affiliate, subsidiary, or related entity of Impac Mortgage Holdings, Inc. (collectively, "Employer") to Ron Morrison ("Employee") pursuant to the Employment Agreement between Employer and Employee dated as of January 1, 2014, (the "Employment Agreement"), Employee agrees to waive and release Employer and Employer's stockholders, directors, officers, employees, affiliates, agents, successors and assigns, if any, from all known and unknown claims, agreements or complaints related to or arising under Employee's employment with Employer, including, but not limited to, any claim arising out of Employee's termination, any express or implied agreement between Employee and Employer (other than each party's respective rights and obligations under Sections 2.3, 2.4 and 4.1 of the Employment Agreement and the Proprietary Rights and Inventions Agreement), and any other federal or state constitutional provisions, statutes or laws relating to an employee's relationship with his employer, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Employee Retirement Income Security Act, the Age Discrimination in Employment Act, the Americans With Disabilities Act, the Fair Labor Standards Act, the California Fair Employment and Housing Act, and the California Labor Code.

This Waiver shall not include a waiver of any of the following: (i) any right to defense and/or indemnification that Employee may have under California Labor Code section 2802, or under any defense and indemnification policy or agreement; (ii) any claim for breach of any pension, 401k, deferred compensation or stock option plan of Employer; or (iii) any claim that Employee may have against any officer, director, employee, or agent of Employer for defamation or intentional interference with prospective employment or business advantage.

This Waiver includes a waiver of any rights the parties may have under Section 1542 of the California Civil Code, which states:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Employee's Waiver is conditioned upon Employer's performance of all of its severance obligations pursuant to Sections 2.3 and 2.4 of the Employment Agreement. In the event that Employer materially breaches its severance obligations under the Employment Agreement, then Employee shall be entitled to pursue any claims as though this Waiver did not exist, and the statute of limitations for any such claims shall be deemed to have been tolled during the period from the date of Employee's termination through the date Employer breached its obligations.

Employee is advised as follows: (i) Employee should consult an attorney regarding this Waiver before executing it; (ii) Employee has 21 days in which to consider this Waiver and whether Employee will enter into it; (iii) this Waiver does not waive rights or claims that may arise after it is executed; and (iv) at anytime within seven days after executing this Waiver, Employee may revoke this Waiver. This Waiver shall not become effective or enforceable until the seven day revocation period set forth herein has passed.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Employment Agreement.

Dated: ______________________________ ______________________________

RON MORRISON

IMPAC MORTGAGE HOLDINGS, INC.

By: ______________________________
Print Name: ______________________________
Title: ______________________________

EXHIBIT C

EXHIBIT C

PROPRIETARY RIGHTS AND INVENTIONS AGREEMENT

In consideration of my employment by Impac Mortgage Holdings, Inc., a Maryland corporation (the "Company"), and the compensation I receive from the Company, I agree to certain restrictions placed by the Company on my use and development of information and technology, as more fully set out below.

1. Proprietary Information. I understand that the Company possesses and will possess Proprietary Information which is important to its business. For purposes of this Agreement, "Proprietary Information" is information that was or will be developed, created, or discovered by or on behalf of

the Company or any of its affiliates, subsidiaries, or related entities, or which became or will become known by, or was or is conveyed to the Company, which has commercial value in the Company's business or the business of any of the Company's affiliates or related entities, unless (i) the information is or becomes publicly known through lawful means; (ii) the information was rightfully in my possession or part of my general knowledge prior to my employment by the Company as specifically identified and disclosed by me in Exhibit A attached hereto; or (iii) the information is disclosed to me without confidential or proprietary restriction by a third party who rightfully possesses the information (without confidential or proprietary restriction) and who did not learn of it directly from the Company or any of its affiliates or related entities.

Proprietary Information includes information (whether conveyed orally or in writing) relating to (i) client/customer lists, vendor lists or other lists or compilations containing client, customer or vendor information; (ii) information about investment techniques or strategies, investment research or analysis, business techniques or strategies, processes, costs, profits, markets, marketing plans, forecasts, sales or commissions; (iii) plans for new investment techniques and strategies; (iv) the compensation, performance and terms of employment of other employees; (v) all other information that has been or will be given to me in confidence by the Company (or any affiliate or related entity of the Company); (vi) software in various stages of development, and any designs, drawings, schematics, specifications, techniques, models, data, source code, algorithms, object code, documentation, diagrams, flow charts, research development, processes and procedures relating to any software; (vii) any documents, books, papers, drawings, schematics, models, sketches, computer programs, databases or other data, including electronic data recorded or retrieved by any means, that contain any Proprietary Information; and (viii) any information described above which the Company or any of its affiliates or related entities obtains from another party and which the Company or any of its affiliates or related entities treats as proprietary or designates as Proprietary Information.

2. Company Materials. I understand that the Company and its affiliates, subsidiaries, and related entities possess or will possess "Company Materials" which are important to their respective businesses. For purposes of this Agreement, "Company Materials" are documents or other media or tangible items that contain or embody Proprietary Information or any other information concerning the business, operations or plans of the Company or any of its affiliates or related entities, whether such documents have been prepared by me or by others. "Company

Materials" include charts, graphs, notebooks, customer lists, computer software, media or printouts, sound recordings and other printed, typewritten or handwritten documents, as well as financial models and the like.

3. Intellectual Property.

3.1 All Proprietary Information and all right, title and interest in and to any patents, patent rights, copyrights, trademark rights, mask work rights, trade secret rights, and all other intellectual and industrial property and proprietary rights that currently exist or may exist in the future anywhere in the world (collectively "Rights") in connection therewith shall be the sole property of the Company or its affiliates or related entities, as the case may be. I hereby assign to the Company any Rights I may have or acquire in such Proprietary Information. At all times, both during my employment with the Company and after its termination, I will keep in confidence and trust and will not use or disclose any Proprietary Information or anything relating to it without the prior written consent of an officer of the Company except as may be necessary and appropriate in the ordinary course of performing my duties to the Company. The disclosure restrictions of this Agreement shall not apply to any information that I can document is generally known to the public through no fault of mine. Nothing contained herein will prohibit me from disclosing to anyone the amount of my wages.

3.2 All Company Materials shall be the sole property of the Company. I agree that during my employment with the Company, I will not remove any Company Materials from the business premises of the Company or deliver any Company Materials to any person or entity outside the Company, except as I am required to do in connection with performing the duties of my employment. I further agree that, immediately upon the termination of my employment by me or by the Company for any reason, or for no reason, or during my employment if so requested by the Company, I will return all Company Materials, apparatus, equipment and other physical property, and any reproduction of such property, excepting only (i) my personal copies of records relating to my compensation and (ii) my copy of this Agreement.

3.3 I agree that all "Inventions" (which term includes patentable or non-patentable inventions, original works of authorship, derivative works, trade secrets, trademarks, copyrights, service marks, discoveries, patents, technology, algorithms, computer software, application programming interfaces, protocols, formulas, compositions, ideas, designs, processes, techniques, know-how, data and all improvements, rights and claims related to the foregoing), which I make, conceive, reduce to practice or develop (in whole or in part, either alone or jointly with others) during my employment, shall be the sole property of the Company to the maximum extent permitted by Section 2870 of the California Labor Code. I hereby assign, without further consideration, all such Inventions to the Company (free and clear of all liens and encumbrances), and the Company shall be the sole owner of all Rights in connection therewith. No assignment in this Agreement shall extend to Inventions, the assignment of which is prohibited by Labor Code Section 2870, which states:

> Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on

> his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:
>
> 1. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.
>
> 2. Result from any work performed by the employee for the employer.

I acknowledge that all original works of authorship which are made by me (in whole or in part, either alone or jointly with others) within the scope of my employment and which are protectable by copyright are "works made for hire," as defined in the United States Copyright Act (17 USCA, Section 101). I will not disclose Inventions covered by this Section 3.3 to any person outside the Company, unless I am requested to do so by management personnel of the Company.

3.4 I agree to disclose promptly to the Company all Inventions and relevant records, which records will remain the sole property of the Company. I further agree that all information and records pertaining to any idea, process, trademark, service mark, invention, technology, computer program, original work or authorship, design, formula, discovery, patent, or copyright that I do not believe to be an Invention, but is conceived, developed, or reduced to practice by me (in whole or in part, either alone or jointly with others) during my employment, shall be promptly disclosed to the Company (such disclosure to be received in confidence). I will also disclose to the Company all Inventions conceived, reduced to practice, used, sold, exploited or developed by me (in whole or in part, either alone or jointly with others) within one (1) year of the termination of my employment with the Company ("Presumed Inventions"); such disclosures shall be received by the Company in confidence, to the extent they are not assigned to the Company in Section 3.3, and do not extend such assignment. Because of the difficulty of establishing when any Presumed Invention is first conceived or developed by me, or whether it results from access to Proprietary Information or the Company's equipment, facilities, and data, I agree that all Presumed Inventions and all Rights associated therewith shall be presumed to be Inventions subject to assignment under Section 3.3. I can rebut this presumption if I prove that a Presumed Invention is not an Invention subject to assignment under Section 3.3.

3.5 I agree to perform, during and after my employment, all acts deemed necessary or desirable by the Company to permit and assist it, at the Company's expense, in evidencing, perfecting, obtaining, maintaining, defending and enforcing Rights or my assignment with respect to such Inventions in any and all countries. Should the Company be unable to secure my signature on any document necessary to apply for, prosecute, obtain, enforce or defend any Rights relating to any assigned Invention, whether due to my mental or physical incapacity or any other cause, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents, as my agents and attorneys-in-fact, with full power of substitution, to act for and in my behalf and instead of me, to execute and file any documents and to do all other lawfully permitted acts to further the above purposes with the same legal force and effect as if executed by me.

3.6 Any assignment of copyright hereunder (and any ownership of a copyright as a work made for hire) includes all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as or referred to as "moral rights" (collectively "Moral Rights"). To the extent such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, I hereby waive such Moral Rights and consent to any action of the Company that would violate such Moral Rights in the absence of such waiver and consent. I will confirm any such waivers and consents from time to time as requested by the Company.

3.7 Attached hereto as Exhibit A is a complete list of all existing Inventions to which I claim personal ownership of as of the date of this Agreement and that I desire to specifically clarify are not subject to this Agreement, and I acknowledge and agree that such list is complete. If no such list is attached to this Agreement, I represent that I have no such Inventions at the time of signing this Agreement.

3.8 I understand that nothing in this Agreement is intended to expand the scope of protection provided me by Sections 2870 through 2872 of the California Labor Code.

4. Prior Actions and Knowledge. I represent and warrant that from the time of my first contact or communication with the Company, I have held in strict confidence all Proprietary Information and have not (i) disclosed any Proprietary Information or delivered any Company Materials to anyone outside of the Company or any affiliate or related entity of the Company, or (ii) used, copied, published, or summarized any Proprietary Information or removed any Company Materials from the business premises of the Company, except to the extent necessary to carry out my responsibilities as an employee of the Company.

5. Non-Solicitation of Employees. I agree that for a period of twelve months following the termination of my employment with the Company, I will not, on behalf of myself or any other person or entity, solicit the services of any person who was employed by the Company or any affiliate, subsidiary, or related entity of the Company on the date of my termination of employment or at any time during the six month period prior to the termination of my employment.

6. No Conflict with Obligations to Third Parties. I represent that my performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary or confidential information acquired by me in confidence or in trust prior to my employment with the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith or in conflict with my employment with the Company.

7. Remedies. I recognize that nothing in this Agreement is intended to limit any remedy of the Company under the California Uniform Trade Secrets Act. I recognize that my violation of this Agreement could cause the Company irreparable harm, the amount of which may be extremely difficult to estimate, making any remedy at law or in damages inadequate. Therefore, I agree that the Company shall have the right to apply to any court of competent jurisdiction for an order restraining any breach or threatened breach of this Agreement and for any other relief the Company deems appropriate. This right shall be in addition to any other remedy available to the Company.

8. Survival. I agree that my obligations under Sections 3.1 through 3.6, 5 and 6 shall continue in effect after termination of my employment, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary on my part, and that the Company is entitled to communicate my obligations under this Agreement to any future employer or potential employer of mine.

9. Controlling Law. This Agreement is and shall be governed and construed in accordance with the laws of the State of California, regardless of any laws on choice of law or conflicts of law of any jurisdiction.

10. Severable Provisions. The provisions of this Agreement are severable and if any one or more provisions is determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions, and any partially unenforceable provisions to the extent enforceable, shall nevertheless be binding and enforceable.

11. Successors and Assigns. This Agreement shall be effective as of the date I execute this Agreement and shall be binding upon me, my heirs, executors, assigns, and administrators and shall inure to the benefit of the Company, its subsidiaries, successors and assigns.

12. Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original for all purposes. This Agreement may be executed by a party's signature transmitted by facsimile ("fax"), and copies of this Agreement executed and delivered by means of faxed signatures shall have the same force and effect as copies hereof executed and delivered with original signatures. All parties hereto may rely upon faxed signatures as if such signatures were originals. Any party executing and delivering this Agreement by fax shall promptly thereafter deliver a counterpart signature page of this Agreement containing said party's original signature. All parties hereto agree that a faxed signature page may be introduced into evidence in any proceeding arising out of or related to this Agreement as if it were an original signature page.

13. Rules of Construction. This Agreement has been negotiated by the parties and is to be interpreted according to its fair meaning as if the parties had prepared it together and not strictly for or against any party. References in this Agreement to "Sections" refer to Sections of this Agreement, unless the context expressly indicates otherwise. References to "provisions" of this Agreement refer to the terms, conditions, restrictions and promises contained in this Agreement. References in this Agreement to laws and regulations refer to such laws and regulations as in effect on this date and to the corresponding provisions, if any, of any successor law or regulation. At each place in this Agreement where the context so requires, the masculine, feminine or neuter gender includes the others and the singular or plural number includes the other. Forms of the verb "including" mean "including without limitation" unless the context expressly indicates otherwise. "Or" is inclusive and includes "and" unless the context expressly indicates otherwise. The introductory headings at the beginning of Sections of this Agreement are solely for the convenience of the parties and do not affect any provision of this Agreement.

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14. Amendments and Waivers. This Agreement may not be amended, modified, superseded, canceled, or any terms waived, except by written instrument signed by both parties, or in the case of waiver, by the party to be charged.

I HAVE READ THIS AGREEMENT CAREFULLY AND I UNDERSTAND AND ACCEPT THE OBLIGATIONS WHICH IT IMPOSES UPON ME WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO ME TO INDUCE ME TO SIGN THIS AGREEMENT OTHER THAN THE PROMISES AND REPRESENTATIONS EXPRESSLY STATED IN THIS AGREEMENT AND IN THE EMPLOYMENT AGREEMENT ENTERED INTO BETWEEN ME AND THE COMPANY CONCURRENTLY HEREWITH. I HAVE COMPLETELY NOTED ON EXHIBIT A TO THIS AGREEMENT ANY PROPRIETARY INFORMATION AND INVENTIONS THAT I DESIRE TO EXCLUDE FROM THIS AGREEMENT.

Dated as of: January 1, 2014

/s/ Ron Morrison
RON MORRISON

Accepted and Agreed to:

IMPAC MORTGAGE HOLDINGS, INC.,
a Maryland corporation

By: /s/ Joe Tomkinson

Name: Joe Tomkinson

Title: CEO

EXHIBIT A

EMPLOYEE'S DISCLOSURE

Gentlemen:

1. Except for the information and ideas listed below that rightfully became part of my general knowledge prior to my first contact or communication with the Company or any of its affiliates, subsidiaries, or related entities, I represent that I am not in the possession of and have no knowledge of any information that can be considered the Proprietary Information of Impac Mortgage Holdings, Inc., a Maryland Corporation and/or Any of it's Affiliates and Subsidiaries (the "Company"), other than information disclosed by Company or any of its affiliates or related entities during my employment negotiations or my prior employment with the Company or any of its affiliates or related entities, which I understand and agree is the Proprietary Information of Company or its affiliates, subsidiaries, or related entities, as the case may be.

2. Except for the complete list of Inventions set forth below, I represent that I (in whole or in part, either alone or jointly with others) have not made, conceived, developed or first reduced to practice any Inventions relevant to the subject matter of my employment with the Company prior to my employment with the Company or any of its affiliates, subsidiaries, or related entities.

x No Inventions

o See below:

o Additional sheets attached

/s/ Ron Morrison

RON MORRISON

TO PROPRIETARY RIGHTS AND INVENTIONS AGREEMENT

Exhibit 10.17(d)

AMENDMENT NO. 2
TO MASTER REPURCHASE AGREEMENT

Amendment No. 2, dated as of May 2, 2013 (this "Amendment"), among CREDIT SUISSE FIRST BOSTON MORTGAGE CAPITAL LLC (the "Buyer"), EXCEL MORTGAGE SERVICING, INC. (the "Seller"), INTEGRATED REAL ESTATE SERVICE CORP. and IMPAC MORTGAGE HOLDINGS, INC. (the "Guarantors").

RECITALS

The Buyer, the Seller and the Guarantors are parties to that certain Master Repurchase Agreement, dated as of September 21, 2012 (the "Existing Master Repurchase Agreement"; and as further amended by Amendment No. 1, dated as of February 21, 2013 and this Amendment, the "Master Repurchase Agreement"), and the related Pricing Side Letter, dated as of September 21, 2012. The Guarantors are parties to that certain Guaranty (the "Guaranty"), dated as of September 21, 2012, as the same may be further amended from time to time. Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Existing Master Repurchase Agreement.

The Buyer, the Seller and the Guarantors have agreed, subject to the terms and conditions of this Amendment, that the Existing Master Repurchase Agreement be amended to reflect certain agreed upon revisions to the terms of the Existing Master Repurchase Agreement. As a condition precedent to amending the Existing Master Repurchase Agreement, the Buyer has required the Guarantors to ratify and affirm the Guaranty on the date hereof.

Accordingly, the Buyer, the Seller and the Guarantors hereby agree, in consideration of the mutual promises and mutual obligations set forth herein, that the Existing Master Repurchase Agreement is hereby amended as follows:

SECTION 1. Definitions. Section 2 of the Existing Master Repurchase Agreement is hereby amended by:

1.1 adding the following definition in its proper alphabetical order:

"Jumbo Mortgage Loan" means a Mortgage Loan with an original principal balance in an amount in excess of the then applicable conventional conforming limits, including general limits and high-cost area limits, for Mortgaged Properties securing Mortgage Loans in such county or local area and which is also intended for purchase by Buyer or Buyer's Affiliates; provided, however, that Jumbo Mortgage Loans shall not include any Mortgage Loan with an original principal balance in excess of $3,000,000.

1.2 deleting the definition of "Mortgage Loan" in its entirety and replacing it with the following:

"Mortgage Loan" means any first lien closed Conforming Mortgage Loan, Conforming High LTV Loan, Jumbo Mortgage Loan, FHA Loan, VA Loan or FHA 203(k) Loan which is a fixed or floating-rate, one-to-four-family residential mortgage or

home equity loan evidenced by a promissory note and secured by a first lien mortgage, which satisfies the requirements set forth in the Underwriting Guidelines and Section 13.b hereof; provided, however, that, except with respect to Conforming High LTV Loans and as expressly approved in writing by Buyer, Mortgage Loans shall not include any "high-LTV" loans (i.e., a mortgage loan having a loan-to-value ratio in excess of (a) with respect to FHA Loans or VA Loans, 97% (other than VA High LTV Loans), (b) with respect to Conforming Mortgage Loans (other than Conforming High LTV Loans), up to but not including 105% (provided that Conforming Mortgage Loans, other than Conforming High LTV Loans, with an LTV of 80% or higher must be covered by primary mortgage insurance) or (c) such lower percentage set forth in the Underwriting Guidelines) or any High Cost Mortgage Loans and; provided, further, that the related Purchase Date is no more than thirty (30) days following the origination date.

SECTION 2. Conditions Precedent. This Amendment shall become effective as of the date hereof (the "Amendment Effective Date"), subject to the satisfaction of the following conditions precedent:

2.1 Delivered Documents. On the Amendment Effective Date, the Buyer shall have received the following documents, each of which shall be satisfactory to the Buyer in form and substance:

(a) this Amendment, executed and delivered by the Guarantors and duly authorized officers of the Buyer and the Seller; and

(b) such other documents as the Buyer or counsel to the Buyer may reasonably request.

SECTION 3. Representations and Warranties. The Seller hereby represents and warrants to the Buyer that it is in compliance with all the terms and provisions set forth in the Master Repurchase Agreement on its part to be observed or performed, and that no Event of Default has occurred or is continuing, and hereby confirms and reaffirms the representations and warranties contained in Section 13 of the Master Repurchase Agreement.

SECTION 4. Limited Effect. Except as expressly amended and modified by this Amendment, the Existing Master Repurchase Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms and the execution of this Amendment by the Buyer.

SECTION 5. Severability. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

SECTION 6. Counterparts. This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

SECTION 7. **<u>GOVERNING LAW</u>. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO THE CHOICE OF LAW PROVISIONS THEREOF.**

SECTION 8. <u>Reaffirmation of Guaranty</u>. The Guarantors hereby ratify and affirm all of the terms, covenants, conditions and obligations of the Guaranty and acknowledge and agree that the term "Obligations" as used in the Guaranty shall apply to all of the Obligations of Seller to Buyer under the Master Repurchase Agreement, as amended hereby.

IN WITNESS WHEREOF, the undersigned have caused this Master Repurchase Agreement to be duly executed as of the date first above written.

Credit Suisse First Boston Mortgage Capital LLC, as Buyer

By: /s/ Adam Loskove
Name: Adam Loskove
Title: Vice President

Excel Mortgage Servicing, Inc., as Seller

By: /s/ Todd R. Taylor
Name: Todd R. Taylor
Title: EVP/CFO

Impac Mortgage Holdings, Inc, as a Guarantor

By: /s/ William Ashmore
Name: William Ashmore
Title: President

Integrated Real Estate Service Corp., as a Guarantor

By: /s/ Todd R. Taylor
Name: Todd R. Taylor
Title: EVP/CFO

Exhibit 10.17(e)

AMENDMENT NO. 3
TO PRICING SIDE LETTER

Amendment No. 3, dated as of May 2, 2013 (this "Amendment"), among CREDIT SUISSE FIRST BOSTON MORTGAGE CAPITAL LLC (the "Buyer"), EXCEL MORTGAGE SERVICING, INC. (the "Seller"), INTEGRATED REAL ESTATE SERVICE CORP. and IMPAC MORTGAGE HOLDINGS, INC. (the "Guarantors").

RECITALS

The Buyer, the Seller and the Guarantors are parties to that certain Master Repurchase Agreement, dated as of September 21, 2012 and the related Pricing Side Letter, dated as of September 21, 2012, as amended by Amendment No. 1, dated as of November 19, 2012 and Amendment No. 2, dated as of February 21, 2013 (the "Existing Pricing Side Letter"; and as further amended by this Amendment, the "Pricing Side Letter"). The Guarantors are parties to that certain Guaranty (the "Guaranty"), dated as of September 21, 2012, as the same may be further amended from time to time. Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Existing Pricing Side Letter.

The Buyer, the Seller and the Guarantors have agreed, subject to the terms and conditions of this Amendment, that the Existing Pricing Side Letter be amended to reflect certain agreed upon revisions to the terms of the Existing Pricing Side Letter. As a condition precedent to amending the Existing Pricing Side Letter, the Buyer has required the Guarantors to ratify and affirm the Guaranty on the date hereof.

Accordingly, the Buyer, the Seller and the Guarantors hereby agree, in consideration of the mutual promises and mutual obligations set forth herein, that the Existing Pricing Side Letter is hereby amended as follows:

1.1 Definitions. Section 1 of the Existing Pricing Side Letter is hereby amended by deleting the definitions of "Asset Value," "Pricing Rate" and "Purchase Price Percentage" in its entirety and replacing them with the following:

"Asset Value" means with respect to any Purchased Mortgage Loans as of any date of determination, an amount equal to the product of (a) the Purchase Price Percentage for the Purchased Mortgage Loan and (b) the lesser of (i) the Market Value of the Purchased Mortgage Loan or (ii) the unpaid principal balance of such Purchased Mortgage Loan. Without limiting the generality of the foregoing, Seller acknowledges that (a) in the event that a Purchased Mortgage Loan is not subject to a Take-out Commitment, Buyer may deem the Asset Value for such Mortgage Loan to be no greater than par and (b) the Asset Value of a Purchased Mortgage Loan may be reduced to zero by Buyer if any of the following events occur:

(i) a breach of a representation, warranty or covenant made by Seller in the Agreement with respect to such Purchased Mortgage Loan has occurred and is continuing;

(ii) such Purchased Mortgage Loan is a Non-Performing Mortgage Loan;

(iii) such Purchased Mortgage Loan has been released from the possession of the Custodian under the Custodial Agreement (other than to a Take-out Investor pursuant to a Bailee Letter) for a period in excess of ten (10) calendar days;

(iv) such Purchased Mortgage Loan has been released from the possession of the Custodian under the Custodial Agreement to a Take-out Investor pursuant to a Bailee Letter for a period in excess of thirty (30) calendar days;

(v) such Purchased Mortgage Loan has been subject to a Transaction hereunder for a period of greater than the respective Aging Limit;

(vi) such Purchased Mortgage Loan is an FHA 203(k) Loan for which the Buyer is requested to enter into a Transaction for a draw on such FHA 203(k) Loan other than an initial draw;

(vii) such Purchased Mortgage Loan is a Wet-Ink Mortgage Loan for which the Mortgage File has not been delivered to the Custodian on or prior to the Wet-Ink Delivery Date;

(viii) when the Purchase Price for such Purchased Mortgage Loan is added to other Purchased Mortgage Loans, the aggregate Purchase Price of all Purchased Mortgage Loans of any type of Mortgage Loan set forth below exceeds the applicable percentage listed opposite such type of Mortgage Loan as set forth below:

Type of Mortgage Loan	**Percentage of the Maximum Aggregate Purchase Price (unless otherwise noted)**
Conforming Mortgage Loans	100%
FHA Loans and VA Loans	100%
Jumbo Mortgage Loans	100%
FHA 203(k) Loans	10%
Aged Loans	10%
Wet-Ink Mortgage Loans	30%
Conforming Tier 1 High LTV Loans	25% less the aggregate Purchase Price of any Conforming Tier 2 High LTV Loans
Conforming Tier 2 High LTV Loans	2.5%
VA High LTV Loans	2.5%

"Pricing Rate" means (a) CSCOF plus the applicable percentage listed opposite the type of Mortgage Loan as set forth below:

Type of Mortgage Loan	**Percentage for Mortgage Loans other than Wet-Ink Mortgage Loans or Aged Loans**	**Percentage for Wet-Ink Mortgage Loans(increases calculated based upon original Pricing Rate)**	**Percentage for Aged Loans (increases calculated based upon original Pricing Rate)**
Conforming Mortgage Loan (other than Conforming High LTV Loans)	3.50%	increased by an additional 0.25%	increased by an additional 0.25%
FHA Loan and VA Loan	3.50%	increased by an additional 0.25%	increased by an additional 0.25%
FHA 203(k) Loans	3.50%	increased by an additional 0.25%	increased by an additional 0.25%
Jumbo Mortgage Loans	3.50%	increased by an additional 0.25%	increased by an additional 0.25%
Conforming High LTV Loans	3.75%	increased by an additional 0.25%	increased by an additional 0.25%
VA High LTV Loans	3.75%	increased by an additional 0.25%	increased by an additional 0.25%

(b) the rate determined in the sole discretion of Buyer with respect to Transactions the subject of which are Exception Mortgage Loans and any other Transactions so identified by the Buyer in agreeing to enter into a Transaction with respect to such Exception Mortgage Loan.

The Pricing Rate shall change in accordance with CSCOF, as provided in Section 5(a). Where a Purchased Mortgage Loan may qualify for two or more Pricing Rates hereunder, unless otherwise expressly agreed to by the Buyer in writing, such Purchased Mortgage Loan shall be assigned the higher Pricing Rate, as applicable.

1.2 "Purchase Price Percentage" means, (a) the applicable percentage listed opposite the type of Mortgage Loan as set forth below:

Type of Mortgage Loan	**Percentage for Mortgage Loans other than Aged Loans**	**Percentage for Aged Loans (reductions calculated based upon original Purchase Price Percentage)**
Conforming Mortgage Loan (other than Conforming High LTV Loans)	95%	reduced by an additional 5%
FHA Loan and VA Loan	95%	reduced by an additional 5%
FHA 203(k) Loans	95%	reduced by an additional 5%
Jumbo Mortgage Loans	95%	reduced by an additional 5%
Wet-Ink Mortgage Loans	Percentage based on type of Mortgage Loan	n/a
Conforming High LTV Loans	95%	reduced by an additional 5%
VA High LTV Loans	95%	reduced by an additional 5%

(b) with respect to Transactions the subject of which are Exception Mortgage Loans, a percentage to be determined by Buyer in its sole discretion, provided that in the absence of an Exception Notice, the applicable Purchase Price Percentage for such Purchased Mortgage Loan shall be reduced by 10% every ten (10) Business Day period, such reduction to occur at the outset of each such ten (10) Business Day period, commencing on the date that such Mortgage Loan becomes an Exception Mortgage Loan.

Where a Purchased Mortgage Loan may qualify for two or more Purchase Price Percentages hereunder, unless otherwise expressly agreed to by the Buyer in writing, such Purchased Mortgage Loan shall be assigned the lower Purchase Price Percentage, as applicable.

SECTION 2. Conditions Precedent. This Amendment shall become effective as of the date hereof (the "Amendment Effective Date"), subject to the satisfaction of the following conditions precedent:

2.1 Delivered Documents. On the Amendment Effective Date, the Buyer shall have received the following documents, each of which shall be satisfactory to the Buyer in form and substance:

(a) this Amendment, executed and delivered by the Guarantors and duly authorized officers of the Buyer and the Seller; and

(b) such other documents as the Buyer or counsel to the Buyer may reasonably request.

SECTION 3. Representations and Warranties. The Seller hereby represents and warrants to the Buyer that it is in compliance with all the terms and provisions set forth in the Master Repurchase Agreement on its part to be observed or performed, and that no Event of Default has occurred or is continuing, and hereby confirms and reaffirms the representations and warranties contained in Section 13 of the Master Repurchase Agreement.

SECTION 4. Limited Effect. Except as expressly amended and modified by this Amendment, the Existing Pricing Side Letter shall continue to be, and shall remain, in full force and effect in accordance with its terms and the execution of this Amendment by the Buyer.

SECTION 5. Severability. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

SECTION 6. Counterparts. This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

SECTION 7. **GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO THE CHOICE OF LAW PROVISIONS THEREOF.**

SECTION 8. Reaffirmation of Guaranty. The Guarantors hereby ratify and affirm all of the terms, covenants, conditions and obligations of the Guaranty and acknowledge and agree that the term "Obligations" as used in the Guaranty shall apply to all of the Obligations of Seller to Buyer under the Pricing Side Letter, as amended hereby.

IN WITNESS WHEREOF, the undersigned have caused this Pricing Side Letter to be duly executed as of the date first above written.

Credit Suisse First Boston Mortgage Capital LLC, as Buyer

By: /s/ Adam Loskove
Name: Adam Loskove
Title: Vice President

Excel Mortgage Servicing, Inc., as Seller

By: /s/ Todd R. Taylor
Name: Todd R. Taylor
Title: EVP/CFO

Impac Mortgage Holdings, Inc, as a Guarantor

By: /s/ William Ashmore
Name: William Ashmore
Title: President

Integrated Real Estate Service Corp., as a Guarantor

By: /s/ Todd R. Taylor
Name: Todd R. Taylor
Title: EVP/CFO

Exhibit 10.17(f)

AMENDMENT NO. 4
TO PRICING SIDE LETTER

Amendment No. 4, dated as of June 7, 2013 (this "Amendment"), among CREDIT SUISSE FIRST BOSTON MORTGAGE CAPITAL LLC (the "Buyer"), EXCEL MORTGAGE SERVICING, INC. (the "Seller"), INTEGRATED REAL ESTATE SERVICE CORP. and IMPAC MORTGAGE HOLDINGS, INC. (the "Guarantors").

RECITALS

The Buyer, the Seller and the Guarantors are parties to that certain Master Repurchase Agreement, dated as of September 21, 2012 and the related Pricing Side Letter, dated as of September 21, 2012, as amended by Amendment No. 1, dated as of November 19, 2012, Amendment No. 2, dated as of February 21, 2013 and Amendment No. 3, dated as of May 2, 2013 (the "Existing Pricing Side Letter"; and as further amended by this Amendment, the "Pricing Side Letter"). The Guarantors are parties to that certain Guaranty (the "Guaranty"), dated as of September 21, 2012, as the same may be further amended from time to time. Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Existing Pricing Side Letter.

The Buyer, the Seller and the Guarantors have agreed, subject to the terms and conditions of this Amendment, that the Existing Pricing Side Letter be amended to reflect certain agreed upon revisions to the terms of the Existing Pricing Side Letter. As a condition precedent to amending the Existing Pricing Side Letter, the Buyer has required the Guarantors to ratify and affirm the Guaranty on the date hereof.

Accordingly, the Buyer, the Seller and the Guarantors hereby agree, in consideration of the mutual promises and mutual obligations set forth herein, that the Existing Pricing Side Letter is hereby amended as follows:

1.1 Definitions. Section 1 of the Existing Pricing Side Letter is hereby amended by:

(a) adding the following definition in its proper alphabetical order:

"Conforming Tier 3 High LTV Loan" means a Conforming Mortgage Loan with an LTV higher than 150%.

(b) deleting the definitions of "Asset Value," "Conforming High LTV Loan," and "Conforming Tier 2 High LTV Loan" and replacing them with the following:

"Asset Value" means with respect to any Purchased Mortgage Loans as of any date of determination, an amount equal to the product of (a) the Purchase Price Percentage for the Purchased Mortgage Loan and (b) the lesser of (i) the Market Value of the Purchased Mortgage Loan or (ii) the unpaid principal balance of such Purchased Mortgage Loan. Without limiting the generality of the foregoing, Seller acknowledges that (a) in the event that a Purchased Mortgage Loan is not subject to a Take-out

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Commitment, Buyer may deem the Asset Value for such Mortgage Loan to be no greater than par and (b) the Asset Value of a Purchased Mortgage Loan may be reduced to zero by Buyer if any of the following events occur:

(i) a breach of a representation, warranty or covenant made by Seller in the Agreement with respect to such Purchased Mortgage Loan has occurred and is continuing;

(ii) such Purchased Mortgage Loan is a Non-Performing Mortgage Loan;

(iii) such Purchased Mortgage Loan has been released from the possession of the Custodian under the Custodial Agreement (other than to a Take-out Investor pursuant to a Bailee Letter) for a period in excess of ten (10) calendar days;

(iv) such Purchased Mortgage Loan has been released from the possession of the Custodian under the Custodial Agreement to a Take-out Investor pursuant to a Bailee Letter for a period in excess of thirty (30) calendar days;

(v) such Purchased Mortgage Loan has been subject to a Transaction hereunder for a period of greater than the respective Aging Limit;

(vi) such Purchased Mortgage Loan is an FHA 203(k) Loan for which the Buyer is requested to enter into a Transaction for a draw on such FHA 203(k) Loan other than an initial draw;

(vii) such Purchased Mortgage Loan is a Wet-Ink Mortgage Loan for which the Mortgage File has not been delivered to the Custodian on or prior to the Wet-Ink Delivery Date;

(viii) when the Purchase Price for such Purchased Mortgage Loan is added to other Purchased Mortgage Loans, the aggregate Purchase Price of all Purchased Mortgage Loans of any type of Mortgage Loan set forth below exceeds the applicable percentage listed opposite such type of Mortgage Loan as set forth below:

Type of Mortgage Loan	Percentage of the Maximum Aggregate Purchase Price (unless otherwise noted)
Conforming Mortgage Loans	100%
FHA Loans and VA Loans	100%
Jumbo Mortgage Loans	100%
FHA 203(k) Loans	10%
Aged Loans	10%

Wet-Ink Mortgage Loans	30%

Conforming High LTV Loans (Conforming Tier 1 High LTV Loans, Conforming Tier 2 High LTV Loans and Conforming Tier 3 High LTV Loans, combined)	25% less the aggregate Purchase Price of any Conforming Tier 2 High LTV Loans and Conforming Tier 3 High LTV Loans
Conforming Tier 2 High LTV Loans	2.5%
Conforming Tier 3 High LTV Loans	2.5%
VA High LTV Loans	2.5%

"Conforming High LTV Loan" means collectively the Conforming Tier 1 High LTV Loan, the Conforming Tier 2 High LTV Loan and the Conforming Tier 3 High LTV Loan.

"Conforming Tier 2 High LTV Loan" means a Conforming Mortgage Loan with an LTV higher than 125% but not to exceed 150%.

SECTION 2. Conditions Precedent. This Amendment shall become effective as of the date hereof (the "Amendment Effective Date"), subject to the satisfaction of the following conditions precedent:

2.1 Delivered Documents. On the Amendment Effective Date, the Buyer shall have received the following documents, each of which shall be satisfactory to the Buyer in form and substance:

(a) this Amendment, executed and delivered by the Guarantors and duly authorized officers of the Buyer and the Seller; and

(b) such other documents as the Buyer or counsel to the Buyer may reasonably request.

SECTION 3. Representations and Warranties. The Seller hereby represents and warrants to the Buyer that it is in compliance with all the terms and provisions set forth in the Master Repurchase Agreement on its part to be observed or performed, and that no Event of Default has occurred or is continuing, and hereby confirms and reaffirms the representations and warranties contained in Section 13 of the Master Repurchase Agreement.

SECTION 4. Limited Effect. Except as expressly amended and modified by this Amendment, the Existing Pricing Side Letter shall continue to be, and shall remain, in full force and effect in accordance with its terms and the execution of this Amendment by the Buyer.

SECTION 5. Severability. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

SECTION 6. Counterparts. This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

SECTION 7. **GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO THE CHOICE OF LAW PROVISIONS THEREOF.**

SECTION 8. Reaffirmation of Guaranty. The Guarantors hereby ratify and affirm all of the terms, covenants, conditions and obligations of the Guaranty and acknowledge and agree that the term "Obligations" as used in the Guaranty shall apply to all of the Obligations of Seller to Buyer under the Pricing Side Letter, as amended hereby.

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

Credit Suisse First Boston Mortgage Capital LLC, as Buyer

By: /s/ Peter Schancup
Name: Peter Schancup
Title: Vice President

Excel Mortgage Servicing, Inc., as Seller

By: /s/ Todd R. Taylor
Name: Todd R. Taylor
Title: EVP/CFO

Impac Mortgage Holdings, Inc., as a

By: /s/ William Ashmore
Name: William Ashmore
Title: President

Integrated Real Estate Service Corp., as a Guarantor

By: /s/ Todd R. Taylor
Name: Todd R. Taylor
Title: EVP/CFO

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EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

Name of Subsidiary	State of Incorporation
Impac Funding Corporation	California
IMH Assets Corp.	California
Integrated Real Estate Service Corporation (1)	Maryland

(1) IRES owns 100% of Impac Mortgage Corp., a California corporation formerly known as Excel Mortgage Servicing, Inc.

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EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-169316, 333-185195 and 333-193489) of Impac Mortgage Holdings, Inc. (the "Company") of our reports dated March 20, 2014 with respect to the consolidated financial statements of the Company and the effectiveness of the Company's internal control over financial reporting included in this Annual Report (Form 10-K) for the year ended December 31, 2013.

/s/ SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

Newport Beach, California
March 20, 2014

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Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Exhibit 31.1

CERTIFICATION

I, Joseph R. Tomkinson, certify that:

1. I have reviewed this report on Form 10-K of Impac Mortgage Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOSEPH R. TOMKINSON
Joseph R. Tomkinson
Chief Executive Officer
March 20, 2014

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Exhibit 31.1

CERTIFICATION

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Exhibit 31.2

CERTIFICATION

I, Todd R. Taylor, certify that:

1. I have reviewed this report on Form 10-K of Impac Mortgage Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ TODD R. TAYLOR
Todd R. Taylor
Chief Financial Officer
March 20, 2014

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Exhibit 31.2

CERTIFICATION

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Exhibit 32.1

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

In connection with the annual report of Impac Mortgage Holdings, Inc. (the "Company") on Form 10-K for the period ending December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

/s/ JOSEPH R. TOMKINSON
Joseph R. Tomkinson
Chief Executive Officer
March 20, 2014

/s/ TODD R. TAYLOR
Todd R. Taylor
Chief Financial Officer
March 20, 2014

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Exhibit 32.1

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